

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Revenue	2.4	-	-
Research and development costs		(3,774,269)	(1,927,658)
Administrative costs		(2,092,042)	(1,000,736)
Operating loss	6	(5,866,311)	(2,928,394)
Finance income	8	-	924
Loss before tax		(5,866,311)	(2,927,470)
Taxation recoverable	9	908,600	519,093
Loss for the year being total comprehensive loss attributable to owners of the Parent Company		(4,957,711)	(2,408,377)
Basic and diluted loss per share (pence)	10	(1.83)	(0.99)

All amounts relate to continuing activities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Notes	Share Capital £	Share Premium £	Merger Reserve £	Other Reserves £	Retained Losses £	Total Equity £
At 1 January 2020		409,321	50,002,990	1,152,165	-	(51,510,824)	53,652
Total comprehensive loss for the year		-	-	-	-	(2,408,377)	(2,408,377)
Share-based payment	17	-	-	-	-	149,364	149,364
Shares issued during the year	16	81,933	2,811,100	-	165,868	-	3,058,901
<i>Transactions with owners</i>		<i>81,933</i>	<i>2,811,100</i>	<i>-</i>	<i>165,868</i>	<i>149,364</i>	<i>3,208,265</i>
At 31 December 2020		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	17	-	-	-	-	181,822	181,822
Shares issued during the year	16	63,503	11,661,978	-	-	-	11,725,481
Convertible loan notes and warrants	18	-	-	-	118,864	196,909	315,773
Convertible loan notes conversion and warrant exercise		19,545	1,901,935	-	(118,864)	(196,909)	1,605,707
<i>Transactions with owners</i>		<i>83,048</i>	<i>13,563,913</i>	<i>-</i>	<i>-</i>	<i>181,822</i>	<i>13,828,783</i>
At 31 December 2021		574,302	66,378,003	1,152,165	165,868	(58,545,726)	9,724,612

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 2021

	Notes	As at 31 December 2021 £	As at 31 December 2020 £
Assets			
Non-current assets			
Plant and equipment	11	442,657	42,869
Total non-current assets		442,657	42,869
Current assets			
Trade and other receivables	13	79,256	39,790
Current tax asset	9	908,312	518,805
Cash and cash equivalents	14	10,372,571	1,018,601
Total current assets		11,360,139	1,577,196
Liabilities			
Current liabilities			
Trade and other payables	15	(2,078,184)	(766,525)
Total liabilities		(2,078,184)	(766,525)
Total net assets		9,724,612	853,540
Capital and reserves attributable to owners of the Parent Company			
Share capital	16	574,302	491,254
Share premium		66,378,003	52,814,090
Merger reserve		1,152,165	1,152,165
Other reserves		165,868	165,868
Retained losses		(58,545,726)	(53,769,837)
Total equity		9,724,612	853,540

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Cash flows from operating activities			
Loss before tax		(5,866,311)	(2,927,470)
Adjustments for:			
Depreciation	11	19,808	25,008
Loss on disposal of fixed assets		125	-
Finance income	8	-	(924)
Share-based payment charge	17	181,822	149,364
Cash flows used in operating activities before changes in working capital		(5,664,556)	(2,754,022)
Decrease in inventories		-	7,780
(Increase)/decrease in trade and other receivables		(39,466)	61,401
(Decrease)/increase in trade and other payables	15	1,311,659	(4,080,996)
Cash used in operations		(4,392,363)	(6,765,837)
Income tax received		519,093	2,222,482
Net cash used in operating activities		(3,873,270)	(4,543,355)
Cash flows from investing activities			
Purchase of plant and equipment	11	(419,722)	(8,371)
Interest received		-	924
Cash used in investing activities		(419,722)	(7,447)
Cash flows from financing activities			
Issue of ordinary shares	16	14,319,281	3,270,534
Expenses paid in connection with share issue		(672,319)	(211,632)
Cash generated by financing activities		13,646,962	3,058,902
Increase/(decrease) in cash and cash equivalents		9,353,970	(1,491,900)
Cash and cash equivalents at beginning of year		1,018,601	2,510,501
Cash and cash equivalents at end of year	14	10,372,571	1,018,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021 were approved by the Board of Directors on 25 April 2022. 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 2021 and the year ended 31 December 2020.

This announcement is prepared on the same basis as set out in the audited statutory accounts for the year ended 31 December 2021. The accounts for the years ended 31 December 2021 and 31 December 2020, upon which the auditors issued unqualified opinions, also had no statement under section 498(2) or (3) of the Companies Act 2006.

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

Notwithstanding a loss for the year ended 31 December 2021 of £4,957,711 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. The Board has considered the applicability of the going concern basis in the preparation of the financial statements. This included the review of internal budgets and financial results and a review of cash flow forecasts for the 12

months' period following the date of signing the financial statements. Under current business plans, the Group's cash resources will extend beyond April 2023 (at least 12 months from the date of signing the financial statements).

The Directors have considered scenarios in which commercial launches of MED3000 are delayed compared to base case forecasts. In these circumstances mitigating actions such as reduction of discretionary research and development costs or selling and marketing expenditure could be taken to preserve cash but that in any event, any significant impact would occur outside of the forecasted period.

The Directors also have a reasonable expectation that the Group will also be able to generate additional revenue streams through entering into further strategic collaborations for the commercialisation of MED3000 in the EU and rest of the world following the conclusion of commercial agreements relating to MED3000 within the Middle East and North Africa, Latin America, China and South East Asia, and South Korea regions with US expected to follow.

Based on the above factors the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

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 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 milestones 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 2021, our customers were 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 assess 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 IT equipment. 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 but not exceeding five years. 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 reduced 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 (2020: £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 (2020: £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 de-recognises 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 de-recognition 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.

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.

2.12 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 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 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. There was no charge recognised in the year as the milestones and targets were not met.

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.

3. Critical accounting judgements, assumptions and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amounts of income and expenses in the year. Critical accounting estimates, assumptions and judgements are continually evaluated by the Directors based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. No significant estimates were identified during the year. Other estimates are disclosed below.

3.1 Estimates and assumptions

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 £181,822 (2020: £149,364), the volatility methodology used is not expected to have a material impact on these financial statements. Details of the fair value calculation for options granted during the year, including other inputs into the Black-Scholes model, are disclosed in Note 17.

Valuation of convertible loan notes

The fair value of the liability component of the convertible loan notes was calculated using the prevailing market interest rate for a similar non-convertible instrument being 10%.

Valuation of warrants

Warrant instruments were measured at fair value using 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

3.2 Judgements

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 18. 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.

Deferred tax recognition

The determination of probable future profits, against which the Group's deferred tax profits can be offset, requires judgement. To date no deferred tax assets have been recognised.

R&D tax credits

The current tax receivable as disclosed in Note 9, 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 judgment 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, including other inputs into the Black-Scholes model, are disclosed in Note 18.

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 2021 or at 31 December 2020.

At 31 December 2021, the Group held balances of the following denominated currency:

	Year ended 31 December 2021	Year ended 31 December 2020
	£	£
GBP	£ 9,163,871	941,818
EUR	€ 19,514	7,072
USD	\$ 1,608,363	96,127

The majority of operating costs are denominated in Sterling although certain expenditures were payable in Euros and US Dollars. At 31 December 2021 the Group had trade payables denominated in a foreign currency totalling £751,499 (31 December 2020: £34,217).

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 2021	31 December 2020
	£	£
Cash at bank and in hand	10,372,571	644,729
Sterling short-term money market funds	-	373,872
	10,372,571	1,018,601

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 2021				
Trade and other payables	2,078,184	2,078,184	-	-
Deposit liability	109,435	-	109,435	-
	2,187,619	2,078,184	109,435	-

	Carrying amount £	2 months or less £	2 – 12 months £	More than 1 year £
31 December 2020				
Trade and other payables	766,525	766,525	-	-

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 policy is to maintain a strong capital base. 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 £10,372,571 of cash at bank as at 31 December 2021 (31 December 2020: £1,018,601) and short-term money market funds £0 (2020: 373,872).

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

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Operating loss is stated after charging:		
Depreciation of plant and equipment (Note 11)	19,808	25,008
Loss on disposal of plant and equipment	125	-
Short-term leases: property	116,194	116,714
Gain on foreign exchange	39,664	18,840

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

	Year ended 31 December 2021	Year ended 31 December 2020
	£	£
Audit services		
Parent Company	58,612	43,500
Subsidiaries	17,505	7,500
Tax Services		
Parent company	-	-
Subsidiaries	-	-
Other Non-audit services		
iXBRL Tagging	1,133	1,000
Total fees	77,250	52,000

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 2021	Year ended 31 December 2020
R&D staff	7	8
Finance and Administration staff	1	2
Executive Directors	3	3
	11	13

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£	£
Wages and salaries	1,730,007	1,598,473
Social security costs	243,125	154,829
Other pension and insurance benefits costs	151,912	163,910
Total cash-settled emoluments	2,125,044	1,917,212
Share-based payment remuneration charge	181,822	149,364
Total emoluments	2,306,866	2,066,576

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

	Year ended 31 December 2021	Year ended 31 December 2020
	£	£
Directors' emoluments		
Aggregate emoluments	1,040,075	912,209
Other pension and other benefit costs	22,776	22,968
Subtotal per Remuneration Report	1,062,851	935,177
Share-based payment remuneration charge	97,503	47,866
Employer's national insurance charge	142,846	77,222
Total emoluments	1,303,200	1,060,265

In 2021 there were no Directors whose share options were exercised under the Group share option schemes and no gain was realised (2020: £nil). In respect of the highest paid Director the realised gain was £nil (2020: £nil).

In 2021 there were no Directors (2020: 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.

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

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Aggregate emoluments	353,341	306,658
Employer pension contributions and other benefits	3,517	2,652
Subtotal per Remuneration Report	356,858	309,310
Share-based payment remuneration charge	37,501	18,410
Employer's national insurance charge	56,388	32,266
Total emoluments	450,747	359,986

8. Finance income

Interest receivable in 2021 on treasury funds was £nil (2020: £924).

9. Taxation

9.1 Current tax

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
UK corporation tax credit on loss on ordinary activities	908,600	519,093

The tax assessed for the year was lower than the UK corporation tax rate (2020: lower). The differences are explained below:

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Loss on ordinary activities before tax	5,866,311	2,927,470
Loss on ordinary activities at an average standard rate of corporation tax in the UK of 19% (2020: 19%)	1,114,599	556,220
Expenses not deductible for tax purposes	(124)	(6)
Unrecognised deferred tax	(37,824)	(37,213)
Unutilised tax losses	(616,719)	(224,744)
Share scheme deduction	58,780	-
R&D expenditure credit	-	(1,036)
Loss surrendered for refund	(282,562)	(159,728)
Additional relief for R&D claims	674,326	381,186
UK corporation tax credit	910,476	514,679
Adjustment to tax charge relating to prior period	(1,876)	(288)
R&D expenditure credit re 2020	-	4,414
R&D expenditure credit re 2021	-	-
UK corporation tax credit reported in the Consolidated Statement of Comprehensive Income	908,600	518,805

The Group has tax losses of approximately £35,694,575 (2020: £32,448,687) available for offset against future taxable profits.

The corporation tax credit for the year represents research and development tax credits of £910,476 (2020: £514,679), arising from the surrender of losses (rather than carrying forward to future years) of £6,279,145 (2020: £3,549,507) 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 (2020: £4,414).

9.2 Deferred tax

Deferred tax assets amounting to £9,502,702 (2020: £6,575,569) 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. As a result, the opening asset not recognised is stated at 19% but the unrecognised asset at 31 December 2021 has been calculated assuming a prevailing rate when the timing differences reverse of 25% (2020: 19%). The unrecognised asset comprises of:

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Depreciation differential versus capital allowances	(9,576)	(496)
Other short-term timing differences	588,004	410,814
Unutilised tax losses	8,823,644	6,165,251
	9,502,072	6,575,569

10. Loss per share

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

	2021	2020
Loss for the purposes of basic EPS and diluted EPS (£)	4,957,711	2,408,376
Weighted average of ordinary shares for purposes of basic and diluted EPS (number)	271,046,179	243,721,303
Loss per share basic and diluted (pence)	1.83	0.99

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 6,642,800 (2020: 7,295,000). 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.

11. Plant and equipment

	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

	Computer Equipment £	Furniture and Fittings £	Total £
Cost			
At 1 January 2020	119,338	63,285	182,623
Additions	8,371	-	8,371
At 31 December 2020	127,709	63,285	190,994
Depreciation			
At 1 January 2020	66,745	56,373	123,118
Charge for year	23,594	1,414	25,008
At 31 December 2020	90,339	57,787	148,126
Net book value			
At 31 December 2020	37,370	5,498	42,868
At 31 December 2019	52,593	6,912	59,505

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

12. Financial instruments by category

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

	31 December 2021	31 December 2020
	£	£
Assets as per Consolidated Statement of Financial Position		
Loans and receivables at amortised cost		
Trade and other receivables (Note 13)	7,547	16,067
Cash and cash equivalents (Note 14)	10,372,571	1,018,601
Total financial assets at amortised cost	10,380,118	1,034,668

	31 December 2021	31 December 2020
	£	£
Liabilities as per Consolidated Statement of Financial Position at amortised cost		
Trade and other payables (Note 15)	981,392	182,900
Total financial liabilities at amortised cost	981,392	182,900

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

13. Trade and other receivables

	31 December 2021	31 December 2020
	£	£
Amounts receivable within one year:		
Trade receivables	7,547	5,627
Other receivables	-	10,440
Financial assets (Note 12)	7,547	16,067
Prepayments	71,709	23,723
	79,256	39,790

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.

14. Cash and cash equivalents

	31 December 2021	31 December 2020
	£	£
Cash at bank and in hand	10,372,571	644,729
Sterling short-term money market funds	-	373,872
	10,372,571	1,018,601

15. Trade and other payables

	31 December 2021	31 December 2020
	£	£
Trade payables	981,392	182,900
Social security and other taxes	281,766	64,092
Deposit liability	109,435	-
Accrued expenses	705,591	519,533
	2,078,184	766,525

The increase in payables is reflective of the increased activity relating to research and development activities in comparison to the prior year.

16. Share capital

Authorised	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	Number	Number	£	£
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 2021	31 December 2020	31 December 2021	31 December 2020
	Number	Number	£	£
Ordinary shares of 0.2 pence each	287,150,971	245,626,926	574,302	491,254

The number of issued ordinary shares as at 1 January 2020 was 204,660,267. During the year ended 31 December 2020, 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 2020	Non-Executive Director Share Award	20,534	341,659
January 2020	Subscription and Primary Bid Offer	3,250,000	40,625,000
		3,270,534	40,966,659

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

17. Share options

At 31 December 2021, 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	Options Exercised Number	Options Lapsed Number	Options Granted Numb	At 31
		January 2021 Number				December 2021 Number
1 October 2016 – 30 September 2021	51.75	480,000	-	(480,000)	-	-
1 October 2017 – 30 September 2022	30.00	600,000	(250,000)	-	-	350,000
1 October 2018 – 30 September 2023	57.50	810,000	-	(80,000)	-	730,000
1 October 2019 – 30 September 2024	30.50	990,000	(460,000)	(30,000)	-	500,000
1 October 2020 – 30 September 2025	7.50	1,240,000	(360,000)	(30,000)	-	850,000
7 January 2020 – 6 January 2029	7.20	212,500	(212,500)	-	-	-
31 August 2020 – 6 January 2029	7.20	212,500	(212,500)	-	-	-
1 October 2021 – 30 September 2026	31.00	1,250,000	(80,000)	(30,000)	-	1,140,000
1 October 2022 – 30 September 2027	15.50	1,500,000	-	(192,000)	-	1,308,000
1 October 2023 – 30 September 2028	37.90	-	-	(66,000)	1,654,800	1,588,800
		7,295,000	(1,575,000)	(908,000)	1,654,800	6,466,800

On 5 October 2021 share options over 1,654,800 new ordinary shares were granted to employees (including Executive Directors) at a price of 37.90p. The options have a two-year vesting period and the exercise period for these options is 1 October 2023 to 30 September 2028.

The share options outstanding at 31 December 2021 represented 2.25% of the issued share capital as at that date (2020: 2.97%) and would generate additional funds of £1,899,295 (2020: £1,939,700) if fully exercised. The weighted average remaining life of the share options outstanding at 31 December 2021 was 55 months (2020: 56 months) with a weighted average remaining exercise price of 29.36 pence (2020: 29.04 pence).

The share options exercisable at 31 December 2021 totalled 3,570,000 (2020: 4,545,000) with an average exercise price of 31 pence (2020: 26.04 pence) and would have generated additional funds of £1,094,400 (2020: £1,319,700) if fully exercised.

The Group's share option scheme rules apply to 6,620,000 of the share options outstanding at 31 December 2021 (31 December 2020: 6,720,000) 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 100,000 share options outstanding to advisers at 31 December 2021 (31 December 2020: 575,000).

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

Inputs to share option pricing model	31 December 2021	31 December 2020
Grant date	5 October	21 September
Number of shares under option	1,654,000	1,500,000
Share price as at date of grant	37.90 pence	14.72 pence
Option exercise price	37.90 pence	15.5 pence
Expected life of options: based on previous exercise history	3 years	3 years
Expected volatility: based on median fluctuations over 3 years	121.14%	104.96%
Dividend yield: no dividends assumed	0%	0%
Risk-free rate: yield on 3 year treasury stock as at date of grant	0.75% p.a.	0.05% p.a.
<hr/>		
Outputs generated from share option pricing model	31 December 2021	31 December 2020
Fair value per share under option	25.26p	9.24p
Total expected charge over the vesting period	£418,002	£138,600
<hr/>		
Recognised in Consolidated Statement of Comprehensive Income	31 December 2021	31 December 2020
	£	£
The share-based remuneration charge comprises:		
Share-based payments – employees	48,646	19,104
Share-based payments – consultants	-	-
Share-based payments	48,646	19,104

The total expense recognised for the year arising from share-based payments is as follows:

	31 December 2021	31 December 2020
	£	£
Group equity-settled share-based payment expense	181,822	149,364

18. Convertible loan notes and warrant instrument

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 £0.20 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 £0.22 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 £0.22 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.

On 20 January 2020, Futura Medical plc issued a warrant instrument as part of a wider share issue to raise funds under a subscription agreement. The Company issued 10,937,500 warrants at a ratio of one warrant for every two Ordinary Shares subscribed in respect of the Subscription. The warrants are exercisable until the fifth anniversary of their issue at a price of 40 pence per Ordinary Share. The warrants have been measured using the relative fair value method and fair value has been calculated using the Black-Scholes method using the following inputs:

Inputs to warrant pricing model	31 December 2021	31 December 2020
Grant date	4 March	21 January
Number of warrants	2,272,727	10,937,500
Share price as at date of grant	16.50 pence	12.75 pence
Warrant conversion price	22 pence	40 pence
Expected life of warrants	1 Year	5 years
Expected volatility	105.8%	81.56%
Dividend yield: no dividends assumed	0%	0%
Risk-free rate	0.41% p.a	0.44% p.a.

19. Pension costs

The pension charge represents contributions payable by the Group to independently administered funds which during the year ended 31 December 2021 amounted to £135,670 (2020: £128,161). Pension contributions payable in arrears at 31 December 2021, included in accrued expenses at the relevant Consolidated Statement of Financial Position date, totalled £32,299 (2020: £18,948).

20. Commitments

At 31 December 2021 the Group had operating lease commitments in respect of property leases cancellable on one month's notice of £9,963 (2020: £9,802).

21. Investments

During the year 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).

22. Related party transactions

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

Key management compensation

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