FUTURAMEDICAL

Futura Medical plc

Focused on the future

Annual Report and Accounts
2023

INTRODUCING

Our 2023 Annual Report

WELCOME TO THE FUTURA MEDICAL ANNUAL REPORT

Futura Medical specialises in the development and global commercialisation of innovative and proprietary sexual health products. Our lead product is Eroxon®, a clinically proven breakthrough treatment for erectile dysfunction.

We are experts in the research, development and commercialisation of topically delivered gel formulations.

Our purpose is to provide a range of clinically proven sexual health products that enhance quality of life.

CONTENTS

Delivering clinically proven products to improve sexual health

Futura specialises in the development and global commercialisation of innovative and proprietary sexual health products. Our lead product is Eroxon®, a clinically proven breakthrough treatment for erectile dysfunction ("ED"). We are experts in the research, development and commercialisation of topically delivered gel formulations to improve sexual health. Our purpose is to provide a range of clinically proven sexual health products that enhance quality of life.

Futura Medical is based in Guildford, United Kingdom ("UK") and is listed on the AIM market of the London Stock Exchange. We are an agile, driven and committed team with extensive experience in the research, development and commercialisation of consumer health products globally with a particular expertise in Europe and the United States of America ("USA").

Futura's business model focuses on a de-risked go-to-market strategy via leading consumer healthcare partners who are well resourced to commit significant marketing spend and expertise. Futura has distribution partners in place for Eroxon® in a number of major consumer markets including Haleon plc ("Haleon") in the USA, the largest consumer health market in the world, and Cooper Consumer Health in Europe.

Eroxon®, Futura's clinically proven lead product, has been developed for the treatment of ED. Eroxon® is approved in a number of markets across the world including in Europe and the USA. Eroxon® launched in its first markets the UK and Belgium in March 2023, being available to consumers for the first time and changing the lives of men with ED and their partners. Launches in the UK and Belgium were followed by "soft-launches" in other European countries and by the first launch in the Middle East in 2023 with further launches in both regions taking place in 2024.

The highly differentiated product, which is the only topical gel treatment for ED available over-the-counter ("OTC") and helps men get an erection in ten minutes, addresses significant unmet needs in the ED market.

EROXON® IS THE ANSWER:

- It is the first OTC topical gel clinically proven for the treatment of ED
- It is the only topical gel treatment for ED available without the need of a doctor's prescription
- It helps men get an erection in ten minutes, addressing significant unmet needs in the ED market.

Read more about our **Strategy** on **page 21**

Read about **our commercial partners** on **page 16**

Read more about our **Marketplace** on **page 11**

Read about **Eroxon®** on **page 25**

20%

ED impacts around 20% of men globally across all age brackets[1]

50%

Approximately half of all men over 40 experience ED[2]

25%

Around 25% of new diagnoses are in men under 40[3]

1 EMA, Withdrawal assessment report for Viagra, 2008
2 Feldman HA et al. J Urol 1994; 151: 54 – 61
3 Pozzi, J of Sexual Medicine, Volume 20, 2022

INVESTMENT CASE

We utilise our expertise to deliver long-term shareholder value

LARGE, GROWING AND UNDERSERVED ADDRESSABLE MARKET

ED impacts around 20% of men globally across all adult age brackets[1], with approximately 50% of all men over 40 experiencing ED[2] and around 25% of all new diagnoses being in men under 40[3]. Over-the-counter ("OTC") availability, longer lasting, faster acting and affordability are the top unmet needs for ED treatments[4].

Read more about **the ED market** on **page 11**

HIGH BARRIERS TO ENTRY

Futura has already taken first mover advantage with regulatory approvals in key markets such as the USA and European Union ("EU") as well as having distribution agreements in place with leading consumer healthcare partners. In addition, the Company has patents granted or pending in over 30 countries including all the key ED markets.

View **our regulatory approvals and licensing deals** on **page 15**

INNOVATIVE AND EXPERIENCED TEAM

Futura has an innovative and experienced Research and Development ("R&D") team in place to broaden the Eroxon® range and develop range extension products.

Futura has gained unique knowledge and expertise in the new and underserved OTC sexual health category and therefore has the capability to build upon market research already undertaken to identify product extensions and potentially new market segments for OTC products.

Read more about **our Board of Directors** on **page 39**

1 EMA, Withdrawal assessment report for Viagra, 2008
2 Feldman HA et al. J Urol 1994; 151: 54 – 61
3 Pozzi, J of Sexual Medicine, Volume 20, 2022
4 Ipsos research carried out on behalf of Futura in the USA, 2022

INVESTMENT CASE

SIGNIFICANTLY DIFFERENTIATED LEAD PRODUCT

Our lead clinically proven product Eroxon® is significantly differentiated against its peers, being OTC and quicker to work.

Eroxon® is the only topical gel treatment for ED available over the counter and helps men get an erection in ten minutes. Being OTC significantly improves access for men or their partners without the normal cost or embarrassment, issues often associated with consultation of a healthcare practitioner. According to IPSOS research, users who are dissatisfied with their current medication mostly cite limited efficacy, slow onset of action, and side effects as the source of their dissatisfaction[4].

Read more about **Eroxon®** on **page 25**

DE-RISKED GO-TO-MARKET STRATEGY

Significant low-cost opportunity to broaden the availability of Eroxon® rapidly and efficiently worldwide through de-risked go-to-market strategy via leading consumer healthcare partners who are well resourced to commit significant marketing spend and expertise.

Futura has distribution partners in place in a number of major consumer markets including Haleon in the USA, the largest consumer healthcare market in the world, and Cooper Consumer Health in Europe. These partners manage the marketing and distribution of the product, investing their own significant capital to market Eroxon® and broaden its availability rapidly and efficiently.

Read more about **our business model** on **page 19**

AT AN INFLECTION POINT

The Company is at an inflection point following recent commercialisation with first meaningful revenues generated. Strong cash balance and capital light corporate structure provide sufficient funding for the growth strategy.

The first meaningful revenues generated from product sales and the broader success of the UK launch have been a catalyst for significant strategic progress across multiple markets. With the nature of the model, partnering with leading consumer healthcare partners, there is low capital commitment needed from Futura to significantly broaden the reach of Eroxon® and deliver on the Company's growth strategy.

Read more in **our Financial Review** on **page 29**

A transformational year for the Group

2023 has been a year of huge progress across the business with key milestones being achieved towards the commercialisation of Eroxon®, particularly in Europe and the USA.

OPERATIONAL HIGHLIGHTS

- Significant progress has been made in key target markets
  - Food and Drug Administration ("FDA") marketing authorisation for Eroxon® in the USA, the largest consumer healthcare market in the world
  - Haleon plc secured as distribution partner for the USA and US$ 4 million upfront payment received which will be recognised in FY24
  - Successful UK and Belgium launches in March 2023 through Cooper Consumer Health ("Cooper")
  - Granted allowance of EU patent which will provide protection for Eroxon® until 2040 in all key European markets
  - Approvals received in a number of new markets, including Saudi Arabia, Mexico and Australia, as well as launching in the United Arab Emirates ("UAE")
- Proven demand for Eroxon® – early data shows c. 20% market share in the UK and Belgium

FINANCIAL HIGHLIGHTS

- The Company delivered first meaningful revenues of £3.1 million (2022: £nil) following the launch of Eroxon®
- Gross profit of £1.8 million (2022: £nil) reflecting a gross margin of 57%
- Adjusted operating loss of £4.2 million*
- Loss after tax of £6.51 million (2022: £5.85 million)
- Strong cash position of £7.7 million (2022: £4.0 million), supported by the Company's efficient operating model and tight cost controls

POST PERIOD END

- Extension of licensing agreement with Cooper to 2029
- Eroxon® available on prescription in England and Wales, improving availability and raising awareness

FEB 2023 – Presentation at ESSM Congress

JUN 2023 – Eroxon® granted US FDA approval for OTC sale

AUG 2023 – Regulatory approval granted in Saudi Arabia and Australia

OCT 2023 – First launch in the Middle East

NOV 2023 – Eroxon® awarded "New product of the year" by Boots

DEC 2023 – Eroxon® approved on the NHS Drug Tariff

MAR 2023 – Launch in the UK and Belgium

JUL 2023 – Commercialisation agreement with Haleon for the USA

OCT 2023 – European patent granted for Eroxon®

OCT 2023 – Marketing authorisation granted in Mexico

NOV 2023 – M8 Pharmaceuticals partnership expanded

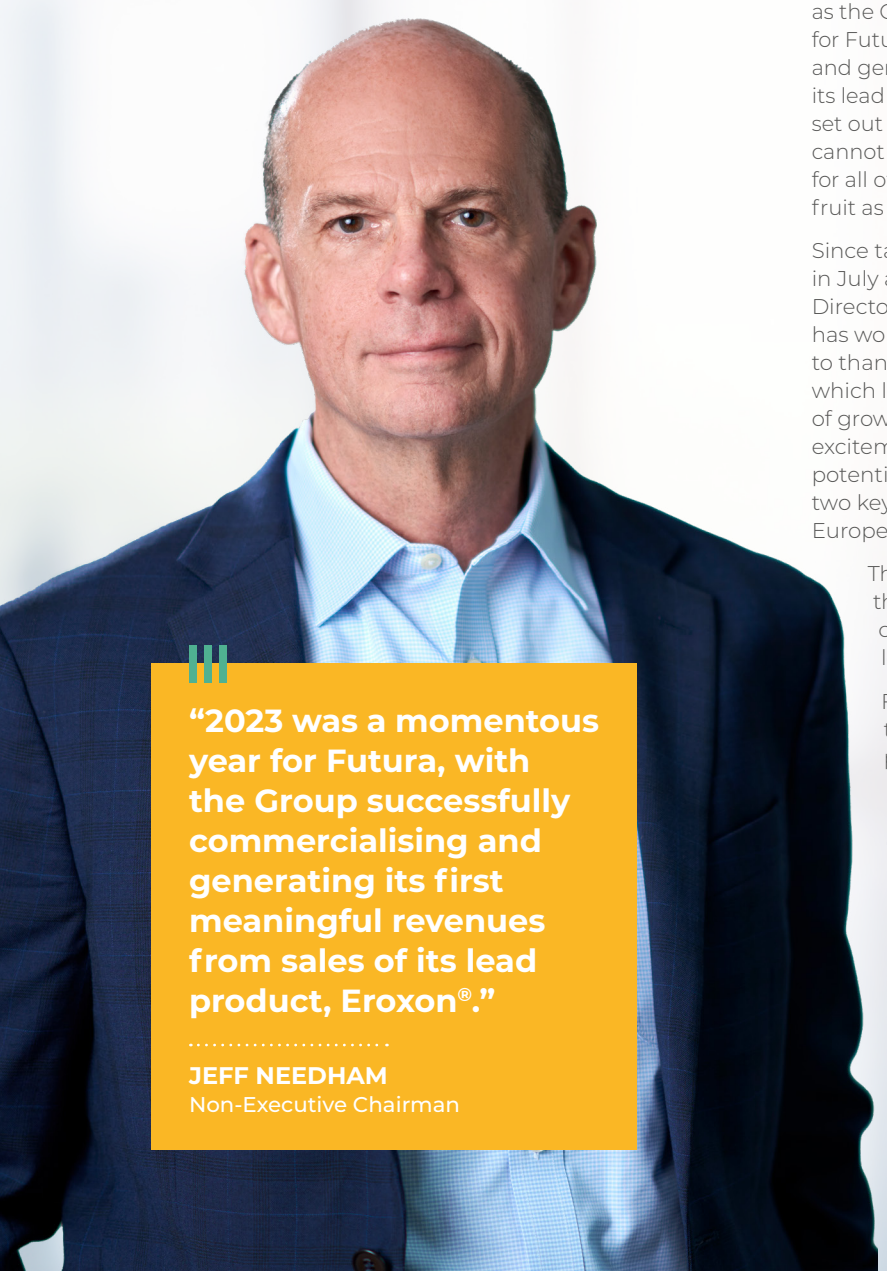
Key
- Regulatory approvals
- Product launches
- Licensing deals
- Other

* Adjusted for a non-cash share-based payment charge of £2.72 million (2022: £0.67 million). The share-based payment charge predominantly relates to the Long Term Incentive Plan ("LTIP") award in October 2023.

Strategic Report

STRATEGIC REPORT

We have built a solid foundation from which to seize our clear opportunity for growth



"2023 was a momentous year for Futura, with the Group successfully commercialising and generating its first meaningful revenues from sales of its lead product, Eroxon®."

JEFF NEEDHAM
Non-Executive Chairman

It gives me great pleasure to present my first set of results as the Chairman of Futura. 2023 was a momentous year for Futura, with the Group successfully commercialising and generating its first meaningful revenues from sales of its lead product, Eroxon®, delivering on the objectives we set out at the beginning of the period. This achievement cannot be overstated, and my thanks go to the wider team for all of their efforts this year, which are beginning to bear fruit as we enter the next, exciting phase of Futura's journey.

Since taking over the role of Chairman from John Clarke in July and while serving on the Board as a Non-Executive Director before this, I have seen how tirelessly the team has worked to make such excellent progress. I would like to thank John again, for all his contributions and guidance which left the Company well positioned for its next phases of growth. I undertook my role as Chairman with great excitement as we are on the cusp of huge commercial potential having a unique product already approved in the two key erectile dysfunction (ED) markets of the USA and Europe.

The market opportunity for Eroxon® is large and there are three crucial factors that give me great confidence that Eroxon® will establish itself as a leading brand in the markets in which it is launched.

Firstly, it is the first pure OTC brand on the shelf that will be accessible to consumers without a prescription or the need for interaction with a pharmacist during the purchasing process. This "open accessibility" for the consumer is critical to creating a large market for the brand. Secondly, Eroxon®'s fast onset of action, with its key brand claim of "helps you get an erection within 10 minutes", is a major product advantage over the traditional oral ED drugs that typically take 30 to 60 minutes to have an effect. And, thirdly, Futura has been successful in entering into agreements with market leading commercial partners that possess deep expertise in executing and managing successful consumer brand launches. We are excited that we have the building blocks in place to realise success in our key markets.

In the year, we have seen the successful rollout of Eroxon® in the UK and Belgium, FDA marketing authorisation in the USA and the subsequent licensing agreement with Haleon, as well as further agreements made with our distributors across our other markets. The Board's priority now is to build on this and ensure the successful commercialisation of Eroxon® around the world, especially in the USA, the largest consumer healthcare market in the world. This, coupled with the delivery of recurring revenues and profits is what the whole business is working towards and is energised to achieve.

We were delighted to welcome Roy Davis to the Board in January 2024, further strengthening our ability to deliver on our strategy. With a wealth of experience in the commercialisation of medical device development companies and a proven track record of successfully scaling businesses and delivering substantial shareholder value, Roy's expertise will be invaluable moving forward.

Alongside the commercialisation of Eroxon®, we remain focused on the evolution and development of innovative sexual health products. We have a small but highly experienced R&D team, who have delivered a world first product in Eroxon®. We are proud of our R&D heritage and are already exploring where next to apply this resource, in a cost-efficient way, as we seek to develop further clinically proven sexual health products in the medium to long term.

Looking to the year ahead, we are excited to continue to build on the progress made this year. With a clearly laid out strategy, motivated team, solid foundations to build on and exciting partnerships in place, we are confident in the long-term prospects of the Group.

By order of the Board

JEFF NEEDHAM
Non-Executive Chairman

Futura Medical plc

9 April 2024

2023 – Delivering against our strategic objectives

"We delivered on the three key objectives that we set out in 2023: achieving marketing authorisation in the USA; securing a standout US distribution partner in Haleon plc and reporting our first meaningful revenues."

JAMES BARDER
Chief Executive

I am very proud to be able to report the progress we achieved in 2023. The year marks a pivotal moment for Futura having delivered our first meaningful revenues from our lead product, Eroxon®. To be able to walk into the UK's leading pharmacy and health and beauty retailers across the country and see our product on the shelves in over 2,500 stores is truly momentous, but just the start.

We delivered on the three key objectives that we set out in 2023: achieving marketing authorisation in the USA; securing a standout US distribution partner in Haleon plc for the largest consumer healthcare market in the world and reporting our first meaningful revenues.

Erectile dysfunction ("ED") should not be underestimated. Globally it impacts approximately 20% of men[1], affecting all age ranges, with approximately 50% of men over 40 experiencing ED[2] and around 25% of new diagnoses being in men under 40[3]. Moreover, with a globally ageing population, this is a large market that is expected to continue to grow. Research shows this is an underserved market with the majority of those affected yet to be diagnosed, whilst within the cohort that have been diagnosed, there is a high proportion that are not on treatment or stop treatment after one year. Our market research shows limited efficacy, slow onset of action, side effects and costs as the main sources of their dissatisfaction[4].

Our lead product, Eroxon®, addresses many of these needs. Clinically proven, it is the only topical gel treatment for ED available over the counter ("OTC") and helps men get an erection in ten minutes. Cost and embarrassment can be a blocker to seeking a solution to ED, particularly in many parts of the world where erectile dysfunction still holds a significant stigma within society.

Eroxon®, being a clinically proven treatment available without the need of consulting with a doctor, reducing the need for consultation fees, significantly improves ease of access for men and their partners.

Following the launch of Eroxon® in the UK and Belgium, we generated revenue of £3.1 million from product sales in 2023. As noted in our trading update in February, this performance was then followed by a strong start to 2024, as orders in excess of £0.5 million placed with our UK manufacturer for contractual delivery in December 2023 were delivered late in early January 2024. The Company delivered a gross margin of approximately 57% and ended the period with a cash position of £7.7 million, providing a solid foundation for Futura as it enters 2024.

We continue to build on a leading position in the development of a topical gel treatment for ED, with high barriers to entry and first mover advantage. Our leading position is the result of the significant resources we have invested into R&D and a lot of hard work, and I would like to extend my thanks to our dedicated and loyal team for their unwavering commitment and support of the business which has now started to come to fruition.

STRATEGY UPDATE

In our 2022 Annual Report we set out five priorities for the year ahead, below we cover the progress we have made during 2023 against these priorities.

1. Marketing authorisation of Eroxon® by the US FDA as an OTC De Novo medical device in Q2 2023.

In June 2023, Eroxon® received FDA marketing authorisation in the USA, the largest consumer healthcare market in the world. Eroxon® is the first OTC topical gel available to treat ED in the USA, a huge breakthrough for Futura and a significant milestone on our journey. The FDA sets a very high standard in evaluating the effectiveness and safety of De Novo Medical Devices and I am therefore delighted that we met this standard with our submission of 22 clinical, biocompatibility, human factor studies and performance bench tests which were rigorously reviewed and accepted by the FDA.

2. First launches of Eroxon® in Europe and first revenues reported, with further launches planned in 2024.

Our European distribution partner, Cooper, launched in the UK and Belgium in March, followed in July with *soft launches*, providing initial online-only availability without advertising or promotional spend in France, Italy and Spain. The results of the launches in these initial markets have been encouraging, with Eroxon® taking c. 20% market share of approved ED treatments in the UK and Belgium within 12 months of launch, very strong media interest in the launch, early signs of repeat purchase from customers, and Eroxon® receiving several industry awards.

The success of the partnership with Cooper to date was demonstrated through the recent extension of the licensing agreement until January 2029, with full launches in at least ten countries including key European markets such as France, Italy and Spain already occurred or expected during the first half of 2024. The granting of Futura's EU patent for Eroxon® until 2040 further cements the intellectual property of the product as Cooper continues the roll out.

3. Sign further agreements for key markets and countries worldwide – with the USA being the main focus – to build a strong global network of licensing and distribution partners and a strong brand identity for Eroxon®.

Following FDA marketing authorisation in the USA, we were delighted to secure agreement with Haleon, one of the world's leading consumer healthcare companies, for exclusive marketing and distribution rights in the USA. As part of the agreement, Haleon will commercialise Eroxon® in the USA as the first and only clinically proven gel treatment for ED, available OTC without a prescription. The USA is the biggest consumer healthcare market globally. Haleon will be responsible for all advertising and promotional activities related to the launch and marketing of the product in the USA. We believe Haleon, with its strong capabilities in brand-building and marketing through an unrivalled breadth of channels, as well as its connections and market reach, makes the ideal partner to introduce Eroxon® to the millions of men with ED in the USA. We continue to work closely with Haleon on the preparation for the launch which is progressing well and will update shareholders on timings as appropriate.

During the year, we also further strengthened our relationship with our distribution partner for Central and South America, M8 Pharmaceuticals Inc ("M8"), by expanding our current agreement for Brazil and Mexico to include a further fourteen countries covering the Central and South American region. M8 is an excellent partner with dedicated brand-building and marketing experience, as well as a strong and reputable consumer healthcare presence in South and Central America.

In conjunction with our advisers, we continually look to strengthen our Intellectual Property portfolio whenever possible and have recently filed three new patent applications in relation to Eroxon®. These are new submissions in addition to the patent that the EU granted allowance in September 2023 and we expect to receive further patent approval across other key ED markets during 2024 and beyond providing protection for Eroxon® until 2040.

4. Continue to support our commercial partners in their own submissions to local regulatory bodies and in their launch preparations.

Alongside our distribution partner for the Middle East, Labatec Pharma, Eroxon® has been granted regulatory approval in six Middle Eastern countries, including the Kingdom of Saudi Arabia and the United Arab Emirates.

In addition, the Mexican Secretariat of Health granted OTC sale marketing authorisation for Eroxon® in Mexico.

We also continue to make submissions in those countries where we currently do not have distributors but where the existing EU MDR approval is evidence of conformity of local national requirements thereby simplifying the regulatory approval procedure. Australia being one of such countries where in 2023 we received approval for Eroxon®.

Post-period end, we announced that Eroxon®, with effect from 1 March 2024, is available to be prescribed by doctors in England and Wales for the treatment of ED as well as the existing OTC availability of Eroxon®. The purpose is to increase the awareness and credibility of Eroxon® amongst healthcare professionals.

5. Expand our supply chain and manufacturing capabilities to increase supply chain robustness and capacity.

As we start to supply Eroxon® to our distributors around the globe it is essential that we have a robust supply chain in place to provide greater supply certainty, as well as additional capacity based on both Futura and distribution partners' sales projections moving forwards. To this end, we have developed strategic partnerships with two new contract manufacturers ("CMO"), one located in the

USA and the other in the EU to supply product to our commercial partners. These supply chain partners will be central to the long-term success of the product, and we are working closely with them to deliver continuity of supply, with a product of high quality at the lowest cost possible.

FUTURE STRATEGY

2023 has seen us move from a pre-revenue R&D company to a business with first meaningful revenues being generated from commercial sales of Eroxon®. This is a significant step forward and therefore it feels appropriate to refine our strategy as follows:

To commercialise innovative and clinically proven products for the OTC sexual health market. We will partner with leading consumer healthcare partners who are well resourced to commit significant marketing spend and expertise to engage effectively with consumers.

This approach is aligned with the demographic changes of ageing populations, increasing prosperity and the expectation of people to lead a full and active life no matter their age.

With an innovative R&D team, we will look to fulfil the needs of the large, underserved OTC sexual health market.

Going forwards, we will report against three strategic pillars:

1. Address the growing needs within the OTC sexual health market
2. Broaden the Company's clinically proven product range leveraging its innovative and experienced R&D capability whilst being mindful of costs and focusing on return on investment ("ROI")
3. Commit to delivering strong returns for shareholders, sustained profitability and financial discipline

Our priorities for 2024 are:

- **Address** – Address worldwide demand for Eroxon® through strengthening our supply chain and commercial network whilst achieving further regulatory approvals and further launches across the world
- **Broaden** – Explore other range extensions as well as new innovative products within the sexual health category to meet further unmet demand, supported by clinical data whilst remaining mindful of costs
- **Commit** – Deliver further revenue growth and progress on the path towards profitability in the next 12 months

FOCUS FOR FY24 AND OUTLOOK

2023 was a year of significant achievement and I expect 2024 to be a year of precise execution primarily with the further commercialisation of Eroxon®. The first meaningful revenues generated from product sales and the broader success of the UK launch have been a catalyst for significant strategic progress across multiple markets and we expect this to continue.

We have a fantastic springboard from which to deliver our de-risked, go-to-market strategy, and we have confidence that we have found the best distribution partners for our product.

As stated previously, we continue to work with Haleon on preparations for the US launch and look forward to updating shareholders in due course.

Futura has already taken first mover advantage with regulatory approvals and distribution agreements in place with leading consumer healthcare partners for Eroxon® in key markets such as the USA and EU. With the size of the target market and the continuous progress we are making, we look forward to the year ahead with confidence.

By order of the Board

JAMES BARDER
Chief Executive Officer

Futura Medical plc

9 April 2024

1 EMA, Withdrawal assessment report for Viagra, 2008
2 Feldman HA et al. J Urol 1994; 151: 54 – 61
3 Pozzi, J of Sexual Medicine, Volume 20, 2022
4 Ipsos research carried out on behalf of Futura in the USA, 2022

OUR MARKETPLACE

A large and growing addressable market

THE SEXUAL HEALTH MARKET

The sexual health market comprises of treatments for sexual dysfunction in men and women and of the global market for sexual wellness. The global sexual dysfunction market we estimate is worth around US$ 6.6 billion when combining the market value of treatments for male and female sexual dysfunction[1]. The sexual wellness market is worth US$ 11 billion[2].

Our focus is on the development of innovative and clinically proven sexual health products, with our lead product being Eroxon®, a breakthrough treatment for erectile dysfunction.

THE UNMET NEEDS IN THE ERECTILE DYSFUNCTION MARKET

The rising affordability of phosphodiesterase-5 inhibitors ("PDE5is") following the availability of generic versions has led to significant increases in volumes with the number of doses sold globally increasing by over 80% between 2018 and 2023[3]. For the vast majority of markets, treatments for ED are only available on prescription which creates a significant opportunity for a new category OTC.

Prior to Eroxon®, existing treatments for ED were available only on prescription in most countries around the world, creating barriers to access[4]. Embarrassment, denial, reticence, cost of a consultation and lack of awareness may prevent someone seeking the help of a doctor. Men with ED whose sexual partners wish to be supportive and solutions-oriented are doubly hindered by these factors as only the sufferer can be prescribed the treatment. On-demand oral treatments such as sildenafil (brand name "Viagra®") typically take between 30 minutes to one hour to work, requiring planning and patience, which stand in the way of intimacy and spontaneity, and put undue pressure on couples. Oral treatments can also have systemic side effects and cannot be taken in combination with several medications.

According to IPSOS research[5]:

- Users who are dissatisfied with their current medication mostly cite limited efficacy, slow onset of action, and side effects as the source of their dissatisfaction
- OTC availability, longer lasting, affordability and faster acting are identified as the top unmet needs for ED.

3.5 billion

Doses of Rx ED treatments sold globally in 2023[3]

50%

Approximately half of all men with ED do not discuss their condition with their doctor[6]

MARKET OPPORTUNITY FOR EROXON®

Eroxon® addresses many of the unmet needs for men with ED and their partners. Ipsos' research[5] showed that around three quarters of the sales would come from men with ED and their partners who are not currently on treatment, which means sales would be mainly incremental to existing sales of oral PDE5is which appears to have been reflected in the experience in market to date. According to Ipsos' forecast, commissioned by Futura in 2022, the market opportunity for Eroxon® OTC in the USA, the largest consumer healthcare market in the world, is US$ 350+ million as estimated by Ipsos (at retail price). This is based on the assumption of a retail price of US$ 5 per tube[7].

20%

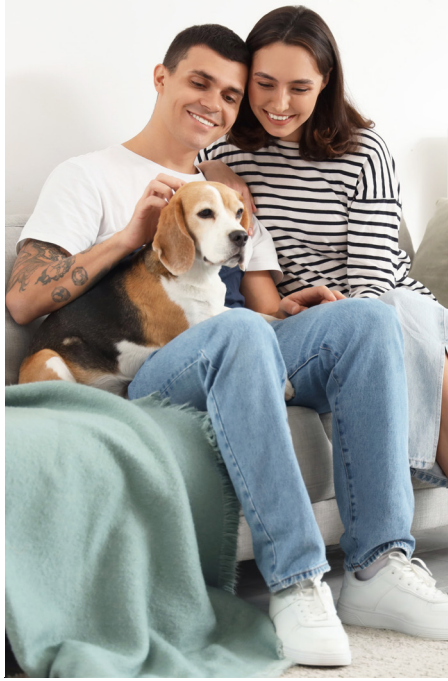
ED impacts around 20% of men globally across all age brackets[8]

50%

Approximately half of all men over 40 experience ED[9]

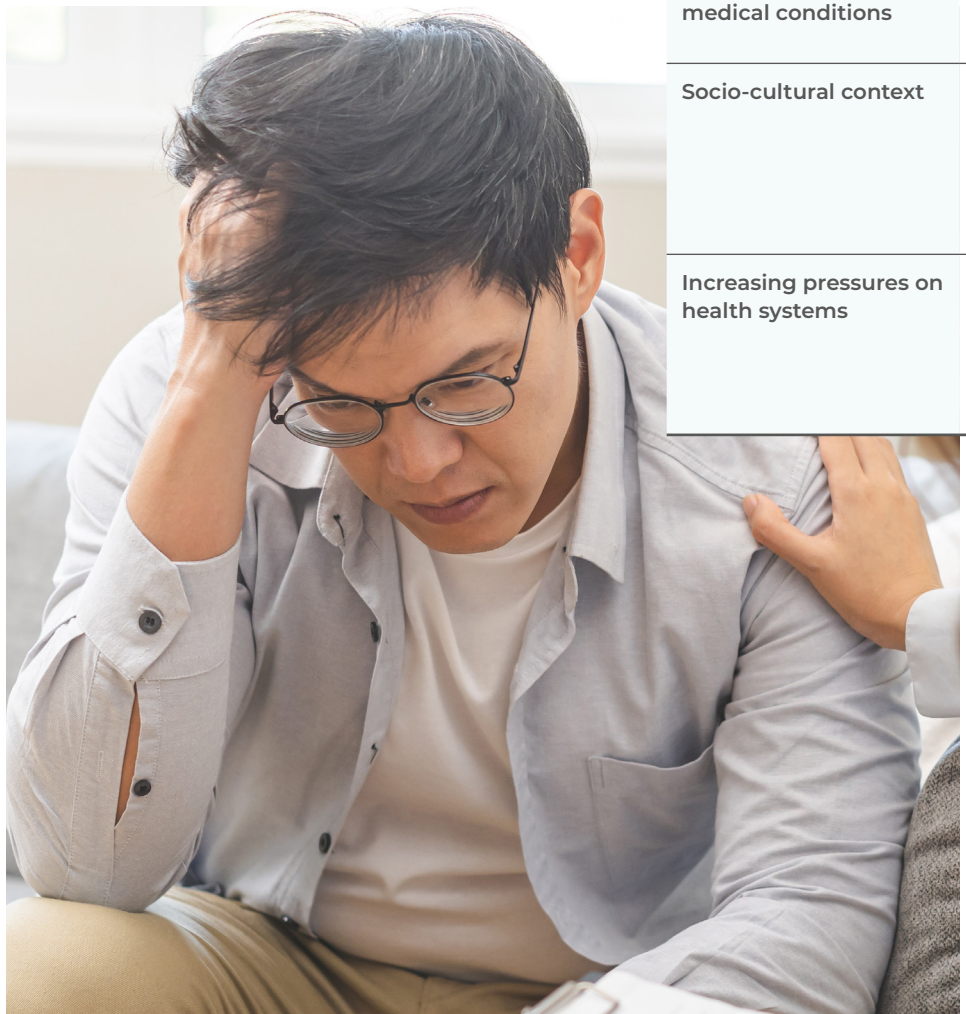
25%

Around 25% of new diagnoses are in men under 40[10]



ED MARKET DRIVERS

Long-term market drivers in consumer health in general and ED specifically indicate a shift towards more self-care with consumers taking a more active role in their health, ageing populations, increases in chronic conditions, changing socio-cultural context and the rising cost of healthcare putting pressure on health systems.



Market driver	Impact	How we are responding
Ageing populations	The proportion of people aged 65 years and over is expected to increase from 9.3% of the global population in 2020 to 16%, or approximately one in six people globally, in 2050[11]. The incidence of ED increases with age which means a higher proportion of the population with ED.	Our strategy is built around addressing these key drivers. It aims to meet the growing demand for self-care in sexual health and recognises the opportunity to serve the unmet needs of consumers in sexual health and with Eroxon® in ED where barriers to access treatment remain high. We do this by offering clinically proven treatments to improve sexual health OTC, without the need for a prescription.
Increases in chronic medical conditions	More people are being diagnosed and at a younger age with conditions such as cardiovascular disease, obesity and diabetes which increases the likelihood of having ED.	
Socio-cultural context	Younger men suffer increasingly from performance anxiety due to societal pressures and unrealistic portrayals of sexual performance in online pornography, as well as increasing general stress and mental health issues. ED is increasingly affecting younger men with around 25% of new diagnoses for ED in men under 40[10].	
Increasing pressures on health systems	Healthcare systems have recently been under great pressure. Sexual health conditions such as ED can be perceived as a "quality of life" issue by doctors and not seen as a priority. OTC products provide affordable and accessible treatment options for consumers and lower the overall costs to health systems.	

Read more about **Eroxon®** on **page 25**

1 Based on the following: ED market worth US$ 3.1 billion, IQVIA data 2022; Premature ejaculation market worth US$ 3.15 billion, 2022, Business Research Insights, "Premature Ejaculation Treatment market size, etc....", 2023; Female sexual dysfunction treatment market worth US$ 0.4 billion, xResearch "Female Sexual Dysfunction Treatment market 2024".
2 DataBridge market research "Global Sexual Wellness Market", 2023.
3 Manufacturer's Selling Prices, IQVIA market data, 2023
4 In the UK, Ireland, Norway, Poland, New Zealand, and Switzerland, sildenafil 50mg can be purchased without prescription but still requires the involvement of the pharmacist. Cialis 10mg has recently switched OTC in the UK and also requires involvement of the pharmacist.
5 Ipsos research carried out on behalf of Futura in the USA, 2022
6 Jannini et al – Health-related characteristics and unmet needs of men with erectile dysfunction: a survey in five European countries, J Sex Med, 2014 Jan.
7 Pricing strategy is the responsibility of our commercial partner.
8 EMA, Withdrawal assessment report for Viagra, 2008
9 Feldman HA et al. J Urol 1994; 151: 54 – 61
10 Pozzi, J of Sexual Medicine, Volume 20, 2022
11 UN Population Facts, October 2020

EROXON® PROGRESS AT A GLANCE

Progress across the world in making Eroxon® accessible to men with ED

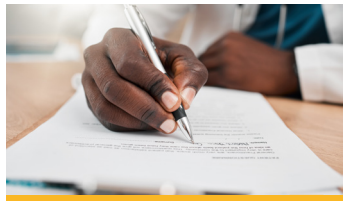
Futura's lead product is Eroxon®, a unique topical treatment for erectile dysfunction which has been approved without the need for a prescription in many countries around the world, including in the USA and Europe and which has launched in a number of countries in Europe including the UK.

	Development	Regulatory	Commercial partners	Launch
EU	✓	✓ Eroxon® approved as a medical device in the EU ("CE mark approval"). UKCA mark approval received in 2022.	✓ Cooper Consumer Health	✓ Launched in the UK and Belgium in March 2023 with further launches in France, Spain, Portugal and other EU countries in March and April 2024.
USA	✓	✓ Marketing authorisation granted by the FDA in June 2023.	✓ Licensing deal signed with Haleon in July 2023.	
REST OF WORLD	MIDDLE EAST	Approval received in six countries. Further regulatory submissions have been made.	Labatec Pharma	Launched in the UAE and in the Kingdom of Saudi Arabia
	LATAM	Marketing authorisation granted in Mexico.	M8 Pharmaceuticals	
	ASIA	Discussions being held with regulators to clarify regulatory pathways and scope of additional work.	Menarini KR (South Korea)	
	AUSTRALIA	Marketing authorisation granted in Australia.		

COMMERCIALISATION PROCESS

Our go-to-market process step-by-step

Once a product has completed the main development phase and before it can be on the shelf available to consumers, a number of key activities need to be undertaken in relation to: gaining regulatory approval, finding licensing partners, setting up the supply chain, and developing and implementing retail and launch plans. These activities do not always take place in the order below and some can also occur in parallel but this visual is intended to show the process that needs to be undertaken to commercialise the product and highlight the many key activities that need to have been completed to ensure a successful launch.



Regulatory Approval

- Engage with local regulatory authorities to understand and address all data requirements to obtain regulatory approval
- This can include:
  - Clinical trials
  - Non-clinical studies
  - Technical investigations
- Preparation and submission of product dossier
- Resolution of deficiencies raised by local regulatory authority

Licensing Partner

- Search for licensing partner and sign deal
- Key licensee criteria:
  - Regulatory expertise and capabilities
  - Financial resources and commitment
  - Strong on-line and off-line marketing and sales capability
  - Understanding of local ED market dynamics
  - Robust sales forecast and business plan
- Ongoing support of partners across all functions and close collaboration

Supply Chain

- Search for contract manufacturing organisations
- Assessment of capability, equipment and line capacity
- Establish supply chain
- Quality control
- Clearance of all export protocols
- Tech transfer from Futura
- Local approval of all packaging materials
- Approval and audit of factory by Futura
- Registration of new factory with launch market

Market Engagement

- Local market research to optimise the positioning, pricing and advertising strategy
- Identify and educate Key Opinion Leaders (“KOLs”)
- Presentations, publications and conferences to drive healthcare professionals (“HCPs”) education and awareness
- Preparation and translation of all marketing materials
- Ensure compliance of marketing materials with local regulatory and advertising framework

Retail and Launch Plans

- Negotiation and agreement with key online and offline retailers – most retail stores only review their product range once a year
- Alignment with key retailers on launch date and promotional activity
- Clearance of local trademarks and other intellectual property (“IP”)
- Preparation for PR campaign
- Booking of advertising slots ahead of launch

Key Activities

LAUNCH

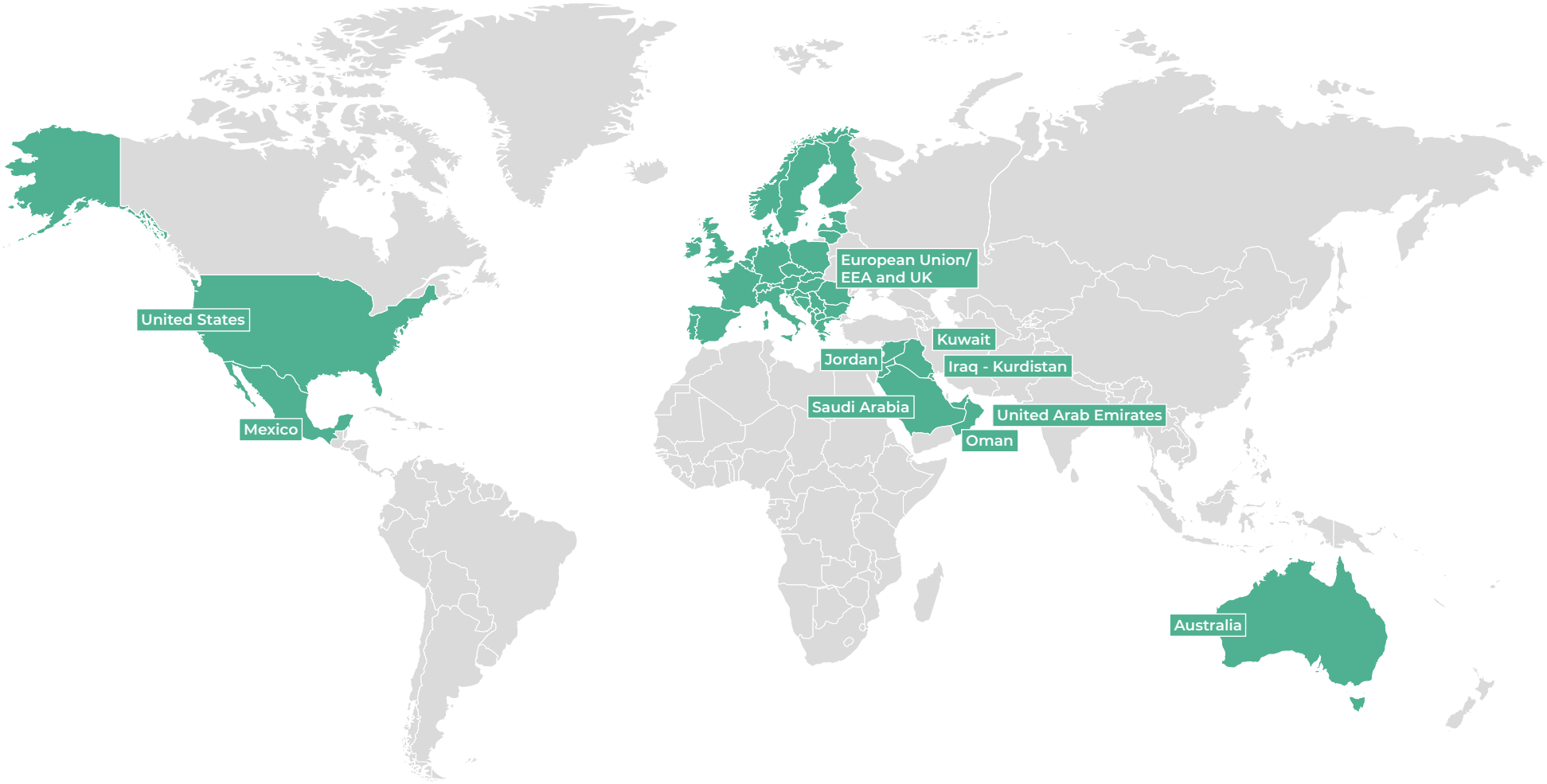
COMMERCIALISATION AT A GLANCE

The global expansion of Eroxon® and our partnerships

This map is interactive and shows the countries in which Eroxon® has received regulatory approvals, the countries where we have a licensing partner and the countries where Eroxon® has been launched.

Click on the tabs on the right to select one of these three options.

REGULATORY APPROVALS | LICENSING DEALS | PRODUCT LAUNCHES



Building a global network of leading consumer healthcare partners who are well resourced to commit significant marketing spend and expertise

HALEON PLC (“HALEON”) – USA

In July 2023, Futura entered into a groundbreaking licensing agreement with world leading consumer healthcare Company Haleon (previously GSK Consumer Healthcare) for the rights to exclusively commercialise Eroxon® in the USA. As part of the agreement, Futura received an initial upfront payment of US$ 4 million, will receive further royalty payments on all sales, and potential commercial and performance driven sales milestone payments totalling between US$ 5 million and US$ 45 million payable over the course of several years.

Haleon will be responsible for all investment activities related to the launch and marketing of the product in the USA, with Futura providing ongoing technical support for OTC product development and commercialisation opportunities.

COOPER CONSUMER HEALTH (“COOPER”) – EUROPEAN ECONOMIC AREA, UNITED KINGDOM AND SWITZERLAND

Cooper is a leading European independent self-care organisation, and has the rights to commercialise Eroxon® throughout the European Economic Area (“EEA”), the United Kingdom and Switzerland. Under the terms of the agreement, Futura received an initial upfront payment, and will receive undisclosed cumulative sales milestone payments. The original agreement was for an initial term of five years complying with EU competition law but was extended in January 2024 to last another five years until January 2029. Futura remains legal manufacturer and is responsible for the supply of Eroxon®, through its third-party contract manufacturers.

MENARINI KOREA LIMITED (“MENARINI KOREA”) – SOUTH KOREA

Menarini Korea, a wholly owned subsidiary of Menarini Group, has the exclusive rights to commercialise Eroxon® in South Korea. Under the terms of the agreement, Menarini is responsible for all costs related to the regulatory approval and marketing of the product in the region, including a clinical bridging study if necessary. Futura provides reasonable technical support for product development and commercialisation and received an upfront payment. Futura will supply Eroxon® from Futura’s third-party contract manufacturers. Menarini is now in discussions with the Korean regulator relating to the marketing authorisation of Eroxon®.

LABATEC PHARMA (“LABATEC”) – GULF CO-OPERATION COUNCIL (“GCC”) REGION AND MIDDLE EAST

Swiss-based specialty pharma company Labatec has the rights to exclusively commercialise Eroxon® in the GCC region as well as Jordan, Lebanon and Iraq. The initial licence agreement term is for eight years with the ability to extend for successive two-year terms by mutual consent.

M8 PHARMACEUTICALS INC (“M8”) – CENTRAL AND SOUTH AMERICA

Specialty biopharmaceutical company M8 has the rights to exclusively develop and commercialise Eroxon® in Central and South America, including Brazil which is the largest market for prescription treatments for erectile dysfunction. The agreement is for an initial term of 15 years. In November 2023 the agreement was extended from Brazil and Mexico to the rest of the Central and South American region. Futura has received an undisclosed upfront milestone payment from M8 as part of the extended agreement. M8 will be responsible for all costs related to the regulatory approval and marketing of the product. Futura will provide reasonable ongoing technical support for OTC product development and commercialisation.

HOW EROXON® HAS CHANGED LIVES

Two real-life case studies

Approximately 50% of men over the age of 40[1] and around 25% of men under 40[2] have experienced erectile dysfunction (ED) at some time.

These numbers are likely to increase as a result of obesity, an ageing population and the rise of other conditions associated with ED. However, UK consumer research shows that while ED is increasingly common, many men still struggle to discuss their intimacy issues[3].

Dr Janine David, specialist in men's health and ED notes: "Apart from the obvious impact that ED has on a man's sex life, it also undermines intimacy, relationships and self-esteem, as well as emotional and psychological health. The wider impact of ED is detailed in recent research which found that half of men with ED feel a sense of failure when they can't perform and almost as many – 47% – experience embarrassment or shame[3].

"The launch of Eroxon® in 2023 in the UK was a game-changer for the growing number of men — and their partners — who are affected by erectile dysfunction. It is the first clinically proven OTC topical ED treatment that helps men achieve an erection in just 10 minutes in 60% of applications[4]."

Here David Brown and Darren Ramsey share their experiences of ED and the difference Eroxon® has made to their lives, and their partner's lives. Their names have been changed to protect their privacy[5].

Eroxon® for me was just a breath of fresh air and it gave me back my confidence. My partner was thrilled. I think it was because it was quite frustrating for us both at that time. There was a sense of relief for both of us."

DAVID BROWN[5]
Eroxon® user

David Brown[5], aged 45 began experiencing ED about four years ago, when he and his partner were trying for a baby.

David admits: "I felt pressure to perform and romance went out the window, and that's when ED became a bit of an issue. I mean, I did have sort of issues prior to that, but they could well have been alcohol or stress related. I spoke to the GP, who said there was nothing physically wrong with me, it was probably stress related and would resolve itself.

"The clock was ticking, so we went for fertility treatment and had a beautiful baby girl — but the ED didn't resolve itself. Sometimes it was all right and sometimes it wasn't. It was very random. And the more I'd stress, the more likely it was that nothing would happen. I was slightly sort of embarrassed by the whole situation, so I didn't really want to go to the chemist and ask for it in front of everyone else. It felt emasculating and there's certainly a stigma attached to ED.

"Then I started using Eroxon® and it really, really changed things for me. The fact that it works so quickly is incredible. It's fantastic! You put it on and it works pretty much straight away. Ten or 15 minutes and you're good to go! The application of the gel is really easy. I suppose some people would say it was kind of arousing, because the gel does seem to do something to the sensitivity that enhances the overall experience."

HOW EROXON® HAS CHANGED LIVES

Darren Ramsay[5], 34 is married to Louise and they have a five-year-old daughter, Chloe. Darren started experiencing ED from his mid-20s.

Darren notes: "I don't smoke, I'm not a massive drinker and I'm fit and active, but I was having a lot of mental health issues and this was affecting me mentally and emotionally.

"The ED got worse over time and then it started affecting my marriage because I couldn't be as intimate as I wished. You start feeling inferior because you sense like it's your fault, because that's the way the body makes you feel. It's a real guilt trip.

"I thought it was an older person problem and I just thought it was just my mental health taking a toll on me, but it worked out that it wasn't. Once I was comfortable with my mental health, we were still having the same problems. My partner Louise was supportive, she never showed it, but probably deep down it was difficult for her. It was probably a year before I got up the courage to speak to the doctor about my ED.

"I was told because of my age at the time, I should just try things over the counter. We were using a load of lubricants and stuff that has different sensations to try and make an effect. I tried a pharmacy only medicine, but it's not as strong as the medicine you can get prescribed from a doctor. It didn't make a massive difference. You could still slightly get active, but it wasn't a massive difference.

"Then I started using Eroxon®. For me, it worked within five to ten minutes of applying the gel. I think the best way to describe it when applied, is that it's a warm sensation. That's what I experienced. It's an enjoyable feeling and it just seemed to help progress; it was easier to get an erection. Plus, you can have your partner put the Eroxon® gel on while you're doing foreplay. However, if you didn't want them to know, you could go to the bathroom and then put it on and come back in.

My partner was very happy with us using Eroxon® because obviously it did what it was meant to do and it allowed us to be intimate together as well as allowing for spontaneity into our relationship. It was also more enjoyable, because you are confident Eroxon® is going to work.

"The gel was really easy to use and it's been a great success for me. I also now have a confidence boost and a 'spring in my step' as they say."

DARREN RAMSAY[5]
Eroxon® user

LAST WORD, DR JANINE DAVID

"Men sometimes describe ED as a huge cloud hanging over them which makes them feel hopeless and helpless as well as embarrassed or feeling inadequate – all barriers to seeking effective ED treatment. Many men with untreated ED say it has made them feel less of a man and these doubts and insecurities will inevitably lead to anxiety and stress.

"We need to examine the difficulties which still prevent men from seeking help and the damage that denial can inflict on both their relationships and their own emotional wellbeing, and Eroxon® is very much part of that conversation.

"The unique topical action of Eroxon® means it can be incorporated into foreplay to enhance intimacy. In addition, we know from the clinical trials run that there are minimal side effects and no known drug interactions when using this topical therapy. Another big plus is the gel's rapid-onset, which restores spontaneity in love-making, something that consumer research confirms is valued by 97% of men[3]. There was clearly a need for a fast-acting, clinically proven topical ED therapy — and Eroxon® has fulfilled that need."

1 Feldman HA et al. J Urol 1994; 151: 54 – 61
2 Salonia et al "One Patient Out of Four with Newly Diagnosed Erectile Dysfunction Is a Young Man—Worrisome Picture from the Everyday Clinical Practice", The Journal of Sexual Medicine, Volume 10, Issue 7, July 2013
3 Omnibus survey of 1,081 ED sufferers and their partners conducted by Perspectus Global in January 2023
4 MED3000, a clinically proven, fast-acting topical product for Erectile Dysfunction with the prospect of being the first globally available OTC treatment for ED; Professor David Ralph (University College London), Tim Holland (Futura Medical), Ken James (Futura Medical); February 2023
5 For the two case studies the names of the men have been changed to protect their privacy. Their stories are published with their consent.

OUR BUSINESS MODEL

A sustainable model geared for our success

As Futura moves into a new phase of its development and to reflect our new strategy, we have reviewed our business model which is centred on our ability to innovate, attract leading commercial partners and extend our reach.

KEY RESOURCES

People

- Highly experienced, loyal and motivated team focused on innovative solutions
- Access to a team of 30 consultants and Key Opinion Leaders used for their specialist knowledge and leadership in the pharmaceutical and consumer healthcare field
- Strong results-driven culture and teamwork

Expertise and innovation

- Highly efficient patented proprietary topical formulation expertise
- Expertise in clinical development and clinical trials, regulatory, quality, manufacturing and supply chain management
- Semi-virtual structure with outsourcing optimised to maximise expertise and minimise overhead cost

Strong leadership

- Experienced management team with expertise in researching and developing innovative products as well as business and commercial acumen in the global consumer healthcare market
- Expertise in US consumer healthcare market with two Directors based in the USA who have spent more than 30 years each in senior management roles in leading OTC consumer health businesses.

ABILITY TO ADDRESS A LARGE UNDERSERVED MARKET THROUGH:

Innovate

Innovative and experienced R&D team with regulatory agility – proven ability to research and develop award-winning product

Attract

De-risked go-to-market strategy – attract leading consumer healthcare partners who are well resourced to commit significant marketing spend and expertise

Extend

Broaden the reach and extend the range of opportunities in the sexual health market

Outcomes

Delivering solutions that make a difference

Sexual health issues, specifically ED, can be detrimental to the quality of life of those who experience it and their partners. We provide clinically proven sexual health treatments that enhance their quality of life.

Delivering sustainable profitability

Our aim is to deliver sustainable profits by using our ability to develop and globally commercialise our innovative products in a cost effective manner, maximising the significant opportunity in the OTC sexual health market.

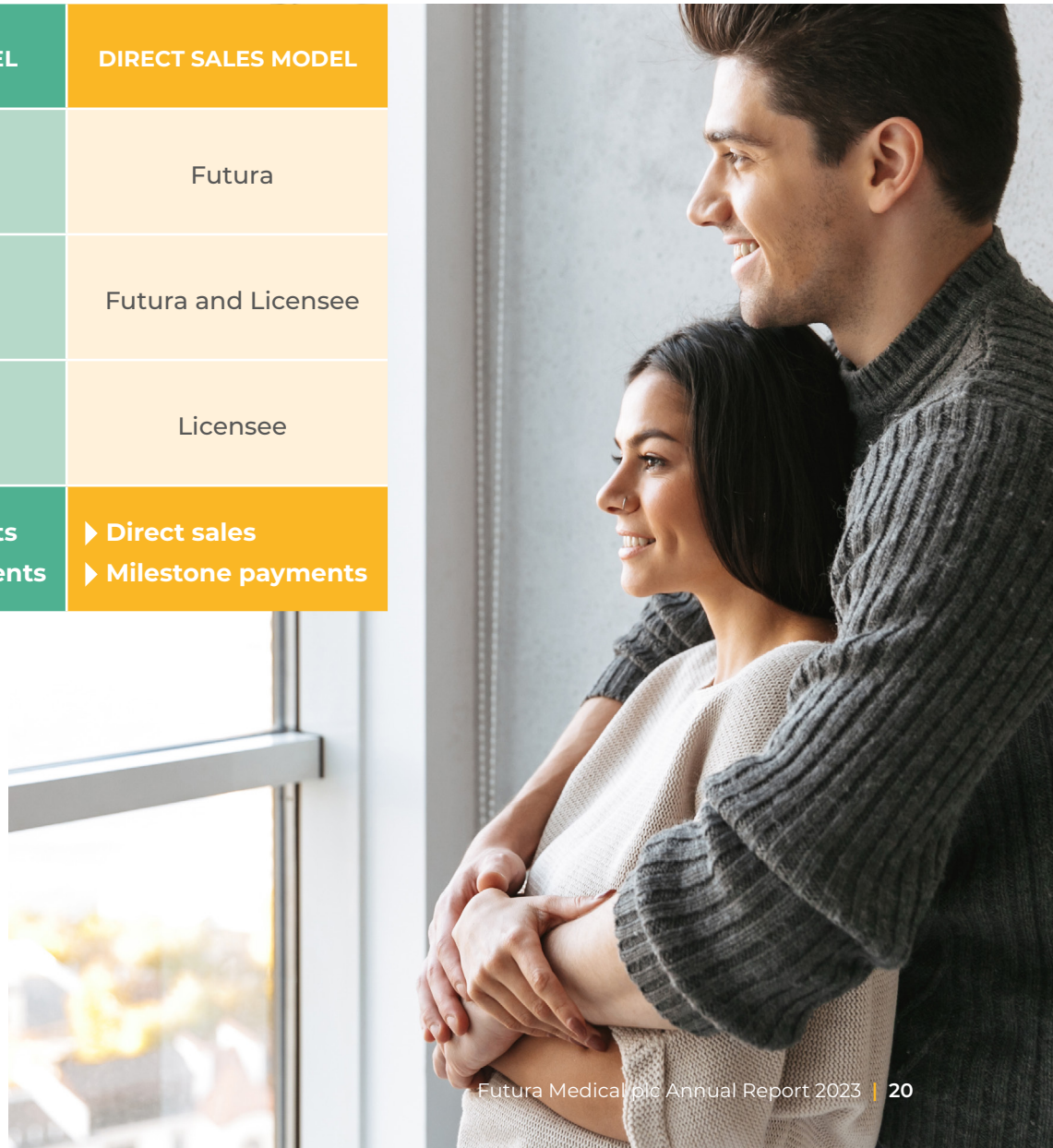
OUR BUSINESS MODEL

We also wanted to share the two different operating models we have with our commercial partners.

TYPICAL OPERATING MODELS

	IP LICENCE MODEL	DIRECT SALES MODEL
Manufacture	Licensee	Futura
Regulatory and Quality	Licensee	Futura and Licensee
Sales and Marketing	Licensee	Licensee
We generate revenue through:	▸ Royalty payments ▸ Milestone payments	▸ Direct sales ▸ Milestone payments

Read more about **our strategy** on page 21



Address, Broaden, Commit: a refined strategy for our next phase of growth

This year has seen us move from a pre-revenue R&D company to a business with a commercialised product selling online and on the shelves at retailers with first meaningful revenues being generated. This is a significant shift and therefore it feels appropriate to refine our strategy.

OUR REFINED STRATEGY IS AS FOLLOWS:

Our strategy is to commercialise innovative and clinically proven products for the OTC sexual health market. We will then partner with leading consumer healthcare partners who are well resourced to commit significant marketing spend and expertise.

This strategy is aligned with the well-publicised demographic changes of ageing populations, increasing prosperity and the expectation of leading a full and active life no matter your age.

With an innovative R&D team, we will look to fulfil the needs of the large, underserved OTC sexual health market.

Going forwards, we will report against our three strategic pillars:

OUR THREE STRATEGIC PILLARS

		Priorities for 2024
ADDRESS	**Address the growing needs within the OTC sexual health market**	Address worldwide demand for Eroxon® through strengthening our supply chain and commercial network whilst achieving further regulatory approvals and further launches across the world
BROADEN	**Broaden the Company's clinically proven product range leveraging its innovative and experienced R&D capability whilst being mindful of costs and focusing on ROI**	Explore other range extensions as well as new innovative products within the sexual health category to meet further unmet demand, supported by clinical data whilst remaining mindful of costs
COMMIT	**Commit to delivering strong returns for shareholders, sustained profitability and financial discipline**	Deliver further revenue growth and progress on the path towards profitability in the next 12 months

OUR STRATEGY

In order to maintain appropriate transparency and disclosure, we have reported our progress for this year against our 2023 strategic priorities.

2023 priorities (taken from previous Annual Report)	Performance vs priority
Approval of Eroxon® by the US FDA as an OTC medical device in Q2 2023.	In June 2023, Eroxon® received FDA approval in the USA, the largest consumer healthcare market in the world.
First launches under the brand name Eroxon® in Europe with further launches planned in 2024, with first revenues reported.	Our European distribution partner, Cooper, launched in the UK and Belgium in March 2023, followed by soft launches in France, Italy and Spain. We have been encouraged by the performance to date in these initial markets, with Eroxon® taking c. 20% market share of approved ED treatments in the UK and Belgium within 12 months of launch, resulting in first meaningful revenues of £3.1 million.
Sign further agreements for key markets and countries worldwide – with the USA being the main focus – to build a strong global network of licensing and distribution partners and a strong brand identity for Eroxon®.	Following FDA approval, the Company was delighted to announce that it had entered into an agreement with Haleon plc, the world leading consumer healthcare company, for exclusive marketing and distribution rights in the USA. In addition, during the year, the Company extended its distribution agreement with M8 Pharmaceuticals Inc from Brazil and Mexico to cover a further fourteen countries throughout the Central and South American region. The Company also received regulatory approval in Australia. Post period-end in January 2024, the licensing agreement with Cooper Consumer Health was extended until January 2029.
Continue to support our commercial partners in their own submissions to local regulatory bodies and in their launch preparations.	The Company's distribution partners received a number of approvals including Saudi Arabia and Mexico and launched in the UAE.
Expand our supply chain and manufacturing capabilities to increase supply chain robustness and capacity.	Agreement in principle was reached with two new Contract Manufacturing Organisations located in the USA and EU for the production of Eroxon®.

KEY PERFORMANCE INDICATORS

A measure of our progress

The Directors consider the successful achievement of licensing and commercialisation to be the major drivers of value creation for the Group.

There are other financial and non-financial key performance indicators which the Directors use as a measure of the Group's performance.

Key to strategy

Address Broaden Commit

Read our **Strategy** on **page 21**

REVENUE

£3.10m

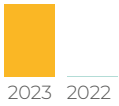
(2022: £nil)

Link to Strategy

GROSS PROFIT

£1.77m

(2022: £nil



Link to Strategy

NET LOSS AFTER TAX

£6.51m

(2022: £5.85m)

Link to Strategy

CASH RESOURCES AT 31 DECEMBER 2023

£7.71m

(2022: £4.03 m)

Link to Strategy

NON-FINANCIAL MEASURES

The Group is focused on the commercialisation of its lead asset Eroxon® and building a network of leading consumer healthcare partners.

Read our **Financial Review** on **page 29**

Number of countries Eroxon® launched

Number of commercial partners

A unique product that is winning approval from consumers and industry professionals alike

Pack from our licensing and distribution partner in Europe

UNIQUE BENEFITS OF EROXON®

- **Fast-acting, helping to achieve an erection within 10 minutes**
- **Available without a prescription**
- **Excellent safety profile**
- **Can involve the partner in treatment and easy to use**

WHAT IS EROXON®?

Eroxon® is a breakthrough treatment for ED available over the counter and without prescription, and which is clinically proven to help men achieve an erection within 10 minutes. Eroxon® is a clear gel that can be applied by the man or their partner, available in a single dose tube.

WHAT UNMET NEEDS IS EROXON® ADDRESSING?

Prior to Eroxon®, existing treatments for ED were available only on prescription in most countries around the world, creating barriers to access[1]. Embarrassment, denial, reticence, cost of consultation and lack of awareness may prevent someone seeking the help of a doctor. Sexual partners of men with ED wishing to be supportive and solutions-oriented are doubly hindered by these factors as only the sufferer can be prescribed the treatment.

On-demand oral treatments such as sildenafil (brand name "Viagra®") typically take between 30 minutes to one hour to work, requiring planning and patience, which stand in the way of intimacy and spontaneity, and put undue pressure on couples. Oral treatments can also have systemic side effects and cannot be taken in combination with several medications.

As a result of all these barriers and unmet needs most men with ED are either not diagnosed or not treating their ED.

WHERE IS EROXON® AVAILABLE?

Eroxon® is a new brand and a new category in most markets. Eroxon® is now approved in a number of markets across the world including in Europe, the USA, six countries in the Middle East, Australia and Mexico. Eroxon® launched in its first markets the UK and Belgium in March 2023, being available to consumers for the first time and changing the lives of men with ED and their partners. This was followed by further soft launches in Europe and in the UAE with full launches in ten countries including key European markets such as France, Italy and Spain already occurred or expected during the first half of 2024.

50%

Approximately half of all men with ED do not discuss their condition with their doctor[2]

Read more about **our marketplace** on **page 11**

OTC STATUS

Eroxon® can be purchased online or in person without a doctor's prescription, making treatment for ED easier to access and addressing some of the barriers to treatment mentioned previously.

FAST-ACTION HELPS RESTORE SPONTANEITY

A key advantage of Eroxon® is that it works fast helping men get an erection within 10 minutes which means Eroxon® can be used as part of foreplay helping to restore intimacy and spontaneity in the relationship. Partners can also be part of the solution and apply Eroxon® to their partner.

1 In the UK, Ireland, Norway, Poland, New Zealand, and Switzerland, sildenafil 50mg can be purchased without prescription but still requires the involvement of the pharmacist. Cialis 10mg has recently switched OTC in the UK and also requires involvement of the pharmacist.

2 Jannini et al – Health-related characteristics and unmet needs of men with erectile dysfunction: a survey in five European countries, J Sex Med, 2014 Jan.

CLINICALLY PROVEN EFFICACY

60%

of erections occurred within 10 minutes of application (FM57)

63%

of men using Eroxon® met or exceeded the MCID* at 12 weeks (FM57 and FM71)

* MCID is the minimal clinically important difference (4 IIEF-EF Units) a criteria used by regulators when assessing efficacy, Rosen et al 2011.

Eroxon® is a gel that has a unique evaporative physical action which, through a rapid cooling and then warming effect, stimulates nerve endings on the head of the penis which increases blood flow and ultimately leads to erections. The action of Eroxon® as a local gel is fast, helping men achieve an erection within 10 minutes.

The efficacy of Eroxon® was proven in two Phase 3 clinical trials conducted in Europe and the USA which were used to obtain regulatory approval in countries around the world including Europe and the USA.

EXCELLENT SIDE EFFECTS PROFILE

Eroxon® has an excellent side effect profile with no known drug interactions. The overall rate of side effects for the two Phase 3 studies was very low. The table below shows a list of side effects experienced by men and women that occurred in more than 1% of subjects.

Men – Adverse events (1% or more)	Percentage of subjects
Headache	3.0%
Penile burning sensation	1.0%

Women – Adverse events (1% or more)	Percentage of subjects
Headache	1.3%

The table above lists adverse events that occurred at 1% or more in the clinical studies when the data is combined (FM57 and FM71). The adverse events are Treatment Emergent Adverse Events defined as AEs that begin after the start of trial medication and the percentages are based on the combination of the side effects for both studies with 297 subjects.

The results of the Phase 3 clinical trials were presented at the Sexual Medicine Society of North America Conference in 2022 and at the European Society for Sexual Medicine (ESSM) Congress in 2023 and 2024.

2018–2020

FM57
Phase 3 dose-ranging multi-centre randomised double blind study in men with ED

2021–2022

FM71
Phase 3 multi-centre randomised open label study in men with ED

2021

EU and UK approval

2023

US approval

2023

UK and Belgium launch

PRODUCT REVIEW - EROXON®

Our strategy in action – European launch

For the first time Eroxon® is available to men with ED and their partners with the first launches of Eroxon® in the UK and Belgium in March 2023 by our European partner Cooper.

View our European partner's website **eroxon.eu**

Cooper Consumer Health ("Cooper") launched in the UK and Belgium in March 2023, followed by online-only availability without advertising or promotional spend ("soft launches") in France, Italy and Spain with full launches in at least six countries including key European markets such as France and Spain on track to take place by the end of April 2024. The results of the launches in these initial markets have been encouraging, with Eroxon® taking c. 20% market share of approved ED treatments in the UK and Belgium within 12 months of launch, very strong media interest in the launch, early signs of repeat purchase from customers, and Eroxon® receiving several high profile industry awards.

LAUNCH AND RETAIL SUCCESS STORY

The UK launch PR campaign was very successful with exclusives in national newspapers and the product being discussed on TV. This was followed by a significant TV advertising campaign and in-store activity. The product was initially only available through Boots, the UK's leading health and beauty retailer, and one of the most trusted UK healthcare brands. This was a key element of the strategy to build the credibility of the product, alongside the KOL and HCP engagement programme. Eroxon® is now available in over 2,500 retail stores across the UK as well as online from retailers such as Amazon.

INDUSTRY RECOGNITION

Eroxon® has received several high profile industry awards. Eroxon® has won the "New Product of the Year, Healthcare" category at the Boots Supplier Awards 2023 and Cooper won the Best Big Budget OTC campaign at the 2023 UK OTC Marketing Awards and was highly commended in a number of other categories.

KOL AND HCP ENGAGEMENT

Cooper has undertaken a programme of webinars, presentations and attendance at conferences as well as produced materials for healthcare professionals. Cooper had a strong presence at the last two European Society of Sexual Medicine ("ESSM") Congresses in particular at the February 2024 ESSM Conference in Bari, Italy where they were a main sponsor. Three leading KOLs presented Eroxon®'s mode of action and the clinical evidence, followed by a Q&A. Over 150 delegates attended the presentation and several hundreds visited the Eroxon® booth over three days. The response and feedback from delegates was very encouraging.

Available in >2,500 stores
Across the UK as well as online from retailers such as Amazon

c. 20% market share
Of approved ED treatments in the UK and Belgium within 12 months of launch

1 million packs
Shipped by Futura

Our strategy in action – US go-to-market strategy

HALEON

2023 was a year of great progress towards our goal of launching Eroxon® in the USA with the FDA approving Eroxon® in June and Futura signing a deal with Haleon in July.

COMMERCIALISATION DEAL SIGNED WITH HALEON FOR THE USA IN JULY 2023

In July 2023, Futura entered into a groundbreaking licensing agreement with world leading consumer healthcare company Haleon plc ("Haleon") for the rights to exclusively commercialise Eroxon® in the USA. As part of the agreement, Futura received an initial upfront payment of US$ 4 million, will receive further royalty payments on all sales, and potential commercial and performance driven sales milestone payments totalling between US$ 5 million and US$ 45 million payable over the course of several years.

Haleon is responsible for all investment activities related to the launch and marketing of the product in the USA, with Futura providing ongoing technical support for OTC product development and commercialisation opportunities. Haleon continues to advance the launch plans in the USA to bring the product to market and we are expecting the launch by early 2025.

ABOUT HALEON

Haleon (previously GSK Consumer Healthcare) is a global leader in consumer health, with a purpose to "deliver better everyday health with humanity". Haleon's turnover in 2023 was £11.3 billion[1]. Haleon's product portfolio spans five major categories – Oral Health, Pain Relief, Respiratory Health, Digestive Health and Vitamins, Minerals and Supplements. Haleon has a range of long-standing brands – such as Advil, Sensodyne, Panadol, Voltaren, Theraflu, Otrivin, Polident, Parodontax and Centrum – that have been built on trusted science, innovation and deep human understanding making them an ideal partner to launch Eroxon® in the USA, which is the largest consumer health market in the world. In the USA Haleon was awarded Walgreens Supplier Award: 2023 Health & Wellbeing Expertise, thanks to its leveraging of shopper insights. Haleon has a commercial presence in 170 markets[2].

23 million
Men with ED in the USA[3]

75%
Three in four men with ED in the USA are not on treatment[4]

FDA APPROVED

In June 2023, Eroxon® received FDA marketing authorisation in the USA. Eroxon® is the first OTC topical gel available to treat ED in the USA. The FDA sets a very high standard in evaluating the effectiveness and safety of De Novo Medical Devices. We met this standard with our submission of 22 clinical, biocompatibility, human factor studies, and performance bench tests which were rigorously reviewed and accepted by the FDA.

US MARKET OPPORTUNITY

The USA is the largest consumer healthcare market and has the potential to be the largest market for Eroxon® helping to address the unmet needs of men with ED. There are around 23 million men with ED in the USA[3] but three out of four are not on treatment[4] highlighting significant unmet needs. According to Ipsos' forecast, commissioned by Futura, the market opportunity for Eroxon® OTC in the USA is US$ 350+ million (retail price)[5]. This is based on a retail price of US$ 5 per tube[6].

US$ 350+ million
market opportunity in the USA[5]

KEY INSIGHTS FROM THE IPSOS US MARKET RESEARCH

In 2022 Futura commissioned independent market research from Ipsos in the USA[5]. Ipsos conducted extensive research talking to both doctors and ED sufferers before conducting an online survey with 400 ED sufferers and 100 female partners.

Key learnings from the Ipsos US market research

- Strong positive reactions to the Eroxon® concept from men, women and doctors with speed of onset the key benefit for consumers.
- Strong purchase intent from men with ED and their female partners.
- Partners want to play a key role in treatment with high levels of interest from female partners in using Eroxon® and buying Eroxon® themselves.
- Availability of low-cost generics has not eroded the opportunity for Eroxon® with peak sales achieved at US$ 5 retail.

Some of the other research findings

- **1 in 4** times an "on demand" oral PDE5is is taken men do not then attempt intercourse.
- **81%** of female partners would probably/ definitely buy Eroxon®.
- **90%** of ED sufferers would probably/ definitely buy Eroxon® if their partner brought it home.

1 Haleon 2023 full year results, February 2024
2 Haleon website, accessed March 2024
3 2021 JSB Partners estimate based on US Census International Programs Population by age groups and "Prevalence of erectile dysfunction: Massachusetts Male Aging Study", 1987 ± 1989 (n=1626); source Kleinman et al. J Clin Epidemiol 2000.
4 Frederick L., "Undertreatment of erectile dysfunction: claims analysis of 6.2 million patients", J Sex Med, 2014, Oct, (10):2546-53.
5 Ipsos research carried out on behalf of Futura in the USA, 2022
6 Pricing strategy is the responsibility of our commercial partner.

Delivering our first meaningful revenues with momentum building

ANGELA HILDRETH
Finance Director and Chief Operating Officer

"Futura continued to focus its financial and human resources on Eroxon®. I am incredibly proud to be reporting first meaningful revenues."

As outlined in the Chairman's Statement and Chief Executive's Review, Futura continued to focus its financial and human resources on Eroxon®, its clinically proven breakthrough treatment for erectile dysfunction ("ED"). During the year, Futura launched Eroxon® in a number of markets, including the UK, and I am incredibly proud to be reporting first meaningful revenues. These initial launches have been highly encouraging with Eroxon® taking c. 20% market share of approved ED treatments in the UK and Belgium. The Company also achieved marketing authorisation in the USA and secured a standout commercial partner in Haleon to launch Eroxon® in the USA.

FINANCIAL RESULTS AT A GLANCE

		FY 23	FY22
Revenue		3,100,968	–
Cost of goods		(1,326,743)	–
Gross profit	**57%**	**1,774,225**	**–**
Research and development costs		(2,045,988)	(4,131,224)
Administrative costs		(3,971,710)	(2,068,413)
Adjusted operating loss*		**(4,243,473)**	**(6,199,637)**
Share-based payments		(2,720,297)	(671,852)
Operating loss before tax		**(6,963,770)**	**(6,871,489)**

* Adjusted for a non-cash share-based payment charge of £2.72 million (2022: £0.67 million). The share-based payment charge predominantly relates to the LTIP award in October 2023.

REVENUE

Eroxon® initially launched in March 2023 and the Company delivered total revenue of £3.10 million in 2023 (2022: £nil). Revenues were predominantly generated from Eroxon® sales and further details of revenue are provided in Note 5 to the consolidated financial statements.

In July 2023, the Group signed an exclusive commercial agreement with Haleon to commercialise Eroxon® in the USA and an upfront payment of £3.20 million (US$ 4 million) was received in 2023 upon execution of the agreement. This is expected to be recognised in the Consolidated Statement of Comprehensive Income in full in the first half of 2024. Details of the revenue recognition policy can be found in Note 2.6 of the consolidated financial statements.

COST OF SALES

Cost of sales were £1.33 million (2022: £nil) and generated a gross profit of £1.77 million (2022: £nil) reflecting a gross margin of 57%.

RESEARCH AND DEVELOPMENT

Research and Development ("R&D") costs for the period ended 31 December 2023 were £2.05 million, compared to £4.13 million for the period ended 31 December 2022. The decrease of £2.08 million reflects the focus shifting towards commercialisation of Eroxon® as headcount costs are now allocated to administrative expenses. The costs incurred are mainly reflective of the activities that were required ahead of US FDA marketing authorisation.

There was no capitalisation of R&D costs in 2023 (2022: £nil).

ADMINISTRATIVE EXPENSES

Administrative costs were £6.69 million for the period ended 31 December 2023 compared to £2.74 million for the period ended 31 December 2022. This expense includes a non-cash share-based payment charge of £2.72 million which is a £2.05 million increase compared to 2022. The share-based payment charge is predominantly relating to the LTIP award in October 2023.

The increase within administrative expenses includes headcounts costs which have been historically allocated to R&D and are now allocated to administrative expenses as the Company has focused on the commercialisation of Eroxon®. Other costs that have increased compared to 2022 are associated with supporting commercial partners and supply chain activities as Eroxon® launches continue to be rolled out in other markets. In addition, there were some one-off costs incurred relating to fees associated with negotiating and concluding US commercial arrangements for Eroxon®.

LOSS PER SHARE

The basic loss per share for 2023 was 2.21p (2022: 2.03p). Details of the loss per share calculations are provided in Note 9 to the consolidated financial statements.

BALANCE SHEET

The cash balance at the end of 2023 was £7.71 million (2022: £4.03 million). Current cash runway extends beyond the Eroxon® launch in the USA expected by early 2025.

Trade and other receivables increased from £0.27 million at 31 December 2022 to £1.24 million at 31 December 2023 reflecting the commencement of Eroxon® trading.

Trade and other payables increased from £1.75 million at 31 December 2022 to £6.34 million at 31 December 2023 predominantly as a result of the £3.20 million Haleon upfront payment, received in 2023, which will be recognised in 2024. The balance is related to an increase in trade creditors as a result of Eroxon® trading volumes and equipment procured to expand the supply chain capabilities.

The current tax asset of £0.38 million at 31 December 2023 (31 December 2022: £1.02 million) relates to the anticipated R&D tax credit claim in respect of the 2023 financial year.

Read our **Chief Executive's Review** on **page 8**

GOING CONCERN

The Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, they also acknowledge that a material uncertainty exists that may cast significant doubt on the Group's ability to generate sufficient net revenues and resulting cash inflows and raise sufficient finance to meet its expected costs to discharge 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. The Auditor's Report includes reference to the material uncertainty relating to going concern. Further information in relation to going concern can be found in Note 2.2 of the consolidated financial statements.

ANGELA HILDRETH
Finance Director and Chief Operating Officer

View our **consolidated financial statements** on **pages 67–70**

STAKEHOLDER ENGAGEMENT

Taking the long-term interests of key stakeholders into account

The Board recognises its responsibility to take into consideration the needs and concerns of Futura's key stakeholders. The Board sought to understand the views of its 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.

STAKEHOLDER ENGAGEMENT

	How we engage	Outcome of our engagement
Shareholders	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. In 2023 we also held an investor seminar in June which included presentations from two Key Opinion Leaders ("KOLs") and a representative from Cooper on the UK launch. The Company produces regular webcasts and video interviews which are posted to the Investor section of the website.	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 results of our investor engagement are reported to the Board to help inform our strategy and communications.
Consumers	The people our products are designed to treat are at the heart of why we do it. Our purpose is clear, "to enhance quality of life". We consult with KOLs regularly, hold Advisory Boards at key stages and conduct market research to help us with consumer insights. As our commercial partners launch their products they are sharing with us their in-market experience and insights. Our Quality team monitors customer complaints as part of our robust Quality Management System.	We are focused on bringing innovative products to the sexual health market where there are unmet needs with existing treatments. We are excited that men with ED and their partners can now purchase Eroxon® in some markets in the EU and the Middle East and are working hard to ensure we make it accessible to more people across the world. Read our **case studies** on **page 17**
Healthcare professionals	We have supported our commercial partner Cooper in their HCP and KOL engagement programme which has included webinars, presentations and attendance at conferences as well as materials for healthcare professionals. We attended the last two European Society of Sexual Medicine ("ESSM") Congresses to support Cooper, with some of our KOLs presenting at those conferences. Most recently at the February 2024 ESSM Conference KOLs presented Eroxon®'s mode of action and the clinical evidence to over 150 delegates and several hundreds visited the Eroxon® booth over three days.	We learn from our interactions with HCPs and KOLs and refine our product positioning and the information we provide our commercial partners to address questions from HCPs and consumers. Discussions with KOLs help us understand unmet needs and new product opportunities in sexual health.
Commercial partners	The Board places great emphasis on selecting the most suitable consumer healthcare partners who are well resourced to commit significant marketing spend and expertise as well as have the drive and enthusiasm to make our products a success. When looking to license the rights to one of our products, the Company appoints specialist advisers to identify and target the right potential partners and facilitate discussions and negotiations. The Company is working closely with its new commercial partners building mutually beneficial long-term relationships to ensure the success of Eroxon®.	The Company has signed a number of deals around the world to build a network of licensing and distribution partners for Eroxon® covering the USA, Europe and the rest of the world. The Company, where applicable, is supporting commercial partners with regulatory, IP, manufacturing and commercial input. Read about our **commercial partners** on **page 16**

STAKEHOLDER ENGAGEMENT

	How we engage	Outcome of our engagement
Development partners and manufacturers	We work with our development partners and manufacturers in a collaborative way that allows them to plan work and become part of the team. As a semi-virtual company, Futura relies upon its relationships with external service providers, manufacturers, consultants and subcontractors to provide resources on an "as needed" basis. These resources provide the Company with specialist skills and insights as well as additional capacity. As the business grows these relationships, particularly with partners in our supply chain, are critical. We therefore work closely with our suppliers, define clear responsibilities, work in an ethical and collaborative manner to achieve mutually beneficial outcomes to build sustainable and long-term relationships.	As the Company prepares to supply Eroxon® to commercial partners around the globe our contract manufacturing organisations are central to the long-term success of the product. We are working with two new contract manufacturers, one located in the USA and the other in the EU to supply product to our commercial partners. We are working closely with them to deliver continuity of supply, with a product of high quality at the lowest cost possible.
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. Employees want to be valued and rewarded for their contribution to the Company's development and success. The executive team favours an open-door policy where employee feedback is encouraged. There are regular formal and informal meetings and gatherings to keep employees informed of key developments in the Company as well as Company events to promote team spirit and thank employees.	The Board, and especially the Remuneration Committee, has had particular regards to employees as it 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.
Regulators	Regulators are agencies that regulate medicines and/or medical devices in their territories. They play a leading role in protecting and improving public health and supporting innovation. Futura works proactively and collaboratively with regulators through the pre-submission and submission process with an open and constructive dialogue.	Constructive discussions with regulators enables Futura to optimise its clinical development costs and timeline and shorten the time from development of the product to access by consumers. This approach led to the approval of Eroxon® OTC in the USA by the FDA.

KEY RISKS AND MITIGATION

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. 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.

The Group is at an early stage of its commercial execution and faces a number of operational, strategic and financial risks frequently encountered by loss-making companies who have previously focused financial resources on R&D activities. The development of medical devices and consumer healthcare products 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.

KEY RISKS AND MITIGATION

The Board considers that the key risks of the Group are:

Risk	Potential impact	Mitigation
Commercial risk	The lead product has not yet launched in all key markets. 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 when 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 cannot rely upon any historical sales data to accurately predict revenues generated from commercial sales of the products and revenues may fall short of expectations.	The Group seeks to reduce this risk by carefully selecting experienced commercial and distribution partners, maintaining and developing these relationships and seeking to develop new products of commercial interest to these and other partners. Prior to 2023, the Company entered into licensing and distribution agreements for the European Economic Area, United Kingdom and Switzerland and South Korea and Eroxon® has now successfully launched in a number of those markets with further launches planned throughout 2024. In 2023, the Company entered into a commercial agreement with Haleon plc for the USA. The agreements ensure that the commercial partners are contractually and financially committed to advertise and promote the product. The Company has worked closely with partners to understand their commercial forecasts and will continue to monitor sales against forecast expectations.
Financial risk	*Availability of capital* The Group is focused on delivering revenue following the launch and roll out of its lead product Eroxon®. However, the Group has not yet generated a net positive operating cash flow and its ultimate success will depend on the Board's ability to implement the Group's strategy and generate positive cash flow. Lower revenues received or increase in costs of capital and/or unavailability of requisite, additional capital may constrain growth. *Income* Shortfalls in income mean inability to fund additional R&D activities and/or result in the need to cut overheads and/or announce to the market lower than expected revenues.	Whilst the Group is at an early stage of its commercial execution, a number of commercial agreements in key markets have been entered into with further launches of Eroxon® expected to result in increased revenues in 2024. The Group will work closely with commercial partners to understand their commercial forecasts and monitor sales against forecast expectations. The Group is also committed to mitigating this risk by delivering against the Group's growth strategy, generating revenue through existing and new commercial agreements with partners. The Board reviews financial performance on a frequent basis in order to ensure that Management are delivering against plan. The Group held a cash balance of £7.7 million at the end of 2023 and will continue to be revenue generating and cost conscientious throughout 2024. Market research suggests that demand for a fast-acting topical, clinically proven treatment for ED, that is available without a doctor's prescription is high. The Company is focused upon delivering revenue growth and avoiding the need to reduce discretionary R&D and/or overheads as this would impact on the Group's growth potential. The Company has received committed orders for Eroxon® and positive forecast data from commercial partners and works very closely with commercial partners to ensure mutual success.

KEY RISKS AND MITIGATION

Risk	Potential impact	Mitigation
Disruption to supply products ⇔	The Group relies upon third-party manufacturers to supply its products to commercial partners. Failure to provide products at prices and quantities that are commercially acceptable could potentially result in a financial and reputational loss to the Group and compromise the commercial success of its products.	The Group has clearly defined agreements with its suppliers and maintains close oversight of their processes. In addition, the Group has ensured that the third-party manufacturers have stockpiled key raw materials and packaging. The Group has also expanded its manufacturing network to add capacity, protect prices and reduce risk of reliance on individual sources of supply.
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.
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 annual performance bonus and share options that vest over a number of years.

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

Risk	Potential impact	Mitigation
Economic and political conditions ↓	The Group is not immune from the risk of downturn in economic conditions resulting from events outside of its control. Whilst the impact of Brexit and COVID-19 are both now relatively low, the Russia-Ukraine conflict (as an example) did impact on the prices of raw materials and energy and other conflicts that could occur could also potentially impact in the same way. The availability of capital could also be impacted in any economic downturn.	The impact of economic and political events continues to be monitored as they arise. To date, there has been limited impact from events such as Brexit, COVID-19 and the Ukraine-Russia conflict.

Key

↑ Up trend ↓ Down trend ⇔ No change

A core aspect of our business

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. Our approach is underpinned by our Corporate Governance principles of responsibility, transparency and integrity for the benefit of our shareholders, employees, commercial partners 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.

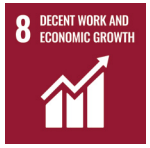
Our focus is on the four SDGs where we believe we can have the greatest impact and therefore the greatest opportunity to make a real and lasting difference. These are:

GOOD HEALTH AND WELLBEING

- We are developing sexual health products that are optimised for clinical efficacy, safety, mode of administration and consumer convenience, and will lead to improved health and wellbeing.
- We continue to place the health and safety of our staff and consultants at the heart of our business and have adopted a policy to allow our staff to optionally work approximately 50% of the time from home giving them the flexibility to balance their work and family commitments.

INDUSTRY, INNOVATION AND INFRASTRUCTURE

- We invest in R&D to develop a portfolio of innovative products based on our expertise in topically delivered gel formulations 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 the results of 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 most recently the manufacturing of our lead product. If we are successful with our products this creates more opportunities for our partners.



DECENT WORK AND ECONOMIC GROWTH

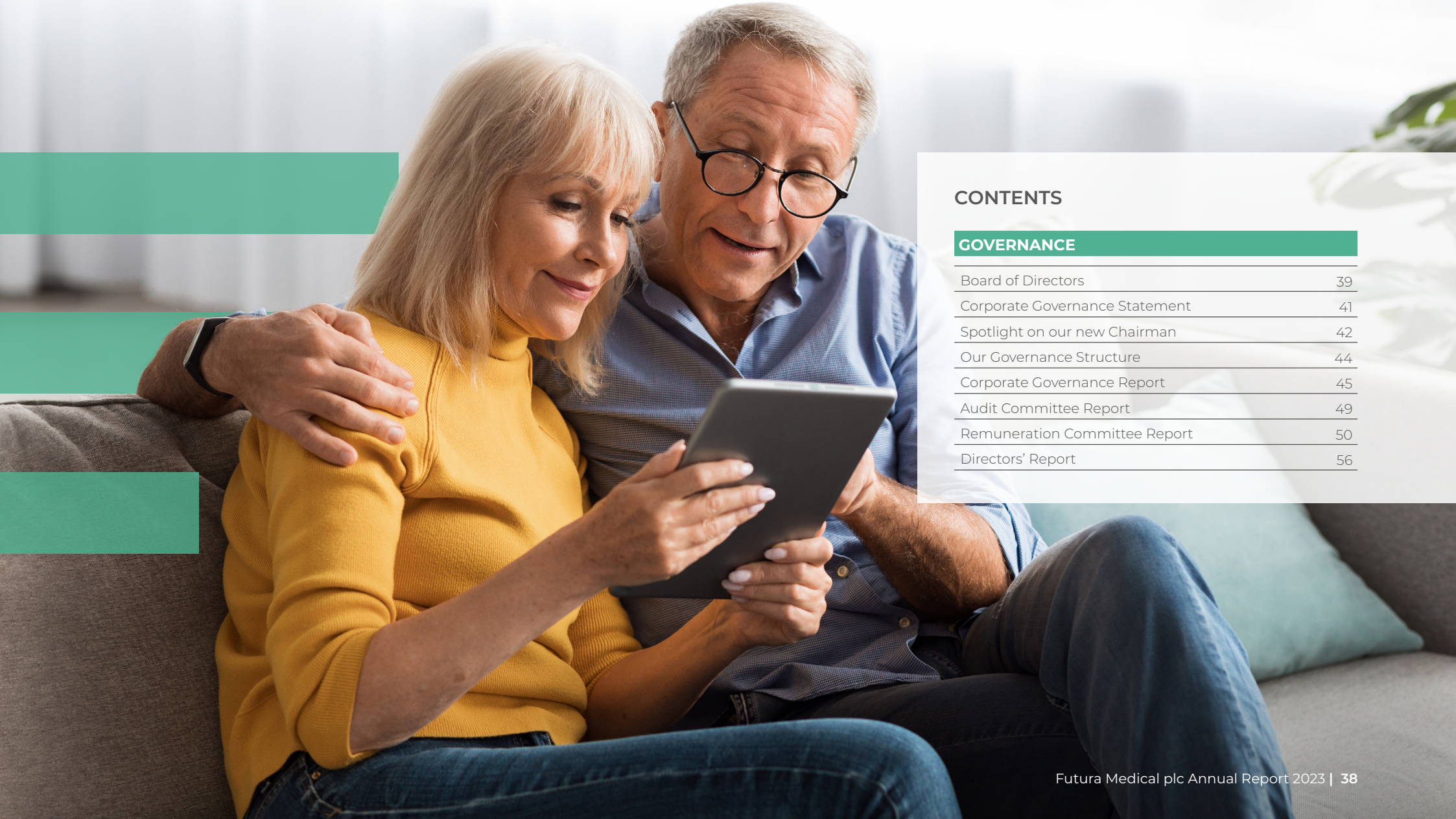
- Our employees are our most important asset. We are reliant on a skilled workforce for the success of the Group. We treat our employees fairly and support their ongoing development. We seek to empower them and ensure that they are fully engaged in all aspects of Futura's objectives and high quality standards. Each of our employees contributes and shares in Futura's success.
- We are focused on commercialising our products 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 aim to have a balanced workforce across the Group.

TOTAL WORKFORCE GENDER SPLIT

Governance



CONTENTS

BOARD OF DIRECTORS

A driven and experienced team

The Board is responsible to shareholders for the 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.

Read more about our new Chairman in our **Q&A section** on **page 42**

JEFF NEEDHAM
Non-Executive Chairman

CURRENT ROLES

Jeff Needham is Non-Executive Chairman of Futura Medical plc. He was previously a Non-Executive Director of Futura Medical plc since November 2021. He is also Chair of the Nominations Committee. Jeff is also currently on the Board of McKee Foods Corp.

PAST ROLES

President of Perrigo Consumer Self-Care Americas (including USA) and Executive Vice President at Perrigo Company plc, the US-based manufacturer and marketer of consumer healthcare products, and a board director of the US Consumer Healthcare Products Association ("CHPA") for 11 years.

BRINGS TO THE BOARD

Over 35 years of experience in manufacturing and marketing of consumer healthcare products with strategic and corporate management expertise, with particular expertise in the US market.

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. He is also a Non-Executive Director of Caisson IO Group Limited and a Director of the Mary How Trust for Cancer Prevention.

PAST ROLES

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

BRINGS TO THE BOARD

Over 30 years of experience in setting up, managing and running companies.

ANGELA HILDRETH
Finance Director, Chief Operating Officer, and Company Secretary

CURRENT ROLES

Angela Hildreth leads the Group's finance, HR and IT functions, drives 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). She was also an Independent Non-Executive Director and Chair of the Audit Committee at AIM-listed Aptamer plc.

BRINGS TO THE BOARD

Over 15 years' strategic and operational financial experience of developing and commercialising pharmaceutical products.

BOARD OF DIRECTORS

DIRECTOR WHO HAS SERVED IN THE YEAR

KEN JAMES
Executive Director
and Head of R&D

CURRENT ROLES

Ken James is the Head of R&D. He oversees the development, regulatory, quality 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 USA.

BRINGS TO THE BOARD

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

ANDREW UNITT
Senior Independent
Non-Executive Director

CURRENT ROLES

Andrew Unitt is an Independent Non-Executive Director and Chair of the Audit Committee. He is also a member of the Remuneration Committee and the Nominations Committee.

PAST ROLES

Chief Financial Officer at the University of Nottingham until 2016. Andrew spent eleven years at Boots plc, where he was Managing Director and Finance Director for four years of Boots Healthcare International, its over-the-counter ("OTC") medicines business. Andrew was also Independent Non-Executive Director of AIM-listed company Oncimmune Holdings plc.

BRINGS TO THE BOARD

Over 20 years of experience as a Finance Director in a wide range of industries with strong financial experience and OTC market expertise.

ROY DAVIS
Independent Non-Executive
Director (joined 9 January 2024)

CURRENT ROLES

Roy Davis is an Independent Non-Executive Director and Chair of the Remuneration Committee. He is a member of the Audit Committee and the Nominations Committee. He is also a Non-Executive Chair at LungLife AI plc, Foster and Freeman (the trading name of the Galton group of companies), Rair Health Ltd and Inspiration Healthcare Group plc.

PAST ROLES

Leadership positions at a number of publicly quoted med tech companies, including CEO of Optos plc and Gyrus Group plc and Non-Executive Chair at Medica Group plc.

BRINGS TO THE BOARD

Over 35 years of commercial experience including in medical devices companies and strategic consulting and has a proven track record of successfully scaling companies and delivering substantial value for shareholders.

JOHN CLARKE
Non-Executive Chairman
(resigned 18 July 2023)

John Clarke was the Chairman of Futura Medical plc. He chaired the Nominations Committee and was a member of the Audit Committee and the Remuneration Committee.

Committed to the highest standards in Corporate Governance

JEFF NEEDHAM
Non-Executive Chairman

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 2023. The Board is committed to the highest standards of corporate governance and to maintaining a sound framework for the control and management of the Group's business.

I was appointed as Chairman in July 2023, having served as a Non-Executive Director since 2021 , following the departure of John Clarke. I would like to take this opportunity to thank John and recognise his invaluable contribution to Futura Medical plc in the 11 years he served as Non-Executive Chairman.

As Chairman, I have overall responsibility for corporate governance and in promoting high standards throughout the Group. As well as leading and chairing the Board my responsibilities are to ensure:

- Committees are properly structured and operate with appropriate terms of reference;
- The performance of individual Directors, the Board and its committees are reviewed on a regular basis;
- The Company has a coherent strategy and sets objectives against this;
- There is effective communication between the Company and its shareholders.

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. The Board is committed to the highest standards of corporate governance and to maintaining a sound framework for the control and management of Futura Medical plc. The Board is responsible for leading and controlling the activities of the Group, with overall authority for the management and conduct of the business, together with its strategy and development. The Board believes that good corporate governance improves long-term success and the support from our shareholders is vital to our success. We remain responsive to our shareholders' and stakeholders' views to deliver on our strategy and objectives.

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 45 to 48 we have set out the Group's application of the QCA Code, including, where appropriate, cross references to other sections of this Annual Report and to our website.

JEFF NEEDHAM
Non-Executive Chairman

9 April 2024

SPOTLIGHT ON OUR NEW CHAIRMAN

Q&A

JEFF NEEDHAM
Non-Executive Chairman

"What is important to our shareholders is maximising the value of Futura which we are going to accomplish by being laser focused on the commercial execution of Eroxon® launches in Europe, the USA, and other geographies such as South America, Asia and the Middle East."

Q Where have you previously worked in terms of companies, geographies and responsibilities?

A I had a 36-year career at the Perrigo Company. Perrigo is the world's largest manufacturer and marketer of a retailer's own or store brand consumer healthcare products, in addition to having a broad portfolio of its own branded products across the European markets. I worked primarily in the USA over that 36-year period and still live in the USA, however I did work in the UK to establish Perrigo's presence in the European marketplace. Over my career, I worked with all of the major US retailers, establishing, developing, and growing their own brand consumer healthcare businesses. I would say that I have been immersed in consumer healthcare for a significant period of time, and this was recognised by me receiving the US Consumer Healthcare Products Association ("CHPA") lifetime achievement award recently.

Q What is your connection to the UK – what was your favourite aspect of living and working in the UK? How has living and working in different geographies in the USA and Europe shaped and influenced your career and outlook?

A My family and I really enjoyed our time in the UK. We consider England and more specifically Southwest England, a second home for ourselves. I really enjoyed the lifestyle in the UK. I think the people are particularly sincere and that it's generally a very good culture. We made very good, lasting friendships from our time there. From a business standpoint, the UK has a somewhat different approach compared to the USA. When I was based in the UK I learned a lot about the positive, pragmatic business approach that can contribute to a healthy work/non-work life balance.

Q What are your top three learnings from working at publicly quoted companies? What are the highlights as well?

A Right at the top of the list would have to be the importance of delivering the financial results throughout the year. It heightens the challenge of managing a business because, running any business, you have got to balance long-term strategies and investments with short-term objectives and results. The need to report as often as we have to makes striking that balance much more difficult to achieve.

Also, as a public company, you have to understand that the true bosses and owners of the business are your shareholders. You have got to always remember that and make daily decisions with shareholders front of mind.

Q What attracted you to Futura Medical and motivated you to take on the role of Chairman?

A What attracted me was the excitement and interest that I had with Futura being on the cusp of having a new product that was nearing approval for the US market and preparing to be commercialised for the erectile dysfunction market. Erectile dysfunction as an OTC business is a virtually untapped consumer healthcare market with huge potential. In addition, Futura is comprised of a team of very dedicated individuals who have been very focused on executing against the clear objectives they have set for themselves. I have truly enjoyed my two years of being involved with the business and can say it has been a very positive experience. I have really enjoyed my time thus far with Futura and its team.

SPOTLIGHT ON OUR NEW CHAIRMAN

Q What do you bring to Futura?

A I think first and foremost is my US consumer and broader commercial background. Among the most important priorities for Futura at this point is the successful commercialisation of Eroxon® in the markets where we have regulatory approval. Having managed a large consumer healthcare business, I bring significant commercial experience combined with executive management responsibility. I also understand the importance of having a robust governance and leadership structure, and processes to enable the Company to grow and scale.

Jeff received a lifetime achievement award at the US CHPA conference in March 2024.

Q What do you want to achieve for Futura's shareholders?

A Ultimately what is important to our shareholders is maximising the value of Futura, which we are going to accomplish by being laser focused on the commercial execution of Eroxon® launches in Europe, the USA, and other geographies such as South America, Asia and the Middle East. I also think having follow-on brand extensions and new products under that Eroxon® umbrella will be important to provide long-term growth.

Q Why do you think Eroxon® will become a market leader in the ED space?

A There are three key factors that give me great confidence that Eroxon® will establish itself as the leading brand in the markets in which it is launched. Firstly, it is going to be the first pure OTC brand on the shelf that will be accessible to consumers without a prescription or the need for interaction with a pharmacist during the purchasing process. That "open accessibility" for the consumer is key to creating a large market for the brand. Secondly, Eroxon's fast onset of action, with its key brand claim of "Helps you get an erection within 10 minutes", is a key product advantage over the traditional oral ED drugs that do not start working for 30 to 60 minutes. And, finally, Futura has had the good fortune to enter into agreements with market leading commercial partners that possess deep expertise in executing and managing successful consumer brand launches. We are excited that we have the building blocks in place to realise success in all of our key markets.

Q You have talked about heading up the US Perrigo business, what do you think a brand needs to be successful in the USA?

A First and foremost, a new successful brand will ideally meet an unmet consumer need. We have that with Eroxon® as the first OTC ED treatment with a "fast-acting" claim. With that, a strong market launch will have excellent planning preceding a focused, well-executed launch, which will drive awareness amongst the consumer, while educating them of the benefits of the new brand. Planning, coordination and execution with all key retailers is key to a successful market launch. As I stated, we have great confidence in our commercial partners to accomplish all of these considerations.

Q What are your interests outside of work? Do you have any hobbies?

A I have always been a runner and am fortunate, in my advanced age, to still be running fairly regularly, but I have been running since I was a teenager. I try to prioritise daily exercise into my schedule. I also like to play golf and try to do that at least weekly.

Q What is your greatest achievement outside of the workplace?

A My greatest achievement is my family and I am very proud of them. I have been married to my wife, Erin, for 37 years. We have two adult boys and we are very proud of the success that they are both having in their lives and that my wife and I are at a point where we can enjoy that. We are looking forward to welcoming our first grandchild later this year.

OUR GOVERNANCE STRUCTURE

THE BOARD

Responsible for the Group's vision, business model, risk and strategy. Together, the Directors are responsible for providing effective leadership to promote the long-term success of the Group.
View our Board of Directors' biographies on pages 39 to 40.

CHIEF EXECUTIVE OFFICER

Responsible for the day-to-day running of the business and the implementation of the Group's strategy.

BOARD CHAIR

Leads the Board and facilitates the effective contribution of all members to meetings.

BOARD COMMITTEES

Three Committees operate under delegated powers and with clear terms of reference.

SENIOR MANAGEMENT TEAM

Supports the CEO and has management responsibility for the business operations and its support functions.

NOMINATIONS COMMITTEE

Reviews the leadership needs of the organisation and monitors succession planning for both Board and senior executive roles. Responsible for the selection process and nomination of all Directors to the Board, and reviews the structure, size, and composition of the Board.

Committee Chair: **Jeff Needham**

Members: **3**

Meetings: **2**

AUDIT COMMITTEE

Monitors and reviews the financial results and other reporting and oversees the effectiveness of risk management and systems of internal control. Provides confidence to shareholders on the integrity of reported financial results and challenge to the External Auditor and senior management.

Read their report on **page 49**

Committee Chair: **Andrew Unitt**

Members: **2**

Meetings: **2**

REMUNERATION COMMITTEE

Ensures there is a formal process for reviewing salaries, benefits, and other terms of service to determine appropriate levels of remuneration for the Executive Directors and other senior executives.

Read their report on **page 50**

Committee Chair: **Roy Davis**

Members: **3**

Meetings: **3**

JEFF NEEDHAM
Non-Executive Chairman

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 formally at least six times per year and informally as required. It 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 commercialise innovative and clinically proven products for the OTC sexual health market. We then partner with leading consumer healthcare companies who are well resourced to commit significant marketing spend and expertise. This strategy is aligned with the demographic changes of ageing populations, increasing prosperity and the expectation of leading a full and active life, no matter your age. With an innovative R&D team and capabilities, we look to fulfil the needs of the large, underserved OTC sexual health market.

Now that Eroxon® has had regulatory approval in the USA, EU and other key markets, the Group has chosen to realise monetary value via out-licensing deals with commercial partners. If resources permit, the Group may choose to advance other products 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 34 to 36 of our Strategic Report. The key challenge to the 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 sufficient 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. In addition to shareholders, these include the Group's employees, regulators, commercial partners, manufacturers, consumers and healthcare professionals. 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 31 to 33.

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 and the Risk and Oversight Committee ("ROC") provides additional oversight of its operational compliance in respect of its assets. During 2023 the ROC provided oversight of the Company's Medical Device Quality Management System ("QMS") as defined in the Medical Device Quality Manual. 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 any issues arising out of the commercial activities and 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 Group grows. A summary of principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on pages 34 to 36 of our Strategic Report.

PRINCIPLE 5 – A WELL-FUNCTIONING BOARD OF DIRECTORS

Futura's Board comprises three 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 two Non-Executive Directors. Details of the Directors who served in the year can be found on page 56.

Attendance at Board and Committee meetings

The Board is responsible to shareholders for the 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. The Board met formally seven times during 2023 and, 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 statements.

Director	Board	Audit Committee	Remuneration Committee	Nominations Committee
John Clarke	4/4	2/2	1/1	N/A
Andrew Unitt	7/7	2/2	2/2	2/2
Jeff Needham	7/7		3/3	2/2
James Barder	7/7			
Angela Hildreth	7/7			
Ken James	6/7			

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.

Non-Executive Directors' letters of appointment stipulate that they are expected to devote such time as is necessary for the proper performance of their duties, being not less than 25 days per year. Non-Executive Directors are required to notify the Chairman before taking on any additional commitments that may impact the time available to devote to the Non-Executive Director role. The Board is satisfied that all Directors have continued to be effective and demonstrate commitment to their respective roles.

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.

The 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 the 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.

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 the 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 to 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.

The skills and experience of the Board members are shown in the table below:

Director	Pharma/ OTC sector	Financial	General management	Other public company (Board level)
John Clarke*	✓		✓	✓
Jeff Needham	✓		✓	
Andrew Unitt	✓	✓	✓	✓
James Barder	✓	✓	✓	✓
Angela Hildreth	✓	✓	✓	✓
Ken James	✓		✓	

* John Clarke resigned 18 July 2023

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 March 2024 in the form of peer appraisal, questionnaires and discussions led by the Chairman to determine their 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 Senior Non-Executive Director Andrew Unitt.

The Chairman is responsible for the annual performance assessment of the Chief Executive Officer and the Chief Executive Officer reviews the performance of 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 review in March 2024 concluded that the Directors were satisfied with Board operations and processes with no major issues raised.

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

PRINCIPLE 8 – CORPORATE CULTURE

The Board recognises that its 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 with staff regarding progress and staff feedback regularly sought. The Board's 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 consumers.

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 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 two to three times per 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 and 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 UK LLP based at 2nd Floor, St John's House, Haslett Avenue West, Crawley RH10 1HS and was appointed in 2019 as part of a tender process. The senior statutory auditor is Jonathan Oakey.

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 Directors 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 50 to 55.

The Directors believe that the disclosures in that report 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, has responsibility for reviewing the size and composition of the Board, the appointment or 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 Directors 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 shareholders 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.

The Group's financial reports can be found in the Investor 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.

JEFF NEEDHAM
Non-Executive Chairman

9 April 2024

AUDIT COMMITTEE REPORT

ANDREW UNITT
Chairman of the Audit Committee

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's 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; and
- 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 two meetings held in the year and matters discussed were as follows:

January 2023

Presentation of 2022 Audit Plan

April 2023

Presentation of 2022 Audit Report (see 2022 Annual Report for 2022 Audit Report)

Review of 2022 audit performance

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 External Auditor to ensure that its 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 External Auditor.

The Group's External Auditor, Grant Thornton UK LLP, is engaged to provide its independent opinion on the Group's financial statements. A full scope of its work for the year ended 31 December 2023 is included within the Independent Auditor's Report on pages 59 to 66. Grant Thornton was appointed in 2019 following a tender process. The senior statutory auditor is Jonathan Oakey.

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.

ANDREW UNITT
Chairman of the Audit Committee

REMUNERATION COMMITTEE REPORT

ROY DAVIS
Chairman of the Remuneration Committee

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 Jeff Needham until Roy Davis joined in January 2024 and took over as Chair. The Company has 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 three Remuneration Committee meetings during 2023.

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 healthcare and medicine 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.

REMUNERATION COMMITTEE REPORT

The table below sets out the elements of the Executive Director's compensation and how each element operates as well as the maximum level of each element and any applicable performance measures.

Element and Purpose	Operation	Maximum Level
Fixed Remuneration		
Basic Salary		
To provide a competitive base salary for the market and size of the Group in order to attract and retain Executive Directors of a suitable calibre.	Usually reviewed annually by the Remuneration Committee and recommended to the Board, taking account of: · Salary increases awarded to the wider workforce · Group performance · Role and experience · Individual performance; and · Competitive environment	Salary increases will generally be in line with salary increases to other employees, but may be adjusted to take account of: · Promotion · Change in scope of role · Realignment with market; and · Development and performance in the role
Benefits		
To provide a competitive range of benefits as part of total remuneration.	Executive Directors usually receive: · Private medical insurance · Salary-related death-in-service life insurance	No overall maximum has been set, but the level of benefits provided is determined taking into account the overall cost to the Group.
Retirement Benefits		
To provide an appropriate level of retirement benefit (or cash allowance equivalent).	Executive Directors are eligible to participate in the Group defined contribution pension scheme. In appropriate circumstances, Directors may be permitted to take benefits as a salary cash supplement (which will usually be reduced to take into account employer National Insurance contributions).	Contributions for 2022 and 2023 were set at 10% of base salary.

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.

REMUNERATION COMMITTEE REPORT

Element and Purpose	Operation	Maximum Level
Variable Remuneration		
Annual Bonus		
Rewards performance over the financial year, including in relation to performance which supports the Group's longer-term objectives.	Awards for Executive Directors are based on performance, measured over the financial year to which they relate, and split between strategic and corporate, and individual objectives split 90% and 10% respectively.	The maximum annual bonus level in 2021 and 2022 was 50% of base salary and following a remuneration/benchmark review in 2023 was 80% of salary. Any bonus is granted on a discretionary basis.
Annual Share Options Awards		
To create alignment between Executive Directors' and shareholders' interests through annual share options issued through the approved and unapproved share options schemes.	Awards are made annually in the form of market value share options. Vesting is subject to performance criteria being met and the Directors remaining in office.	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 share options granted in 2023 will vest **three years** from the date of grant providing the Executive Director remains in office, or is not under notice, at the date of vesting.
Long-term Incentive Plan ("LTIP")		
To create alignment between Executive Directors' and shareholders' interests through the delivery of performance-based awards.	Share options are awarded in the form of nominal cost share options with the quantum of options dependent on a target share price achieved.	In 2023, performance milestones were achieved, and the target share price reached. The options granted will vest 25% immediately with a further 25% vesting annually following the date of grant, subject to the Executive Directors remaining in office at the date of vesting. This LTIP scheme is now closed. The Board is considering the most appropriate measure and timing to introduce a further scheme.

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 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 2023 was settled in January 2024 by the issue of 43,500 shares at 51.50 pence per share. The 2024 award has been determined at 27.10 pence per share and the Non-Executive Directors will accrue these shares over 2024 and receive them, or such lower number as have accrued if they leave the Group earlier, in January 2025.

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.

REMUNERATION COMMITTEE REPORT

DIRECTORS' EMOLUMENTS

The emoluments of the Directors, who represent the key management personnel were as follows, in 2023:

	Year ended 31 December 2023						
	Salary and Directors' Fees	Bonus	Share Awards	Benefits in Kind	Pension	Total	Year ended 31 December 2022
	£	£	£	£	£	£	£
James Barder	**277,407**	**183,600**	**–**	**8,547**	**–**	**469,554**	435,059
Ken James	**200,000**	**144,000**	**–**	**–**	**–**	**344,000**	284,594
Angela Hildreth	**205,000**	**147,600**	**–**	**1,685**	**20,500**	**374,785**	310,799
Non-Executive Directors							
John Clarke*	**41,853**	**–**	**29,302**	**–**	**–**	**71,155**	97,067
Jeff Needham	**53,947**	**–**	**13,000**	**–**	**–**	**66,947**	53,125
Andrew Unitt	**39,000**	**–**	**13,000**	**–**	**–**	**52,000**	50,000
Totals	**817,207**	**475,200**	**55,302**	**10,232**	**20,500**	**1,378,441**	1,230,644

* John Clarke resigned July 2023.

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

DIRECTORS' INTERESTS IN SHARES

	31 December 2023		31 December 2022	
	Beneficial Interests	Non-beneficial Interests	Beneficial Interests	Non-beneficial Interests
James Barder	**1,323,472**	**117,500**	1,323,472	117,500
John Clarke*	**–**	**–**	795,100	–
Ken James	**299,581**	**–**	299,581	–
Angela Hildreth	**142,857**	**–**	142,857	–
Jeff Needham	**27,961**	**–**	20,612	–
Andrew Unitt	**38,496**	**–**	26,526	–
Totals	**1,832,367**	**117,500**	2,608,148	117,500

* John Clarke resigned as a Director of the Group in July 2023. As such, his interests in shares are not required to be disclosed as at 31 December 2023.

DIRECTORS' INTERESTS IN SHARE OPTIONS

The Board uses share options to align 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 Directors included options granted under the LTIP scheme and were as follows:

	31 December 2023		31 December 2022	
	Options Held	**Share-based Payment Expense**	Options Held	Share-based Payment Expense
James Barder	**3,615,927**	**386,893**	2,085,716	100,119
Ken James	**3,375,955**	**341,500**	1,945,227	87,113
Angela Hildreth	**3,040,081**	**330,191**	1,508,340	83,789
John Clarke*	**–**	**–**	463,343	42,846
Totals	**10,031,963**	**1,058,584**	6,002,626	313,867

* John Clarke resigned as a Director of the Group in July 2023. As such, his interests in share options are not required to be disclosed as at 31 December 2023.

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	17 September 2019	250,000	31.00 pence	1 October 2021	30 September 2026
James Barder	21 September 2020	300,000	15.50 pence	1 October 2022	30 September 2027
James Barder	5 October 2021	94,322	37.90 pence	1 October 2023	30 September 2028
James Barder	6 April 2023	43,000	43.60 pence	1 April 2026	31 March 2033
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
Angela Hildreth	21 September 2020	240,000	15.50 pence	1 October 2022	30 September 2027
Angela Hildreth	5 October 2021	264,000	37.90 pence	1 October 2023	30 September 2028
Angela Hildreth	14 September 2022	79,425	45.00 pence	1 October 2025	30 September 2030
Totals		2,270,747			

REMUNERATION COMMITTEE REPORT

The share options of the Directors under the Futura Medical plc Unapproved Option Scheme are set out below:

	Grant Date	Number Awarded	Exercise Price/Share	Earliest Exercise Date	Expiry Date
James Barder	12 September 2017	250,000	30.50 pence	1 October 2019	30 September 2024
James Barder	5 October 2021	235,678	37.90 pence	1 October 2023	30 September 2028
James Barder	14 September 2022	165,000	45.00 pence	1 October 2025	30 September 2030
James Barder	6 April 2023	287,000	43.60 pence	1 April 2026	31 March 2033
Ken James	21 September 2020	240,000	15.50 pence	1 October 2022	30 September 2027
Ken James	5 October 2021	264,000	37.90 pence	1 October 2023	30 September 2028
Ken James	14 September 2022	132,000	45.00 pence	1 October 2025	30 September 2030
Ken James	6 April 2023	264,000	43.60 pence	1 April 2026	31 March 2033
Angela Hildreth	14 September 2022	52,575	45.00 pence	1 October 2025	30 September 2030
Angela Hildreth	6 April 2023	264,000	43.60 pence	1 April 2026	31 March 2033
Totals		2,154,253			

DIRECTORS' INTERESTS IN LONG-TERM INCENTIVE PLAN

Some performance milestones, which are non-market-related milestones, were met in 2022. The options granted will vest 25% immediately with a further 25% vesting annually following the date of grant. In 2022, a performance milestone was met at the target share price and the following number of share options were granted:

	Grant Date	Number Awarded	Exercise Price/Share	Earliest Exercise Date	Expiry Date
James Barder	7 December 2022	540,716	0.2 pence	10 January 2023	30 September 2030
Ken James	7 December 2022	509,227	0.2 pence	10 January 2023	30 September 2030
Angela Hildreth	7 December 2022	472,340	0.2 pence	10 January 2023	30 September 2030
John Clarke	7 December 2022	463,343	0.2 pence	10 January 2023	30 September 2030
Totals		1,985,626			

Some performance milestones, which are non-market-related milestones, were met in 2023. The options granted will vest 25% immediately with a further 25% vesting annually following the date of grant. In 2023, a performance milestone was met at the target share price and the following number of share options were granted:

	Grant Date	Number Awarded	Exercise Price/Share	Earliest Exercise Date	Expiry Date
James Barder	10 October 2023	1,450,211	0.2 pence	10 October 2023	30 October 2033
Ken James	10 October 2023	1,366,728	0.2 pence	10 January 2023	30 October 2033
Angela Hildreth	10 October 2023	1,267,742	0.2 pence	10 January 2023	30 October 2033
Totals		4,084,681			

A share-based remuneration charge has been included in the Consolidated Statement of Comprehensive Loss in respect of the Approved Share Option scheme, Unapproved Share Option scheme and the LTIP scheme.

ROY DAVIS
Chairman of the Remuneration Committee

DIRECTORS

The Directors during the year were:

John Clarke	Non-Executive Chairman[1]
Jeff Needham	Non-Executive Director/Non-Executive Chairman[2]
Andrew Unitt	Non-Executive Director
James Barder	Chief Executive Officer
Angela Hildreth	Finance Director/Chief Operating Officer
Ken James	Head of R&D/Executive Director

1 Resigned July 2023.

2 Appointment to Non-Executive Chairman July 2023.

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 innovative and proprietary sexual health products, utilising its expertise in the research, development and commercialisation of topically delivered gel formulations to improve sexual health. The Strategic Report on pages 2 to 37 provides a review of the business, including the Group's trading for the year ended 31 December 2023, 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 UK. 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 (2022: £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 50 to 55. 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 50 to 55.

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 2023 the Group's expenditure on R&D was £2,045,988 (2022: £4,131,224).

ADEQUACY OF INFORMATION SUPPLIED TO EXTERNAL 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 External 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 External 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.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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 benefit of its members as a whole, as set out in our s.172(1) statement on page 31. A consideration of the Company's relationship with wider stakeholders, including manufacturers and commercial partners, is disclosed in the Stakeholders section on pages 31 to 33.

SIGNIFICANT INTERESTS

On 9 April 2024 the Company was 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	28.50%
T Adams	6.89%
WT Lamb Investments Limited	4.51%
RA Lamb	3.28%

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 UK-adopted International Accounting Standards (IFRSs as adopted by the UK) 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 UK-adopted International Accounting Standards;
- 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, they also acknowledge that a material uncertainty exists that may cast significant doubt on the Group's ability to generate sufficient net revenues and resulting cash inflows and raise sufficient finance to meet its expected costs to discharge 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

9 April 2024

Financial Statements

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FINANCIAL STATEMENTS

Independent Auditor's Report to the Members of Futura Medical plc

for the year ended 31 December 2023

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 December 31, 2023**, which comprise the Consolidated statement of comprehensive loss, 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 financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. 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 Disclosure 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 December 31, 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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 consolidated financial statements, which indicates the risks of the Group's ability to continue as a going concern due to the uncertainty around the Group's ability to generate sufficient net revenues and resulting cash inflows and raise sufficient finance to meet its expected costs to discharge its liabilities in the normal course of business. As stated in note 2.2, these events or conditions, along with the other matters as set forth in going concern note, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of management's assessment of the entity's ability to continue as a going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included obtaining management's going concern assessments covering the period to 30 June 2025 and performing the following procedures:

- obtaining an understanding of relevant controls over management's going concern models, including those over the inputs and assumptions used in the models;
- corroborating key assumptions, such as assessing the timing and quantity of future sales, increases of costs in line with inflation, delays in R&D tax credit receipts and challenging management where necessary;
- assessing the impact of not achieving expected revenue and evaluating the impact of a reduced revenue scenario. We considered whether the assumptions are consistent with our understanding of the business and other audit work undertaken;
- assessing the impact of the mitigating factors available to management in respect of the ability to reduce expenditure through cost saving exercises, such as reducing bonus payments and R&D expense, or alternative options;
- assessing the accuracy of management's past forecasting by comparing management's future forecasts modelled in the two prior financial years to the actual results for that relevant year and considering the impact on the going concern models;
- evaluating events that occurred post balance sheet date and challenging management as to whether these have been correctly reflected in the forecasts prepared;
- assessing management's sensitivity analysis on the going concern models and considering if they appropriately consider reasonably possible adverse movements; and
- assessing the adequacy of related disclosures within the annual report and accounts.

Independent Auditor's Report to the Members of Futura Medical plc

for the year ended 31 December 2023

Our responsibilities

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OUR APPROACH TO THE AUDIT

Grant Thornton

OVERVIEW OF OUR AUDIT APPROACH

Overall materiality:

Group: £329,000, which represents approximately 5% of the group's loss before tax.

Parent company: £720,000, which represents approximately 1% of the parent company's total assets.

Key audit matters were identified as

Group: In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matter(s) described below to be the key audit matter(s) to be communicated in our report: Revenue Recognition from License Income (new in current year).

Parent: Except for the matter described in the Material uncertainty related to going concern section, we have determined that there are no other key audit matters to be communicated in our report.

Our auditor's report for the year ended 31 December 2022 included one key audit matter that has not been reported as key audit matter in our current year's report. This relates to Impairment of investment in the subsidiary as market uncertainty with respect to the potential of MED3000 has resolved post the EU and US FDA approval and revenue generation.

We performed a full-scope audit on the Parent Company and the other significant component (Futura Medical Developments Limited) using component materiality. 100% of the revenue and loss before tax for the year ended 31 December 2023 and 100% of the assets and liabilities as at 31 December 2023 were included within full-scope audit procedures. This approach is the same as the previous year.

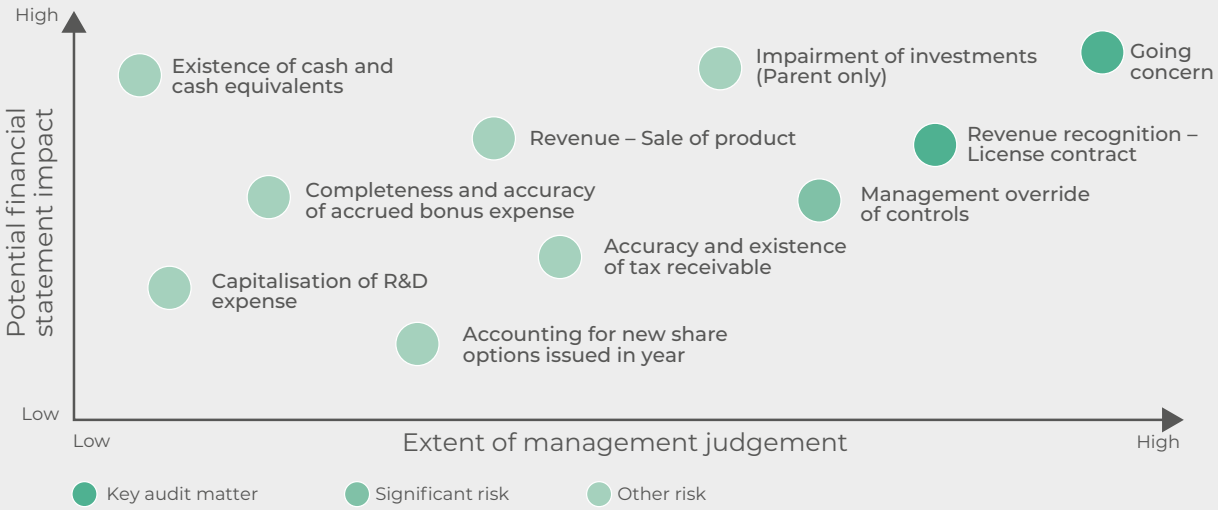
Independent Auditor's Report to the Members of Futura Medical plc

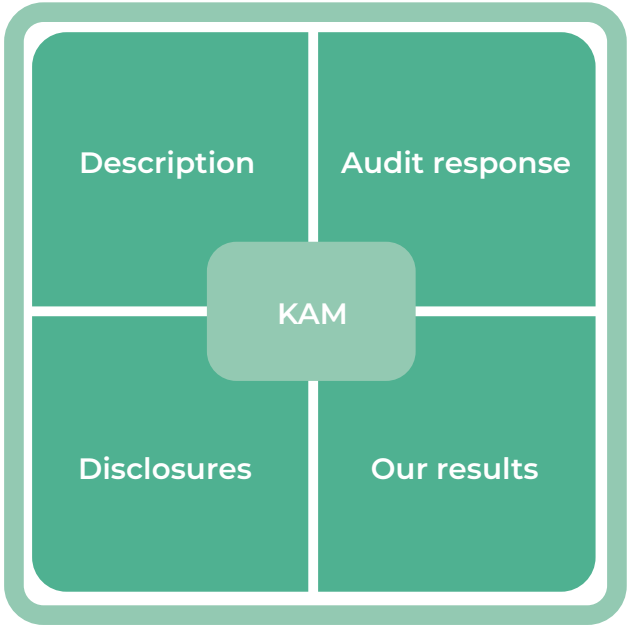
for the year ended 31 December 2023

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.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.





Independent Auditor's Report to the Members of Futura Medical plc

for the year ended 31 December 2023

Key Audit Matter – Group	How our scope addressed the matter – Group
Revenue – License Contract We identified revenue recognition for license contract as one of the most significant assessed risks of material misstatement due to fraud and error. Revenue is the most significant item in the Consolidated Statement of Loss and is a key performance indicator as set out in the Annual Report and Financial Statements. Revenue is recognised in accordance with International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers' and requires judgement in identification of performance obligations. In the current year, the company entered a new contract with Haleon plc ("Haleon") for commercialisation of the product in USA. We determined that the significant risk in revenue relates to the identification of the performance obligations within this contract and the timing of the recognition of the license fee revenue. There were also judgements required in determining whether the contract included an embedded lease.	**In responding to the key audit matter, we performed the following audit procedures:** • obtained and assessed the management expert's assessment for evaluation of the accounting treatment of the contract; • evaluated whether the accounting policies adopted are in accordance with IFRS 15, including the identification of a performance obligation. As part of testing performed, assessed whether the policies had been applied consistently; • assessed whether the accounting policies adopted are in accordance with IFRS 16, including the assessment of whether the license contract contains an embedded lease; • assessed the competence and objectivity of managements expert used to assist in evaluation of the new contract; • assessed the completeness and accuracy of the contract liability associated with the performance obligation in the contract; • considered the appropriateness of management judgements and rationale; and • obtained an understanding of the relevant controls through with the business initiates, records and recognised revenue and contract liability under this contract.
Relevant disclosures in the Annual Report • Financial statements: Note 2.6,	**Our results** Based on our audit work, we did not identify any material misstatements with respect to the revenue recognition of the new license contract. Revenue was recognised in accordance with the group's accounting policy and IFRS 15 'Revenue from Contracts with Customers'.

We did not identify any key audit matters relating to the audit of the financial statements of the parent company only.

Independent Auditor's Report to the Members of Futura Medical plc

for the year ended 31 December 2023

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£329,000, which represents approximately 5% of loss before tax.	£720,000, which represents approximately 1% of total assets of company
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: • The group's loss before tax is considered the most appropriate benchmark because it is a prominent key performance measure for the users of the financial statement; • 5% was deemed to be an appropriate measurement percentage to take into account the additional risk of being listed and the associated shareholder expectations. The percentage is in line with the prior year. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2022 to reflect increase in loss before tax.	In determining materiality, we made the following significant judgements: • The company's total assets are considered the most appropriate benchmark because its principal activity is that of a holding company, with the largest financial statement line items being investments; Materiality for the current year is higher than the level that we determined for the year ended 31 December 2022 to reflect increase in assets.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£230,300, which is 70% of financial statement materiality.	£504,000, which is 70% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: • Our understanding of the entity, updated during the performance of risk assessment procedures; and • Our experience with auditing the financial statements of the group in previous years including the number of misstatements identified.	In determining performance materiality, we made the following significant judgements: • Our understanding of the entity, updated during the performance of risk assessment procedures; and • Our experience with auditing the financial statements of the parent company in previous years, including the number of misstatements identified.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	

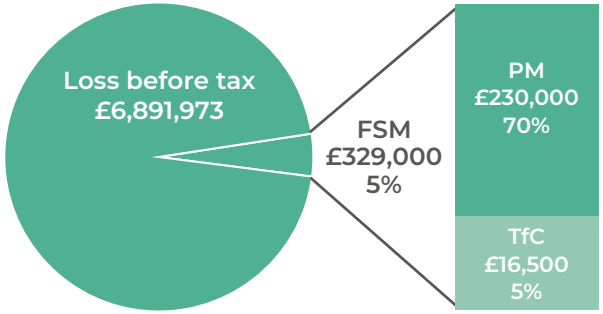
Independent Auditor's Report to the Members of Futura Medical plc

for the year ended 31 December 2023

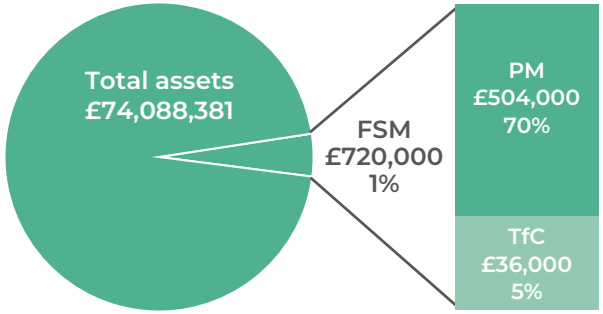
Materiality measure	Group	Parent company
Specific materiality	We determined a lower level of specific materiality for the following areas: • Directors Remuneration; and • Related party transactions.	
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee	
Threshold for communication	£16,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£36,000 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 threshold for communication to the audit committee.

Overall materiality – Group



Overall materiality – Parent



FSM: Financial statement materiality
PM: Performance materiality
TfC: Threshold for communication to the audit committee

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- We evaluated the group's internal control environment and documented our understanding of controls relevant to the audit.
- We evaluated IT systems and controls. ISA (UK) 315 (Revised July 2020) requires us to consider the risks arising from the use of IT and the entity's ITGCs related to each internal control relevant to the audit.
- We performed process walkthroughs and documented and assessed, the relevant controls covering the Key Audit Matters and certain other risks in the financial reporting system identified as part of our risk assessment.
- The processes and systems are centralised and as such our understanding of the Group's controls are the same for all components.

Independent Auditor's Report to the Members of Futura Medical plc

for the year ended 31 December 2023

Identifying significant components

We identified the significant components of the group based on the relative contribution of revenue, loss before tax and net assets of each component to the group.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

We performed a full scope audit on the financial statements of Futura Medical plc and Futura Medical Developments Limited.

We tested the consolidation process and carried out analytical procedures on the financial statements of Futura Medical Healthcare Limited to confirm that there were no significant risks of material misstatement of the aggregated financial information of the remaining component.

Performance of our audit

The year-end audit was conducted through a mixture of remote and onsite working. This was supported through the use of software collaboration platforms for the secure and timely delivery of requested audit evidence.

100% of the Group's revenue, Group's total assets, Group's total liabilities and of the Group's loss before tax were included in the scope of our full scope audit procedures.

Changes in approach from previous period

There are no changes in the scope of the current year audit form the scope of that of prior year.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 in the financial statements themselves. 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 their 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement **set out on pages 56–57**, 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.

Independent Auditor's Report to the Members of Futura Medical plc

for the year ended 31 December 2023

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent Company and determined that the most significant which are directly relevant to the financial statements are those related to the reporting framework, being the Companies Act 2006, Financial Reporting Standard 101 (for the Parent Company) and UK-adopted international accounting standards, together with the QCA Corporate Governance Code and the AIM Rules for Companies. Other applicable legal and regulatory frameworks include following EU Directive 2001/83/EC, being regulated, and licensed by the medicines and healthcare products regulatory agency (MHRA) and being ISO 13485 accredited.
- We obtained an understanding of how the Group is complying with those legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes and correspondence received from regulatory bodies.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by making enquiries of management and those charged with governance. We utilised internal and external information to corroborate these enquiries and to perform a fraud risk assessment. We considered the risk of fraud to be highest through the potential for management override of controls. Our audit procedures involved: – evaluation of the design and implementation of controls that management has in place to prevent and detect fraud; – journal entry testing, with a focus on material manual journals, including those posted directly to cash and those impacting areas of estimation uncertainty; and – challenging assumptions and judgements made by management in its significant accounting estimates.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partners assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
  - knowledge of the industry in which the group operate; and
  - understanding of the legal and regulatory requirements specific to the Group and Parent Company.
- Team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition through manipulation of the identified performance obligations in contracts. In assessing the potential risks of material misstatement we obtained an understanding of the Group's operations, including the nature of its revenue sources, products and services to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

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.

JONATHAN OAKEY FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Crawley

9 April 2024

Consolidated Statement of Comprehensive Loss

for the year ended 31 December 2023

	Notes	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Revenue	5	**3,100,968**	–
Cost of sales		**(1,326,743)**	–
Gross Profit		**1,774,225**	–
Research and development costs		**(2,045,988)**	(4,131,224)
Administrative expenses		**(6,692,007)**	(2,740,265)
Operating loss	6	**(6,963,770)**	(6,871,489)
Finance income		**71,797**	–
Loss before tax		**(6,891,973)**	(6,871,489)
Taxation recoverable	8	**379,074**	1,024,994
Loss for the year being total comprehensive loss attributable to owners of the Parent Company		**(6,512,899)**	(5,846,495)
Basic and diluted loss per share (pence)	9	**(2.21)**	(2.03)

All amounts relate to continuing activities.

The Notes on pages 71 to 86 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2023

	Notes	As at 31 December 2023 £	As at 31 December 2022 £
Assets			
Non-current assets			
Plant and equipment	10	**2,484,748**	1,158,035
Total non-current assets		**2,484,748**	1,158,035
Current assets			
Inventories		**339**	–
Trade and other receivables	12	**1,240,174**	265,684
Current tax asset	8	**376,910**	1,022,831
Cash and cash equivalents	13	**7,714,182**	4,026,112
Total current assets		**9,331,605**	5,314,627
Liabilities			
Current liabilities			
Trade and other payables	14	**(6,339,534)**	(1,753,109)
Total liabilities		**(6,339,534)**	(1,753,109)
Total net assets		**5,476,819**	4,719,553
Capital and reserves attributable to owners of the Parent Company			
Share capital	16	**602,812**	576,093
Share premium		**71,068,945**	66,545,796
Merger reserve		**1,152,165**	1,152,165
Warrant reserve	18	**–**	165,868
Retained losses		**(67,347,103)**	(63,720,369)
Total equity		**5,476,819**	4,719,553

By order of the Board

JAMES BARDER
Chief Executive Officer

Registered number: 04206001

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

	Notes	Share Capital £	Share Premium £	Merger Reserve £	Warrant Reserve £	Retained Losses £	Total Equity £
At 1 January 2022		**574,302**	**66,378,003**	**1,152,165**	**165,868**	**(58,545,726)**	**9,724,612**
Total comprehensive loss for the year		–	–	–	–	(5,846,495)	(5,846,495)
Share-based payment	17	–	–	–	–	671,852	671,852
Shares issued during the year	16	1,791	167,793	–	–	–	169,584
Transactions with owners		*1,791*	*167,793*	–	–	*671,852*	*841,436*
At 31 December 2022		**576,093**	**66,545,796**	**1,152,165**	**165,868**	**(63,720,369)**	**4,719,553**
Total comprehensive loss for the year		–	–	–	–	(6,512,899)	(6,512,899)
Share-based payment	17	–	–	–	–	2,720,297	2,720,297
Shares issued during the year	16	4,844	170,024	–	–	–	174,868
Warrant exercise	18	21,875	4,353,125	–	(165,868)	165,868	4,375,000
Transactions with owners		*26,719*	*4,523,149*	–	*(165,868)*	*2,886,165*	*7,270,165*
At 31 December 2023		**602,812**	**71,068,945**	**1,152,165**	**–**	**(67,347,103)**	**5,476,819**

The 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.

Warrants issued are held as a separate 'warrant reserve' within equity. These warrants were exercised in 2023 and the warrant reserve was transferred to retained earnings. Please refer to Note 18.

The Notes on pages 71 to 86 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2023

	Notes	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Cash flows from operating activities			
Loss before tax		**(6,891,973)**	(6,871,489)
Adjustments for:			
Depreciation	10	**130,272**	24,734
Loss on disposal of fixed assets		**48,865**	585
Finance income		**(71,797)**	–
Share-based payment charge	17	**2,720,297**	671,852
Cash flows used in operating activities before changes in working capital		**(4,064,336)**	(6,174,318)
(Increase) in inventories		**(339)**	–
(Increase) in trade and other receivables	12	**(974,490)**	(186,429)
Increase/(decrease) in trade and other payables	14	**4,586,424**	(325,075)
Cash generated by/(used in) operations		**(452,741)**	(6,685,822)
Income tax received		**1,022,994**	910,476
Net cash generated/(used) in operating activities		**570,253**	(5,775,346)
Cash flows from investing activities			
Purchase of plant and equipment	10	**(1,505,849)**	(740,697)
Interest received		**71,797**	–
Cash used in investing activities		**(1,434,052)**	(740,697)
Cash flows from financing activities			
Issue of ordinary shares	16	**174,868**	169,584
Exercise of warrants	18	**4,375,000**	–
Cash generated by financing activities		**4,549,868**	169,584
Increase/(decrease) in cash and cash equivalents		**3,686,069**	(6,346,459)
Cash and cash equivalents at beginning of year		**4,026,112**	10,372,571
Net foreign exchange differences		**2,001**	–
Cash and cash equivalents at end of year	13	**7,714,182**	4,026,112

The Notes on pages 71 to 86 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

1. CORPORATE INFORMATION

Futura Medical plc (the "Company") is a public limited company incorporated and domiciled in England and Wales 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 2023.

The consolidated financial statements of the Company and the Group for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 9 April 2024.

The Group is principally engaged in the development and sale of consumer 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 UK-adopted International accounting standards ("IFRS"). 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.

Monetary amounts in these financial statements are rounded to the nearest pound sterling (£), unless otherwise stated, which is also the functional currency of the Company.

2.2 Going concern

The Board has considered the applicability of the going concern basis in the preparation of the financial statements. Notwithstanding a loss for the year ended 31 December 2023 of £6,512,899, the Board considers that, based on the reasons set out below, the preparation of the financial statements on a going concern basis remains appropriate.

In assessing the appropriateness of adopting the going concern assumption, the Group has prepared a detailed budget ("the budget") for the period ending 31 December 2024 and a further forecast ("the forecast") for the period ending 30 June 2025.

The Board considers that the budget and the forecast represent a reasonable best estimate of the Group's performance over the period to 30 June 2025 and the Directors are satisfied that in the scenario modelled in the budget and the forecast, the Group and Parent Company would be able to continue as a going concern.

However, in preparing the budget and forecast, the Board also noted the existence of a number of factors that increase the difficulty inherent in predicting the Group's performance, in particular its revenue generation and timing of key milestone payments. These include a lack of any historical information from which to reliably predict sales volume and growth and timing of receipts from customers in respect of Eroxon® as the product continues to launch in further key markets throughout FY24. Forecasts provided by commercial partners continue to be highly encouraging but are not guaranteed. In addition to the budget and forecast, the Board therefore considered a possible scenario in which Eroxon® revenues were reduced compared to the budget and forecast (the "downside scenario"). The Board further considered remedial action within Management's control to delay some discretionary spending. In this downside scenario, after taking the remedial actions, the Board believes that the Group's resources could still extend beyond June 2025.

The Board does not believe that the Group's position at this point in the execution of its strategy is unusual. However, despite the mitigations available to the Group, it acknowledges that a material uncertainty exists that may cast significant doubt on the Group's ability to generate sufficient net revenues and resulting cash inflows and raise sufficient finance to meet its expected costs and to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business.

2.3 Standards, amendments and interpretation to existing standards

On 1 January 2023, the Group adopted the following amendments which are mandatorily effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- IFRS 17 – Insurance contracts; and
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12).

The adoption during the year of the amendments and interpretations has not had a material impact on the consolidated financial statements.

2.4 Basis of consolidation

The financial statements of the Group consolidate the financial statements of Futura Medical plc and its subsidiary undertakings (together referred to as the "Group") up to 31 December each year. All subsidiaries have a reporting date of 31 December.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. All subsidiaries are 100% owned.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases, in accordance with IFRS 10. Intra group transactions and balances, and any unrealised gains or losses arising from intra group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

2. ACCOUNTING POLICIES CONTINUED

2.5 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. The Board of Directors consider that it is appropriate to report results as one single business segment. This is consistent with management accounting information reported regularly to the Board. The Group's Chief Operating Decision Maker ("CODM") is considered to be the Board.

2.6 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.

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 recognised on a straight-line basis over the lifetime of the contracts. The progress is re-evaluated by Management at each reporting date and the revenue recognised is re-measured accordingly.

Product revenue

The Group enters into contracts for supply of goods to external customers against orders received. The majority of contracts that the Company enters into relate to sales orders containing single performance obligation for the delivery of consumer healthcare products. Revenue is recognised when control of the goods is passed to the customer. The point at which control passes is determined by each customer arrangement, but generally occurs when title passes to the customer, on receipt of the goods on an ex-works basis.

Product revenue represents net invoice less estimated volume discounts, which are considered to be variable consideration and include significant estimates. Other variable considerations such as milestone payments and royalties are not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. In Management's opinion, that will be when the Group's customer confirms that the milestone has been met or that a royalty is due. Estimates associated with variable consideration are revisited at each reporting date or when the related uncertainty resolved and revenue is adjusted accordingly.

Contracts with customers carry no obligations relating to returns or refunds of the product. As such, no provision has been made in respect of returns or refunds.

Commercialisation and licensing revenue

The Group entered into commercialisation agreements to license the Group's products to other parties. These contracts give rise to fixed and variable consideration from upfront payments, development milestones, sales-based milestones and royalties.

The licences that the Group grant are typically rights to use intellectual property which do not change significantly during the period of the licence and therefore related non-conditional licensing revenue is recognised at the point where the licence is granted and variable consideration as soon as recognition criteria are met. Where control of a right to use licence for an intangible asset passes at the outset of a contract, revenue is recognised at the point in time when control is transferred.

Income dependent on the achievement of a development milestone is recognised when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, which is usually when the related event occurs. In general, when triggering of a milestone is subject to the decisions of third parties (e.g. the acceptance or approval of a filing by a regulatory authority), the Group does not consider that the threshold for recognition is met until that decision is made.

Sales-based milestone income is recognised when it is highly probable that the sales threshold will be reached. Sales-based royalties on a licence of intellectual property are not recognised until the relevant product sale occurs.

2.7 Leased assets

For any new contracts entered into, 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; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

2. ACCOUNTING POLICIES CONTINUED

The Group makes use of leasing arrangements principally for the provision of the main office space and IT equipment. The rental contracts for offices are typically negotiated on a short-term rolling basis with one month's notice. Lease terms for IT equipment have lease terms of three years without any extension terms. The Group does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions such as purchase options and escalation clauses.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to items of certain low value IT equipment and short-term office leases. 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.

2.8 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.

Capitalised development costs, including patents and trademarks, are amortised over the periods in which the Group expects to benefit from selling the products developed. The amortisation expense is included in R&D costs recognised in the Consolidated Statement of Comprehensive Loss. 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 remaining 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 they have not yet commercially launched in the major markets therefore commercial feasibility of the product is not yet certain. For markets where the products have been launched, development spend is no longer applicable.

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 Loss as incurred.

2.9 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 Loss 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.

Plant and equipment	2–5 years straight-line
Furniture 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 reporting date.

2.10 Impairment of non-financial assets

Assets are assessed for indicators of impairment at each reporting date. Where indicators are identified, 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 there are separately identifiable cash flows.

2.11 Classification of financial instruments issued by the Group

In accordance with the requirements of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

2.12 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 Loss (2022: £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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

2. ACCOUNTING POLICIES CONTINUED

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.

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.

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 (2022: £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.

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The Group applies a simplified approach in calculating expected credit losses. The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses on a customer-by-customer basis.

Financial liabilities

The Group derecognises a financial liability when the contractual obligations are discharged, 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.

2.13 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.

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

2. ACCOUNTING POLICIES CONTINUED

2.14 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 Loss in the period in which they arise.

2.15 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 Loss in the period in which they become payable.

Accrued holiday pay

Provision is made at each reporting 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 Loss on an accruals basis.

Share-based payment transactions

The Group operates an annual 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 Loss 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-based vesting conditions. If the terms and conditions of share options are modified before they vest, any incremental increase in the fair value of the share options, measured immediately before and after the modification, is also charged to the Consolidated Statement of Comprehensive Loss 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 ("LTIP") 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. For all LTIP 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 Loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the estimate of the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of share options that eventually vest. 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 Loss 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 any 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.

2.16 Finance income

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

2.17 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and comprise of cash in hand, which are readily available and with original maturity of three months or less.

2.18 Warrants

The Company may issue warrants from time to time in conjunction with equity instruments. Where warrants are issued, the fair value of the warrants are determined using the Black–Scholes method and the balance held in a warrant reserve until such time the warrants are exercised or lapse. The warrant reserve is transferred to retained earnings on exercise or lapse, as it is treated as distributable profit reserve from the point of issue.

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3. ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in Note 2, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The significant judgements and estimates made in relation to the financial statements are:

Share-based payments

The Group operates an equity-settled share-based compensation plan for employee services (and others providing similar 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-based payment expense of £2,720,297 (2022: £671,852), 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 17.

Fair value of derivative instruments

Where the fair value of derivative instruments recorded in the Consolidated Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as volatility.

There are no significant estimates which are expected to lead to material adjustments in the next accounting period.

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 open forward contracts as at 31 December 2023 or at 31 December 2022.

At 31 December 2023, the Group held balances of the following denominated currencies:

		Year ended 31 December 2023 £	Year ended 31 December 2022 £
GBP	£	**4,199,183**	3,589,876
EUR	€	**832,462**	139,167
USD	$	**2,682,537**	377,427

The majority of operating costs are denominated in Sterling although certain expenditures were payable in Euros and US Dollars. At 31 December 2023 the Group had trade payables denominated in a foreign currency totalling £115,071 (31 December 2022: £149,189) and trade receivables denominated in foreign currency totalling £1,147,709 (31 December 2022: £nil).

Cash flow interest rate risk and fair value interest rate risk

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

(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. Trade receivables have been reviewed and there are no historical cases of default or material balances which are past due. Management considers that the financial assets below are of good credit quality.

The carrying value of the financial assets recorded in the Consolidated Statement of Financial Position represents the Group's maximum exposure to credit risk.

The credit risk for liquid funds and short-term financial assets relates to banking institutions holding such funds or assets on behalf of the Group. The counterparties are considered to be reputable banks with high-quality external risk ratings.

The exposure relating to outstanding receivables and the carrying amount of cash balances is as follows:

	31 December 2023 £	31 December 2022 £
Cash at bank and in hand	**7,714,182**	4,026,112
Trade receivables	**1,147,709**	–
	8,861,891	4,026,112

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

4. FINANCIAL RISK CONTINUED

(iii) Liquidity risk

In the normal course of business the Group is exposed to liquidity risk. The Group's objective is to ensure that sufficient resources are available to fund short-term working capital and longer-term strategic requirements. The Group manages its liquidity needs by monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis. Long-term liquidity needs are monitored regularly.

At 31 December 2023 and 31 December 2022, the Group's liabilities had contractual maturities which are summarised as follows:

	Carrying amount £	2 months or less £	2–12 months £	More than 1 year £
31 December 2023				
Trade and other payables	**2,491,818**	**2,491,818**	**–**	**–**
Contract liability	**3,847,716**	**–**	**3,321,970**	**525,746**
	6,339,534	**2,491,818**	**3,321,970**	**525,746**

	Carrying amount £	2 months or less £	2–12 months £	More than 1 year £
31 December 2022				
Trade and other payables	1,320,958	1,320,958	–	–
Contract liability	432,151	–	322,716	109,435
	1,753,109	**1,320,958**	**322,716**	**109,435**

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 objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. 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 £7,714,182 of cash at bank as at 31 December 2023 (31 December 2022: £4,026,112).

5. SEGMENT REPORTING

The Group is focused on the development and commercialisation of Eroxon® and therefore operates as one segment. The Group derives revenue from the transfer of goods and services over time and at a point in time in the following geographical split:

	31 December 2023	31 December 2022
EU and UK	**2,725,475**	–
Rest of world	**375,493**	–
	3,100,968	–

	31 December 2023	31 December 2022
Revenue recognised at a point in time	**3,044,075**	–
Revenue recognised over time	**56,893**	–
	3,100,968	–

In the current year, two customers represented more than 10% (2022: n/a) of revenue.

All revenue reported by the Group is from contracts with customers.

The relationship between the timing of the satisfaction of the Group's performance obligations and the typical timing of payments from contracts with customers is as follows:

- Revenue for the sale of goods is recognised at the point in time when the goods are delivered or collected under ex-works arrangements, which completes our performance obligation. At this point in time the consideration is unconditional because only the passage of time is required before payment is due. Payment is typically due between 30 and 60 days following delivery of the goods.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

5. SEGMENT REPORTING CONTINUED

- For revenue recognised over time, payment is typically received in the form of upfront payments. The performance obligations are met over the duration of the contract. A contract liability is recognised and adjusted at each reporting period to reflect unsatisfied performance obligations based on a straight-lined apportioned basis over the term of the customer contract. Included in revenue for the year is £24,832 (2022: £nil) which was included in the contract liability at the beginning of the period. See Note 15 on contract liabilities.

6. OPERATING LOSS

Operating loss is stated after charging/ (crediting):	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Depreciation of plant and equipment (Note 10)	**128,360**	24,734
Loss on disposal of plant and equipment	**54,256**	585
Short-term leases: property	**128,205**	120,881
(Gain)/loss on foreign exchange	**(80,007)**	98,923

The fees of the Group's Auditor Grant Thornton UK LLP for services provided are analysed below:

Audit services	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Parent Company	**49,368**	51,237
Subsidiaries	**28,462**	15,420
Other non-audit services		
iXBRL tagging	**–**	2,000
Total fees	**77,830**	68,657

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 2023	Year ended 31 December 2022
R&D staff	**7**	7
Finance and administration staff	**2**	2
Executive Directors	**3**	3
	12	12

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Wages and salaries	**2,284,686**	2,150,346
Social security costs	**448,689**	274,083
Other pension and insurance benefits costs	**196,252**	153,384
Total cash-settled remuneration	**2,929,627**	2,577,813
Share-based payment remuneration charge	**2,720,297**	671,852
Total remuneration	**5,649,924**	3,249,665

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

Directors' remuneration	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Wages and salaries	**1,350,349**	1,166,078
Other pension and other benefit costs	**28,371**	26,591
Share-based payment remuneration charge	**1,058,584**	313,867
Social security costs	**256,535**	143,503
Total remuneration	**2,693,839**	1,650,039

In 2023 there were no Directors (2022: one) who exercised share options under the Group share option schemes and a gain of £nil was realised (2022: £37,975). In respect of the highest paid Director there was £nil gain realised (2022: £37,975).

In 2023 there were no Directors (2022: no Directors) who participated in a private money purchase defined contribution pension scheme. Emoluments for individual Directors are disclosed within the Remuneration Committee Report.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

7. STAFF NUMBERS AND COSTS CONTINUED

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

Remuneration on the previous page includes the following amounts in respect of the highest-paid Director:

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Wages and salaries	**462,027**	390,898
Employer pension contributions and other benefits	**6,186**	6,186
Share-based payment remuneration charge	**386,893**	100,119
Social security costs	**76,391**	60,144
Total remuneration	**931,497**	557,347

8. TAXATION

8.1 Current tax

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
UK corporation tax credit on loss on ordinary activities	**379,074**	1,024,994

The tax assessed for the year was lower than the UK corporation tax rate (2022: lower). The differences are explained below:

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Loss on ordinary activities before tax	**6,891,973**	6,871,489
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.5% (2022: 19%)	**1,621,028**	1,305,583
Expenses not deductible for tax purposes	**(42,579)**	(247)
Movement in unrecognised deferred tax	**(591,322)**	(122,999)
Unutilised tax losses	**(815,647)**	(624,175)
Share scheme deduction	**223,602**	25,793
Surrender of tax losses for R&D tax credit refund	**(402,538)**	(318,101)
Additional deduction for R&D expenditure	**386,530**	759,140
UK corporation tax credit	**379,074**	1,024,994
UK corporation tax credit reported in the Consolidated Statement of Comprehensive Loss	**379,074**	1,024,994

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

8. TAXATION CONTINUED

An increase in the main rate of UK corporation tax from 19% to 25% came into force on 1 April 2023. As a result, the current tax charge is calculated using the average tax rate of 23.52% for the year ended 31 December 2023.

The corporation tax credit for the year represents research and development tax credits of £379,074 (2022: £1,024,994), arising from the surrender of losses (rather than carrying forward to future years) of £3,323,097 (2022: £7,068,921) 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.

The Group has tax losses of approximately £42,242,997 (2022: £38,980,404) available for offset against future taxable profits.

8.2 Deferred tax

Deferred tax assets amounting to £11,980,458 (2022: £10,484,989) 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.

The unrecognised asset comprises of:

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Depreciation differential versus capital allowances	**(5,049)**	(6,800)
Other short-term timing differences	**1,424,758**	746,688
Unutilised tax losses	**10,560,749**	9,745,101
	11,980,458	10,484,989

9. LOSS PER SHARE

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

	2023	2022
Loss for the purposes of basic EPS and diluted EPS (£)	**6,512,899**	5,846,495
Weighted average of ordinary shares for purposes of basic and diluted EPS (number)	**294,912,404**	287,478,055
Loss per share basic and diluted (pence)	**2.21**	2.03

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 20,518,841 (2022: 6,583,800). 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

10. PLANT AND EQUIPMENT

Cost	Plant and Equipment £	Furniture and Fittings £	Total £
At 1 January 2023	1,283,853	65,321	1,349,174
Additions	1,505,849	–	1,505,849
Disposals	(54,255)	–	(54,255)
At 31 December 2023	**2,735,447**	**65,321**	**2,800,768**
Depreciation			
At 1 January 2023	132,089	59,050	191,139
Eliminated on disposals	(5,391)	–	(5,391)
Charge for year	126,544	3,728	130,272
At 31 December 2023	**253,242**	**62,778**	**316,020**
Net book value			
At 31 December 2023	**2,482,205**	**2,543**	**2,484,748**
At 31 December 2022	1,151,764	6,271	1,158,035

Cost	Plant and Equipment £	Furniture and Fittings £	Total £
At 1 January 2022	545,270	65,321	610,591
Additions	740,697	–	740,697
Disposals	(2,114)	–	(2,114)
At 31 December 2022	**1,283,853**	**65,321**	**1,349,174**
Depreciation			
At 1 January 2022	108,884	59,050	167,934
Eliminated on disposals	(1,529)	–	(1,529)
Charge for year	24,734	–	24,734
At 31 December 2022	**132,089**	**59,050**	**191,139**
Net book value			
At 31 December 2022	**1,151,764**	**6,271**	**1,158,035**
At 31 December 2021	436,386	6,271	442,657

All fixed assets of the Group are held in Futura Medical Developments Limited. At 31 December 2023, the Group was committed to purchase plant and equipment totalling £2,200,218 (31 December 2022: £nil) and had paid advances on assets under construction of £1,363,215 (2022: £nil).

11. 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 Receivables at amortised cost	31 December 2023 £	31 December 2022 £
Trade and other receivables (Note 12)	**1,147,709**	70,114
Cash and cash equivalents (Note 13)	**7,714,182**	4,026,112
Total financial assets at amortised cost	**8,861,891**	4,096,226

Liabilities as per Consolidated Statement of Financial Position at amortised cost	31 December 2023 £	31 December 2022 £
Trade and other payables (Note 14)	**6,339,534**	1,753,109
Total financial liabilities at amortised cost	**6,339,534**	1,753,109

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

12. TRADE AND OTHER RECEIVABLES

Amounts receivable within one year:	31 December 2023 £	31 December 2022 £
Trade receivables	**1,147,709**	70,114
Financial assets (Note 11)	**1,147,709**	70,114
Prepayments	**92,465**	195,570
	1,240,174	265,684

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.

Trade receivables are measured initially at fair value and subsequently held at amortised cost less an allowance for expected credit losses. The Group has applied the simplified approach to measuring credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Standard credit terms are between 30 and 90 days from the date the invoice was issued.

The allowance for expected credit losses assessment requires a degree of judgement and estimation based on a combination of factors, including the Group's historical loss experience and any anticipated effects related to current economic conditions, as well as Management knowledge of the current composition of trade receivables. Trade receivables that Management believe to be ultimately not collectible are written off upon such determination. The Group defines default of customer balances as any amounts outside of the contractual repayment terms.

Trade receivables are regularly reviewed for impairment loss. The Group has assessed the credit risk of its financial assets measured at amortised cost and has determined that the loss allowance for expected credit losses of those assets is immaterial to the financial statements. As the Group has no material expected credit losses the disclosure of the ageing and credit risk relating to trade receivables is not required and therefore not presented.

The Group's trade receivables are denominated in GBP. The carrying value of trade and other receivables in the Group is consistent with fair value in the current and prior year.

The other classes of assets within trade and other receivables are denominated in GBP and do not contain impaired assets.

Contracts with customers

No impairment losses (2022: £nil) were recognised on receivables arising from contracts with customers.

	31 December 2023 £	31 December 2022 £
Receivables included within 'Trade and other receivables'	**1,147,709**	70,114
Contract liabilities	**3,847,716**	432,151
	4,995,425	502,265

13. CASH AND CASH EQUIVALENTS

	31 December 2023 £	31 December 2022 £
Cash at bank and in hand	**7,714,182**	4,026,112
	7,714,182	4,026,112

14. TRADE AND OTHER PAYABLES

	31 December 2023 £	31 December 2022 £
Trade payables	**1,006,054**	316,181
Social security and other taxes	**71,850**	145,092
Contract liabilities	**3,847,716**	432,151
Accrued expenses	**1,413,914**	859,685
	6,339,534	1,753,109

Notes to the Consolidated Financial Statements

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15. CONTRACT LIABILITIES

Contract liabilities comprise of payments from commercial partners where performance obligations remain outstanding at the period end and revenue is recognised over time. The revenue recognition policy is explained in Note 2.6.

The significant changes in contract liabilities are presented below:

	31 December 2023 £	31 December 2022 £
Revenue recognised in the year that was included in the opening contract liability balance	**24,832**	–
Revenue recognised in the year that was received in the current year	**32,061**	–
Cash received, excluding amounts recognised as revenue in the period	**3,472,475**	432,151

The maturities of the contract liabilities are presented below:

	31 December 2023 £	31 December 2022 £
Due within one year	**3,321,970**	322,716
Due after one year	**525,746**	109,435
	3,847,716	432,151

16. SHARE CAPITAL

Allotted, called up and fully paid	**31 December 2023 Number**	31 December 2022 Number	**31 December 2023 £**	31 December 2022 £
Ordinary shares of 0.2 pence each	**301,405,950**	288,046,527	**602,812**	576,093

The number of issued ordinary shares as at 1 January 2022 was 287,150,971. Each ordinary share carries the right to one vote and receive dividends from time to time. During the year ended 31 December 2022, the Company issued shares of 0.2 pence per share, as follows:

Month	**Reason For Issue**	**Gross Consideration £**	**Shares Issued Number**
January 2022	Non-Executive Director award at 15 pence per share	21,834	145,556
September 2022	Exercise of share options at 30 pence per share	75,000	250,000
September 2022	Exercise of share options at 7.5 pence per share	18,750	250,000
September 2022	Exercise of share options at 31 pence per share	46,500	150,000
November 2022	Exercise of share options at 7.5 pence per share	7,500	100,000
		169,584	**895,556**

The number of issued ordinary shares as at 1 January 2023 was 288,046,527. During the year ended 31 December 2023, the Company issued shares of 0.2 pence with each ordinary share carrying the right to one vote and receive dividends from time to time as follows:

Month	**Reason For Issue**	**Gross Consideration £**	**Shares Issued Number**
January 2023	Non-Executive Director award at 36.36 pence per share	31,790	87,430
June 2023	Exercise of warrants	4,375,000	10,937,500
July 2023	Exercise of share options at 15.5 pence per share	70,672	456,000
July 2023	Exercise of share options at 31 pence per share	46,500	150,000
July 2023	Exercise of share options at 30.50 pence per share	15,250	50,000
July 2023	Exercise of share options at 7.5 pence per share	7,500	100,000
July 2023	Exercise of share options at 0.2 pence per share	1,770	884,836
October 2023	Exercise of share options at 0.2 pence per share	530	265,000
November 2023	Exercise of share options at 0.2 pence per share	857	428,657
		4,549,869	**13,359,423**

Notes to the Consolidated Financial Statements

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17. SHARE OPTIONS

At 31 December 2023, 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 2023 Number	Options Exercised Number	Options Lapsed Number	Options Granted Number	At 31 December 2023 Number
1 October 2018 – 30 September 2023	57.50	680,000	–	(680,000)	–	**–**
1 October 2019 – 30 September 2024	30.50	500,000	(50,000)	–	–	**450,000**
1 October 2020 – 30 September 2025	7.50	500,000	(100,000)	–	–	**400,000**
1 October 2021 – 30 September 2026	31.00	940,000	(150,000)		–	**790,000**
1 October 2022 – 30 September 2027	15.50	1,308,000	(456,000)	–	–	**852,000**
1 October 2023 – 30 September 2028	37.90	1,588,800	–	–	–	**1,588,800**
1 October 2023 – 30 September 2028	29.50	100,000	–	–	–	**100,000**
1 October 2025 – 30 September 2030	45.00	967,000	–	–	–	**967,000**
7 January 2023 – 6 January 2033	0.2	4,444,940	(885,074)	–	–	**3,559,866**
6 April 2026 – 31 March 2033	43.60	–	–	–	1,934,000	**1,934,000**
9 October 2023 – 30 September 2033	0.2	–	(693,657)	–	10,570,832	**9,877,175**
		11,028,740	**(2,334,731)**	**(680,000)**	**12,504,832**	**20,518,841**

On 6 April 2023 share options over 1,934,000 new ordinary shares were granted to employees (including Executive Directors) at a price of 43.6p. The options have a three-year vesting period and vesting is subject to the satisfaction of a non-market performance condition. The exercise period for these options is 1 April 2026 to 31 March 2033.

On 9 October 2023 share options over 10,570,832 new ordinary shares were granted to employees (including Executive and Non-Executive Directors) at a price of 0.02p per share. The options granted will vest 25% immediately with a further 25% vesting annually following the date of grant.

The share options outstanding at 31 December 2023 represented 6.81% of the issued share capital as at that date (2022: 3.84%) and would generate additional funds of £2,481,113 (2022: £2,142,884) if fully exercised. The weighted average remaining life of the share options outstanding at 31 December 2023 was 98 months (2022: 81 months) with a weighted average remaining exercise price of 11.96 pence (2022: 19.43 pence).

The share options exercisable at 31 December 2023 totalled 8,430,027 (2022: 5,039,235) with an average exercise price of 13.98 pence (2022: 21.34 pence) and would have generated additional funds of £1,202,739 (2022: £1,075,373) if fully exercised.

The Group's share option scheme rules apply to all of the share options outstanding at 31 December 2023 (31 December 2022: 11,028,740) and include a rule regarding the 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. There were 910,506 share options outstanding to advisers at 31 December 2023 (31 December 2022: 247,416).

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.

An amount of £2,720,297 (2022: £671,852) has been recognised as a charge within administrative expenses in the Consolidated Statement of Comprehensive Loss and a credit to retained earnings within equity. There were no cash-settled share-based payment transactions.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

17. SHARE OPTIONS CONTINUED

Share-based payments

	LTIP Award				
Grant date	Tranche 1 9 Oct 2023	Tranche 2 9 Oct 2023	Tranche 3 9 Oct 2023	Tranche 4 9 Oct 2023	2023 annual award 6 Apr 2023
Number of shares under option	2,642,708	2,642,708	2,642,708	2,642,708	1,934,000
Vesting period ends	Oct 23	Oct 24	Oct 25	Oct 26	Apr 26
Share price as at date of grant	40p	40p	40p	40p	43.00p
Option exercise price	0.2p	0.2p	0.2p	0.2p	43.60p
Expected volatility	88.26%	88.26%	88.26%	88.26%	89.58%
Dividend yield	0%	0%	0%	0%	0%
Risk-free investment rate	5.01%	4.86%	4.72%	4.60%	3.51%
Exercisable from/to	Oct 23–Oct 33	Oct 24–Oct 33	Oct 25–Oct 33	Oct 26–Oct 33	Apr 26–Mar 33
Expected life of options (years)	0.25	1.25	2.25	3.25	3
Fair value per share at grant date	39.80p	39.81p	39.82p	39.83p	24.96p

	LTIP Award				2022 annual share awards	
Grant date	Tranche 1 07 Dec 2022	Tranche 2 07 Dec 2022	Tranche 3 07 Dec 2022	Tranche 4 07 Dec 2022	21 Sep 2022	02 Jun 2022
Number of shares under option	1,111,235	1,111,235	1,111,235	1,111,235	967,000	100,000
Vesting period ends	Dec 22	Dec 23	Dec 24	Dec 25	Oct 25	Oct 23
Share price as at date of grant	44.60p	44.60p	44.60p	44.60p	44.80p	29.50p
Option exercise price	0.2p	0.2p	0.2p	0.2p	45.00p	29.50p
Expected volatility	96.49%	96.49%	96.49%	96.49%	100.62%	113.72%
Dividend yield	0%	0%	0%	0%	0%	0%
Risk-free investment rate	3.29%	3.25%	3.12%	3.24%	3.05%	1.98%
Exercisable from/to	Dec 22–Dec 30	Dec 23–Dec 30	Dec 24–Dec 30	Dec 25–Dec 30	Oct 25–Sep 30	Oct 23–Sep 28
Expected life of options (years)	0.25	1.25	2.25	3.25	3	3
Fair value per share at grant date	39.94p	39.95p	39.95p	39.96p	26.53p	16.5p

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

18. WARRANTS AND WARRANT RESERVE

On 21 January 2020, Futura Medical plc issued a warrant instrument as part of a wider share issue to raise funds under a subscription agreement. The Company issued 10,937,500 warrants at a ratio of one warrant for every two ordinary shares subscribed in respect of the Subscription. The warrants were exercisable until the fifth anniversary of their issue at a price of 40 pence per ordinary share. The warrants have been measured using the relative fair value method and fair value has been calculated using the Black–Scholes method using the following inputs:

Inputs to warrant pricing model	31 December 2022
Grant date	21 January 2020
Number of warrants	10,937,500
Share price as at date of grant	12.75 pence
Warrant conversion price	40 pence
Expected life of warrants	5 years
Expected volatility	81.56%
Dividend yield: no dividends assumed	0%
Risk-free rate	0.44% p.a.

At 1 January 2023, the balance of £165,868 (2022: £165,868) was held in warrant reserve. The warrants were exercised in June 2023 at a price of 40 pence per ordinary share and 10,937,500 shares were issued. Upon exercise of the warrant, £4.38 million was received as share capital and premium and the balance held in the warrant reserve was transferred to retained earnings.

19. PENSION COSTS

The pension charge represents contributions payable by the Group to independently administered funds which during the year ended 31 December 2023, amounted to £196,532 (2022: £153,383). Pension contributions payable in arrears at 31 December 2023, included in accrued expenses at the relevant Consolidated Statement of Financial Position date, totalled £5,258 (2022: £11,325).

20. COMMITMENTS

At 31 December 2023 the Group had operating short-term lease commitments in respect of property leases cancellable on one month's notice of £10,916 (2022: £10,365).

21. INVENTORIES

Inventory is carried at cost and the balance of £339 (2022: £nil) relates to product samples held for testing and marketing purposes.

22. 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

as at 31 December 2023
Company No. 04206001

	Notes	As at 31 December 2023 £	As at 31 December 2022 £
Non-current assets			
Investments	2	**70,080,942**	65,244,565
Current assets			
Trade and other receivables	3	**50,519**	12,812
Cash at bank and in hand		**3,956,920**	2,090,384
Total current assets		**4,007,439**	2,103,196
Liabilities			
Trade and other payables	4	**(182,112)**	(149,633)
Total liabilities		**(182,112)**	(149,633)
Total net assets		**73,906,269**	67,198,128
Capital and reserves			
Share capital	5	**602,812**	576,093
Share premium		**71,068,945**	66,545,796
Warrant reserve		**–**	165,868
Retained losses		**2,234,512**	(89,629)
Total equity		**73,906,269**	67,198,128

The loss in respect of the Company for the year was £564,024 (2022: £643,770). The Parent Company financial statements were approved and authorised for issue by the Board on 9 April 2024.

The Notes on pages 89 to 90 form part of these Parent Company financial statements.

By order of the Board

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JAMES BARDER
Chief Executive

Parent Company Statement of Changes in Equity

for the year ended 31 December 2023

	Notes	Share Capital £	Share Premium £	Warrant Reserve £	Retained Losses £	Total Equity £
At 1 January 2022		**574,302**	**66,378,003**	**165,868**	**(117,711)**	**67,000,462**
Total comprehensive loss for the year		–	–	–	(643,770)	(643,770)
Share-based payment		–	–	–	671,852	671,852
Shares issued during the year	5	1,791	167,793	–	–	169,584
Transactions with owners		*1,791*	*167,793*	–	*671,852*	*841,436*
At 31 December 2022		**576,093**	**66,545,796**	**165,868**	**(89,629)**	**67,198,128**
Total comprehensive loss for the year		–	–	–	(562,024)	(562,024)
Share-based payment	17	–	–	–	2,720,297	2,720,297
Shares issued during the year	16	4,844	170,024	–	–	174,868
Warrant exercise	18	21,875	4,353,125	(165,868)	165,868	4,375,000
Transactions with owners		*26,719*	*4,523,149*	*(165,868)*	*2,886,165*	*7,270,165*
At 31 December 2023		**602,812**	**71,068,945**	**–**	**2,234,512**	**73,906,269**

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

Warrants issued are held as a separate "warrant reserve" within equity. The warrant reserve will be transferred to retained earnings on exercise or lapse, as it is treated as distributable profit from the point of issue.

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 89 to 90 form part of these Parent Company financial statements.

Notes to the Parent Company Financial Statements

for the year ended 31 December 2023

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.

Monetary amounts in these financial statements are rounded to the nearest pound sterling (£), unless otherwise stated, which is also the functional currency of the Company.

As a Consolidated Statement of Comprehensive Loss is published, no separate statement of comprehensive loss 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 £562,024 (2022: £643,770). 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 UK 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.

The Company's financial position and performance is included in the consolidated financial statements presented on pages 67 to 86.

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 receivables

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 payables

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.

Warrants

The Company may issue warrants from time to time in conjunction with equity instruments. Where warrants are issued, the fair value of the warrants are determined using the Black–Scholes method and the balance held in a warrant reserve until such time the warrants are exercised or lapse. The warrant reserve will be transferred to retained earnings on exercise or lapse, as it is treated as distributable profit reserve from the point of issue.

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 loss, in which case it is recognised directly in equity or other comprehensive loss.

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.

Notes to the Parent Company Financial Statements

for the year ended 31 December 2023

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 Futura Medical Developments Limited is the research and commercialisation of consumer healthcare products. The investment is stated at cost plus amounts capitalised in respect of the intercompany receivable, less accumulated impairment losses. 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.

	£
At 1 January 2022	58,427,010
Additions in the year	6,817,555
At 31 December 2022	65,244,565
Additions in the year	4,836,377
At 31 December 2023	**70,080,942**

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. TRADE RECEIVABLES

	31 December 2023 £	31 December 2022 £
Amounts receivable within one year: prepayments	**34,163**	12,812
VAT receivable	**16,356**	–
	50,519	12,812

4. TRADE PAYABLES

	31 December 2023 £	31 December 2022 £
Trade creditors	**116,742**	80,318
Accruals	**65,370**	69,315
	182,112	149,633

5. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid	**31 December 2023 Number**	31 December 2022 Number	**31 December 2023 £**	31 December 2022 £
Ordinary shares of 0.2 pence each	**301,405,950**	288,046,527	**602,812**	576,093

Details of shares issued by the Company in the year and details of share options outstanding are given in Notes 16 and 17 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[1]
Jeff Needham	Non-Executive Director/ Non-Executive Chairman[2]
James Barder	Chief Executive Officer
Angela Hildreth	Finance Director and Chief Operating Officer
Ken James	Executive Director
Andrew Unitt	Non-Executive Director

[1] Appointment ended July 2023.
[2] Appointment to Non-Executive Chairman July 2023.

COMMITTEE MEMBERS SERVING DURING THE YEAR WERE:

Audit committee

Andrew Unitt
John Clarke

Remuneration committee

Jeff Needham
John Clarke
Andrew Unitt

Nominations committee

John Clarke
Andrew Unitt

Secretary and registered office

Angela Hildreth
Futura Medical plc
Surrey Technology Centre
40 Occam Road
Guildford
Surrey
GU2 7YG

Auditor

Grant Thornton UK LLP
2nd Floor
St John's House
Haslett Avenue West
Crawley
RH10 1HS

Registrar

Link Group
Unit 10
Central Square
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Leeds
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Nominated adviser and broker

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Joint broker

Stifel Nicolaus Europe LTD
150 Cheapside
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EC2V 6ET

Patent attorney

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London
SE1 9RA

Public relations adviser

Alma Strategic Communications
71 -73 Carter Lane
London
EC4V 5EQ

Principal banker

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