



For immediate release

13 May 2009

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

Preliminary Results for the year ended 31 December 2008

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 2008.

Highlights

- Substantial progress across the Company with receipt of positive regulatory opinion relating to the pharmaceutical aspects of CSD500, which will be the first commercial product
- TPR100 – Positive results from phase I study with commercial negotiations ongoing
- PET500 – Positive results from phase I study
- RAD100 – New product for local anaesthesia prior to injections which has shown impressive results in early clinical work
- Net loss of £1.93 million (2007: net loss of £2.25 million)
- Cash of £0.78 million at 31 December 2008 with a further £1.00 million equity funding raised in March 2009

James Barder, Futura's Chief Executive, said: "We are making good progress across our product portfolio whilst being very mindful of our resources and product priorities. We remain firmly on course to becoming a revenue generating business with a recurring royalty income stream from CSD500 and share our commercial partner's belief that CSD500 is destined to become a highly successful product."

For any further information please contact:

Futura Medical plc

James Barder, Chief Executive

Tel: +44 (0) 1483 685 670

mail to: james.barder@futuramedical.co.uk

www.futuramedical.co.uk

Canaccord Adams

Ryan Gaffney / Adria Da Breo-Richards

Tel: +44 (0) 20 7050 6500

For media enquiries please contact:

Buchanan Communications

Mark Court / Rebecca Skye Dietrich / Stasa Filiplic

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.co.uk

Chairman's and Chief Executive's Joint Review

The year to 31 December 2008 was another positive year for Futura during which we made significant progress with our pipeline of product opportunities and further developed our novel drug delivery platform, DermaSys®, to extend its range of applications. We have been very pleased with the speed of topical delivery achieved by DermaSys®, so much so that we have added a new product to our pipeline, RAD100, which has the potential to offer rapid local anesthesia prior to injections, vaccinations and cannulations.

We have continued to manage our financial resources very carefully. Our cash burn remains modest and our balance sheet is free of debt. 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. We benefit from owning the intellectual property on all our products, hence maximizing potential shareholder return.

Our key focus throughout the year was on achieving EU marketing authorisation for CSD500, the product nearest to commercial launch in our portfolio. CSD500 is an innovative condom designed to help healthy men maintain a firm erection. This product will be marketed under the Durex® brand by our marketing and distribution partner SSL International plc ("SSL"), which is committed to launching CSD500 as soon as is practicable.

Towards the end of the financial year we were able to announce that we had achieved the key regulatory step of gaining a positive opinion for CSD500 from the EU Competent Authority in connection with the pharmaceutical aspects of the condom. This positive opinion is a critical part of the CE mark application, the regulatory approval mechanism for this class of medical device in Europe.

We had hoped that the CE mark would be awarded soon after the positive opinion from the EU Competent Authority but a strategic decision taken by SSL to relocate all condom manufacture to Asia, for sound commercial reasons, has created a regulatory requirement for additional manufacturing data on CSD500 from the new manufacturing location. It is therefore expected that CE marketing authorisation will be received around the end of the current year with the launch of CSD500 as soon as possible thereafter. Whilst this delay is frustrating for both Futura and SSL, we remain firmly on course to becoming a revenue generating business with a recurring royalty income stream from CSD500. We share SSL's belief that CSD500 is destined to become a highly successful product.

We have also been pleased with progress elsewhere in our portfolio. We highlighted a new product, RAD100, at the beginning of this joint review but we are also particularly pleased with the results of our study in healthy volunteers of our premature ejaculation product, PET500, which is designed to delay ejaculation and therefore improve sexual performance and satisfaction. Commercial discussions with potential licensees are ongoing for both products.

In March 2009 we raised a further £1.00 million gross in a share issue to new and existing investors in which all of the Executive Directors subscribed for shares. These additional funds will support our R&D programme ahead of the launch of CSD500.

Product updates

CSD500: Condom safety device

The highlight of 2008 for CSD500 came close to the year end with the positive regulatory opinion from the Competent Authority in the EU with respect to the pharmaceutical aspects of the product. This regulatory opinion marked the successful culmination of the clinical programme on CSD500. The Competent Authority confirmed that CSD500 is a Class III medical device with an ancillary medicinal substance.

As outlined above, the logical restructuring of SSL's global manufacturing base means that additional manufacturing data is required as part of the CE mark application, as the product will now be manufactured in Asia rather than in Europe. This work is already well underway and it is expected that CE marketing authorisation will be received around the end of the current year with the launch of CSD500 as soon as possible thereafter. We have no requirement to carry out further clinical work on CSD500.

In our 2007 annual report, we 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 sex and increased penile size and a longer lasting sexual experience.

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 US and Canada through patents now granted or proceeding to grant in 33 countries and applications pending in a further 3.

MED2002: Treatment for erectile dysfunction, and FLD500: Female lubrication device

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.

CSD500 and MED2002 are somewhat interdependent as they share the same active compound. To a large extent, the positioning of MED2002 in the market place, and the final details of the regulatory strategy, will depend upon SSL’s and our experience following the launch of CSD500. It has therefore been agreed between us to prioritise resources towards launching CSD500 as soon as possible.

FLD500, a condom-based product designed to improve natural female lubrication during sexual intercourse, uses the same active compound as CSD500 but in FLD500 the active compound is on the outside of the condom so that it is rapidly absorbed through the vaginal mucosa during sexual intercourse. For FLD500, as with MED2002, the final marketing positioning and regulatory strategy will depend upon our experience in the launch of CSD500. With 40% of condoms being purchased by women we firmly believe that a female version of CSD500 would have considerable consumer appeal. The precise regulatory pathway and route to market will be determined with our commercial partner in due course.

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 ingredients through the skin. In TPR100 we are using DermaSys® for the topical delivery of a non-steroidal anti-inflammatory drug (“NSAID”) for pain relief.

During the year we optimised the formulation and dose of the NSAID molecule and have recorded skin permeation rates between 30 to 40 times higher than that achieved by the market-leading product. Furthermore oral NSAID products are associated with side effects due to high systemic drug levels, therefore we feel there is a clear market opportunity for a faster acting topical formulation.

Following consultations with the relevant regulatory authorities we believe the regulatory pathway for TPR100 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 followed by a pivotal Phase III trial of around 250 subjects to demonstrate non-inferiority to a market-leading product in the treatment of pain secondary to osteoarthritis in the knee.

Based on our research and development programme so far we remain confident of a positive outcome to these studies, which we expect will be funded by our commercial partners. For this reason we do not intend to begin these trials prior to out-licensing TPR100. Commercial discussions continue with respect to the out-licensing of the product, either on a global or regional basis, and we look forward to updating our shareholders in due course.

PET500: Premature ejaculation treatment

Significant progress was made during the year with PET500, our premature ejaculation treatment which combines our DermaSys® delivery system with a well known mild topical anaesthetic compound. In December 2008 we 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 prevent premature ejaculation. No adverse events were recorded in the study.

PET500's formulation is designed to delay ejaculation for a period of approximately 8 minutes, after which time the effect of the mild anaesthetic dissipates. The Phase I study met all endpoints, which were devised following consultation with a number of leading medical experts in the field of premature ejaculation and on the basis of qualitative market research in patients.

We are currently awaiting feedback from the relevant regulatory authorities before deciding on the regulatory positioning of PET500. Our preference is to develop a product that reduces penile sensitivity to help those men who suffer from early ejaculation who would like to prolong the sexual experience with their partner. The regulatory positioning of the product will determine our commercial strategy though we are already in discussions with several parties.

RAD100: Rapid anaesthetic delivery

This is a new gel under development which provides rapid local anaesthesia prior to injections. The impressive results seen in our Phase I study of PET500, which used a low dose of the same active ingredient, prompted us to explore the potential of the same concept at a much higher dose to provide rapid topical anaesthesia prior to injections, vaccinations and cannulations. 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 there is clear commercial potential for a product in which the speed of onset of skin desensitisation is significantly faster.

In early clinical 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® delivery system when compared to a market leading 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 already attracted interest from commercial partners and we are in commercial discussions for this product.

DermaSys®

In response to the technical challenge of formulating PET500, we expanded our DermaSys® delivery technology platform by designing a unique non-aqueous carrier, DermaSys® AquaFree. This new system, which incorporates the benefits of our existing DermaSys® technology, provides the potential for hydrolytically unstable (i.e. water-sensitive) drugs to be developed into commercially attractive topical products.

People

We have continued to run a highly efficient business with a focus on cost control. Staff numbers (including non-executive directors) were 10 at the year end, compared with 14 at 31 December 2007. 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 are making good progress across our product portfolio whilst being very mindful of our resources and product priorities. We remain firmly on course to becoming a revenue generating business with a recurring royalty income stream from CSD500 and share our commercial partner's belief that CSD500 is destined to become a highly successful product.

Dr W D Potter
Chairman

J H Barder
Chief Executive

Note

¹ *The 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.*

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

Directors' Report: Financial Review

The Group finished the year with costs remaining firmly under control, an expanded development portfolio and the prospect of recurring revenues moving closer.

International Financial Reporting Standards

The Financial Review should be read in conjunction with the consolidated financial statements and the Notes to the Consolidated Financial Statements.

The annual report for the Group is presented under International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements of the Company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Revenue

Group revenue for the year ended 31 December 2008 was £150,000 (2007: £15,000). Grant income for the year ended 31 December 2008 was £73,828 (2007: £96,172).

In accordance with our revenue accounting policy, the fee received in 2007 in respect of the TPR100 exclusivity agreement has been recognised as revenue in 2008 as the relevant conditions of the agreement have now been met.

Losses

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

The Group's loss after taxation for the year ended 31 December 2008 was £1.93 million (2007: £2.25 million). The Group's operating loss for the year ended 31 December 2008 was £2.17 million (2007: £2.62 million).

Loss per share for the year ended 31 December 2008 was 3.4 pence (2007: 4.1 pence).

No dividends were paid and none are proposed by the Directors (2007: £nil).

Financial instruments

The financial instruments held by the Group are disclosed in note 13 of the Notes to the Consolidated Financial Statements.

Group research and development costs

The Group aims to achieve cost effective research and development and to bring products to market through licensing partners as soon as is practicable.

Group research and development 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.

Research and development ("R&D") costs of £1,390,616 are lower compared to 2007, largely due to the scale down of activity pending receipt of regulatory approval for CSD500.

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

	2008 IFRS £	2007 IFRS £	2006 IFRS £	2005 UK GAAP £	2004 UK GAAP £
Research and development costs	1,390,616	1,508,269	1,079,986	1,553,056	971,043
Other administrative costs	1,007,964	1,227,320	1,029,075	805,161	754,725
Total operating costs	2,398,580	2,735,589	2,109,061	2,358,217	1,725,768
R&D ratio	58%	55%	51%	66%	56%

The figures for the years 2005 and prior, 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 research and development costs relative to total operating expenses. The Board is mindful to keep a sensible balance as reflected in this ratio. Total research and development spend since formation of the business in 1997 totals £9.11 million (which represents 55.2% of total cumulative operating costs). During the year, the sole subsidiary Futura Medical Developments Limited continued to incur this research and development expenditure which has been accounted for as explained in accounting policy note 1.7 of the Notes to the Consolidated Financial Statements and has been written off as incurred for all reporting periods prior to and including the year ended 31 December 2008.

The Board considers that this overall total research and development 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 research and development 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 2008 were £1,007,964 (2007: £1,227,320). These comprise 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 2008	Year ended 31 December 2007
Wages and salaries	63%	53%
Legal and professional advisers	24%	22%
Office costs and staff expenses	12%	13%
Licensing negotiations	1%	12%
	100%	100%

The principal reasons for the decrease in other administrative costs relate to commercial and negotiation costs in respect of the development and licensing of MED2002 incurred in 2007. During 2008 we made significant cost savings as we reacted to the economic conditions and the scale down of research activity pending receipt of regulatory approval for CSD500 and the move towards revenue generation. This completes the current configuration of the central functions of the Group as the platform for the next phase of the growth strategy.

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 2008 was 19 days (2007: 18 days). At the year end the Company had trade creditors totalling £2,211 (2007: £2,697) giving rise to an average credit period for the year ended 31 December 2008 of 7 days (2007: 9 days).

Charitable and political contributions

No political donations were made during either year. Charitable donations of £200 were made during the year (2007: £236).

Taxation

A research and development tax credit of £143,443 (2007: £208,717) in respect of research and development expenditure incurred has been recognised in the financial statements. The decrease compared to 2007 reflects the reduced level of research and development expenditure 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 2008 totalled £0.78 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:

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Medium term deposits	-	-	1.04	-	-
Cash and cash equivalents	0.78	2.64	2.74	1.81	3.67
Total cash	0.78	2.64	3.78	1.81	3.67

The Group did not have any bank borrowings at 31 December 2008 (2007: £nil).

There were no shares issued in the year. The total cash raised from share issues by the Group from formation of the business in 1997 until 31 December 2008 is £14.53 million, net of costs.

On 12 March 2009, the Group raised £1.00 million following a private placing of 5 million shares at 20 pence per share. The funds raised are for general corporate and research and development purposes.

Other significant sources of funding received for the Group from formation of the business until 31 December 2008 comprised research and development tax credits of £1.22 million, bank interest of £0.84 million and R&D grants of £0.24 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 2008 for the purposes of section 240 of the Companies Act 1985, but it is derived from those accounts that have been audited. Statutory accounts for 2007 have been delivered to the Registrar of Companies. The independent auditors have reported on those accounts; their report was unqualified and did not include an emphasis of matter statement. The independent auditor's report did not contain statements under the Companies Act 1985, s237 (2) or (3).

Consolidated Income Statement

For the year ended 31 December 2008

		Year ended 31 December 2008	Year ended 31 December 2007
	Notes	£	£
Revenue	1.5	150,000	15,000
Grant income	4	73,828	96,172
Research and development costs		(1,390,616)	(1,508,269)
Administrative costs		(1,007,964)	(1,227,320)
Operating loss	5	(2,174,752)	(2,624,417)
Finance income	8	96,550	161,291
Loss before tax		(2,078,202)	(2,463,126)
Taxation	9	143,443	208,717
Loss for the year attributable to equity holders of the parent company		(1,934,759)	(2,254,409)
Basic and diluted loss per share (pence)	10	(3.4p)	(4.1p)

All amounts relate to continuing activities.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Note	Share capital £	Share premium £	Merger reserve £	Retained losses £	Total equity £
At 1 January 2007		110,607	12,251,275	1,152,165	(9,565,531)	3,948,516
Loss for the year		-	-	-	(2,254,409)	(2,254,409)
Share-based payment		-	-	-	64,651	64,651
Shares issued during the year	17	4,631	1,111,869	-	-	1,116,500
Cost of share issues		-	(101,768)	-	-	(101,768)
At 1 January 2008		115,238	13,261,376	1,152,165	(11,755,289)	2,773,490
Loss for the year		-	-	-	(1,934,759)	(1,934,759)
Share-based payment		-	-	-	47,621	47,621
At 31 December 2008		115,238	13,261,376	1,152,165	(13,642,427)	886,352

Share premium represents amounts subscribed for share capital in excess of nominal value less the related costs of share issues. There were no shares issued during 2008.

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 consolidated income statement. The loss for the year represents the total recognised income and expense for the year.

Consolidated Balance Sheet

As at 31 December 2008

	Notes	As at 31 December 2008 £	As at 31 December 2007 £
Assets			
Non-current assets			
Plant and equipment	11	20,493	35,415
Total non-current assets		20,493	35,415
Current assets			
Inventories	12	10,435	23,344
Trade and other receivables	14	60,020	183,283
Income tax asset	9	165,526	208,717
Cash and cash equivalents	15	782,253	2,637,892
Total current assets		1,018,234	3,053,236
Liabilities			
Current liabilities			
Trade and other payables	16	(152,375)	(315,161)
Total liabilities		(152,375)	(315,161)
Total net assets		886,352	2,773,490
Capital and reserves attributable to equity holders of the parent company			
Share capital	17	115,238	115,238
Share premium		13,261,376	13,261,376
Merger reserve		1,152,165	1,152,165
Retained losses		(13,642,427)	(11,755,289)
Total equity		886,352	2,773,490

These consolidated financial statements were approved and authorised for issue by the Board on 12 May 2009.

J H Barder

Director

On behalf of the Board of Futura Medical plc.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Cash flows from operating activities			
Loss before tax		(2,078,202)	(2,463,126)
Adjustments for:			
Depreciation	11	16,427	15,194
Finance income	8	(96,550)	(161,291)
Share-based payment charge	18	47,621	64,651
Cash flows from operating activities before changes in working capital		(2,110,704)	(2,544,572)
Decrease in inventories	12	12,909	9,304
Decrease/(increase) in trade and other receivables	14	103,150	(21,147)
(Decrease)/increase in trade and other payables	16	(162,786)	79,095
Cash used in operations		(2,157,431)	(2,477,320)
Income tax received		186,634	195,034
Net cash used in operating activities		(1,970,797)	(2,282,286)
Cash flows from investing activities			
Purchase of plant and equipment	11	(1,505)	(30,500)
Disposal of medium term deposits		-	1,039,031
Interest received		116,663	156,148
Cash generated by investing activities		115,158	1,164,679
Cash flows from financing activities			
Issue of ordinary shares	17	-	1,016,500
Expenses paid in connection with share issues	17	-	(1,768)
Cash generated by financing activities		-	1,014,732
Decrease in cash and cash equivalents	15	(1,855,639)	(102,875)
Cash and cash equivalents at beginning of year	15	2,637,892	2,740,767
Cash and cash equivalents at end of year	15	782,253	2,637,892

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. Accounting policies

1.1 Basis of preparation

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

The accounting policies are set out below, have been applied to all periods presented in these consolidated 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 2008.

1.2 Going concern

The Group had cash balances of £0.78 million at 31 December 2008, and a net cash outflow of £1.86 million in the year. The Directors expect a further net cash outflow in the 12 months to 31 December 2009 and recognise that there will be a need for increased funding. As disclosed in note 21 the Group raised £1.00 million following a private placing of 5 million shares at 20 pence per share on 12 March 2009.

The consolidated 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 Directors have reviewed the working capital requirements of the Group for the next 12 months and are confident that any further facilities required can be obtained. The Directors have also identified a number of steps that could be taken to improve the working capital situation, should further facilities not be available in the timeframe required. The consolidated 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

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ending 31 December 2008. The new standards, amendments to standards and interpretations will be relevant to the Group but have not been adopted early as the Directors do not expect these standards and interpretations to have a material effect on the consolidated financial statements:

- 'Vesting Conditions and Cancellations - Amendment to IFRS 2 Share-based Payment' effective 1 January 2009.
- IFRS 8 'Operating Segments' effective 1 January 2009.
- IAS 1 (Revised) 'Presentation of Financial Statements' effective 1 January 2009.
- IFRS 3 (Revised) 'Business Combinations' effective 1 July 2009.
- IAS 27 (Amendment) 'Consolidated and Separate Financial Statements' effective 1 July 2009.
- 'Improvements to IFRSs (2007)' effective 1 July 2009 and 1 January 2010.

There are a number of standards, interpretations and amendments to published accounts not listed above which the Directors consider not to be relevant to the Group.

Accounting policies (continued)

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 consolidated 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 consolidated 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 income statement over the period 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 income statement 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

Certain Group products are in the research phase and others are in the development phase. 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 income statement. 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 income statement 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 income statement 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 balance sheet 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 income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of fair value, less costs to sell, 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 income statement.

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 income statement 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 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 income statement 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 balance sheet 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 income statement 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 balance sheet 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 balance sheet 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 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 balance sheet 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 income statement 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 income statement in the period in which they become payable.

(ii) Accrued holiday pay

Provision is made at each balance sheet 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 income statement 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 options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative charge is not adjusted for failure to achieve a market vesting condition. If the terms and conditions of options are modified before they vest, the change in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

The proceeds received when 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 option holders enter into a 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 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 management 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 fee received in 2007 in respect of the TPR100 exclusivity agreement has been recognised as revenue in the current year as the Directors consider that the relevant conditions of the agreement have now all been met.

(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 2 and 5 years for computer equipment and between 3 and 10 years for furniture and fittings. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement 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 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 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 currency risk is not considered sufficient to require the establishment of foreign currency bank accounts unless specific circumstances are identified which warrant this.

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 the UK pound by 5% the post-tax loss for the year would have been £122 lower/£135 higher and net assets correspondingly higher/lower.

At 31 December 2007 the Group had trade payables denominated in US dollars of £6,611. If the US dollar at 31 December 2007 had weakened/strengthened against the UK pound by 5% the post-tax loss for the year would have been £156 lower/£524 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 2008, of a defined interest rate shift of a 1% higher/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 £19,864 lower/higher (2007: £25,534 lower/higher).

(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 implies maintaining sufficient cash and cash equivalents and management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The Group had trade and other payables at the balance sheet date of £152,375 (2007: £315,161) 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 health.

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 2008 £	Year ended 31 December 2007 £
SEEDA R&D grant income recognised in income statement	73,828	96,172
SEEDA R&D grant accrued income (note 14)	317	15,510

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

5. Operating loss

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Operating loss is stated after charging		
Depreciation of plant and equipment (note 11)	16,427	15,194
Inventories consumed in research and development	7,674	12,121
Realised exchange losses	1,207	2,774
Wages and salaries (note 6)	1,021,694	1,050,056
Operating lease costs (note 20)	73,613	75,132

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

	Year ended 31 December 2008	Year ended 31 December 2007
	£	£
Audit services		
Parent company	24,000	25,800
Subsidiary	3,500	6,050
Tax services		
Parent company	750	850
Subsidiary	3,250	4,250
Other services		
Parent company – interim review	-	6,000
Parent company – IFRS conversion review	-	6,500
Subsidiary	-	1,350
Total fees	31,500	50,800

6. Wages and salaries

The average monthly number of persons (including all Directors) employed by the Group during the year was 12 (by category: R&D 4, administration 8), (2007:14, by category: R&D 5, administration 9) and their aggregate emoluments were:

	Year ended 31 December 2008	Year ended 31 December 2007
	£	£
Wages and salaries	760,717	799,892
Social security costs	87,143	94,427
Other pension and insurance benefits costs	123,407	87,031
Total cash settled emoluments	971,267	981,350
Accrued holiday pay	2,806	4,055
Share-based payment remuneration charge (note 18)	47,621	64,651
Total emoluments	1,021,694	1,050,056

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

7. Directors' emoluments

	Year ended 31 December 2008	Year ended 31 December 2007
	£	£
Aggregate emoluments	447,818	481,929
Company pension contributions	61,750	37,877

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

	Year ended 31 December 2008	Year ended 31 December 2007
	£	£
Aggregate emoluments	166,245	162,461
Company pension contributions	22,837	14,717

During the year, three Directors (2007: three Directors) participated in a private money purchase (defined contribution) pension scheme.

8. Finance income

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Interest receivable on fixed rate medium term deposits	46,023	41,757
Interest receivable on fixed rate short term deposits	50,527	119,534
	96,550	161,291

9. Taxation

Current tax

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
UK corporation tax credit on loss for the year	165,526	208,717
Adjustment for over-provision in prior year	(22,083)	-
Taxation credit reported in the income statement	143,443	208,717

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 2008 £	Year ended 31 December 2007 £
Loss on ordinary activities before tax	2,078,202	2,463,126
Loss on ordinary activities at the average standard rate of corporation tax in the UK of 20.75% (2007: 19.75%)	431,227	486,467
Expenses not deductible for tax purposes	(1,277)	(1,075)
Difference between depreciation and capital allowances	(3,409)	(3,001)
Other short-term timing differences	(10,484)	(13,195)
Unutilised tax losses	(285,050)	(319,591)
Schedule 23 deduction for share options	-	3,061
Additional relief attaching to tax credit claims	34,519	56,051
Over-provision in prior year	(22,083)	-
Taxation credit reported in the income statement	143,443	208,717

The Group has tax losses of approximately £10,306,437 (2007: £8,932,703) available for offset against future taxable profits.

Deferred tax

Deferred tax assets amounting to £2,313,344 (2007: £1,996,394) have not been recognised on the basis that their future economic benefit is not certain. Assuming a prevailing tax rate of 22% (2007: 22%) when the timing differences reverse, the unrecognised deferred tax asset comprises:

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Depreciation in excess of capital allowances	9,015	5,401
Other short term timing differences	36,913	25,798
Unutilised tax losses	2,267,416	1,965,195
	2,313,344	1,996,394

10. Loss per share

The calculation of the loss per share is based on a loss of £1,934,759 (2007: loss of £2,254,409) and on a weighted average number of shares in issue of 57,618,840 (2007: 55,603,121).

The loss attributable to equity holders of the parent 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

	Computer equipment	Furniture and fittings	Total
Cost	£	£	£
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

	Computer equipment	Furniture and fittings	Total
Cost	£	£	£
At 1 January 2007	33,796	45,037	78,833
Reclassifications	(50)	(25)	(75)
Additions	22,468	8,032	30,500
At 31 December 2007	56,214	53,044	109,258
Depreciation			
At 1 January 2007	20,573	38,151	58,724
Reclassifications	(50)	(25)	(75)
Charge for year	10,248	4,946	15,194
At 31 December 2007	30,771	43,072	73,843
Net book value			
At 31 December 2007	25,443	9,972	35,415
At 31 December 2006	13,223	6,886	20,109

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

12. Inventories

	31 December 2008	31 December 2007
	£	£
Raw materials and consumables	10,435	23,344

13. Financial instruments by category

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

Assets as per balance sheet	31 December 2008	31 December 2007
	£	£
Loans and receivables		
Trade and other receivables (note 14)	60,020	183,283
Cash and cash equivalents (note 15)	782,253	2,637,892
Total loans and receivables	842,273	2,821,175

Liabilities as per balance sheet	31 December 2008	31 December 2007
	£	£
Total trade and other payables (note 16)	152,375	315,161

14. Trade and other receivables

	31 December 2008	31 December 2007
	£	£
Amounts receivable within one year:		
Trade receivables	-	81,967
Other receivables	13,440	31,764
Prepayments and accrued income	46,580	69,552
	60,020	183,283

Trade receivables that are under three months past due are not considered impaired.

As of 31 December 2008, there were no trade receivables past due but not impaired (2007: £49,492). These related to a single independent established healthcare group for whom there is no history of default. The ageing analysis of the past due trade receivables is:

	31 December 2008	31 December 2007
	£	£
Under three months past due	-	49,492

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 reporting date is the fair value of each class of receivable.

15. Cash and cash equivalents

	31 December 2008	31 December 2007
	£	£
Cash at bank and in hand	24,701	263,183
Sterling fixed rate short term deposits of up to three months maturity	757,552	2,374,709
	782,253	2,637,892

16. Trade and other payables

	31 December 2008	31 December 2007
	£	£
Trade payables	70,888	99,243
Social security and other taxes	32,123	38,147
Accrued expenses	49,364	27,771
Deferred income	-	150,000
	152,375	315,161

17. Share capital

Authorised

	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	No.	No.	£	£
Ordinary shares of 0.2 pence each	500,000,000	500,000,000	1,000,000	1,000,000

Allotted, called up and fully paid

	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	No.	No.	£	£
Ordinary shares of 0.2 pence each	57,618,840	57,618,840	115,238	115,238

The number of issued ordinary shares as at 1st January 2007 was 55,303,601.

During the year ended 31 December 2007, the Company issued shares of 0.2 pence each as follows:

Month	Reason for issue	Gross consideration £	Shares issued No.
January 2007	Exercise of share options	16,500	50,000
November 2007	Private placing at 48.56 pence per share	1,000,000	2,059,308
November 2007	Placing arrangement fee	100,000	205,931
		1,116,500	2,315,239

There were no shares issued in the year ended 31 December 2008.

A further equity funding facility exists which would if called upon by the Company involve the issue of new ordinary shares at a price per share set at a 10 per cent discount to the average mid-price of the Company's shares during the five trading days prior to the agreement to issue the tranche of shares. The call option may only be exercised in respect of multiples of £0.50 million and in respect of a maximum aggregate amount of £1.00 million and may be exercised at any time prior to 20 May 2009.

As disclosed in note 21 the call option is unlikely to be honoured as the counter party to the option is a company which subsequently went in to liquidation.

18. Share options

At 31 December 2008, 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 2008 No.	Granted during year No.	Options expired No.	Options lapsed No.	At 31 December 2008 No.
1 October 2006 - 30 September 2008	70	150,000	-	(50,000)	(100,000)	-
1 April 2007 - 31 March 2009	76	425,000	-	-	(145,000)	280,000
1 February 2008 - 31 January 2013	74.50	350,000	-	-	(150,000)	200,000
1 February 2009 - 31 January 2014	56.25	350,000	-	-	(50,000)	300,000
1 February 2010 - 31 January 2015	41.75	-	290,000	-	-	290,000
		1,275,000	290,000	(50,000)	(445,000)	1,070,000

The options outstanding at 31 December 2008 represented 1.9% of the issued share capital as at that date (2007: 2.2%) and would generate additional funds of £651,625 (2007: £885,625). The weighted average remaining life of the options was 47 months (2007: 42 months), with a weighted average remaining exercise price of 60.90p (2007: 69.46p).

The options exercisable at 31 December 2008 totalled 480,000 (2007: 575,000) with an average exercise price of 75.38p (2007: 74.43p) and would generate additional funds of £361,800 (2007: £428,000).

On 20 June 2008 options over 290,000 new ordinary shares were granted to employees (not Directors).

The Group's share option scheme rules apply to 970,000 of the options outstanding at 31 December 2008 (31 December 2007: 1,175,000) and include a rule regarding forfeiture of the unexercised options by a director or employee upon the cessation of their employment (except in specific circumstances). There were no market conditions within the terms of the grant of the options.

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

Inputs to option pricing model	31 December 2008	31 December 2007
Grant date	20 June 2008	9 July 2007
Number of shares under option	290,000	350,000
Share price at date of grant	42.00p	55.30p
Option exercise price	41.75p	56.25p
Expected life of options – based on previous exercise history	3 years	3 years
Expected volatility – based on 30 day annualised history	37.06%	39.23%
Dividend yield – no dividends assumed	0%	0%
Risk free rate – yield on treasury stock at date of grant	5.10% p.a.	5.76% p.a.
	31 December 2008	31 December 2007
Outputs generated from option pricing model		
Fair value per share under option	13p	18p
Total expected charge over the vesting period	£37,700	£63,000
	31 December 2008	31 December 2007
Recognised in the income statement for the year		
The share-based remuneration charge (note 6) comprises:		
Share-based payments	£47,621	£64,651

19. Pension costs

The pension charge represents contributions payable by the Group to independently administered funds which during the year ended 31 December 2008 amounted to £102,583 (2007: £67,258). Pension contributions payable one month in arrears at 31 December 2008 totalled £2,358 (2007: £2,258) and are included in accrued expenses at the relevant balance sheet date.

20. Commitments

At 31 December 2008 the Group had operating lease commitments in respect of property leases cancellable on one month's notice of £6,194 (2007: £6,014).

21 Post balance sheet events

As disclosed in the Directors' Report: Financial Review, the Group raised £1.00 million (£918,250 net) following a private placing of 5 million shares at 20 pence per share on 12 March 2009. The funds raised are for general corporate and research and development purposes.

The 280,000 options which were granted at 76p expired unexercised on 31 March 2009.

On 3 April 2009 the Company gave notice of its intention to exercise the call option for £1.00 million under the further equity funding facility. This is a formality however as the counter party to the option is a company which recently went in to liquidation and the option is therefore unlikely to be honoured.

22. 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.

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 £85,230 (2007: £79,668), the amount outstanding at 31 December 2008 including VAT was £8,060 (2007: £7,651), which is to be settled in cash.

Key management compensation

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