

Futura Medical plc
("Futura" or "the Group" or "the Company")

Preliminary Results for the year ended 31 December 2009

Futura Medical plc (AIM: FUM), the pharmaceutical group that develops innovative products for consumer healthcare, is pleased to announce its preliminary results for the year ended 31 December 2009.

Highlights

- Significant progress across our product pipeline putting the Company on track to have two revenue generating products on the market in the foreseeable future
- CSD500 – Dossier submission expected later this month for CE mark approval, clearing the way for commercial launch
- PET500 – Successfully reformulated to be marketed on an OTC basis in the USA without further clinical or regulatory work subject to a commercial agreement being concluded
- TPR100 – Evaluation agreement signed in July 2009 with major pharmaceutical company, and agreement subsequently extended to end of June 2010 whilst commercial terms are being negotiated
- Reduced net loss of £1.39 million (2008: Net loss of £1.93 million)
- Increased cash resources of £1.79 million at 31 December 2009 (31 December 2008: £0.78 million), following successful equity fundraisings

James Barder, Futura's Chief Executive, said: "We continue to make excellent progress across our product pipeline. CSD500 is moving ever closer to launch, and we share our commercial partner's belief that it is destined to become a highly successful product. With an appropriate commercial agreement, PET500 could be launched in the USA in the foreseeable future giving Futura the potential to have two products in the market generating revenue. "

For any further information please contact:

Futura Medical plc

James Barder, Chief Executive

Tel: +44 (0) 1483 685 670

mail to: james.barder@futuramedical.com

www.futuramedical.com

Nomura Code Securities Limited

Phil Walker / Giles Balleny

Tel:+44 (0)20 7776 1200

For media enquiries please contact:

Buchanan Communications

Mark Court / Stasa Filiplic / Jennie Spivey

Tel: +44 (0) 20 7466 5000

Notes to Editors

Futura Medical plc

Futura Medical is a pharmaceutical group that develops innovative products for consumer healthcare. The Company is developing a portfolio of products and its strategy is to license their manufacture and distribution to major pharmaceutical and healthcare groups.

Futura is based in Guildford, Surrey, and its shares trade on the AIM market of the London Stock Exchange.

www.futuramedical.com

Chairman's and Chief Executive's Joint Review

The year to 31 December 2009 marked another important stage in the development of the Company. During the year we made significant progress in completing the data package for the European Union ("EU") marketing authorisation of CSD500, our innovative condom designed to help healthy men maintain a firmer erection. We also made good progress with our pipeline of other product opportunities such that the Company has the potential to have two revenue generating products on the market – CSD500 and our enhanced sexual control product PET500 – in the foreseeable future. In addition, we are currently negotiating a commercial agreement for TPR100, our topical pain relief product, with a major pharmaceutical company.

We were successful in raising further equity during the year and benefit from a well-resourced Group Statement of Financial Position. However, we continue to manage our financial resources carefully. Our cash burn remains modest and we are moving close to our goal of becoming a revenue generating company in receipt of recurring royalties from our products. We own the intellectual property rights to all our products, hence protecting and maximising the potential shareholder return.

We work only on projects where the commercial and clinical opportunities are compelling and where, from an early stage, we have active interest from one or more potential commercial partners.

Our commercial partner for CSD500 is SSL International plc ("SSL"), which is committed to launching CSD500 as part of the Durex[®] range as soon as is practicable. Our focus during 2009 was on generating additional manufacturing data on CSD500, which was a regulatory requirement following SSL's decision to relocate condom manufacture to Asia. SSL and Futura also took the opportunity to investigate improvements to the manufacturing process. The data in connection with the improved manufacturing process has been completed and the regulatory dossier is currently being updated as necessary ahead of its expected submission this month for CE mark approval.

The award of the CE mark will represent a major milestone in the development and commercialisation of CSD500. It will also mark the culmination of Futura's work on the product and CSD500's transition to SSL for the final preparations for commercial launch. These preparations are well advanced but the timetable and strategy for launch, and the product's name within the Durex[®] range, will all be managed by SSL.

We have five products in our development pipeline, comprising both medical devices and pharmaceutical drugs, focused predominantly on the OTC market. Our development pipeline comprises products using four different active compounds which, in line with our strategy, are all safe and well-characterised. Four of the products use our novel drug delivery platform, DermaSys[®]. All five products have the potential to return a high royalty income once launched, compared with the related development cost incurred by the Company.

We were particularly pleased with progress on PET500, which we have repositioned as an enhanced sexual control product for men with premature ejaculation. In addition, we received independent regulatory advice that confirmed that the product can be marketed in the United States of America ("USA") on an OTC basis without any further clinical data being required. We are currently in discussions with potential commercial partners and, subject to a commercial agreement being concluded, the product could be launched in the USA in the foreseeable future.

Portfolio updates - Sexual healthcare

CSD500: Condom safety device

CSD500 gained a positive regulatory opinion from the Competent Authority in the EU with respect to the pharmaceutical aspects of the product in November 2008. The Competent Authority confirmed that CSD500 is a Class III medical device with an ancillary medicinal substance.

We believe the remaining regulatory data required for the submission has now been generated and we expect SSL to submit this to the Notified Body to complete the dossier during March 2010 with CE mark approval expected before the end of June 2010. Preparations within SSL are now underway regarding the launch of CSD500, however it is important for our shareholders to understand that Futura's work relating to the development and regulatory approval of CSD500 is now largely complete. Under the terms of the commercial agreement signed between SSL and Futura, the launch and marketing of CSD500 within the Durex[®] range is the responsibility of SSL. Both Futura and SSL recognise the unique selling points of CSD500 and the significant commercial potential this presents especially when supported by Durex[®], the largest condom brand globally. However it is important for our shareholders to understand that it is not the practice of our commercial partner, SSL, to comment publicly about new products ahead of launch due to commercial sensitivities.

We have previously highlighted the successful outcome of a user study involving 108 couples in which CSD500 successfully met its endpoints of demonstrating the maintenance of a firmer erection in healthy men during intercourse whilst wearing a condom, increased penile size and a longer lasting sexual experience for women.

In addition to positive clinical data, the results of our previously commissioned market research reinforce the commercial potential of CSD500. The market research, conducted by an internationally recognised research company, showed that 88% of existing condom users would be interested in purchasing CSD500 and that 49% of non-condom users would be interested in purchasing the product. The research also showed that 46% of men had experienced some loss of sensitivity when using a condom during sexual intercourse, which can lead to loss of erection. This is one reason why some men avoid condoms, thereby increasing the risks of unwanted pregnancies and contracting or spreading sexually transmitted infections ("STIs").

As supported by our market research we believe that CSD500 will have a strong appeal to men and women who already use condoms as well as men and women who do not currently use them.

STIs are a serious and growing problem. In the UK, a Government report from the Health Protection Agency¹, published in 2007, indicated that in the previous 10 years new cases of syphilis had increased by 1130%, HIV by over 300%, gonorrhoea by 45% and chlamydia by 166%.

We have protected CSD500's unique intellectual property position throughout the world including the principal consumer markets within Europe, the USA and Canada through patents now granted or proceeding to grant in 34 countries and applications pending in a further two.

MED2002: Treatment for erectile dysfunction

MED2002, our topical gel for the treatment of men with erectile dysfunction, is also licensed to SSL and has the potential to become the world's first non-prescription pharmaceutical treatment for men with erectile dysfunction, a condition that affects, to some degree, as many as 52% of men aged 40 or over².

A simplified development plan has been outlined for MED2002, which shares the same active compound as CSD500, and it is expected that this product will be progressed as soon as CSD500 receives CE mark approval. We expect to be able to provide an update on the status of this programme to shareholders later this year.

PET500: Enhanced sexual control

Significant progress was made during the year with PET500, our enhanced sexual control product which combines our DermaSys® AquaFree delivery system with a well-known mild topical anaesthetic compound. We have previously announced positive results from a Phase I clinical study of 20 healthy volunteers in which PET500 was shown to give a rapid and controlled reduction in penile sensitivity, thereby having the potential to prolong the sexual experience.

Following market research conducted by Futura the product has been designed to meet the requirements of men who suffer from occasional early ejaculation as well as men suffering from clinically diagnosed premature ejaculation. PET500 is designed to take effect rapidly once applied and to delay ejaculation for a period of approximately eight minutes. The marketing positioning of the product will depend upon local regulatory requirements including the status of existing regulatory approvals for the active ingredients. A home use clinical study will be required for some markets including those in the EU.

In considering how to market the product and subject to local regulatory requirements, we believe that 'enhanced sexual control' is a more attractive marketing positioning for the product. Many men that, if medically assessed, would be diagnosed as suffering from premature ejaculation would never consider themselves as suffering from this condition or seek medical treatment due to the stigma associated with the indication of premature ejaculation. We believe that a clinically proven product to treat premature ejaculation but which is marketed as a product to 'enhance sexual control' will provide a much wider potential market for the product and have greater acceptability from sufferers of premature ejaculation.

The PET500 formulation has been successfully modified to comply with the current USA Food and Drug Administration ("FDA") monograph for male genital desensitisers. The product can therefore be marketed immediately in the USA without any further regulatory approval or clinical data, a position confirmed by independent regulatory consultants based in the USA.

Discussions with potential partners are currently progressing. A priority for Futura in these discussions is that PET500 is launched in the USA as soon as possible, giving the Company the potential to have two revenue generating products on the market, CSD500 and PET500, in the foreseeable future.

Portfolio updates - Pain relief management

TPR100: Topical pain relief

TPR100 leverages one of our key proprietary assets, DermaSys®, a highly efficient transdermal delivery system which facilitates rapid absorption of pharmacologically active compounds through the skin. In TPR100 we are using DermaSys® for the topical delivery of a non-steroidal anti-inflammatory drug ("NSAID") for pain relief. Clinical tests carried out by Futura have shown that TPR100 achieves between 30 to 40 times higher bioavailability than those achieved by the market-leading product. TPR100's speed of permeation brings potential benefits including rapid onset of action of pain relief.

In July 2009, Futura announced an evaluation agreement with a major pharmaceutical company, which paid an upfront fee to gain exclusive rights to carry out in vitro studies on TPR100. These studies were completed and, in December 2009, the major pharmaceutical company agreed to pay a further fee of £50,000 to extend the exclusivity period to the end of June 2010 whilst the commercial terms of a licensing agreement are being negotiated. The negotiations may, or may not, result in a commercialisation agreement for rights to TPR100 in certain territories.

We have previously consulted with relevant regulatory authorities and believe the regulatory pathway for TPR100 in a number of key commercial territories is relatively straightforward as the active compound is well-characterised and has already been approved in both oral and topical form for the indication of pain relief. The minimum requirements to satisfy EU regulators are likely to comprise a Phase I trial of around 24 healthy volunteers to demonstrate a lack of skin irritation or sensitisation and a pivotal Phase III trial of around 250 subjects to demonstrate non-inferiority to the market-leading product in topical pain relief. Based on our research and development programme so far we remain confident of obtaining positive outcomes to these studies, which we expect will be funded by commercial partners.

RAD100: Rapid anaesthetic delivery

The impressive results seen in our Phase I study of PET500, which used a low dose of a topical anaesthetic compound, prompted us to explore the potential of using the same concept to provide rapid topical anaesthesia prior to injection, vaccination or cannulation. Demand in this market is already well developed but poorly served with treatments taking at least 30 to 45 minutes to take effect. We believe that there is clear commercial potential for a product in which the speed of onset of skin desensitisation is significantly faster.

In early in vitro work, already completed, we have shown a 250% increase in the rate of permeation of a topical anaesthetic across the skin using RAD100 and the DermaSys® AquaFree delivery system when compared with an established product. This substantial increase in skin permeation is expected to equate to a more rapid onset of skin desensitisation compared to existing products.

RAD100 has attracted interest from commercial partners and we intend to progress development of the product during the coming year.

Operations and people

Development of medicinal products is highly regulated to ensure that the rights, safety and wellbeing of clinical trial subjects are protected and that the results of clinical trials are credible and accurate. Futura conducts all research and development activities in strict compliance with the applicable regulatory and quality standards for clinical trials.

The United Kingdom (“UK”) regulatory authority, the Medicines and Healthcare products Regulatory Agency (“MHRA”), monitor compliance with these standards through a programme of inspections. In October 2009 Futura had a routine three day inspection by the MHRA during which all aspects of our research and development operations were reviewed. There were no critical findings and all non-critical findings were addressed to the satisfaction of the MHRA.

We continue to run a highly efficient business and benefit from considerable stability in our workforce. Staff numbers (including non-executive directors) were ten at the year end, unchanged since 31 December 2008. We would like to offer our sincere thanks to all of our staff and scientific advisers for their dedication and commitment throughout the year.

Outlook

We continue to make excellent progress across our product pipeline. CSD500 is moving ever closer to launch, and we share our commercial partner’s belief that it is destined to become a highly successful product. With an appropriate commercial agreement, PET500 could be launched in the USA in the foreseeable future giving Futura the potential to have two products in the market generating revenue.

Dr W D Potter
Executive Chairman

J H Barder
Chief Executive

Note

¹The UK Collaborative Group for HIV and STI Surveillance. *Testing Times. HIV and other Sexually Transmitted Infections in the United Kingdom: 2007*. London: Health Protection Agency, Centre for Infections. November 2007.

²Massachusetts Male Aging Study (MMAS), *J Urol*. 1994 Jan; 151 (1): 54-61

Financial Review

The Group ended the year with costs firmly under control, a more advanced development portfolio and the prospect of recurring royalty revenues.

Revenue

Group revenue for the year ended 31 December 2009 was £50,000 (2008: £150,000). Grant income for the year ended 31 December 2009 was £30,000 (2008: £73,828).

Losses

The Group continues to maintain a focus on tight control of all expenditure.

The Group's operating loss for the year ended 31 December 2009 was £1.53 million (2008: £2.17 million).

The Group's loss after taxation for the year ended 31 December 2009 was £1.39 million (2008: £1.93 million).

Loss per share for the year ended 31 December 2009 was 2.24 pence (2008: 3.36 pence).

No dividends were paid and none are proposed by the Directors (2008: £nil).

Financial instruments

The financial instruments held by the Group are disclosed in note 13 of the Notes to the Preliminary Announcement. The Group policy on exposure to financial risk is disclosed in note 2 of the Notes to the Preliminary Announcement.

Group research and development costs

The Group aims to achieve cost effective research and development ("R&D") and to bring products to market through licensing partners as soon as is practicable.

Group R&D costs each year reflect the number of products being developed, the stage of development reached for each and the impact on their progress of external factors.

R&D costs of £810,188 were considerably lower compared to 2008, due to the scale down of activity pending receipt of regulatory approval for CSD500.

The table below shows the trend in our R&D costs and other administrative costs over the past five years ended 31 December:

| | 2009 IFRS £ | 2008 IFRS £ | 2007 IFRS £ | 2006 IFRS £ | 2005 UK GAAP £ |
|----------------------------|----------------|----------------|----------------|----------------|-------------------|
| R&D costs | 810,188 | 1,390,616 | 1,508,269 | 1,079,986 | 1,553,056 |
| Other administrative costs | 796,186 | 1,007,964 | 1,227,320 | 1,029,075 | 805,161 |
| Total operating costs | 1,606,374 | 2,398,580 | 2,735,589 | 2,109,061 | 2,358,217 |
| R&D ratio | 50% | 58% | 55% | 51% | 66% |

The figures for 2005, prepared under UK GAAP, were not restated for the holiday pay accrual under IAS 19 as the figures were not materially different.

The R&D ratio is the percentage of R&D costs relative to total operating costs. The Board is mindful to keep a sensible balance as reflected in this ratio. Total R&D spend since formation of the business in 1997 totals £10 million (which represents 54.9% of total cumulative operating costs). During the year, the sole subsidiary, Futura Medical Developments Limited continued to incur this R&D expenditure which has been accounted for as explained in accounting policy note 1.7 of the Notes to the Preliminary Announcement and has been written off as incurred for all reporting periods prior to and including the year ended 31 December 2009.

The Board considers that this overall total R&D spend relative to its pipeline of later stage products and emerging new products distinguishes the Group's lower funding requirements and risk profile from more typical businesses in the wider pharmaceutical industry. The Group's strategy is to focus on medical devices and pharmaceutical drugs that offer the potential for a significant return on the costs of development. As well as progressing its existing R&D programme, the Group continues to seek new opportunities for potential products to add to its portfolio.

Other administrative costs

Other administrative costs for the year ended 31 December 2009 were £796,186 (2008: £1,007,964). These comprised all other operating costs excluding those relating to product development and associated intellectual property. The main constituents and their relative proportions were:

| | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---------------------------------|--|--|
| Wages and salaries | 69% | 63% |
| Legal and professional advisers | 18% | 24% |
| Office costs and staff expenses | 12% | 12% |
| Licensing negotiations | 1% | 1% |
| | 100% | 100% |

During 2009 the Board reacted to the economic conditions by reducing operating costs and also achieved additional cost savings as a result of the scale down of research activity pending receipt of regulatory approval for CSD500.

Supplier payment policy

The Group's policy concerning the payment of its trade creditors is to pay on the basis of the agreed terms of payment established with each supplier, providing that all terms and conditions have been complied with and are in accordance with the Group's financial control procedures.

The average credit period for the Group (expressed as creditor days) during the year ended 31 December 2009 was 33 days (2008: 19 days). At the year end the Company had trade creditors totalling £29,542 (2008: £2,211) giving rise to an average credit period for the year ended 31 December 2009 of 34 days (2008: 7 days).

Charitable and political contributions

No political donations were made during either year. Charitable donations of £190 were made during the year (2008: £200).

Taxation

A tax credit of £119,289 (2008: £143,443) in respect of R&D expenditure incurred has been recognised in the Group financial statements. The decrease compared to 2008 reflects the reduced level of R&D expenditure undertaken in the year.

Capital structure and funding

The Group remains funded primarily by equity capital. This reflects the development status of its products.

Cash held by the Group at 31 December 2009 totalled £1.79 million. This comprised cash and cash equivalents and medium-term deposits with original maturities of more than three months, shown below at each year ended 31 December:

| | 2009 £m | 2008 £m | 2007 £m | 2006 £m | 2005 £m |
|---------------------------|------------|------------|------------|------------|------------|
| Medium-term deposits | - | - | - | 1.04 | - |
| Cash and cash equivalents | 1.79 | 0.78 | 2.64 | 2.74 | 1.81 |
| Total cash | 1.79 | 0.78 | 2.64 | 3.78 | 1.81 |

The Group had no bank borrowings at 31 December 2009 (2008: £nil).

On 12 March 2009, the Group raised £1.00 million (£0.90 million net) following a placing of 5,000,000 shares at 20 pence per share. On 18 November 2009, the Group raised £1.46 million (£1.40 million net) following a placing of 4,864,471 shares at 30 pence per share. The funds raised are for general corporate and R&D purposes. Total funds raised by the Group from formation of the business in 1997 until 31 December 2009 were £16.84 million, net of costs.

Other significant sources of funding received for the Group from formation of the business until 31 December 2009 comprised R&D tax credits of £1.39 million, bank interest of £0.86 million and R&D grants of £0.25 million.

D A Martin
Secretary

The financial information set out below does not constitute the Company's full statutory accounts for the year ended 31 December 2009 (or year ended 31 December 2008) but it is derived from those accounts that have been audited. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered after the forthcoming Annual General Meeting. The independent auditors have reported on those accounts; their report was unqualified, did not include an emphasis of matter statement and did not contain any statements under section 498 of the Companies Act 2006.

Group Statement of Comprehensive Income

For the year ended 31 December 2009

| | | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-------|-----------------------------------|-----------------------------------|
| | Notes | £ | £ |
| Revenue | 1.5 | 50,000 | 150,000 |
| Grant income | 4 | 30,000 | 73,828 |
| Research and development costs | | (810,188) | (1,390,616) |
| Administrative costs | | (796,186) | (1,007,964) |
| Operating loss | 5 | (1,526,374) | (2,174,752) |
| Finance income | 8 | 14,398 | 96,550 |
| Loss before tax | | (1,511,976) | (2,078,202) |
| Taxation | 9 | 119,289 | 143,443 |
| Total comprehensive loss for the year attributable to owners of the parent company | | (1,392,687) | (1,934,759) |
| Basic and diluted loss per share (pence) | 10 | (2.24p) | (3.36p) |

All amounts relate to continuing activities.

Group Statement of Changes in Equity

For the year ended 31 December 2009

| | Note | Share capital £ | Share premium £ | Merger reserve £ | Retained losses £ | Total equity £ |
|---------------------------------------|------|--------------------|--------------------|---------------------|----------------------|-------------------|
| At 1 January 2008 | | 115,238 | 13,261,376 | 1,152,165 | (11,755,289) | 2,773,490 |
| Total comprehensive loss for the year | | - | - | - | (1,934,759) | (1,934,759) |
| Share-based payment | | - | - | - | 47,621 | 47,621 |
| At 1 January 2009 | | 115,238 | 13,261,376 | 1,152,165 | (13,642,427) | 886,352 |
| Total comprehensive loss for the year | | - | - | - | (1,392,687) | (1,392,687) |
| Share-based payment | | - | - | - | 44,144 | 44,144 |
| Shares issued during the year | 17 | 19,729 | 2,439,612 | - | - | 2,459,341 |
| Costs of share issues | | - | (144,341) | - | - | (144,341) |
| At 31 December 2009 | | 134,967 | 15,556,647 | 1,152,165 | (14,990,970) | 1,852,809 |

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

Merger reserve represents the reserve arising on the acquisition of Futura Medical Developments Limited on 6 June 2001 via a share for share exchange accounted for as a group reconstruction using merger accounting under UK GAAP.

Retained losses represent cumulative net losses recognised in the Group Statement of Comprehensive Income. The total comprehensive loss for the year represents the total recognised income and expense for the year.

Group Statement of Financial Position

As at 31 December 2009

| | Notes | As at 31 December 2009 £ | As at 31 December 2008 £ |
|--|-------|-----------------------------------|-----------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Plant and equipment | 11 | 10,293 | 20,493 |
| Total non-current assets | | 10,293 | 20,493 |
| Current assets | | | |
| Inventories | 12 | 10,825 | 10,435 |
| Trade and other receivables | 14 | 147,761 | 60,020 |
| Income tax asset | 9 | 119,289 | 165,526 |
| Cash and cash equivalents | 15 | 1,789,173 | 782,253 |
| Total current assets | | 2,067,048 | 1,018,234 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 16 | (224,532) | (152,375) |
| Total liabilities | | (224,532) | (152,375) |
| Total net assets | | 1,852,809 | 886,352 |
| Capital and reserves attributable to owners of the parent company | | | |
| Share capital | 17 | 134,967 | 115,238 |
| Share premium | | 15,556,647 | 13,261,376 |
| Merger reserve | | 1,152,165 | 1,152,165 |
| Retained losses | | (14,990,970) | (13,642,427) |
| Total equity | | 1,852,809 | 886,352 |

The Group financial statements from which this preliminary results announcement is derived were approved and authorised for issue by the Board on 1 March 2010 and were signed on its behalf by J H Barder, Director.

Group Statement of Cash Flows

For the year ended 31 December 2009

| | Notes | Year ended 31 December 2009 £ | Year ended 31 December 2008 £ |
|---|-------|--|--|
| Cash flows from operating activities | | | |
| Loss before tax | | (1,511,976) | (2,078,202) |
| Adjustments for: | | | |
| Depreciation | 11 | 11,178 | 16,427 |
| Finance income | 8 | (14,398) | (96,550) |
| Share-based payment charge | 18 | 44,144 | 47,621 |
| Cash flows from operating activities before changes in working capital | | (1,471,052) | (2,110,704) |
| (Increase)/decrease in inventories | 12 | (390) | 12,909 |
| (Increase)/decrease in trade and other receivables | 14 | (84,904) | 103,150 |
| Increase/(decrease) in trade and other payables | 16 | 72,157 | (162,786) |
| Cash used in operations | | (1,484,189) | (2,157,431) |
| Income tax received | | 165,526 | 186,634 |
| Net cash used in operating activities | | (1,318,663) | (1,970,797) |
| Cash flows from investing activities | | | |
| Purchase of plant and equipment | 11 | (978) | (1,505) |
| Interest received | | 11,561 | 116,663 |
| Cash generated by investing activities | | 10,583 | 115,158 |
| Cash flows from financing activities | | | |
| Issue of ordinary shares | 17 | 2,459,341 | - |
| Expenses paid in connection with share issues | | (144,341) | - |
| Cash generated by financing activities | | 2,315,000 | - |
| Increase/(decrease) in cash and cash equivalents | | 1,006,920 | (1,855,639) |
| Cash and cash equivalents at beginning of year | | 782,253 | 2,637,892 |
| Cash and cash equivalents at end of year | 15 | 1,789,173 | 782,253 |

Notes to the Preliminary Announcement

For the year ended 31 December 2009

1. Accounting policies

1.1 Basis of preparation

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The accounting policies set out below, have been applied to all periods presented in these Group financial statements and are in accordance with IFRS, as adopted by the European Union, and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that were applicable for the year ended 31 December 2009.

1.2 Going concern

The Group had cash balances of £1.79 million at 31 December 2009, and a net cash inflow of £1.01 million in the year. The Directors expect a net cash outflow in the period to 31 March 2011 and do not currently anticipate that there will be a requirement for further funding in the period to 31 March 2011.

The Group financial statements have been prepared on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future. The Group financial statements do not reflect any adjustments that would be required if they were to be prepared on a basis other than the going concern basis.

1.3 Accounting developments

IAS 1 (Revised) 'Presentation of Financial Statements' has been applied for the first time from 1 January 2009. The application of IAS 1 does not change the recognition or measurement of transactions and balances in the Group financial statements.

The following new standards, amendments to standards or interpretations, also effective for the first time from 1 January 2009, have not had a material effect on the Group financial statements:

- 'Vesting Conditions and Cancellations - Amendment to IFRS 2 Share-based Payment'
- IFRS 8 'Operating Segments'
- 'Improvements to IFRSs (2009)'
- IFRS 7 (Amendments) 'Improving Disclosures about Financial Instruments'

The following new standards, amendments to standards or interpretations have been issued but are not effective for the year ending 31 December 2009 and have not been adopted early as the Directors do not expect these amendments, standards or interpretations to have a material effect on the Group financial statements:

- IFRS 3 (Revised) 'Business Combinations' effective 1 July 2009
- IAS 27 (Amendment) 'Consolidated and Separate Financial Statements' effective 1 July 2009

1.4 Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business, so as to obtain benefits from its activities, it is classified as a subsidiary. The Group financial statements present the results of the Company and its sole subsidiary Futura Medical Developments Limited ("FMDL") as if they formed a single entity ("the Group"). Intra-group transactions and balances are eliminated in preparing the Group financial statements.

1.5 Revenue

Revenue comprises the fair value received or receivable for exclusivity arrangements, consultancy fees, milestone income and royalties, net of value added tax.

The accounting policies for the principal revenue streams of the Group are as follows:

- (i) Exclusivity arrangements and similar agreements are recognised as revenue in the accounting period in which the related services, or required activities, are performed or specified conditions are fulfilled in accordance with the terms of completion of the specific transaction.
- (ii) Consultancy fees are recognised as revenue in the accounting period in which the revenue becomes receivable.
- (iii) Royalty income relating to the sale by a licensee of licensed product is recognised on an accruals basis in accordance with the substance of the relevant agreement and based on the receipt from the licensee of the relevant information to enable calculation of the royalty due.
- (iv) Non-refundable milestone income is recognised as revenue in the accounting period in which the milestones are achieved. If any milestone income is creditable against royalty payments then it is deferred and released to the Group Statement of Comprehensive Income over the accounting periods in which the royalties would otherwise be receivable.

1.6 Leased assets

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

1.7 Intangible assets

Research and development

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 sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods in which the Group expects to benefit from selling the products developed. The amortisation expense is included in research and development costs recognised in the Group Statement of Comprehensive Income. The useful life and the value of the capitalised development cost are assessed for impairment at least annually. The value is written down immediately if impairment has occurred and the unimpaired cost amortised over the reduced useful life. The Directors consider that the criteria to capitalise development expenditure are not met for a product prior to that product receiving regulatory approval for sale in at least one country.

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

Patents and trademarks

The costs incurred in establishing patents and trademarks are either expensed or capitalised in accordance with the corresponding treatment of the development expenditure for the product to which they relate.

1.8 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 Group Statement of Comprehensive Income at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over their estimated useful lives.

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

1.9 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment on a half-yearly basis and when events or circumstances suggest that the carrying amount may not be recoverable. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). An impairment loss is recognised immediately in the Group Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of fair value, less disposal costs, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in the Group Statement of Comprehensive Income.

1.10 Inventories

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

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

1.11 Financial instruments

Financial assets

The Group classifies its financial assets in the category of loans and receivables, they comprise 'trade and other receivables' and 'cash and cash equivalents'. They are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less an estimate made for impairment based on a review of all past due amounts at the year end. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. If an impairment loss is required the carrying amount of the trade or other receivable is reduced through the use of an allowance account and the amount of the loss recognised immediately in the Group Statement of Comprehensive Income in administrative costs.

Medium-term deposits, comprising sterling fixed rate deposits, with original maturities of more than three months are included in trade and other receivables. Cash and cash equivalents are financial assets and comprise cash in hand and sterling fixed rate short-term deposits with original maturities of three months or less which are held by the Group so as to be available to meet short-term cash commitments.

The Group assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset is impaired.

Financial liabilities

The Group's financial liabilities comprise 'trade and other payables' recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

1.12 Government grants

Government grants are recognised at fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs defrayed are accrued and recognised in the Group Statement of Comprehensive Income over the period required to match them with the costs which they reimburse.

1.13 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 Group Statement of Financial Position date. Research and development 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 Group 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 Group 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.

1.14 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 Group Statement of Comprehensive Income in the period in which they arise.

1.15 Employee benefits

(i) Defined contribution plans

The Group provides retirement benefits to all employees and Executive Directors (except the Chairman) 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 Group Statement of Comprehensive Income in the period in which they become payable.

(ii) Accrued holiday pay

Provision is made at each Group Statement of Financial Position date for holidays accrued but not taken at the salary of the relevant employee at that date. The expected cost of compensated short-term absence (i.e. holidays) is charged to the Group Statement of Comprehensive Income on an accruals basis.

(iii) Share-based payment transactions

The Group operates an equity-settled share-based compensation plan. For all share options awarded to employees, and others providing similar services, the fair value of the share options at the date of grant is charged to the Group Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Group Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of share options that eventually vest. There are no market vesting conditions. If the terms and conditions of share options are modified before they vest, the change in the fair value of the share options, measured immediately before and after the modification, is also charged to the Group Statement of Comprehensive Income over the remaining vesting period.

The proceeds received when share options are exercised, net of any directly attributable transaction costs, are credited to share capital (nominal value) and the remaining balance to share premium. All employee share option holders enter into an HM Revenue & Customs joint election to transfer the employers' national insurance contribution potential liability to the employee, therefore no asset or liability arises.

(iv) Long-term incentive scheme

The Group operates a long-term incentive scheme for the Executive Directors. The quantum of any awards receivable by the Executive Directors will depend on the Group achieving set milestones and the share price at the time relative to targets set in advance. The Group can exercise discretion in settling any award in equity or in cash.

1.16 Finance income

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

1.17 Critical accounting estimates and judgements

Critical accounting estimates, assumptions and judgements are continually evaluated by the Directors based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

Judgements

(i) Revenue recognition

The fees invoiced in respect of the TPR100 exclusivity agreement are being recognised as revenue on an accruals basis in the Group Statement of Comprehensive Income over the period of the agreement.

(ii) Intangible asset recognition

The Directors consider that the criteria to capitalise development expenditure are not met for a product prior to receiving regulatory approval for sale in at least one country.

(iii) Deferred tax recognition

The Directors consider that, given the current stage of development of the business, deferred tax assets should not be recognised before the Group is generating significant revenue.

Estimates and assumptions

(iv) Useful lives of plant and equipment

Plant and equipment is amortised or depreciated over its useful life. Useful lives are based on the Directors' estimates of the periods over which the assets will be used in developing revenue generating products and the estimates are reviewed annually for continued appropriateness. The estimated useful lives are between two and five years for computer equipment and between three and ten years for furniture and fittings. Changes to estimates can result in significant variations in the carrying value and amounts charged to the Group Statement of Comprehensive Income in specific periods.

(v) Fair value of financial instruments

The Group determines the fair value of financial instruments using valuation techniques which can be significantly affected by the assumptions used, including interest and discount rates and estimates of future cash flows.

(vi) Inventories

The Group reviews the net realisable value of its inventories on a half-yearly basis to provide assurance that recorded inventories are stated at the lower of cost or net realisable value. Factors that could impact realisable value include the timing and success of future technological innovations in relation to product research and development, competitor and Government actions, supplier prices and economic trends.

(vii) Share-based payments

The Group operates an equity-settled share-based compensation plan as detailed in note 18. Employee (and similar) services received and the corresponding increase in equity are measured by reference to the fair value of the equity instruments at the date of grant.

2. Financial risk management

2.1 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. The Group's primary treasury objective is to minimise exposure to potential capital losses whilst at the same time securing favourable market rates of interest on Group cash deposits using money market deposits with banks. Cash balances used to settle the liabilities from operating activities are also maintained in current accounts which earn interest at variable rates.

(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 major world currencies including the US Dollar and the Euro. Where large supplier contracts of more than £100,000 total value are to be settled in foreign currencies consideration is given to settling the sums to be paid through conversion of sterling deposits to the appropriate foreign currency holdings at the outset of the contract to minimise the risk of adverse currency fluctuations.

For contracts with smaller values the foreign exchange rate risk is not considered sufficient to require the establishment of foreign currency accounts unless specific circumstances are identified which warrant this.

At 31 December 2009 the Group had no trade payables denominated in a foreign currency. At 31 December 2008 the Group had trade payables denominated in Euros of £2,560. If the Euro at 31 December 2008 had weakened/strengthened against sterling by 5% the post-tax loss for the year would have been £122 lower/£135 higher and net assets correspondingly higher/lower.

Cash flow interest rate risk and fair value interest rate risk

The Group's interest rate risk arises from medium-term and short-term money market deposits. Deposits which earn variable rates of interest expose the Group to cash flow interest rate risk. Deposits at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis.

The impact in the year ended 2009, of a defined interest rate shift of a 1% higher rate of interest earned per annum applied to the term deposits over the period of the deposit, on the post-tax loss for the year and net assets would have been £19,662 lower/higher (2008: £19,864 lower/higher).

The impact in the year ended 2009, of a defined interest rate shift of a 1% lower rate of interest earned per annum applied to the term deposits over the period of the deposit, on the post-tax loss for the year and net assets would have been £3,762 higher/lower (2008: £19,864 higher/lower).

(ii) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposure in relation to outstanding receivables. Group policy is to spread deposits over at least two institutions with investment grade A2 or better (Moody's credit rating) and deposits are made in sterling only. The Group does not expect any losses from non-performance by these institutions.

(iii) Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Prudent liquidity risk management involves maintaining sufficient cash and cash equivalents and the monitoring of rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The Group had trade and other payables at the Group Statement of Financial Position date of £224,532 (2008: £152,375) as disclosed in note 16.

2.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders of the Company and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

2.3 Fair value estimation

The Group uses amortised cost, using the effective interest rate method, to determine subsequent fair value, after initial recognition, for its financial instruments.

3. Segment reporting

The Group is organised and operates as one business segment, being the development of pharmaceutical drugs and medical devices and their commercial exploitation. The main area of research and development continues to be in the field of innovative products for the consumer healthcare market with the main focus being on sexual healthcare and pain relief management.

The Group manages any overseas research and development from the UK, the primary business segment. Segment revenue is based on the geographical location of the Group's customers which at this stage is solely the UK. Since there is currently only one business segment and one geographical segment, no separate segment reporting has been prepared.

4. Government grants

| | Year ended 31 December 2009 £ | Year ended 31 December 2008 £ |
|---|--|--|
| SEEDA R&D grant income recognised in Group Statement of Comprehensive Income | 30,000 | 73,828 |
| SEEDA R&D grant accrued income | 30,000 | 317 |

There were no unfulfilled conditions attaching to the government grant income that has been recognised.

5. Operating loss

| | Year ended 31 December 2009 £ | Year ended 31 December 2008 £ |
|--|--|--|
| Operating loss is stated after charging | | |
| Depreciation of plant and equipment (note 11) | 11,178 | 16,427 |
| Inventories consumed in research and development | (390) | 7,674 |
| Realised exchange (gains)/losses | (1,670) | 1,207 |
| Wages and salaries (note 6) | 891,069 | 1,021,694 |
| Operating lease costs (note 20) | 66,345 | 73,613 |

The fees of the Group's auditor, BDO LLP, for services provided are analysed below:

| | Year ended 31 December 2009 £ | Year ended 31 December 2008 £ |
|-----------------------|--|--|
| Audit services | | |
| Parent company | 24,000 | 24,000 |
| Subsidiary | 3,500 | 3,500 |
| Tax services | | |
| Parent company | 750 | 750 |
| Subsidiary | 3,250 | 3,250 |
| Total fees | 31,500 | 31,500 |

6. Wages and salaries

The average monthly number of persons (including all Directors) employed by the Group during the year was 10 (by category: R&D 4, administration 6), (2008:12, by category: R&D 4, administration 8) and their aggregate emoluments were:

| | Year ended 31 December 2009 £ | Year ended 31 December 2008 £ |
|---|--|--|
| Wages and salaries | 635,985 | 760,717 |
| Social security costs | 75,260 | 87,143 |
| Other pension and insurance benefits costs | 118,609 | 123,407 |
| Total cash-settled emoluments | 829,854 | 971,267 |
| Accrued holiday pay | 17,071 | 2,806 |
| Share-based payment remuneration charge (note 18) | 44,144 | 47,621 |
| Total emoluments | 891,069 | 1,021,694 |

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

7. Directors' emoluments

| | Year ended 31 December 2009 £ | Year ended 31 December 2008 £ |
|-------------------------------|--|--|
| Aggregate emoluments | 488,754 | 447,817 |
| Company pension contributions | 74,725 | 61,750 |

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

| | Year ended 31 December 2009 £ | Year ended 31 December 2008 £ |
|-------------------------------|--|--|
| Aggregate emoluments | 175,702 | 166,245 |
| Company pension contributions | 24,714 | 22,837 |

During the year, three Directors (2008: three Directors) participated in a private money purchase defined contribution pension scheme.

8. Finance income

| | Year ended 31 December 2009 £ | Year ended 31 December 2008 £ |
|--|--|--|
| Interest receivable on fixed rate medium-term deposits | - | 46,023 |
| Interest receivable on fixed rate short-term deposits | 14,398 | 50,527 |
| | 14,398 | 96,550 |

9. Taxation

Current tax

| | Year ended 31 December 2009 £ | Year ended 31 December 2008 £ |
|--|--|--|
| UK corporation tax credit on loss for the year | 119,289 | 165,526 |
| Adjustment for over-provision in prior year | - | (22,083) |
| Taxation credit reported in the Group Statement of Comprehensive Income | 119,289 | 143,443 |

The tax assessed for the year is different from the standard rate of corporation tax in the UK.
The differences are explained below:

| | Year ended 31 December 2009 £ | Year ended 31 December 2008 £ |
|---|--|--|
| Loss on ordinary activities before tax | 1,511,976 | 2,078,202 |
| Loss on ordinary activities at the average standard rate of corporation tax in the UK of 21.00% (2008: 20.75%) | 317,515 | 431,227 |
| Expenses not deductible for tax purposes | (690) | (1,277) |
| Difference between depreciation and capital allowances | (2,141) | (3,409) |
| Other short-term timing differences | (13,081) | (10,484) |
| Unutilised tax losses | (203,947) | (285,050) |
| Additional relief attaching to tax credit claims | 21,633 | 34,519 |
| Over-provision in prior year | - | (22,083) |
| Taxation credit reported in the Group Statement of Comprehensive Income | 119,289 | 143,443 |

The Group has tax losses of £11,274,288 (2008: £10,306,437) available for offset against future taxable profits.

Deferred tax

Deferred tax assets amounting to £2,505,261 (2008: £2,313,344) have not been recognised on the basis that their future economic benefit is not certain. Assuming a prevailing tax rate of 22% (2008: 22%) when the timing differences reverse, the unrecognised deferred tax asset comprises:

| | Year ended 31 December 2009 £ | Year ended 31 December 2008 £ |
|--|--|--|
| Depreciation in excess of capital allowances | 11,259 | 9,015 |
| Schedule 23 reclaim for share options | 6,995 | - |
| Other short-term timing differences | 6,663 | 36,913 |
| Unutilised tax losses | 2,480,344 | 2,267,416 |
| | 2,505,261 | 2,313,344 |

10. Loss per share

The calculation of the loss per share is based on a loss of £1,392,687 (2008: loss of £1,934,759) and on a weighted average number of shares in issue of 62,219,312 (2008: 57,618,840).

The loss attributable to equity holders of the Company for the purpose of calculating the diluted loss per share is identical to that used for calculating the basic loss per share. The exercise of share options, details of which are disclosed in note 18, or the issue of shares under the long-term incentive scheme, would have the effect of reducing the loss per share and is therefore anti-dilutive under the terms of IAS 33 'Earnings per Share'.

11. Plant and equipment

| Cost | Computer equipment £ | Furniture and fittings £ | Total £ |
|----------------------------|-------------------------------------|---|--------------------|
| At 1 January 2009 | 57,719 | 53,044 | 110,763 |
| Additions | 978 | - | 978 |
| Disposals | (180) | - | (180) |
| At 31 December 2009 | 58,517 | 53,044 | 111,561 |
| Depreciation | | | |
| At 1 January 2009 | 43,078 | 47,192 | 90,270 |
| Disposals | (180) | - | (180) |
| Charge for year | 8,310 | 2,868 | 11,178 |
| At 31 December 2009 | 51,208 | 50,060 | 101,268 |
| Net book value | | | |
| At 31 December 2009 | 7,309 | 2,984 | 10,293 |
| At 31 December 2008 | 14,641 | 5,852 | 20,493 |

| Cost | Computer equipment £ | Furniture and fittings £ | Total £ |
|----------------------------|-------------------------------------|---|--------------------|
| At 1 January 2008 | 56,214 | 53,044 | 109,258 |
| Additions | 1,505 | - | 1,505 |
| At 31 December 2008 | 57,719 | 53,044 | 110,763 |
| Depreciation | | | |
| At 1 January 2008 | 30,771 | 43,072 | 73,843 |
| Charge for year | 12,307 | 4,120 | 16,427 |
| At 31 December 2008 | 43,078 | 47,192 | 90,270 |
| Net book value | | | |
| At 31 December 2008 | 14,641 | 5,852 | 20,493 |
| At 31 December 2007 | 25,443 | 9,972 | 35,415 |

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

12. Inventories

| | 31 December 2009 | 31 December 2008 |
|-------------------------------|---------------------|---------------------|
| | £ | £ |
| Raw materials and consumables | 10,825 | 10,435 |

13. Financial instruments by category

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

| Assets as per Group Statement of Financial Position | 31 December 2009 | 31 December 2008 |
|---|---------------------|---------------------|
| | £ | £ |
| Loans and receivables | | |
| Trade and other receivables (note 14) | 147,761 | 60,020 |
| Cash and cash equivalents (note 15) | 1,789,173 | 782,253 |
| Total loans and receivables | 1,936,934 | 842,273 |

| Liabilities as per Group Statement of Financial Position | 31 December 2009 | 31 December 2008 |
|--|---------------------|---------------------|
| | £ | £ |
| Total trade and other payables (note 16) | 224,532 | 152,375 |

14. Trade and other receivables

| | 31 December 2009 | 31 December 2008 |
|-------------------------------------|---------------------|---------------------|
| | £ | £ |
| Amounts receivable within one year: | | |
| Trade receivables | 57,500 | - |
| Other receivables | 9,559 | 13,440 |
| Prepayments and accrued income | 80,702 | 46,580 |
| | 147,761 | 60,020 |

Trade receivables that are under three months past due are not considered impaired. There were no trade receivables past due but not impaired (2008: £nil).

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

15. Cash and cash equivalents

| | 31 December 2009 | 31 December 2008 |
|--|---------------------|---------------------|
| | £ | £ |
| Cash at bank and in hand | 13,961 | 24,701 |
| Sterling fixed rate short-term deposits of up to three months maturity | 1,775,212 | 757,552 |
| | 1,789,173 | 782,253 |

16. Trade and other payables

| | 31 December 2009 | 31 December 2008 |
|--------------------------------------|---------------------|---------------------|
| | £ | £ |
| Trade payables | 83,486 | 70,888 |
| Social security and other taxes | 25,351 | 32,123 |
| Accrued expenses and deferred income | 115,695 | 49,364 |
| | 224,532 | 152,375 |

17. Share capital

| | 31 December 2009 No. | 31 December 2008 No. | Authorised 31 December 2009 £ | 31 December 2008 £ |
|-----------------------------------|-------------------------------------|----------------------------|--|--------------------------|
| Ordinary shares of 0.2 pence each | 500,000,000 | 500,000,000 | 1,000,000 | 1,000,000 |

| | 31 December 2009 No. | 31 December 2008 No. | Allotted, called up and fully paid 31 December 2009 £ | 31 December 2008 £ |
|-----------------------------------|-------------------------------------|----------------------------|--|--------------------------|
| Ordinary shares of 0.2 pence each | 67,483,311 | 57,618,840 | 134,967 | 115,238 |

The number of issued ordinary shares as at 1 January 2008 was 57,618,840. There were no shares issued in the year ended 31 December 2008.

During the year ended 31 December 2009, the Company issued shares of 0.2 pence each as follows:

| Month | Reason for issue | Gross consideration £ | Shares issued No. |
|---------------|-------------------------------|--------------------------------------|----------------------------------|
| March 2009 | Placing at 20 pence per share | 1,000,000 | 5,000,000 |
| November 2009 | Placing at 30 pence per share | 1,459,341 | 4,864,471 |

On 3 April 2009 the Company gave notice of its intention to exercise a call option for £1.00 million under the further equity funding facility established in 2007 which was due to expire on 20 May 2009. This was a formality however as the counterparty to the option is a company which had gone into liquidation and the option was therefore not capable of being honoured. No costs were incurred.

18. Share options

At 31 December 2009, the number of ordinary shares of 0.2 pence each subject to options granted under the Group's Approved and Unapproved Share Option Schemes were:

| Exercise Period | Exercise price per share p | At 1 January 2009 No. | Grants during year No. | Options expired No. | At 31 December 2009 No. |
|-----------------------------------|---|--|---|------------------------------------|--|
| 1 April 2007 - 31 March 2009 | 76.00 | 280,000 | - | (280,000) | - |
| 1 February 2008 - 31 January 2013 | 74.50 | 200,000 | - | - | 200,000 |
| 1 February 2009 - 31 January 2014 | 56.25 | 300,000 | - | - | 300,000 |
| 1 February 2010 - 31 January 2015 | 41.75 | 290,000 | - | - | 290,000 |
| 1 August 2011 - 31 July 2016 | 24.25 | - | 965,000 | - | 965,000 |
| | | 1,070,000 | 965,000 | (280,000) | 1,755,000 |

The share options outstanding at 31 December 2009 represented 2.6% of the issued share capital as at that date (2008: 1.9%) and would generate additional funds of £672,838 (2008: £651,625). The weighted average remaining life of the share options was 66 months (2008: 47 months), with a weighted average remaining exercise price of 38.34p (2008: 60.90p).

The share options exercisable at 31 December 2009 totalled 500,000 (2008: 480,000) with an average exercise price of 63.55p (2008: 75.38p) and would generate additional funds of £317,750 (2008: £361,800).

On 23 July 2009 share options over 965,000 new ordinary shares were granted to employees (including Directors) and an external consultant.

The Group's share option scheme rules apply to 1,580,000 of the share options outstanding at 31 December 2009 (31 December 2008: 970,000) and include a rule regarding forfeiture of the unexercised share options by a Director or employee upon the cessation of their employment (except in specific circumstances).

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

The Black-Scholes-Merton 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.

| Inputs to share option pricing model | 31 December 2009 | 31 December 2008 |
|---|-----------------------------|---------------------|
| Grant date | 23 July 2009 | 20 June 2008 |
| Number of shares under option | 965,000 | 290,000 |
| Share price at date of grant | 24.25p | 42.00p |
| Option exercise price | 24.25p | 41.75p |
| Expected life of options – based on previous exercise history | 3 years | 3 years |
| Expected volatility – based on 30 day annualised history | 48.59% | 37.06% |
| Dividend yield – no dividends assumed | 0% | 0% |
| Risk-free rate – yield on treasury stock at date of grant | 2.30% p.a. | 5.10% p.a. |

| Outputs generated from share option pricing model | 31 December 2009 | 31 December 2008 |
|--|-----------------------------|---------------------|
| Fair value per share under option | 8.48p | 13.00p |
| Total expected charge over the vesting period | £81,832 | £37,700 |

| Recognised in the Group Statement of Comprehensive Income | 31 December 2009 | 31 December 2008 |
|--|-----------------------------|---------------------|
|--|-----------------------------|---------------------|

The share-based remuneration charge (note 6) comprises:

| | | |
|----------------------|----------------|---------|
| Share-based payments | £44,144 | £47,621 |
|----------------------|----------------|---------|

19. Pension costs

The pension charge represents contributions payable by the Group to independently administered funds which during the year ended 31 December 2009 amounted to £107,052 (2008: £102,583). Pension contributions payable one month in arrears at 31 December 2009 totalled £3,433 (2008: £2,358) and are included in accrued expenses at the relevant Group Statement of Financial Position date.

20. Commitments

At 31 December 2009 the Group had operating lease commitments in respect of property leases cancellable on one month's notice of £5,307 (2008: £6,194).

21. Related party transactions

Related parties, as defined by IAS 24 'Related Party Disclosures', are the wholly owned subsidiary company, Futura Medical Developments Limited, and the Board. Transactions between the Company and the wholly owned subsidiary company have been eliminated on consolidation and are not disclosed in this note.

Included within prepayments and accrued income is an amount of £435 in respect of a Cycle to Work Scheme loan to D A Martin, a Director of the Company. The loan of £758 was taken out in June 2009 and is repayable by 12 equal monthly instalments.

W D Potter, a Director of the Company, provides consulting services to the wholly owned subsidiary, Futura Medical Developments Limited, through Stapleford Scientific Services Limited. Of the total fees and expenses, excluding VAT, invoiced during the year of £86,736 (2008: £85,230), the amount outstanding at 31 December 2009 including VAT was £8,535 (2008: £8,060), which has since been settled in cash.

The amount invoiced during the year through Stapleford Scientific Services Limited is considered to be a related party transaction disclosable under Rule 19 of the AIM Rules for Companies as it exceeds 0.25 % in the relevant class tests.

Key management compensation

The Directors represent the key management personnel. Details of their compensation and share options are given in note 7.