# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the year ended 31 December 2022**

| | Notes | **Year ended 31 December 2022 £** | Year ended 31 December 2021 £ |
|---|---|---|---|
| **Revenue** | 2.4 | **-** | - |
| Research and development costs | | **(4,131,224)** | (3,774,269) |
| Administrative costs | | **(2,740,265)** | (2,092,042) |
| **Operating loss** | 6 | **(6,871,489)** | (5,866,311) |
| Finance income | | **-** | - |
| **Loss before tax** | | **(6,871,489)** | (5,866,311) |
| Taxation recoverable | 8 | **1,024,994** | 908,600 |
| **Loss for the year being total comprehensive loss attributable to owners of the Parent Company** | | **(5,846,495)** | (4,957,711) |
| Basic and diluted loss per share (pence) | 9 | **(2.03)** | (1.83) |

All amounts relate to continuing activities.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the year ended 31 December 2022**

| | Notes | Share Capital £ | Share Premium £ | Merger Reserve £ | Other Reserves £ | Retained Losses £ | Total Equity £ |
|---|---|---|---|---|---|---|---|
| **At 1 January 2021** | | **491,254** | **52,814,090** | **1,152,165** | **165,868** | **(53,769,837)** | **853,540** |
| Total comprehensive loss for the year | | - | - | - | - | (4,957,711) | (4,957,711) |
| Share-based payment | 16 | - | - | - | - | 181,822 | 181,822 |
| Shares issued during the year | 15 | 63,503 | 11,661,978 | - | - | - | 11,725,481 |
| Convertible loan notes and warrants | 17 | - | - | - | 118,864 | 196,909 | 315,773 |
| Convertible loan notes conversion and warrant exercise | 17 | 19,545 | 1,901,935 | - | (118,864) | (196,909) | 1,605,707 |
| *Transactions with owners* | | *83,048* | *13,563,913* | - | - | *181,822* | *13,828,783* |
| **At 31 December 2021** | | **574,302** | **66,378,003** | **1,152,165** | **165,868** | **(58,545,726)** | **9,724,612** |
| Total comprehensive loss for the year | | - | - | - | - | (5,846,495) | (5,846,495) |
| Share-based payment | 16 | - | - | - | - | 671,852 | 671,852 |
| Shares issued during the year | 15 | 1,791 | 167,793 | - | - | - | 169,584 |
| *Transactions with owners* | | *1,791* | *167,793* | - | - | *671,852* | *841,436* |
| **At 31 December 2022** | | **576,093** | **66,545,796** | **1,152,165** | **165,868** | **(63,720,369)** | **4,719,553** |

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

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

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

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As at 31 December 2022**

| | Notes | **As at 31 December 2022 £** | As at 31 December 2021 £ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Plant and equipment | 10 | **1,158,035** | 442,657 |
| **Total non-current assets** | | **1,158,035** | 442,657 |
| | | | |
| **Current assets** | | | |
| Trade and other receivables | 12 | **265,684** | 79,256 |
| Current tax asset | 8 | **1,022,831** | 908,312 |
| Cash and cash equivalents | 13 | **4,026,112** | 10,372,571 |
| **Total current assets** | | **5,314,627** | 11,360,139 |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | **(1,753,109)** | (2,078,184) |
| **Total liabilities** | | **(1,753,109)** | (2,078,184) |
| **Total net assets** | | **4,719,553** | 9,724,612 |
| | | | |
| **Capital and reserves attributable to owners of the Parent Company** | | | |
| Share capital | 15 | **576,093** | 574,302 |
| Share premium | | **66,545,796** | 66,378,003 |
| Merger reserve | | **1,152,165** | 1,152,165 |
| Warrant reserve | | **165,868** | 165,868 |
| Retained losses | | **(63,720,369)** | (58,545,726) |
| **Total equity** | | **4,719,553** | 9,724,612 |

The consolidated financial statements were approved and authorised for issue by the Board on 4 April 2023.

By order of the Board

**James Barder**
Chief Executive

Registered number: 04206001

# CONSOLIDATED STATEMENT OF CASH FLOWS

**For the year ended 31 December 2022**

| | Notes | **Year ended 31 December 2022 £** | Year ended 31 December 2021 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | **(6,871,489)** | (5,866,311) |
| Adjustments for: | | | |
| Depreciation | 10 | **24,734** | 19,808 |
| Loss on disposal of fixed assets | | **585** | 125 |
| Finance income | | **-** | - |
| Share-based payment charge | 16 | **671,852** | 181,822 |
| **Cash flows used in operating activities before changes in working capital** | | **(6,174,318)** | (5,664,556) |
| (Increase) in trade and other receivables | 12 | **(186,429)** | (39,466) |
| (Decrease)/increase in trade and other payables | 14 | **(325,075)** | 1,311,659 |
| **Cash used in operations** | | **(6,685,822)** | (4,392,363) |
| Income tax received | | **910,476** | 519,093 |
| **Net cash used in operating activities** | | **(5,775,346)** | (3,873,270) |
| **Cash flows from investing activities** | | | |
| Purchase of plant and equipment | 10 | **(740,697)** | (419,722) |
| **Cash used in investing activities** | | **(740,697)** | (419,722) |
| **Cash flows from financing activities** | | | |
| Issue of ordinary shares | 15 | **169,584** | 14,319,281 |
| Expenses paid in connection with share issue | | **-** | (672,319) |
| **Cash generated by financing activities** | | **169,584** | 13,646,962 |
| **(Decrease)/increase in cash and cash equivalents** | | **(6,346,459)** | 9,353,970 |
| **Cash and cash equivalents at beginning of year** | | **10,372,571** | 1,018,601 |
| **Cash and cash equivalents at end of year** | 13 | **4,026,112** | 10,372,571 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**For the year ended 31 December 2022**

## 1. Corporate Information

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

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

The final results for the year ended 31 December 2022 were approved by the Board of Directors on 4 April 2023. The final results do not constitute full accounts within the meaning of section 434 of the Companies Act 2006 but are derived from audited accounts for the year ended 31 December 2022 and the year ended 31 December 2021.

This announcement is prepared on the same basis as set out in the audited statutory accounts for the year ended 31 December 2022. The accounts for the years ended 31 December 2022 and 31 December 2021, upon which the auditors issued unqualified opinions, also had no statement under section 498(2) or (3) of the Companies Act 2006. The auditor's report includes reference to the material uncertainty relating to going concern. See below for more details of the going concern assessment performed by the Board of Directors

While the financial information included in this results announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards in conformity with the Companies Act 2006, this announcement does not in itself contain sufficient information to comply with IFRS.

## 2. Accounting policies

### 2.1 Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention and have been prepared and approved by the Directors in accordance with UK-adopted International accounting standards in conformity with the requirements of the Companies Act 2006. The principal accounting policies applied in the preparation of the consolidated financial information are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The consolidated financial statements are presented in sterling.

### 2.2 Going concern

The Board has considered the applicability of the going concern basis in the preparation of the financial statements. Notwithstanding a loss for the year ended 31 December 2022 of £5,846,495, the Board considers that, based on the reasons set out below, the preparation of the financial statements on a going concern basis remains appropriate.

In assessing the appropriateness of adopting the going concern assumption, the Group has prepared a detailed budget ("the budget") for the period ending December 2023 and a further forecast ("the forecast") for the period ending 30 June 2024. The budget and forecast include estimated revenues arising from the launch of MED3000 in the UK, EU, Middle East and Latin America, based on orders of MED3000 to December 2022 together with Management's estimate, based on extensive market research and commercial partners' forecasts, of ongoing demand. Operating costs reflect the current cost base, with some increased spend to support the commercialisation of MED3000, and expenditure to support the manufacture of MED3000 to meet demand from commercial partners.

The Board considers that the budget and forecast represent a reasonable best estimate of the Group's performance over the period to 30 June 2024 and are satisfied that the Group would be able to continue as a going concern.

However, in preparing the budget and forecast, the Board also noted the existence of a number of factors that increase the difficulty inherent in predicting the Group's performance, in particular its revenue generation. These include a lack of any historical information from which to reliably predict sales volume and growth, long-term prices and timing of receipts from customers in respect of MED3000 as the product has not yet launched in any key market with any of the commercial partners. Forecasts provided by commercial partners have been highly encouraging but are not guaranteed. In addition to the budget and forecast, the Board therefore considered a possible scenario in which MED3000 revenues were reduced compared to the budget and forecast (the "downside scenario"). The Board further considered remedial action within Management's control to delay some discretionary spending. In this downside scenario, after taking the remedial actions, the Board believe that the Group's resources could still extend beyond June 2024.

The Board is confident that the FDA will grant market authorisation for MED3000 before the end of June 2023, and considers that with the marketing authorisation granted, a number of options to access both dilutive and non-dilutive funding would be available in the event that revenues from MED3000 or operating cost savings were lower than expected.

The Group also remains actively engaged in a number of business development interactions with several potential commercial partners in respect of rights for MED3000 in the US and where commercial partners currently are not in place.

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

### 2.3 Standards, amendments and interpretation to existing standards

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the International

Accounting Standards Board ("IASB"). None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

### 2.4 Revenue

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

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

In accordance with IFRS 15, revenue is calculated based on the consideration to which the Group expects to be entitled and is recognised over the length of services provided under the contract and once performance obligations have been met. The transaction fee is allocated over the length of the service being provided in accordance with the project plan. It is recognised as a contract liability at the time of the initial transaction and is released over the expected period of service on the basis of work completed and performance obligations delivered. The progress is re-evaluated by management at each reporting date and the revenue recognised is re-measured accordingly.

During the year, the Company entered into contracts for supply of goods to external customers against orders received. The majority of contracts that the Company enters into relate to sales orders containing single performance obligation for the delivery of pharmaceutical products. Revenue is recognised when control of the goods is passed to the customer. The point at which control passes is determined by each customer arrangement, but generally occurs when title passes to the customer, either on shipment or on receipt of goods by the customer, depending on local trading terms.

Product revenue represents net invoice less estimated volume discounts, which are considered to be variable consideration and include significant estimates. Other variable considerations such as milestone payments and royalties are not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. In management's opinion, that will be when the Group's customer confirms that the milestone has been met or that a royalty is due. Estimates associated with variable consideration are revisited at each reporting date or when they are resolved and revenue is adjusted accordingly. At 31 December 2022, our customers were preparing to launch or still in the process of seeking regulatory approval for the sale of the product in the relevant jurisdictions. As a result, no sales have been made and no revenue has been recognised during the year.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

### 2.5 Leased assets

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

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

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

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to items of certain low value IT equipment and short-term office leases. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

### 2.6 Intangible assets

***Research and development ("R&D")***

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

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

Capitalised development costs, including patents and trademarks, are amortised over the periods in which the Group expects to benefit from selling the products developed. The amortisation expense is included in R&D costs recognised in the Consolidated Statement of Comprehensive Income. The useful life and the value of the capitalised development cost are assessed for indicators of impairment at least annually. The value is written down immediately if impairment has occurred and the unimpaired cost amortised over the remaining useful life.

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

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

### 2.7 Plant and equipment

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

| | |
|---|---|
| Computer equipment | 2 – 5 years straight line |
| Furniture and fittings | 3 – 10 years straight line |

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

### 2.8 Impairment of non-financial assets

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

### 2.9 Classification of financial instruments issued by the Group

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

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

### 2.10 Financial instruments

***i) Recognition and initial measurement***

At the year-end, the Group had no financial assets or liabilities designated at fair value through the Consolidated Statement of Comprehensive Income (2021: £nil). Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions in the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or a financial liability is initially measured at fair value plus, for items not measured at fair value through profit and loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is measured at the transaction price.

***ii) Classification and subsequent measurement***

**Financial assets**

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

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

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

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

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

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

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

**Financial liabilities**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. At the year-end, the Group had no financial assets or liabilities designated at FVOCI (2021: £nil).

***iii) Derecognition***

**Financial assets**

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

**Financial liabilities**

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

### 2.11 Taxation

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

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

- the initial recognition of an asset or liability in a transaction which is not a business combination and which at the time of the transaction affects neither accounting profit nor taxable profit; and

- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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

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

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

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

### 2.12 Foreign currency translation

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

### 2.13 Employee benefits

***Defined contribution plans***

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

***Accrued holiday pay***

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

***Share-based payment transactions***

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

***Long-term incentive plan***

The Group operates a long-term incentive plan ("LTIP") for all staff and Directors. The quantum of any awards receivable will depend on the Group achieving set milestones and the share price at the time relative to targets set in advance. The Group plan is intended to be settled in equity with cash settlement possible at the discretion of the Board. For all LTIP share options awarded to employees, and others providing similar services, the fair value of the share options at the date of grant is charged to the Consolidated Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Consolidated Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of share options that eventually vest. If the terms and conditions of share options are modified before they vest, the change in the fair value of the share options, measured immediately before and after the modification, is also charged to the Consolidated Statement of Comprehensive Income over the remaining vesting period. The proceeds received when share options are exercised, net of any directly attributable transaction costs, are credited to share capital (nominal value) and any remaining balance to share premium. All employee share option holders enter into an HM Revenue & Customs joint election to transfer the employers' national insurance contribution potential liability to the employee, therefore no Group asset or liability arises.

### 2.14 Finance income

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

### 2.15 Convertible loan notes

The component of the convertible notes issued by the Group which exhibits the characteristics of a financial liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is recorded as a non-current liability measured at amortised cost until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as an other reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

### 2.16 Other reserves

On initial recognition of the convertible loan notes the consideration received for issuing the notes was split between the equity and liability components in accordance with IAS 32 'Financial Instruments: Presentation'. This other reserve represents the equity component of the convertible loan notes.

### 2.17 Cash and Cash equivalents

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

## 3. Critical accounting judgements, assumptions and estimates

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

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

***Share-based payments***

The Group operates an equity-settled share-based compensation plan for employee (and consultant) services to be received and the corresponding increases in equity are measured by reference to the fair value of the equity instruments as at the date of grant. The fair value determination is based on the principles of the Black-Scholes model which uses an input of volatility based on historical data. Historical volatility may not be indicative of future volatility, yet the Directors judge this to be the most appropriate method of calculation. Given the share option expense of £671,852 (2021: £181,822), the volatility methodology used is not expected to have a material impact on these financial statements. Details of the fair value calculation for options granted during the year, including other inputs into the Black-Scholes model, are disclosed in Note 16.

***Valuation of convertible loan notes***

The fair value of the liability component of the convertible loan notes issued in 2021 was calculated using the prevailing market interest rate for a similar non-convertible instrument being 10%. No convertible loan notes were issued in 2022.

***Valuation of warrants***

No warrant instruments were issued in 2022. Warrant instruments issued in 2021 were measured at fair value using the Black-Scholes model. The following inputs were used for the model:

| | |
|---|---|
| Share price | 16.5p |
| Warrant exercise price | 22.0p |
| Expected life of warrant | 1 year |
| Volatility | 105.08% |
| Dividend yield | 0% |
| Risk free interest rate | 0.14% |
| Fair value | 5.23p |

***Conversion of convertible loan notes and warrant instruments***

The Group issued a new convertible loan note and warrants on 4 March 2021. In accordance with the Group's accounting policy as detailed in Note 2, the liability and equity components of the instruments were calculated at fair value as detailed in Note 17. These instruments were converted in April 2021 and converted to equity. Management has concluded that the £1,184,227 liability converted to equity at its liquidated sum of £1,500,000 resulting in an increase in retained losses of £315,773 with a corresponding increase in share premium. On conversion, the warrant reserve and other reserve amounting to £315,773 created on the issue of the two instruments also reverses therefore decreasing retaining losses by the same amount.

There were no warrants or convertible loan notes issued in 2022.

***R&D tax credits***

The current tax receivable as disclosed in Note 8, represents an R&D tax credit based on an advance claim with HMRC. The final receivable is subject to the correct application of complex R&D rules and HMRC approval. Historically, claims have been successful and the Group expects the current year to be successful too.

***R&D costs***

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

***Fair value of derivative instruments***

Where the fair value of derivative instruments recorded in the Consolidated Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as volatility. Details of the fair value calculation for warrants granted during the year if any, including other inputs into the Black-Scholes model, are disclosed in Note 17.

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

## 4. Financial Risk

### 4.1 Financial risk factors

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

***(i) Market risk***

**Foreign exchange rate risk**

The Group primarily enters into supplier contracts which are to be settled in sterling. However, some contracts involve other currencies including the US Dollar and the Euro. The Group may use forward exchange contracts as an economic hedge against currency risk, where cash flow can be judged with reasonable certainty. There were no open forward contracts as at 31 December 2022 or at 31 December 2021.

At 31 December 2022, the Group held balances of the following denominated currency:

| | | **Year ended 31 December 2022** | Year ended 31 December 2021 |
|---|---|---|---|
| | | **£** | £ |
| GBP | **£** | **3,589,876** | 9,163,871 |
| EUR | **€** | **139,167** | 19,514 |
| USD | **$** | **377,427** | 1,608,363 |

The majority of operating costs are denominated in Sterling although certain expenditures were payable in Euros and US Dollars. At 31 December 2022 the Group had trade payables denominated in a foreign currency totalling £149,189 (31 December 2021: £751,499).

**Cash flow interest rate risk and fair value interest rate risk**

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

***(ii) Credit risk***

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

| | **31 December 2022 £** | 31 December 2021 £ |
|---|---|---|
| Cash at bank and in hand | **4,026,112** | 10,372,571 |
| Sterling short-term money market funds | **-** | - |
| | **4,026,112** | 10,372,571 |

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

***(iii) Liquidity risk***

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

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

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

| | **Carrying amount £** | **2 months or less £** | **2 – 12 months £** | **More than 1 year £** |
|---|---|---|---|---|
| **31 December 2021** | | | | |
| Trade and other payables | 1.968,749 | 1,968,749 | - | - |
| Contract liability | 109,435 | - | 109,435 | - |
| | **2,078,184** | **1,968,749** | **109,435** | **-** |

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

### 4.2 Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Group does not yet have significant recurring revenues and has mainly financed its operations through the issue of new shares and management of working capital. The Group's capital resources are managed to ensure it has resources available to invest in operational activities designed to generate future income. These resources were represented by £4,026,112 of cash at bank as at 31 December 2022 (31 December 2021: £10,372,571).

## 5. Segment Reporting

The Group is focused on the development and commercialisation of MED3000 and therefore operates as one segment. During the year, no revenue was recognised.

## 6. Operating loss

| Operating loss is stated after charging: | **Year ended 31 December 2022 £** | Year ended 31 December 2021 £ |
|---|---|---|
| Depreciation of plant and equipment (Note 10) | **24,734** | 19,808 |
| Loss on disposal of plant and equipment | **585** | 125 |
| Short-term leases: property | **120,881** | 116,194 |
| Gain on foreign exchange | **98,923** | 39,664 |

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

| | **Year ended 31 December 2022 £** | Year ended 31 December 2021 £ |
|---|---|---|
| **Audit services** | | |
| Parent Company | **51,237** | 58,612 |
| Subsidiaries | **15,420** | 17,505 |
| **Other Non-audit services** | | |
| iXBRL Tagging | **2,000** | 1,133 |
| **Total fees** | **68,657** | 77,250 |

## 7. Staff numbers and costs

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

| | **Year ended 31 December 2022** | Year ended 31 December 2021 |
|---|---|---|
| R&D staff | **7** | 7 |
| Finance and Administration staff | **2** | 1 |
| Executive Directors | **3** | 3 |
| | **12** | 11 |

The aggregate payroll costs of these persons were as follows:

| | Year ended 31 December 2022 £ | Year ended 31 December 2021 £ |
|---|---|---|
| Wages and salaries | 2,150,346 | 1,730,007 |
| Social security costs | 274,083 | 243,125 |
| Other pension and insurance benefits costs | 153,384 | 151,912 |
| **Total cash-settled remuneration** | 2,577,813 | 2,125,044 |
| Share-based payment remuneration charge | 671,852 | 181,822 |
| **Total remuneration** | 3,249,665 | 2,306,866 |

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

| **Directors' remuneration** | Year ended 31 December 2022 £ | Year ended 31 December 2021 £ |
|---|---|---|
| Wages and salaries | 1,166,078 | 1,040,075 |
| Other pension and other benefit costs | 26,591 | 22,776 |
| Share-based payment remuneration charge | 313,867 | 97,503 |
| Social security costs | 143,503 | 142,846 |
| **Total remuneration** | 1,650,039 | 1,303,200 |

In 2022 there was one Director whose share options were exercised under the Group share option schemes and a gain of £37,975 was realised (2021: £nil). In respect of the highest paid Director the realised gain was £37,975 (2021: £nil).

In 2022 there were no Directors (2021: no Directors) who participated in a private money purchase defined contribution pension scheme. Emoluments for individual Directors are disclosed within the Remuneration Committee Report.

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

Remuneration above includes the following amounts in respect of the highest paid Director:

| | Year ended 31 December 2022 £ | Year ended 31 December 2021 £ |
|---|---|---|
| Wages and salaries | 390,898 | 353,341 |
| Employer pension contributions and other benefits | 6,186 | 3,517 |
| Share-based payment remuneration charge | 100,119 | 37,501 |
| Social security costs | 60,144 | 56,388 |
| **Total remuneration** | 557,347 | 450,747 |

## 8. Taxation

### 8.1 Current tax

| | **Year ended 31 December 2022 £** | Year ended 31 December 2021 £ |
|---|---|---|
| UK corporation tax credit on loss on ordinary activities | **1,024,994** | 908,600 |

The tax assessed for the year was lower than the UK corporation tax rate (2021: lower). The differences are explained below:

| | **Year ended 31 December 2022 £** | Year ended 31 December 2021 £ |
|---|---|---|
| Loss on ordinary activities before tax | **6,871,489** | 5,866,311 |
| Loss on ordinary activities at an average standard rate of corporation tax in the UK of 19% (2021: 19%) | **1,305,583** | 1,114,599 |
| Expenses not deductible for tax purposes | **(247)** | (124) |
| Unrecognised deferred tax | **(122,999)** | (37,824) |
| Unutilised tax losses | **(624,175)** | (616,719) |
| Share scheme deduction | **25,793** | 58,780 |
| Loss surrendered for refund | **(318,101)** | (282,562) |
| Additional relief for R&D claims | **759,140** | 674,326 |
| UK corporation tax credit | **1,024,994** | 910,476 |
| Adjustment to tax charge relating to prior period | **-** | (1,876) |
| UK corporation tax credit reported in the Consolidated Statement of Comprehensive Income | **1,024,994** | 908,600 |

The Group has tax losses of approximately £38,980,404 (2021: £35,694,575) available for offset against future taxable profits.

The corporation tax credit for the year represents research and development tax credits of £1,024,994 (2021: £910,476), arising from the surrender of losses (rather than carrying forward to future years) of £7,068,921 (2021: £6,279,145) at 14.5%, under HMRC's small and medium size enterprise scheme. The taxable loss for the year is in excess of the accounting loss for various reasons, principally the additional deductions given for tax purposes on research and development expenditure.

A claim under the large company Research and Development Expenditure Credit (RDEC) scheme resulted in a refund of £nil (2021: £nil).

### 8.2 Deferred tax

Deferred tax assets amounting to £10,484,989 (2021: £9,502,702) have not been recognised due to it not being probable that taxable profits will be available, against which these deductible temporary differences can be utilised. An increase in the main rate of UK corporation tax from 19% to 25% from 1 April 2023 was substantively enacted during the year ended 31 December 2021. As a result, the opening asset not recognised is stated at 19% but the unrecognised asset at 31 December 2022 has been calculated assuming a prevailing rate when the timing differences reverse of 25%. The unrecognised asset comprises of:

| | **Year ended 31 December 2022 £** | Year ended 31 December 2021 £ |
|---|---|---|
| Depreciation differential versus capital allowances | **(6,800)** | (9,576) |
| Other short-term timing differences | **746,688** | 588,004 |
| Unutilised tax losses | **9,745,101** | 8,823,644 |
| | **10,484,989** | 9,502,072 |

## 9. Loss per share

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

| | **2022** | 2021 |
|---|---|---|
| Loss for the purposes of basic EPS and diluted EPS (£) | **5,846,495** | 4,957,711 |
| Weighted average of ordinary shares for purposes of basic and diluted EPS (number) | **287,478,055** | 271,046,179 |
| Loss per share basic and diluted (pence) | **2.03** | 1.83 |

Diluted EPS is calculated in the same way as basic EPS but also with reference to reflect the dilutive effect of share options in existence at the year-end which were 6,583,800 (2021: 6,646,800). The diluted loss per share is identical to the basic loss per share, as potential dilutive shares are not treated as dilutive since they would reduce the loss per share.

## 10. Plant and equipment

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

| | Computer Equipment | Furniture and Fittings | Total |
|---|---|---|---|
| **Cost** | £ | £ | £ |
| At 1 January 2021 | 127,709 | 63,285 | 190,994 |
| Additions | 417,561 | 2,161 | 419,722 |
| Disposals | - | (125) | (125) |
| **At 31 December 2021** | **545,270** | **65,321** | **610,591** |
| **Depreciation** | | | |
| At 1 January 2021 | 90,339 | 57,787 | 148,126 |
| Charge for year | 18,545 | 1,263 | 19,808 |
| **At 31 December 2021** | **108,884** | **59,050** | **167,934** |
| **Net book value** | | | |
| **At 31 December 2021** | **436,386** | **6,271** | **442,657** |
| At 31 December 2020 | 37,370 | 5,498 | 42,868 |

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

## 11. Financial instruments by category

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

| Assets as per Consolidated Statement of Financial Position | **31 December 2022** | 31 December 2021 |
|---|---|---|
| **Loans and receivables at amortised cost** | **£** | £ |
| Trade and other receivables (Note 12) | **70,114** | 7,547 |
| Cash and cash equivalents (Note 13) | **4,026,112** | 10,372,571 |
| **Total financial assets at amortised cost** | **4,096,226** | 10,380,118 |

| Liabilities as per Consolidated Statement of Financial Position at amortised cost | **31 December 2022 £** | 31 December 2021 £ |
|---|---|---|
| Trade and other payables (Note 14) | **1,753,109** | 981,392 |
| **Total financial liabilities at amortised cost** | **1,753,109** | 981,392 |

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

## 12. Trade and other receivables

| Amounts receivable within one year: | **31 December 2022 £** | 31 December 2021 £ |
|---|---|---|
| Trade receivables | **70,114** | 7,547 |
| Other receivables | **-** | - |
| Financial assets (Note 11) | **70,114** | 7,547 |
| Prepayments | **195,570** | 71,709 |
| | **265,684** | 79,256 |

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

### 13. Cash and cash equivalents

| | 31 December 2022 £ | 31 December 2021 £ |
|---|---|---|
| Cash at bank and in hand | **4,026,112** | 10,372,571 |
| | **4,026,112** | 10,372,571 |

### 14. Trade and other payables

| | 31 December 2022 £ | 31 December 2021 £ |
|---|---|---|
| Trade payables | **316,181** | 981,392 |
| Social security and other taxes | **145,092** | 281,766 |
| Contract liability | **432,151** | 109,435 |
| Accrued expenses | **859,685** | 705,591 |
| | **1,753,109** | 2,078,184 |

### 15. Share capital

| Allotted, called up and fully paid | 31 December 2022 Number | 31 December 2021 Number | 31 December 2022 £ | 31 December 2021 £ |
|---|---|---|---|---|
| Ordinary shares of 0.2 pence each | **288,046,527** | 287,150,971 | **576,093** | 574,302 |

The number of issued ordinary shares as at 1 January 2021 was 245,626,926. During the year ended 31 December 2021, the Company issued shares of 0.2 pence with each ordinary share carrying the right to one vote as follows:

| Month | Reason for issue | Gross Consideration £ | Shares Issued Number |
|---|---|---|---|
| March 2021 | Exercise of share options at 7.5 pence per share | 30,600 | 425,000 |
| April 2021 | Exercise of warrants at 22 pence per share | 500,000 | 2,272,727 |
| April 2021 | Non-Executive Director Award at 12.24 pence per share | 21,581 | 176,318 |
| April 2021 | Convertible loan conversion at 20 pence per share | 1,500,000 | 7,500,000 |
| April 2021 | Exercise of share options at 30 pence per share | 75,000 | 250,000 |
| April 2021 | Exercise of share options at 30.5 pence per share | 140,300 | 460,000 |
| April 2021 | Exercise of share options at 7.5 pence per share | 27,000 | 360,000 |
| June 2021 | Placing and Primarybid Offer | 12,000,000 | 30,000,000 |
| November 2021 | Exercise of share options at 31 pence per share | 24,800 | 80,000 |
| | | **14,319,281** | **41,524,045** |

The number of issued ordinary shares as at 1 January 2022 was 287,150,971. During the year ended 31 December 2022, the Company issued shares of 0.2 pence with each ordinary share carrying the right to one vote as follows:

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

## 16. Share options

At 31 December 2022, the number of ordinary shares of 0.2 pence each subject to share options granted under the Company's Approved and Unapproved Share Option Schemes were:

| Exercise Period | Exercise Price per Share Pence | At 1 January 2022 Number | Options Exercised Number | Options Lapsed Number | Options Granted Number | At 31 December 2022 Number |
|---|---|---|---|---|---|---|
| 1 October 2017 – 30 September 2022 | 30.00 | 350,000 | (250,000) | (100,000) | - | **-** |
| 1 October 2018 – 30 September 2023 | 57.50 | 730,000 | - | (50,000) | - | **680,000** |
| 1 October 2019 – 30 September 2024 | 30.50 | 500,000 | - | - | - | **500,000** |
| 1 October 2020 – 30 September 2025 | 7.50 | 850,000 | (350,000) | - | - | **500,000** |
| 1 October 2021 – 30 September 2026 | 31.00 | 1,140,000 | (150,000) | (50,000) | - | **940,000** |
| 1 October 2022 – 30 September 2027 | 15.50 | 1,308,000 | - | - | - | **1,308,000** |
| 1 October 2023 – 30 September 2028 | 37.90 | 1,588,800 | - | - | - | **1,588,800** |
| 1 October 2023 – 30 September 2028 | 29.50 | - | - | - | 100,000 | **100,000** |
| 1 October 2025 – 30 September 2030 | 45.00 | - | - | - | 967,000 | **967,000** |
| 7 January 2023 – 6 January 2033 | 0.02 | - | - | - | 4,444,940 | **4,444,940** |
| | | 6,466,800 | (750,000) | (200,000) | 5,511,940 | **11,028,740** |

On 14 September 2022 share options over 967,000 new ordinary shares were granted to employees (including Executive Directors) at a price of 45p. The options have a three-year vesting period and the exercise period for these options is 1 October 2025 to 30 September 2030.

On 7 December 2022 share options over 4,444,940 new ordinary shares were granted to employees (including Executive and Non-Executive Directors) at a price of 0.02p per share. The options granted will vest 25% immediately with a further 25% vesting annually following the date of grant.

The share options outstanding at 31 December 2022 represented 3.84% of the issued share capital as at that date (2021: 2.25%) and would generate additional funds of £2,142,884 (2021: £1,899,295) if fully exercised. The weighted average remaining life of the share options outstanding at 31 December 2022 was 81 months (2021: 55 months) with a weighted average remaining exercise price of 19.43 pence (2021: 29.36 pence).

The share options exercisable at 31 December 2022 totalled 5,039,235 (2022: 3,570,000) with an average exercise price of 21.34 pence (2021: 31.0 pence) and would have generated additional funds of £1,075,373 (2021: £1,094,400) if fully exercised.

The Group's share option scheme rules apply to 11,028,740 of the share options outstanding at 31 December 2022 (31 December 2021: 6,466,800) and include a rule regarding forfeiture of unexercised share options upon the cessation of employment (except in specific circumstances).

Options have historically been issued to advisers under the unapproved scheme. Such options generally vest immediately and are exercisable between one and two years after grant. There were 247,416 share options outstanding to advisers at 31 December 2022 (31 December 2021: 100,000).

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

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

***Share-based payments***

| | LTIP Award | | | | | | |
|---|---|---|---|---|---|---|---|
| | Tranche 1 | Tranche 2 | Tranche 3 | Tranche 4 | | | |
| Grant date | 07 Dec 2022 | 07 Dec 2022 | 07 Dec 2022 | 07 Dec 2022 | 21 Sep 2022 | 02 Jun 2022 | 05 Oct 2021 |
| Number of shares under option | 1,111,235 | 1,111,235 | 1,111,235 | 1,111,235 | 967,000 | 100,000 | 1,654,000 |
| Vesting period ends | Dec 22 | Dec 23 | Dec 24 | Dec 25 | Oct 25 | Oct 23 | Oct 23 |
| Share price as at date of grant | 44.60p | 44.60p | 44.60p | 44.60p | 44.80p | 29.50p | 37.90p |
| Option exercise price | 0.2p | 0.2p | 0.2p | 0.2p | 45.00 p | 29.50p | 37.90p |
| Expected volatility | 96.49% | 96.49% | 96.49% | 96.49% | 100.62% | 113.72% | 121.14% |
| Dividend yield | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Risk-free investment rate | 3.29% | 3.25% | 3.12% | 3.24% | 3.05% | 1.98% | 0.75% |
| Exercisable from/to | Dec 22-Dec 30 | Dec 23-Dec 30 | Dec 24-Dec 30 | Dec 25-Dec 30 | Oct 25-Sep 30 | Oct 23-Sep 28 | Oct 23-Sep 28 |
| Expected life of options | 0.25 years | 1.25 years | 2.25 years | 3.25 years | 3 years | 3 years | 3 years |
| Fair value per share at grant date | 39.94p | 39.95p | 39.95p | 39.96p | 26.53p | 16.5p | 25.26p |

### 17. Convertible loan notes and warrant instrument

There were no convertible loan notes or warrant instruments issued in 2022. The balance of the Warrant reserve is related to a warrant instrument issued in January 2020, as part of a wider share issue to raise funds under a subscription agreement. The Company issued 10,937,500 warrants at a ratio of one warrant for every two Ordinary Shares subscribed in respect of the Subscription. The warrants are exercisable until the fifth anniversary of their issue at a price of 40 pence per Ordinary Share and have not yet been exercised.

On 4 March 2021, the Company created one hundred £15,000 unsecured convertible loan notes ("Notes"). The Notes attract an interest rate of 2% per annum payable annually following an initial interest-free period of 180 days. The noteholder shall be entitled, at any time within 36 months of the date of the instrument ("Maturity Date"), to serve a conversion notice on the Company to convert all or some only of the outstanding Notes into fully paid ordinary shares at a conversion price of 20 pence per share. To the extent the Notes are not converted at the Maturity Date, the outstanding principal amount of the Notes, together with any accrued interest, is redeemable.

In addition, 2,272,727 warrants ("Warrants") were issued to the noteholder to subscribe to ordinary shares exercisable within 48 months of issue at a conversion price of 22 pence taking the total number of warrants in issue to 13,210,227. The warrants were valued using the Black-Scholes model.

The initial value of the debt component of the Notes was calculated as £1,184,227. The cash flows attached to the Note up to the Maturity Date were calculated and discounted at an appropriate venture debt rate of 10%. The fair value of the Warrants was calculated at £118,864 and the residual value of the equity component of the Notes was calculated as £196,909.

On 1 April 2021, the noteholder exercised the Warrants in full at an exercise price of 22 pence and was issued with 2,272,727 ordinary shares. On 15 April 2021, the noteholder converted the loan notes in full and was issued with 7,500,000 ordinary shares.

The warrants have been measured using the relative fair value method and fair value has been calculated using the Black-Scholes method using the following inputs:

| Inputs to warrant pricing model | **31 December 2022** | 31 December 2021 |
|---|---|---|
| Grant date | - | 4 March |
| Number of warrants | - | 2,272,727 |
| Share price as at date of grant | - | 16.50 pence |
| Warrant conversion price | - | 22 pence |
| Expected life of warrants | - | 1 Year |
| Expected volatility | - | 105.8% |
| Dividend yield: no dividends assumed | - | 0% |
| Risk-free rate | - | 0.41% p.a |

## 18. Pension costs

The pension charge represents contributions payable by the Group to independently administered funds which during the year ended 31 December 2022 amounted to £153,383 (2021: £135,670). Pension contributions payable in arrears at 31 December 2022, included in accrued expenses at the relevant Consolidated Statement of Financial Position date, totalled £11,325 (2021: £32,299).

## 19. Commitments

At 31 December 2022 the Group had operating short-term lease commitments in respect of property leases cancellable on one month's notice of £10,365 (2021: £9,963).

## 20. Investments

During 2021 the Group entered into a collaboration agreement with Pride Century Ventures Limited ("Pride"). A special purpose vehicle ("SPV") was set up for the purpose of conducting the activities under the collaboration agreement. On the basis that the Group was entitled to voting rights on a steering committee which directs principally all of the relevant activities of the SPV, management have concluded the Group has significant influence over the SPV. In line with the Group's accounting policies and the requirements of IAS 28 Investments in Associates and Joint Ventures the SPV was initially recognised at cost. Management have concluded that the initial cost of investment was £nil (Note 3.2).

## 21. Related party transactions

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

**Key management compensation**

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