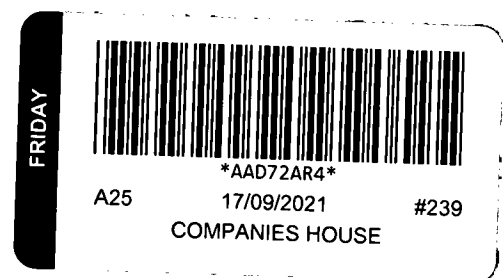


FUTURA MEDICAL DEVELOPMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Company Registration Number 03456088 (England and Wales)



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FOR THE YEAR ENDED 31 DECEMBER 2020**

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Directors

John Clarke
James Barder
Jonathan Freeman
Kenneth James
Angela Hildreth

Secretary and Registered Office

Angela Hildreth
Futura Medical Developments Limited
Surrey Technology Centre
40 Occam Road
The Surrey Research Park
Guildford
Surrey
GU2 7YG

Company Number

03456088

Auditor

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
1020 Eskdale Rd,
Winnersh,
Wokingham
RG41 5TS

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and audited financial statements for the year ended 31 December 2020.

Principal activity

The principal activity of the Company is the research and development ("R&D") of pharmaceutical drugs, healthcare products and medical devices.

Results and dividends

The Statement of Comprehensive Income is set out on page 7 and shows the loss after tax for the year of £2,022,408 (2019: £8,405,191). No dividends are paid or proposed (2019: £nil).

Directors

The Directors of the Company up to the date of this report were:

John Clarke
James Barder
Kenneth James
Jonathan Freeman
Angela Hildreth

Directors' interests

None of the Directors had beneficial or associated interests in the shares of the Company.

The Directors are also directors of the parent company, Futura Medical plc, and their interests in the share capital (including shares, share options and share-based incentives) of that company are disclosed in the Annual Report of that company.

Directors' and officers' liability insurance

The Company has, as permitted by the Companies Act 2006, maintained insurance cover on behalf of the Directors, indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'). Under company law¹ the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

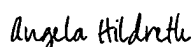
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the Board



Angela Hildreth
Secretary
15 September 2021

¹ Section 393, Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUTURA MEDICAL DEVELOPMENT LIMITED

Opinion

We have audited the financial statements of Futura Medical Developments Limited (the 'company') for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

We understood how Futura Medical Developments Limited is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- challenging assumptions and judgements made by management in its significant accounting estimates;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the entity's operations, including the nature of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- the applicable statutory provisions.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Bishop FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford

15 September 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

		Year ended 31 December 2020 £	Year ended 31 December 2019 £
Turnover	Notes 1.4	-	31,778
Research and development costs		(1,927,658)	(10,007,648)
Administrative Costs		(613,843)	(651,515)
Operating loss	4	(2,541,501)	(10,627,385)
Loss before tax		(2,541,501)	(10,627,385)
Tax	7	519,093	2,222,194
Total comprehensive loss on after tax		(2,022,408)	(8,405,191)

All amounts relate to continuing activities.

All recognised gains and losses in current and prior years are included in the profit and loss account.

The notes on pages 10 to 21 form part of these financial statements.

Company no. 03456088**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Notes	As at 31 December 2020 £	As at 31 December 2019 £
Fixed assets			
Tangible assets	8	42,869	59,505
Investment in subsidiary	9	100	100
Total fixed assets		42,969	59,605
Current assets			
Stock	10	-	7,780
Taxation	7	518,805	2,221,905
Debtors	11	29,856	88,215
Cash at bank and in hand	14	608,184	1,411,088
Total current assets		1,156,845	3,728,988
Creditors: amounts falling due within one year	12	(643,398)	(4,647,362)
Net current assets/(liabilities)		513,447	(918,374)
Total assets less current liabilities		556,416	(858,769)
Creditors: amounts falling due after more than one year		-	-
Total net assets/(liabilities)		556,416	(858,769)
Capital and reserves			
Called up share capital	13	60,724	60,724
Share premium account		1,152,165	1,152,165
Capital contribution		53,555,395	50,117,802
Profit and loss account		(54,211,868)	(52,189,460)
Equity shareholder's deficit		556,416	(858,769)

The financial statements were approved by the Board and authorised for issue on 15 September 2021

The notes on pages 10 to 21 form part of these financial statements.

J Barden

James Barden
Chief Executive

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2020**

	Share Capital £	Share Premium £	Capital Contribution £	Retained Losses £	Total Equity £
At 1 January 2019	60,724	1,152,165	42,962,749	(43,784,269)	391,369
Share-based payment charge	-	-	101,404	-	101,404
Capital contribution from parent intercompany balances	-	-	7,053,649	-	7,053,649
Loss for the year	-	-	-	(8,405,191)	(8,405,191)
At 31 December 2019	60,724	1,152,165	50,117,802	(52,189,460)	(858,769)
Share-based payment charge	-	-	149,364	-	149,364
Capital contribution from parent intercompany balances	-	-	3,288,229	-	3,288,229
Loss for the year	-	-	-	(2,022,408)	(2,022,408)
At 31 December 2020	60,724	1,152,165	53,555,395	(54,211,868)	556,416

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

Capital contribution represents the cumulative fair value of the share-based payments issued by the parent company and capitalised parent company intercompany loan.

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

The notes on pages 10 to 21 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies

1.1 Corporate Information

Futura Medical Developments Limited (the "Company") is a limited company incorporated and domiciled in the United Kingdom. The registered office is located at Surrey Technology Centre, 40 Occam Road, Guildford, Surrey, GU2 7YG.

The financial statements of the Company for the year ended 31 December 2020 were authorised for issue by the Board of Directors on XX September 2021.

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

1.2 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). The principal accounting policies adopted in the preparation of the financial statements are set out below.

The financial statements have been prepared on a historical cost basis. In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Futura Medical plc.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of the group. These financial statements do not include certain disclosures in respect of:

- share based payments;
- financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and

The financial statements contain information about Futura Medical Developments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to produce consolidated financial statements as it and its subsidiary undertaking are included in the consolidated financial statements of its parent, Futura Medical plc, a company registered in England and Wales.

Notwithstanding a loss for the year then ended of £2,022,408 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

business plans, the Group's cash resources will extend beyond September 2022 (at least 12 months from the date of signing the financial statements).

The Group completed a £2.00 million fundraise which comprised of £1.50 million convertible loan notes, £0.50 million warrants and a Collaboration Agreement to commercialise MED3000 in China and SE South East Asia, £1.50 million was received in March 2021 and £0.50 million in April 2021.

The Group also completed a Placing and Retail Offer which resulted in £12 million cash received in June 2021 following the granting of the CE Mark for MED3000 in Europe, in April 2021. The Directors also have a reasonable expectation that the Group will be able to generate significant funding through entering into strategic collaborations for the commercialisation of MED3000 and its other products in the US and Europe.

Based on the above factors the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.3 Judgements and key areas of estimation uncertainty

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the Company's directors to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

1.4 Turnover

To determine whether to recognise revenue, the Group follows a 5-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.

Revenue recognised in the prior year related to a collaboration agreement. 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, no revenue was recognised.

1.5 Research and development

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

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to 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 are amortised over the periods in which the Company 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 profit and loss account. The useful life and the value of the capitalised development cost are assessed for impairment at least annually. The value is written down immediately

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

if impairment has occurred and the unimpaired cost amortised over the reduced useful life. The Directors consider that the criteria to capitalise development expenditure are not met for a product prior to that product being commercially launched in at least one major market. Development expenditure, not satisfying the above criteria, and expenditure on patents and trademarks and the research phase of internal projects are included in R&D costs recognised in the profit and loss account as incurred.

1.6 Tangible fixed assets

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 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
Fixtures 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 Statement of Financial Position date.

1.7 Investment in subsidiaries

Investments in subsidiaries are carried at cost less any provision for losses arising on impairment.

1.8 Deferred taxation

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

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

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

1.9 Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. All differences are recognised immediately in the profit and loss account.

1.10 Financial Instrument

i) Recognition and initial measurement

At the year-end, the Company had no financial assets or liabilities designated at fair value through the consolidated statement of comprehensive income (2019: £nil). Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the Company 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

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 Company 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 Company 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 (2019: £nil).

iii) Derecognition

Financial assets

The Company 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 Company 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 Company derecognises a financial liability when the contractual obligations are discharged or cancelled, or expire. The Company 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,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

1.11 Employee benefits

(i) **Defined contribution plans.**

The Company provides retirement benefits to all employees and Executive Directors who wish to participate in defined contribution pension schemes. The assets of these schemes are held separately from those of the Company in independently administered funds. Contributions made by the Company are charged to the profit and loss account in the period in which they become payable.

(ii) **Accrued holiday pay.**

Provision is made at each balance sheet date for holidays accrued but not taken at the salary of the relevant employee at that date. The expected cost of compensated short-term absence (i.e. holidays) is charged to the profit and loss account on an accruals basis.

(iii) **Share-based payment transactions.**

The Company 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 profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of 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 profit and loss account over the remaining vesting period. All employee share option holders enter into an HM Revenue & Customs joint election to transfer the employers' national insurance contribution potential liability to the employee, therefore no asset or liability arises.

1.12 Inventories

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

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

1.13 Leased assets

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

1.14 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks

2. Critical accounting estimates, assumptions and judgements

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Critical accounting estimates, assumptions and judgements (continued)

Estimates and assumptions

R&D Tax Credits

The current tax receivable as disclosed in Note 7, 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.

Judgements

Deferred tax recognition

The determination of probable future profits, against which the Company's deferred tax profits can be offset, requires judgement.

3. Segment Reporting

The Company is focused on the development and commercialisation of MED3000 and therefore operates as one segment.

4. Operating loss

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Operating loss is stated after charging:		
Depreciation of tangible assets	25,008	20,704
Short term leases: Property	116,714	117,725
Loss on foreign exchange	18,840	8,468

The fees of the Company's auditor for services provided are analysed below:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Audit services	7,500	7,000
Tax services		
Total fees	7,500	7,000

5. Wages and salaries

The average number of persons employed by the Company during the year, analysed by category, was as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
R&D staff	8	8
Finance and Administration staff	2	2
Executive Directors	3	3
	13	13

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5. Wages and salaries (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Wages and salaries	1,598,473	1,315,760
Social security costs	154,829	181,544
Other pension and insurance benefits costs	163,910	180,342
Total cash-settled emoluments	1,917,212	1,677,646
Share-based payment remuneration charge	149,364	9,956
Total emoluments	2,066,576	1,687,602

6. Directors' emoluments

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Aggregate emoluments	912,209	693,353
Employer pension contributions	22,968	22,506
Subtotal per remuneration report	935,177	715,859
Share-based payment remuneration charge	47,866	47,866
Employer's national insurance charge	77,222	73,811
Total emoluments	1,060,265	837,536

In 2020 there were no share options exercised by Directors under the Group share option schemes and nil gain realised (2019: £nil). In respect of the highest paid Director the realised gain was £nil (2019: £nil).

In 2020 there were no Directors (2019: nil) who participated in a private money purchase defined contribution pension scheme.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

6. Directors emoluments (continued)

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

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Aggregate emoluments	306,658	235,593
Employer pension contributions	2,652	-
Subtotal per remuneration report	309,310	235,593
Share-based payment remuneration charge	18,410	18,410
Employer's national insurance charge	32,266	31,680
Total emoluments	359,986	285,683

7. Taxation

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Current tax		
UK corporation tax credit on loss	519,093	2,222,194

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

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Loss before tax	2,541,501	10,627,385
Loss at the average standard rate of corporation tax in the UK of 19% (2019: 19%)	482,885	2,019,203
Expenses not deductible for tax purposes	(6)	(304)
Unrecognised deferred tax	(37,213)	(15,701)
Unutilised tax losses	(151,262)	(744,280)
R&D Expenditure Credit	(1,036)	(4,969)
Loss surrendered for refund	(159,728)	(683,072)
Additional relief for R&D claims	381,186	1,630,136
Corporation tax credit	514,826	2,201,013
Adjustment to tax charge relating to prior year	(435)	-
R&D expenditure credit re 2019	-	21,181
R&D expenditure credit re 2020	4,414	-
Current tax credit to profit and loss account	518,805	2,222,194

The Company has tax losses of approximately £31,303,861 (2019: £30,507,745) available for offset against future taxable profits

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

7. Taxation (continued)

Deferred tax

Deferred tax assets amounting to £6,358,052 (2019: £5,520,147) 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. Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) were substantively enacted on 26 October 2015. The unrecognised deferred tax asset at 31 December 2020 has been calculated assuming a prevailing tax rate when the timing differences reverse of 17% (2019: 17%) and comprises:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Depreciation differential versus capital allowances	(496)	(1,770)
Other short-term timing differences	410,814	335,600
Unutilised tax losses	5,947,734	5,186,317
	6,358,052	5,520,147

The UK corporation tax rate is expected to increase from 19% to 25% from 1 April 2023. The legislation containing this provision has not yet been substantively enacted. The unrecognised deferred tax asset at 31 December 2020 has been calculated at the rate substantively enacted at the time of preparation of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

8. Tangible assets

	Computer equipment £	Furniture and fittings £	Total £
Cost			
At 1 January 2020	119,338	63,285	182,623
Additions	8,372	-	8,372
Disposals	-	-	-
At 31 December 2020	127,710	63,285	190,995
Depreciation			
At 1 January 2020	66,745	56,373	123,118
Charge for year	23,594	1,414	25,008
Disposals	-	-	-
At 31 December 2020	90,339	57,787	148,126
Net Book Value			
At 31 December 2020	37,371	5,498	42,869
At 31 December 2019	52,593	6,912	59,505

9. Investments

The unlisted investment is stated at cost of £100 at 31 December 2020 and 31 December 2019.

The investment comprises 100% of the issued £1 ordinary shares of the subsidiary undertaking Futura Consumer Healthcare Limited. The subsidiary company is dormant with no activity in the year.

10. Stock

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Raw materials and consumables	-	7,780

There is no material difference between the replacement cost of stock and the amounts stated above.

11. Debtors

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Trade debtors	5,627	5,627
Other debtors	10,440	54,630
Prepayments and accrued income	13,789	27,958
	29,856	88,215

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

12. Creditors: amounts falling due within one year

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Trade creditors	116,689	2,518,060
Other taxes and social security costs	83,637	39,970
Accruals	443,072	2,089,332
	643,398	4,647,362

13. Share capital

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Allotted, called up and fully paid		
Ordinary shares 60,724 of £1 each	60,724	60,724

14. Share-based payments

On 21 September 2020 share options over 1,500,000 new ordinary shares were granted to employees (including Executive Directors) at a price of 15.50p. The options have a two-year vesting period and the exercise period for these options is 1 October 2022 to 30 September 2027.

The share options outstanding at 31 December 2020 represented 2.97% of the issued share capital as at that date (2019: 3.54%) and would generate additional funds of £1,939,700 (2019: £2,433,900) if fully exercised. The weighted average remaining life of the share options outstanding at 31 December 2020 was 56 months (2019: 51 months) with a weighted average remaining exercise price of 29.04 pence (2019: 33.55 pence).

The share options exercisable at 31 December 2020 totalled 4,545,000 (2019: 3,850,000) with an average exercise price of 26.04 pence (2019: 48.48 pence) and would have generated additional funds of £1,319,700 (2019: £1,766,650) if fully exercised.

The Group's share option scheme rules apply to 6,720,000 of the share options outstanding at 31 December 2020 (31 December 2019: 6,550,000) 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 575,000 share options outstanding to advisers at 31 December 2020 (31 December 2019: 705,000).

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

15. Pension costs

The pension charge represents contributions payable by the Company to independently administered funds which during the year ended 31 December 2020 amounted to £128,161 (2019: £180,342). Pension contributions payable in arrears at 31 December 2020 included in accrued expenses at the relevant balance sheet date totalled £18,948 (2019: £10,225).

16. Related party transactions

The Company has adopted the exemption available under FRS 101 to not disclose transactions with other members of the group headed by Futura Medical plc on the grounds that the group accounts are publicly available from Companies House.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

17. Commitments

At 31 December 2020 the Company had operating lease commitments in respect of property leases cancellable on one month's notice of £9,802 (2019: £9,802).

18. Ultimate parent company

The company is a wholly owned subsidiary of Futura Medical plc which is the ultimate parent company incorporated in England and Wales. The largest and smallest group in which the results of the Company are consolidated is that headed by Futura Medical plc, a company incorporated in England and Wales and registered at Surrey Technology Centre, 40 Occam Road, Surrey Research Park, Guildford, GU2 7YG. No other group financial statements include the results of the Company.