For Immediate Release **13 March 2008**

Futura Medical plc

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

Final Results for the year ended 31 December 2007

Futura Medical plc (AIM: FUM), the pharmaceutical group that develops innovative products for consumer healthcare, is pleased to announce its final results for the year ended 31 December 2007.

Operational Highlights

- Substantial progress across the Company as it moves closer to regulatory approval of its first condom product, CSD500
- CSD500 - Statistically significant clinical trial results reinforcing the product's commercial potential
- MED2002 - Global development, marketing and licensing agreement signed with SSL International plc for the Company's topically applied gel for erectile dysfunction
- TPR100 - Exclusivity agreement signed with GlaxoSmithKline Consumer Healthcare for the evaluation of Futura's topical formulations for pain relief and the negotiation of global distribution rights
- PET500 – Exciting new application of our DermaSys® technology for the treatment of premature ejaculation and Phase I study to commence shortly

Financial Highlights

- South East England Development Agency ("SEEDA") grant awarded of up to £200,000
- Funding raised of £1.00 million with further £1.00 million equity funding facility arranged
- Net loss of £2.25 million (2006: net loss of £1.78 million)
- Cash of £2.64 million at 31 December 2007 (2006: £3.78 million including medium term deposits)

James Barder, Futura's Chief Executive, said:

"We expect 2008 to be another exciting year for Futura with the initial focus being on gaining regulatory approval for the Durex® branded condom CSD500 and the subsequent launch programme by SSL. In addition, we anticipate making significant progress across our product portfolio including completing the pivotal study for MED2002, the extended TPR100 optimisation programme, and the first trials on PET500."

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Chairman's Statement

Futura is pleased to announce its full year results for the year ended 31 December 2007. The year saw another period of substantial progress for the Company with advances across the portfolio.

Our product closest to launch is our lead condom product CSD500 which is partnered with SSL International plc ("SSL"). We remain confident of commercial success following our CSD500 user study, which reinforced the market potential of this product. Of those who expressed a preference compared to using a normal condom, firmer erections were reported by both men and women, increased penile size by men and a longer lasting sexual experience by women. This is supported by our intellectual property position with the continuing success of our patent applications. We have also progressed with our second condom product, FLD500, which has been further refined to improve our intellectual property and reduce development risk.

We are delighted to have strengthened our commercial relationship with SSL, through the signing in September of a global development, marketing and distribution agreement for MED2002, our topically applied gel for the treatment of erectile dysfunction. We believe SSL, which now holds distribution rights to a total of three of our products and as owner of the innovative, global and market leading Durex® product range, is an excellent partner for MED2002. We expect MED2002 to become the world's first non-prescription treatment for erectile dysfunction.

In our newer therapeutic area of pain relief, we have built a team of experts and advanced our pre-clinical and clinical studies for TPR100 and entered into exclusive discussions with GlaxoSmithKline Consumer Healthcare ("GSK"). We are undertaking a study to evaluate the drug delivery from topical formulations developed by us. We were also awarded a grant to support the conduct of a specific project in our development pipeline. In addition, we progressed a further application of our DermaSys® technology with our premature ejaculation product, PET500, which we anticipate will commence clinical studies during 2008.

On the financial side we completed a fund-raising in November with a further facility available to enable us to maintain the momentum of product development. Nevertheless we continue to be fiscally prudent with a small core team of only 14 and a flexible network of consultants and advisers. I would personally like to take this opportunity to thank this highly effective group of dedicated and hard working professionals who continue to drive the Company forward.

Notwithstanding progress elsewhere, our key focus remains the attainment of regulatory approval for CSD500 which will herald the most exciting phase so far in the Company's evolution by placing the Company on track to becoming a revenue generating business with a recurring royalty income stream.

Momentum continues into 2008 and we will keep our shareholders and other stakeholders informed of our progress as we look to the future with ever increasing confidence.

Dr William D Potter Executive Chairman
12 March 2008

Chief Executive's Statement

The Directors present their report and the audited financial statements of Futura Medical plc for the year ended 31 December 2007.

Overview

It has been another year of significant commercial and operational progress across our entire product portfolio. We have continued to enhance our expertise in sexual healthcare and to develop our position in pain relief management. We are poised to become revenue generating as a result of the imminently expected completion of the regulatory approval process and subsequent launch of our first commercial product CSD500.

We have steadfastly worked towards the key milestone of achieving regulatory approval for CSD500 and we are pleased to report that we have coupled this with our continued progress across the product range.

Product updates

CSD500: Condom safety device

Working closely with SSL, the manufacturer of Durex® condoms, we made considerable progress with CSD500, our condom product that helps healthy men maintain a full erection whilst wearing a condom. Much of our effort during the year was directed at the successful completion of a clinical study comprising 108 couples, funded equally by SSL and Futura, the positive results from which were announced on 9 August 2007. Of those who expressed a preference a significant proportion of both men and women reported improvements in the firmness of the man's erection during intercourse when using CSD500, compared to using a normal condom, a result that was highly statistically significant. Furthermore, of those who expressed a preference, a significant proportion of both men and women also felt that CSD500 increased the penis size and a significant proportion of women reported a longer lasting sexual experience with CSD500. The quality of the study results has reinforced our confidence that CSD500 has significant commercial potential. The results have been submitted to the EU regulatory authorities and we patiently await the outcome of their review process.

Prior to the commercial launch of CSD500, we have protected the product's unique intellectual property position with patents now granted, or proceeding to grant, in more than 30 countries throughout the world, including the principal consumer markets within Europe, the US and Canada. Futura will receive royalty based payments from all future sales of the condom for the lifetime of the patents.

SSL is currently carrying out the detailed preparatory work for CSD500's EU marketing launch, including the selection of the product's brand name within the Durex® portfolio and the product's logo and packaging. We have been delighted by the commitment and enthusiasm shown for CSD500 from SSL, which provides further endorsement of the commercial potential of the product.

MED2002: Treatment for erectile dysfunction

MED2002 is our topically applied gel for the treatment of men with erectile dysfunction. This product was initially licensed to GSK but in May 2007 they returned the rights to Futura as current priorities within GSK meant they were unlikely to approve a marketing agreement within the near future. Given the commercial potential of MED2002 we were confident of securing a new agreement on favourable commercial terms and were delighted to announce, on 17 September 2007, that a global development, marketing and distribution agreement had been signed with SSL.

Under the terms of this agreement, Futura will receive an undisclosed royalty on MED2002's future sales along with milestone payments of up to £18 million, subject to regulatory approvals and the achievement of sales targets. SSL and Futura will jointly manage the completion of the clinical development of MED2002, which is currently expected to cost up to £3.8 million, of which SSL will contribute 65% and Futura 35%.

Once launched, MED2002 is expected to become the world's first non-prescription pharmaceutical treatment for men with erectile dysfunction, a condition that affects, to some degree, 50% of men aged 45 or over[1]. This would be an important step forward as it is estimated that only 15% of men with erectile dysfunction seek treatment[2] due to the perceived embarrassment of having to consult a doctor to be prescribed one of the current treatments.

A double blind placebo controlled pivotal study for over 200 men with erectile dysfunction is shortly to commence in Germany and Greece. The study has been powered to give statistically significant efficacy data as well as safety data and the preliminary results are expected by the end of 2008.

[1] *Massachusetts Male Ageing Study (MMAS), J Urol 1994 Jan; ISI (1): pp 54-61*

[2] *Prog Urol February 2003, Vol. 13 part 1, pp 85-91*

FLD500: Female lubrication device

FLD500 is our condom product designed to improve natural female lubrication during sexual intercourse. In FLD500 the active compound is on the outside of the condom and is used at a much lower dose level than in CSD500, where it is inside the condom. We have previously reported positive clinical data from FLD500 and have since been working on achieving a commercially optimised shelf life for the product and refining the manufacturing process. We have developed a new prototype of the product which will simplify the manufacturing process and so far in pilot stability studies has shown a significantly improved shelf life. In common with CSD500, FLD500 is licensed to SSL. We are determining the marketing and regulatory strategy for the product with SSL prior to initializing formal stability studies.

Our previously reported clinical data in healthy female volunteers showed that FLD500 was safe, well tolerated and had the potential to promote the vascular changes seen in women during clitoral stimulation and sexual arousal. This data will form part of the regulatory submission for FLD500, although our experience with CSD500 has demonstrated how the value of further clinical work can reduce regulatory risk and support strong marketing claims.

Once CSD500 and FLD500 gain regulatory approval, there is potential for a combination product embracing both CSD500 and FLD500. Such a product could improve natural lubrication for women and give men a firmer erection during protected sexual intercourse.

TPR100: Topical pain relief

One of Futura's key proprietary assets is its highly efficient, trans-dermal delivery system, DermaSys®, which is used in the Group's sexual healthcare portfolio but which has the potential to have much broader utility across other therapeutic areas. A particular application of DermaSys®, owing to its ability to provide rapid transfer of active ingredients through the skin, has shown significant potential in the provision of pain relief through our product TPR100. In April 2007, we entered into an exclusivity agreement with GSK, whilst we undertook a study to evaluate the drug delivery from topical TPR100 formulations developed by Futura. Pending the outcome of Futura's study and the subsequent completion of commercial negotiations, GSK will have the opportunity to acquire global distribution rights.

On 23 August 2007 we announced the appointment of Professor Robert Moore DSc. to join our team of expert consultants in the therapeutic area of pain relief. Professor Moore's extensive knowledge of pain relief, from both academic and commercial perspectives, is already proving to be of great value in the development of TPR100.

PET500: Premature ejaculation treatment

We continue to make progress on our early stage portfolio, particularly with our potential treatment for premature ejaculation, PET500, which uses our DermaSys® delivery system and is now ready to enter into clinical studies. We expect to start a Phase I study shortly to evaluate the product's characteristics.

Early stage product evaluation

We continue to evaluate the commercial and development potential of other product concepts using our DermaSys® technology and our medical device expertise. For the time being, we do not intend to report on FSD500 or any other individual product which is at this evaluation stage, as our focus is on the more advanced stage products including the recent addition of PET500 to the clinical programme. As our later stage products complete the regulatory process and move into their commercial phase we anticipate being able to introduce further exciting products into the development portfolio at the appropriate time.

Outlook

We expect 2008 to be another exciting year for Futura with the initial focus being on gaining regulatory approval for the Durex® branded condom CSD500 and the subsequent launch programme by SSL. In addition, we anticipate making significant progress across our product portfolio including completing the pivotal study for MED2002, the extended TPR100 optimisation programme, and the first trials on PET500.

We were delighted by the support from both new and existing shareholders for the £1.00 million placing which we completed on 15 November 2007 and this included a further equity funding facility of up to £1.00 million which we can draw on should we so choose. These funds enable us to maintain the momentum of product development at Futura.

We will continue to keep our shareholders and other stakeholders informed of our strategy and progress and look forward to being able to discuss the launch of CSD500 in our next Annual Report.

James Barder Chief Executive
12 March 2008

Financial Review

The Group finished the year with a comfortable cash position, 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 financial statements and the notes to the financial statements.

This is the first annual report for the Group presented under International Financial Reporting Standards as adopted by the European Union ("IFRS"). The comparative figures have also been restated to reflect this. There has been no significant impact on the Group in either the current year results or the restated historic results. An explanation, including the impact of transition to IFRS, is included in the notes to the Group financial statements. The financial statements of the Company continue to be prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Revenue

Group revenue for the year ended 31 December 2007 was £15,000 (2006: £301). Grant income for the year ended 31 December 2007 was £96,172 (2006: £nil).

In accordance with our revenue accounting policy, the £150,000 already received from GSK in respect of the TPR100 exclusivity agreement has been included as deferred income within current liabilities on the balance sheet and will be recognised as revenue when the relevant conditions of the agreement are 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 2007 was £2.25 million (2006: £1.78 million). The Group's operating loss for the year ended 31 December 2007 was £2.62 million (2006: £2.11 million).

Loss per share for the year ended 31 December 2007 was 4.1 pence (2006: 3.4 pence).

No dividends were paid and none are proposed by the Directors (2006: £nil).

Financial instruments

The financial instruments held by the Group are disclosed in note 13.

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. Such factors during the year ended 31 December 2007 included pending decisions of regulatory bodies and finalisation of joint development arrangements.

Research and development ("R&D") costs of £1,508,269 have increased compared to the previous year, and to a level similar to that of 2005, largely due to the utilisation of external laboratory facilities and phase I development costs for TPR100.

The table below shows the trend in our historic research and development costs and other administrative costs over the past five reporting periods:

	Year ended 31 December 2007 IFRS £	Year ended 31 December 2006 IFRS £	Year ended 31 December 2005 UK GAAP £	Year ended 31 December 2004 UK GAAP £	11 months ended 31 December 2003 UK GAAP £
Research and development costs	**1,508,269**	**1,079,986**	**1,553,056**	**971,043**	**632,062**
Other administrative costs	**1,227,320**	**1,029,075**	**805,161**	**754,725**	**885,888**
Total operating costs	**2,735,589**	**2,109,061**	**2,358,217**	**1,725,768**	**1,517,950**
R&D ratio	**55%**	**51%**	**66%**	**56%**	**42%**

The figures for the years 2005 and prior, prepared under UK GAAP, have not been restated for the holiday pay accrual under IAS 19 as the figures are 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 £7.72 million (remaining at 55% of total operating costs as reported last year). 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 1.5 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 2007.

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 2007 were £1,227,320 (2006: £1,029,075). 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 2007	Year ended 31 December 2006
Wages and salaries	**53%**	**52%**
Legal and professional advisers	**22%**	**23%**
Office costs and staff expenses	**13%**	**14%**
Licensing negotiations	**12%**	**11%**
	100%	**100%**

The principal reasons for the increase in other administrative costs relate to commercial and negotiation costs in respect of the development and licensing of MED2002 and the expansion of our small core team with the addition of two new support staff. These were recruited in 2007 to support increased activity levels as the Group moves towards revenue generation and seeks further product development opportunities internally and externally. This completes the current expansion of the central administrative 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 (expressed as creditor days) during the year ended 31 December 2007 was 18 days (2006: 30 days) for the Group. At the year end the Company had trade creditors totalling £2,697 (2006: £5,521) giving rise to the average credit period for the year ended 31 December 2007 of 9 days (2006: 11 days).

Charitable and political contributions

No political donations were made during either year. Charitable donations of £236 were made during the year (2006: £nil).

Taxation

A research and development tax credit of £208,717 (2006: £196,133) in respect of research and development expenditure incurred has been recognised in the financial statements. The increase compared with the prior year reflects the increased research and development spend 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 2007 totalled £2.64 million. This comprised cash and cash equivalents and medium term deposits with original maturities of more than three months, shown below at each period end:

	31 December 2007 £m	31 December 2006 £m	31 December 2005 £m	31 December 2004 £m	31 December 2003 £m
Medium term deposits	**-**	**1.04**	**-**	**-**	**-**
Cash and cash equivalents	**2.64**	**2.74**	**1.81**	**3.67**	**2.40**
Total cash	**2.64**	**3.78**	**1.81**	**3.67**	**2.40**

The Group did not have any bank borrowings at 31 December 2007 (2006: £nil).

The Group was pleased to announce, on 27 July 2007, that it had been awarded an R&D grant of up to £200,000, from the South East England Development Agency (SEEDA), to support the conduct of a specific project that forms part of the overall development programme of a product that uses a particular application of the Group's DermaSys® technology. This award followed a thorough review by SEEDA. Of the grant income recognised in the income statement for the year of £96,172, the Group had received £80,662 by the year end.

On 15 November 2007, the Group raised £1.00 million, net of costs, following a private placing at 48.56 pence (2006: net receipts from a private placing and the exercise of share options was £3.69 million). The funds raised are for working capital, including the support of the ongoing development of products within our existing pipeline and initial development of selected new opportunities generated by our research initiatives.

This brings the total cash raised from share issues by the Group from formation of the business in 1997 until 31 December 2007 to £14.53 million, net of costs.

In addition, as announced on 15 November 2007, there is a further equity funding facility in place of up to £1.00 million which, if used, would 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.

Other significant sources of funding received for the Group from formation of the business until 31 December 2007 comprised research and development tax credits of £1.04 million, bank interest of £0.73 million and R&D grants of £0.16 million.

Anthony L Clayden Finance Director
12 March 2008

The financial information set out below does not constitute the Company's full statutory accounts for the year ended 31 December 2007 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 2006 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 2007

	Notes	**Year ended 31 December 2007 £**	Year ended 31 December 2006 £
Revenue	1.3	**15,000**	301
Grant income	4	**96,172**	-
Research and development costs		**(1,508,269)**	(1,079,986)
Administrative costs		**(1,227,320)**	(1,029,075)
Operating loss	5	**(2,624,417)**	(2,108,760)
Finance income	8	**161,291**	136,114
Loss before tax		**(2,463,126)**	(1,972,646)
Taxation	9	**208,717**	196,133
Loss for the year attributable to equity holders of the parent company	19	**(2,254,409)**	(1,776,513)
Basic and diluted loss per share (pence)	10	**(4.1p)**	(3.4p)

All amounts relate to continuing activities.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2007

	Notes	**Share capital** £	**Share premium reserve** £	**Other reserve** £	**Retained losses** £	**Total equity** £
At 1 January 2006		97,877	8,560,987	1,152,165	(7,832,392	1,978,637
Loss for the year	19	-	-	-	(1,776,513	(1,776,513)
Share-based payment		-	-	-	43,374	43,374
Shares issued during the year	17	12,730	3,836,420	-	-	3,849,150
Cost of share issues	19	-	(146,132)	-	-	(146,132)
At 1 January 2007		110,607	12,251,275	1,152,165	(9,565,531	3,948,516
Loss for the year	19	-	-	-	(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	19	-	(101,768)	-	-	(101,768)
At 31 December 2007		**115,238**	**13,261,376**	**1,152,165**	**(11,755,289**	**2,773,490**

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

Consolidated Balance Sheet
As at 31 December 2007

	Notes	As at 31 December 2007 £	As at 31 December 2006 £
Assets			
Non-current assets			
Plant and equipment	11	**35,415**	20,109
Total non-current assets		**35,415**	20,109
Current assets			
Inventories	12	**23,344**	32,648
Trade and other receivables	14	**183,283**	1,196,024
Income tax asset	9	**208,717**	195,034
Cash and cash equivalents	15	**2,637,892**	2,740,767
Total current assets		**3,053,236**	4,164,473
Liabilities			
Current liabilities			
Trade and other payables	16	**(315,161)**	(236,066)
Total liabilities		**(315,161)**	(236,066)
Total net assets		**2,773,490**	3,948,516
Capital and reserves attributable to equity holders of the parent company			
Share capital	17	**115,238**	110,607
Share premium reserve	19	**13,261,376**	12,251,275
Other reserve	19	**1,152,165**	1,152,165
Retained losses	19	**(11,755,289)**	(9,565,531)
Total equity		**2,773,490**	3,948,516

The financial statements from which this final results announcement is derived were approved and authorised for issue by the Board on 12 March 2008 and were signed on its behalf by James H Barder, Director.

Consolidated Cash Flow Statement
For the year ended 31 December 2007

	Notes	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Cash flows from operating activities			
Loss before tax		**(2,463,126)**	(1,972,646)
Adjustments for:			
Depreciation	11	**15,194**	10,630
Finance income	8	**(161,291)**	(136,114)
Loss on sale of plant and equipment	5	**-**	6
Share-based payment charge	18	**64,651**	43,374
Cash flows from operating activities before changes in working capital		**(2,544,572)**	(2,054,750)
Decrease/(increase) in inventories	12	**9,304**	(692)
Increase in trade and other receivables - excluding medium term deposits	14	**(21,147)**	(76,067)
Increase/(decrease) in trade and other payables	16	**79,095**	(2,616)
Cash used in operations		**(2,477,320)**	(2,134,125)
Income tax received		**195,034**	282,636
Net cash used in operating activities		**(2,282,286)**	(1,851,489)
Cash flows from investing activities			
Purchase of plant and equipment	11	**(30,500)**	(5,418)
Sale of plant and equipment		**-**	44
Disposal/(acquisition) of medium term deposits	14	**1,039,031**	(1,039,031)
Interest received		**156,148**	124,730
Cash generated by/(absorbed in) investing activities		**1,164,679**	(919,675)
Cash flows from financing activities			
Issue of ordinary shares	17	**1,016,500**	3,849,150
Expenses paid in connection with share issues	19	**(1,768)**	(146,132)
Cash generated by financing activities		**1,014,732**	3,703,018
(Decrease)/increase in cash and cash equivalents	15	**(102,875)**	931,854
Cash and cash equivalents at beginning of year	15	**2,740,767**	1,808,913
Cash and cash equivalents at end of year	15	**2,637,892**	2,740,767

The notes below form part of the financial statements from which this final results announcement is derived.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2007

1. Accounting policies

1.1 Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") for the first time, having previously been prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"). The disclosures required by IFRS 1 'First-time Adoption of International Financial Reporting Standards' concerning the transition from UK GAAP to IFRS are given in note 23.

The preparation of the consolidated financial statements in accordance with IFRS resulted in changes to the accounting policies compared with the most recent Group financial statements prepared under UK GAAP. The accounting policies are 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 2007.

The Group has elected to make use of the exemptions available in IFRS 1 as follows:

- IFRS 2 'Share-based Payment' has been applied to all grants of employee options after 7 November 2002 that were unvested at 1 January 2006.

- IFRS 3 'Business Combinations' has not been applied retrospectively to business combinations that occurred before 1 January 2006 which were accounted for using the merger method of accounting under UK GAAP.

The Group has made estimates under IFRS as at 1 January 2006, the date of transition, which are consistent with those estimates made at the same date under UK GAAP and there is no objective evidence that those estimates were in error.

The following new standards, amendments to standards and interpretations have been issued, are not effective for the financial year ending 31 December 2007 and have not been adopted early as the Directors do not expect these standards and interpretations to be relevant to the Group and will have no effect on the financial statements:

- IFRS 8 'Operating Segments' effective 1 January 2009.
- IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' effective 1 January 2008.
- IFRIC 13 'Customer Loyalty Programmes' effective 1 January 2009.
- IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' effective 1 January 2008.
- IAS 23 'Borrowing Costs (revised)' effective 1 January 2009.

1.2 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 information presents 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 financial statements.

1.3 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 year 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 on achieving the milestones. 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.

1.4 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.

1.5 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 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.

1.6 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.

1.7 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.

1.8 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.

1.9 Financial instruments

Financial assets

The Group classifies its financial assets in the category of loans and receivables. They are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

The Group's loans and receivables comprise 'trade and other receivables' (notes 1.10 and 14) and 'cash and cash equivalents' (notes 1.11 and 15).

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 (notes 1.12 and 16) recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

1.10 Trade and other receivables

Trade and other receivables are financial assets and are recognised initially at fair value and 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.

Included in trade and other receivables are medium term deposits, comprising sterling fixed rate deposits, with original maturities of more than three months.

1.11 Cash and cash equivalents

Cash and cash equivalents are financial assets and comprise cash in hand and sterling fixed rate 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.

1.12 Trade and other payables

Trade and other payables are financial liabilities and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.13 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 that they reimburse.

1.14 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 at the time of the transaction affects neither accounting or 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.

1.15 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.

1.16 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. Where share options are awarded to employees and others providing similar services on or after 7 November 2002, 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 account.

1.17 National insurance on share options

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.

1.18 Finance income

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

1.19 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 respect of the TPR100 exclusivity agreement has not been recognised as revenue but is shown as deferred income as the relevant conditions of the agreement had not all been met at the relevant balance sheet date.

(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. 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.

1.20 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

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 2007 the Group had trade payables denominated in US dollars of £6,611. If the US dollar exchange rate at 31 December 2007 had weakened/strengthened against the UK pound by 5% the post-tax loss for the year and net assets would have been £156 lower/£524 higher.

At 31 December 2006 the Group had trade payables denominated in US dollars of £17,373. If the US dollar exchange rate at 31 December 2006 had weakened/strengthened against the UK pound by 5% the post-tax loss for the year and net assets would have been £1,913 lower/£1,140 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 2007, 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 £25,534 lower/higher (2006: £22,880 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 £315,161 (2006: £236,066) 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 2007 £	Year ended 31 December 2006 £
SEEDA R&D grant income recognised in income statement	**96,172**	-
SEEDA R&D grant accrued income (note 14)	**15,510**	-

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

5. Operating loss

Operating loss is stated after charging	**Year ended 31 December 2007 £**	Year ended 31 December 2006 £
Depreciation of plant and equipment	**15,194**	10,630
Loss on sale of fixed assets	**-**	6
Inventories consumed in research and development	**12,121**	12,256
Realised exchange losses	**2,774**	153
Wages and salaries (note 6)	**1,050,056**	909,561
Operating lease costs (note 21)	**75,132**	70,752

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

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Audit services		
Parent company	**25,800**	30,160
Subsidiary	**6,050**	5,720
Tax services		
Parent company	**850**	1,200
Subsidiary	**4,250**	4,150
Other services		
Parent company – interim review	**6,000**	4,000
Parent company – IFRS conversion review	**6,500**	-
Subsidiary	**1,350**	500
Total fees	**50,800**	45,730

6. Wages and salaries

The average monthly number of persons (including all Directors) employed by the Group during the year was 14 (by category: R&D 5, administration 9), (2006 by category: R&D 5, administration 7) and their aggregate emoluments were:

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Wages and salaries	**799,892**	710,008
Social security costs	**94,427**	84,888
Other pension and insurance benefits costs	**87,031**	69,902
Total cash settled emoluments	**981,350**	864,798
Accrued holiday pay	**4,055**	1,389
Share-based payment remuneration charge (note 18)	**64,651**	43,374
Total emoluments	**1,050,056**	909,561

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

7. Directors' emoluments

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Aggregate emoluments	**481,929**	477,529
Company pension contributions	**37,877**	34,423

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

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Aggregate emoluments	**162,461**	163,256
Company pension contributions	**14,717**	13,725

During the year, three Directors (2006: three Directors) participated in a private money purchase (defined contribution) pension scheme.

8. Finance income

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Interest receivable on medium term deposits	**41,757**	15,721
Interest receivable on bank deposits	**119,534**	120,393
	161,291	136,114

9. Taxation

Current tax

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
UK corporation tax credit on loss for the year	**208,717**	195,033
Adjustment for under-provision in prior year	**-**	1,100
Total income tax expense	**208,717**	196,133

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 2007 £	Year ended 31 December 2006 £
Loss on ordinary activities before tax	**2,463,126**	1,972,646
Loss on ordinary activities at the average standard rate of corporation tax in the UK of 19.75% (31 December 2006: 19%)	**486,467**	374,803
Expenses not deductible for tax purposes	**(1,075)**	(2,634)
Difference between depreciation and capital allowances	**(3,001)**	(2,264)
Other short-term timing differences	**(13,195)**	(8,626)
Unutilised tax losses	**(319,591)**	(400,704)
Schedule 23 deduction for share options	**3,061**	176,501
Additional relief attaching to tax credit claims	**56,051**	57,957
Adjustment for under-provision in prior year	**-**	1,100
Total tax credit for the year	**208,717**	196,133

The Group has tax losses of approximately £8,932,703 (2006: £7,289,771) available for offset against future taxable profits.

Deferred tax

Deferred tax assets amounting to £1,996,394 (2006: £1,404,565) have not been recognised on the basis that their future economic benefit is not certain. Assuming a prevailing tax rate of 22% (2006: 19%) when the timing differences reverse, the unrecognised deferred tax asset comprises:

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Depreciation in excess of capital allowances	**5,401**	1,575
Other short term timing differences	**25,798**	20,774
Unutilised tax losses	**1,965,195**	1,382,216
	1,996,394	1,404,565

10. Loss per share

The calculation of the loss per share is based on a loss of £2,254,409 (2006: loss of £1,776,513) and on a weighted average number of shares in issue of 55,603,121 (2006: 52,299,053).

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 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

	Computer equipment £	Furniture and fittings £	Total £
Cost			
At 1 January 2006	31,192	42,353	73,545
Additions	2,604	2,814	5,418
Disposals	-	(130)	(130)
At 31 December 2006	**33,796**	**45,037**	**78,833**
Depreciation			
At 1 January 2006	13,275	34,900	48,175
Charge for year	7,298	3,332	10,630
Disposals	-	(81)	(81)
At 31 December 2006	**20,573**	**38,151**	**58,724**
Net book value			
At 31 December 2006	**13,223**	**6,886**	**20,109**
At 31 December 2005	17,917	7,453	25,370

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

12. Inventories

	31 December 2007	31 December 2006
	£	£
Raw materials and consumables	**23,344**	32,648

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 2007**	31 December 2006
Loans and receivables	**£**	£
Trade and other receivables	**183,283**	1,196,024
Cash and cash equivalents	**2,637,892**	2,740,767
Total loans and receivables	**2,821,175**	3,936,791

Liabilities as per balance sheet	**31 December 2007**	31 December 2006
	£	£
Total trade and other payables	**315,161**	236,066

14. Trade and other receivables

	31 December 2007	31 December 2006
Amounts receivable within one year:	**£**	£
Trade receivables	**81,967**	**-**
Other receivables	**31,764**	34,819
Medium term deposits	**-**	1,039,031
Prepayments and accrued income	**69,552**	122,174
	183,283	1,196,024

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

As of 31 December 2007, trade receivables of £49,492 were past due but not impaired (2006: £nil). These relate 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 2007	31 December 2006
	£	£
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 2007 £	31 December 2006 £
Cash in hand	**263,183**	80,767
Sterling fixed rate deposits of up to three months maturity	**2,374,709**	2,660,000
	2,637,892	2,740,767

16. Trade and other payables

	31 December 2007 £	31 December 2006 £
Trade payables	**99,243**	123,070
Social security and other taxes	**38,147**	36,685
Accrued expenses	**27,771**	76,311
Deferred income	**150,000**	-
	315,161	236,066

17. Share capital

Authorised	31 December 2007 No.	31 December 2006 No.	31 December 2007 £	31 December 2006 £
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 2007 No.	31 December 2006 No.	31 December 2007 £	31 December 2006 £
Ordinary shares of 0.2 pence each	**57,618,840**	55,303,601	**115,238**	110,607

The number of issued ordinary shares as at 1st January 2006 was 48,938,601.

During the year ended 31 December 2006 the Company issued shares of 0.2 pence each as follows:

Month	**Reason for issue**	**Gross consideration £**	**Shares issued No.**
January 2006	Exercise of share options	165,500	350,000
February 2006	Exercise of share options	200,400	380,000
July 2006	Private placing at 78 pence per share	2,652,000	3,400,000
July 2006	Exercise of share options	831,250	2,235,000
		3,849,150	6,365,000

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

The arrangement fee, in connection with the placing which took place on 15 November 2007, was not settled in cash but by the issue of 205,931 shares at the placing price of 48.56 pence per share.

The further equity funding facility 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.

18. Share options

At 31 December 2007, 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 2007 No.	Grants during year No.	Options expired No.	Options exercised No.	At 31 December 2007 No.
1 August 2004 - 31 January 2007	33	165,000	-	115,000	50,000	-
1 August 2004 - 31 January 2007	50	10,000	-	10,000	-	-
1 August 2005 - 31 July 2007	70	410,000	-	410,000	-	-
1 October 2006 - 30 Sept. 2008	70	150,000	-	-	-	**150,000**
1 April 2007 - 31 March 2009	76	425,000	-	-	-	**425,000**
1 February 2008 - 31 January 2013	74.50	350,000	-	-	-	**350,000**
1 February 2009 - 31 January 2014	56.25	-	350,000	-	-	**350,000**
		1,510,000	350,000	535,000	50,000	**1,275,000**

The options outstanding at 31 December 2007 represent 2.2% of the issued share capital as at that date (2006: 2.7%) and the weighted average remaining life of the options was 42 months (2006: 38 months), with a weighted average remaining exercise price of 69.46p (2006: 66.24p).

The options exercised during the year would otherwise have expired on 31 January 2007. In respect of the options exercised during the year, the weighted average share price at the date of exercise was 64p.

On 9 July 2007, 350,000 options over new ordinary shares were granted to employees (not Directors) and a consultant.

The Group's share option scheme rules apply to 1,175,000 of the options outstanding at 31 December 2007 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 on or after 7 November 2002 in respect of calculating the fair value of the options.

Inputs to option pricing model	**31 December 2007**	31 December 2006
Grant date	**9 July 2007**	8 July 2006
Number of shares under option	**350,000**	350,000
Share price at date of grant	**55.30p**	75.00p
Option exercise price	**56.25p**	74.50p
Expected life of options – based on previous exercise history	**3 years**	3 years
Expected volatility – based on 30 day annualised history	**39.23%**	25.70%
Dividend yield – no dividends assumed	**0%**	0%
Risk free rate – yield on treasury stock at date of grant	**5.76% p.a.**	4.75% p.a.

Outputs generated from option pricing model	**31 December 2007**	31 December 2006
Fair value per share under option	**18p**	18p
Total expected charge over the vesting period	**£63,000**	£63,000

Recognised in the income statement for the year	**31 December 2007**	31 December 2006
The share-based remuneration charge (note 6) comprises:		
Share-based payments	**£64,651**	£43,374

19. Reserves

	Share premium reserve £	Other reserve £	Retained losses £
At 1 January 2006	8,560,987	1,152,165	(7,832,392)
Retained loss for the year	-	-	(1,776,513)
Share-based payment	-	-	43,374
Shares issued during the year	3,836,420	-	-
Cost of share issues	(146,132)	-	-
At 1 January 2007	12,251,275	1,152,165	(9,565,531)
Retained loss for the year	-	-	(2,254,409)
Share-based payment	-	-	64,651
Shares issued during the year	1,111,869	-	-
Cost of share issues	(101,768)	-	-
At 31 December 2007	**13,261,376**	**1,152,165**	**(11,755,289)**

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

The other 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.

20. Pension costs

The pension charge represents contributions payable by the Group to independently administered funds which during the year ended 31 December 2007 amounted to £67,258 (2006: £55,273). Pension contributions payable but not yet paid at 31 December 2007 totalled £nil in respect of pension contribution entitlements where employees had not yet provided details of the funds to which the contributions should be made (2006: £2,125). In addition, pension contributions payable one month in arrears at 31 December 2007 totalled £2,258 (2006: £2,027). All unpaid contributions are included in accrued expenses at the relevant balance sheet date.

21. Commitments

At 31 December 2007 the Group had operating lease commitments in respect of property leases cancellable on one month’s notice of £6,014 (2006: £5,896).

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 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 £79,668 (2006: £79,479), the amount outstanding at 31 December 2007 including VAT was £7,651 (2006: £7,680).

Key management compensation

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

23. Explanation of transition to IFRS

This is the first year that the Group has presented its full consolidated financial information under IFRS. The transition to IFRS has had no impact on the Group cash flow statement, other than on the layout. The requirements of Financial Reporting Standard 20 'Share-based Payment' were applied for the first time for the year ended 31 December 2006 (on the same basis as apply under IFRS 2 'Share-based Payment'). The last financial statements under UK GAAP were for the year ended 31 December 2006 and the date of full transition to IFRS was therefore 1 January 2006. The following disclosures are required in the year of transition.

Reconciliation of Group equity at 1 January 2006 (date of transition to IFRS)

	Note	UK GAAP	IFRS Restatement	IFRS
		£	£	£
Plant and equipment		25,370	-	25,370
Inventories		31,956	-	31,956
Trade and other receivables		69,543	-	69,543
Income tax asset		281,536	-	281,536
Cash and cash equivalents		1,808,913	-	1,808,913
Total assets		2,217,318	-	2,217,318
Trade and other payables	(i)	(237,147)	(1,534)	(238,681)
Total net assets		**1,980,171**	**(1,534)**	**1,978,637**
Share capital		97,877	-	97,877
Share premium reserve		8,560,987	-	8,560,987
Other reserve		1,152,165	-	1,152,165
Retained losses	(ii)	(7,830,858)	(1,534)	(7,832,392)
Total equity		**1,980,171**	**(1,534)**	**1,978,637**

Note (i): Holiday pay provision

IAS 19 'Employee Benefits' requires the creation of an accrued holiday pay provision. This was not required under UK GAAP.

Note (ii): Retained losses

The impact of (i) is a charge to retained earnings of £1,534 at the date of transition.

23. Explanation of transition to IFRS (continued)

Reconciliation of Group equity at 31 December 2006

	Note	UK GAAP	IFRS Restatement	IFRS
		£	£	£
Plant and equipment		20,109	-	20,109
Inventories		32,648	-	32,648
Trade and other receivables	(i)	156,993	1,039,031	1,196,024
Income tax asset		195,034	-	195,034
Cash and cash equivalents		3,779,798	(1,039,031)	2,740,767
Total assets		4,184,582	-	4,184,582
Trade and other payables	(ii)	(233,143)	(2,923)	(236,066)
Total net assets		**3,951,439**	**(2,923)**	**3,948,516**
Share capital		110,607	-	110,607
Share premium reserve		12,251,275	-	12,251,275
Other reserve		1,152,165	-	1,152,165
Retained losses	(iii)	(9,562,608)	(2,923)	(9,565,531)
Total equity		**3,951,439**	**(2,923)**	**3,948,516**

Note (i): Trade and other receivables

IFRS 7 'Financial Instruments: Disclosures' requires reclassification of medium term deposits.

Note (ii): Holiday pay provision

IAS 19 'Employee Benefits' requires the creation of an accrued holiday pay provision. This was not required under UK GAAP.

Note (iii): Retained losses

The impact of (i) is a charge to retained earnings (ii) of £2,923 at 31 December 2006.

Reconciliation of consolidated income statement for year ended 31 December 2006

	Note	UK GAAP	IFRS Restatement	IFRS
		£	£	£
Revenue		301	-	301
Research and development costs	(i)	(1,077,312)	(2,674)	(1,079,986)
Administrative costs	(i)	(1,030,360)	1,285	(1,029,075)
Operating loss		(2,107,371)	(1,389)	(2,108,760)
Finance income		136,114	-	136,114
Loss before tax		(1,971,257)	(1,389)	(1,972,646)
Taxation		196,133	-	196,133
Loss for the year attributable to equity holders of the company		**(1,775,124)**	**(1,389)**	**(1,776,513)**

Note (i): Holiday pay provision

IAS 19 'Employee Benefits' requires the creation of an accrued holiday pay provision. This was not required under UK GAAP.