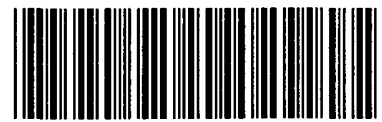


Futura Medical
Advanced Transdermal Technology



Futura Medical plc
Annual Report and Accounts 2015

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About Futura Medical

What we do

Futura's innovation strategy applies advanced science to develop products with compelling commercial potential using our advanced proprietary transdermal technology.

Our key strengths

Technological strengths

We have strong IP on all products under development. Our expertise is in transdermal delivery.

Commercial strengths

We are focused on products for which there are substantial market opportunities. We currently have agreements with a number of key industry players. We specialise within the growing consumer healthcare sector.

Financial strengths

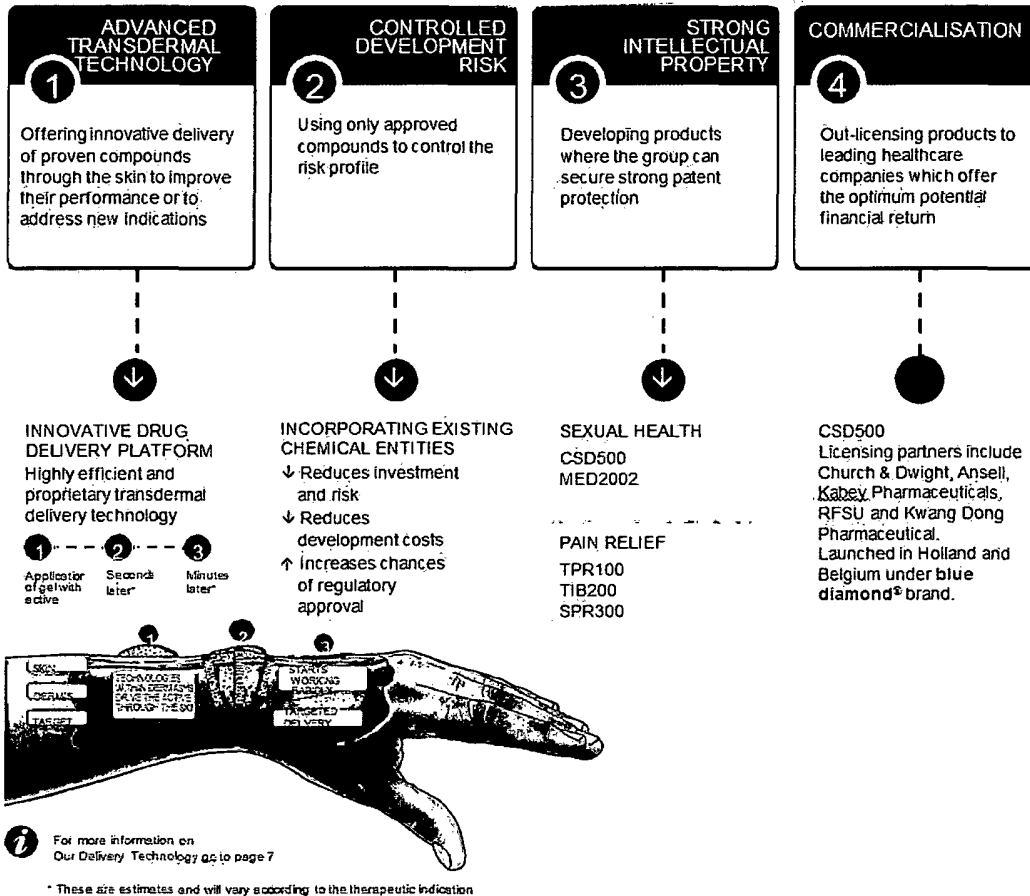
We maintain a high ratio of research and development spend relative to administrative costs and a 'virtual' organisational structure.

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Our Strategy

Futura's innovation strategy applies advanced science to develop products with compelling commercial potential and is driven by the following four criteria.



Highlights

CSD500 (erectogenic condom)

- Modified manufacturing process achieves extended shelf life with continuing positive real-time data and regulatory submission made
- Commercial order received from a licensee partner signalling an H2 2016 launch
- Progress with own brand Blue Diamond® product via online and retail channels in the Netherlands and Belgium, providing customer insight and safety data to Futura and its licensee partners

Pain relief products TPR100 (diclofenac) and TIB200 (ibuprofen)

- Achieved primary endpoints in clinical study showing potential to be best-in-class based on improved drug delivery
- Received confirmation from relevant EU regulator that in principle no further clinical efficacy studies are expected to be required for TPR100 or TIB200 prior to the submission of regulatory dossiers in Europe, expected by the end of 2016
- Considerable interest in the two products from potential commercial partners and, subsequent to the year end, appointed advisers to manage the out-licensing process

MED2002 (treatment for erectile dysfunction)

- Pivotal efficacy study under way expected to report headline results by the end of H1 2016
- Made available as a 'special' or unlicensed medicine in the UK until it gains marketing authorisation

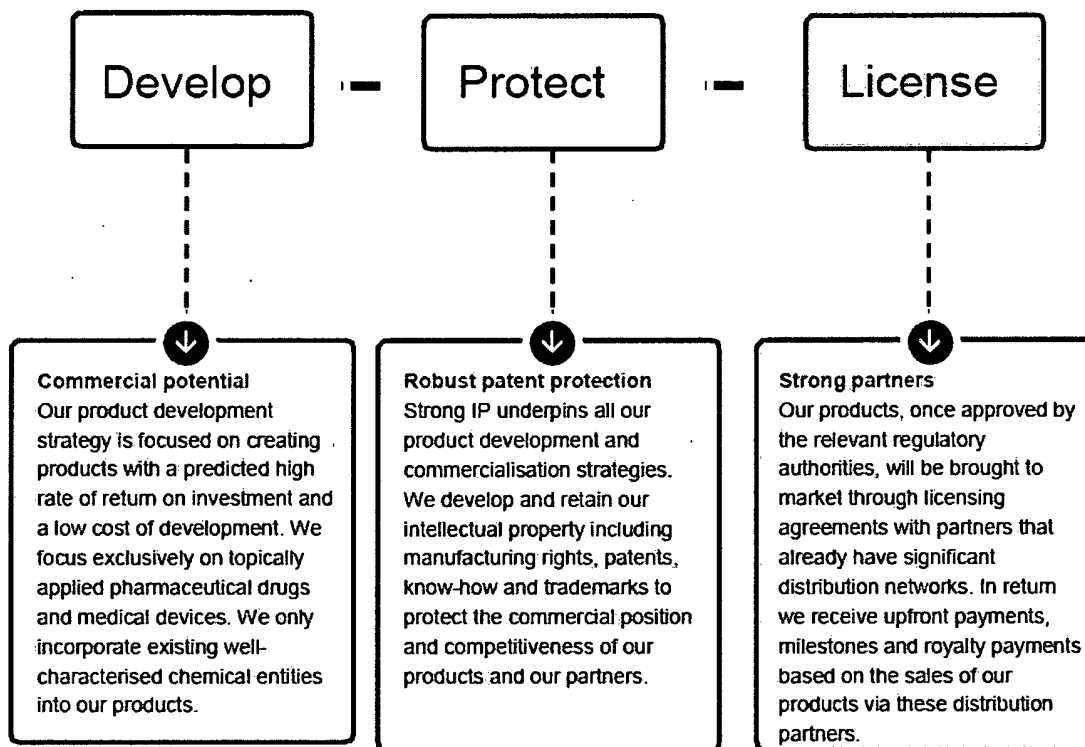
Organisational

- Strengthened the R&D department by establishing two separate teams, one focusing on clinical development and the other on chemistry, manufacturing and controls

Financial

- Net loss of £5.08 million (2014: net loss of £3.00 million), reflecting two clinical studies undertaken in 2015 (2014: Nil)
- Cash resources of £4.19 million at 31 December 2015 (31 December 2014: £9.49 million); plus tax credit receivable of £1.00 million at 31 December 2015 (31 December 2014: £0.48 million)

Our Business Model



Licensing partnerships

CSD500 - Futura has an exclusive licensing agreement with Church & Dwight Co. Inc. ("Church & Dwight") for the distribution rights to CSD500 in North America and in a number of key European territories. Church & Dwight's condom brand Trojan[®] is the number one condom brand in North America and the world's second biggest condom brand by product sales.

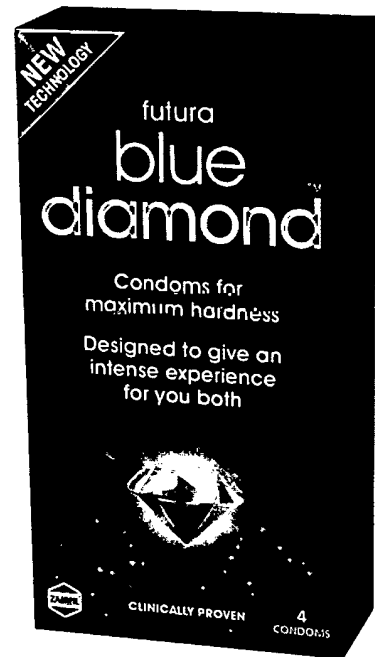
Futura has also licensed the rights to CSD500 to Kabey Pharmaceuticals, a Middle Eastern healthcare company for 15 countries in the Middle East and North Africa region ("MENA"), to Ansell Limited ("Ansell") for China, to RFSU AB ("RFSU") the market leader for condoms in the four countries in the Nordic region, to Bizzy Diamond BV for the Netherlands and Belgium and to Kwang Dong Pharmaceutical for South Korea.

In October 2014, CSD500 was launched in the Netherlands and Belgium with our distribution partner Bizzy Diamond BV under our own brand Blue Diamond[®]. This was followed by a retail launch in the Netherlands in June 2015.

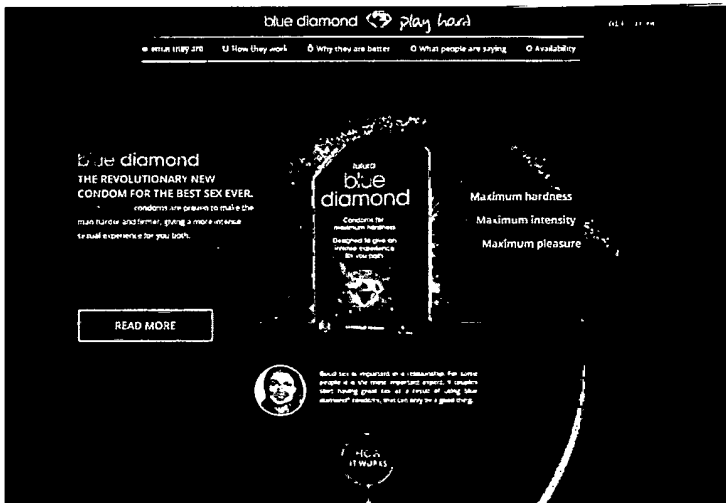
Our Brand Blue Diamond®

In 2014 Futura launched CSD500 under its own brand Blue Diamond® in the Netherlands and Belgium.

Blue Diamond® condoms were launched in October 2014 initially as an online-only product by Bizzy Diamond BV, Futura's distribution partner for the Benelux. The launch of the product attracted significant local media coverage including national TV programmes and radio station interviews and reviews.



Blue Diamond® is now available in-store in some of the leading drug stores in the Netherlands. The retail launch of Blue Diamond® has been supported with a radio campaign on leading stations coupled with in-store/online activity and a sampling drive across the country. Blue Diamond® is also sold via a dedicated e-commerce website www.bluediamondcondom.nl as well as via all main online condom specialist retailers. Blue Diamond® is Futura's own-brand of its CSD500 condom, which contains Futura's erectogenic gel Zanifil®. CSD500 benefits from three marketing claims, which are unique, have been clinically proven and are approved by EU regulatory authorities: the maintenance of a firmer erection, maximised penile size and a longer lasting sexual experience for women.

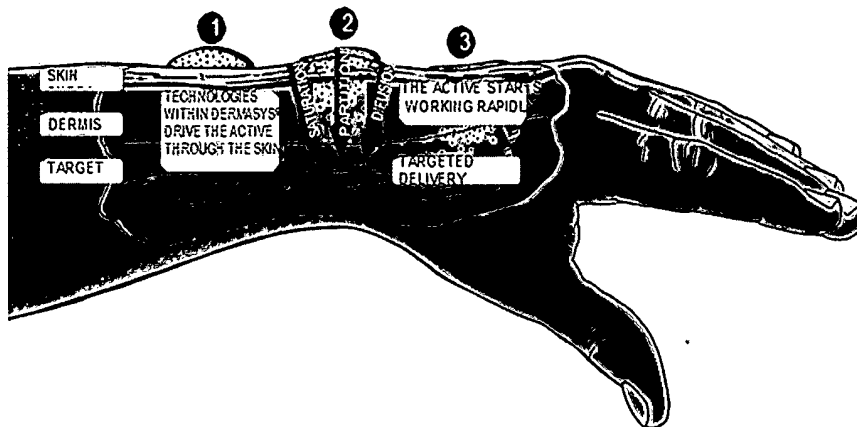
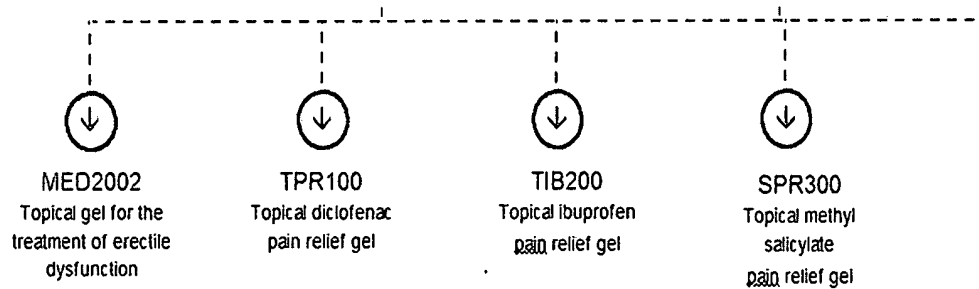


Our Expertise

DermaSys® is Futura's advanced transdermal technology platform.



Futura has developed a highly efficient and proprietary transdermal delivery technology, **DermaSys®**, for the absorption of active molecules through the skin. **DermaSys®** is a versatile technology that can be tailored to suit the specific active compound being used and the therapeutic indication. Such targeted delivery offers an optimised profile in terms of dose, onset time and duration of effect, as well as an improved safety profile through lower systemic uptake and the reduced risk of side effects.



Our Pipeline

Sexual Healthcare



CSD500



Description: Condom containing an erectogenic gel

Status: Launched in Holland and Belgium with further launches expected

MED2002



Description: Topical gel for erectile dysfunction

Status: Pivotal efficacy study under way with results due end of H1 2016

dermasys

Pain Relief



TPR100



Description: Topical diclofenac pain relief gel

Status: Out-licensing discussions underway

dermasys

TIB200



Description: Topical ibuprofen pain relief gel

Status: Out-licensing discussions underway

dermasys

SPR300



Description: Topical methyl salicylate pain relief gel

Status: Potential follow on product to TIB200 / TPR100

dermasys

Chairman's and Chief Executive's Review

2015 saw significant progress across our portfolio of product opportunities, particularly in the advancement of our clinical programmes and in the extension of the shelf life of the novel condom CSD500 ahead of its licensee launch and international roll-out.

The extended shelf life of CSD500 which has been achieved using a modified manufacturing process continues to show substantial improvement over the previously approved shelf life and it is expected to meet the launch requirements of our commercial partners. Regulatory submissions have been made in Europe for approval of the modified manufacturing process, which are expected to be granted mid-2016.

Our existing licensee partners cover a total of 31 countries worldwide and we recently received a commercial order from one of them indicating an H2 2016 launch. We believe the regained momentum behind CSD500 will continue to grow during 2016 and we anticipate further commercial orders in the months ahead. In addition, as the challenge of shelf life diminishes, we have turned our attention to signing further territorial agreements and expect to announce at least one new licensee agreement during the current year.

Blue Diamond[®], our own brand of the CSD500 condom and exclusively available in the Netherlands and Belgium, continues to provide customer feedback and pharmaco-vigilance (drug safety) data, which we are able to share with our licensee partners. We now have two stock keeping units (SKUs) in the Netherlands: a six condom pack and a three condom pack which have replaced the initial four condom pack, giving choice to customers and greater presence on retail shelves. We are currently working on further SKUs, including different condom types, to further expand this range and provide our distributors and licensees alike with the potential of more facings and therefore retail shelf presence.

Our two non-steroidal, anti-inflammatory (NSAID) pain relief products both showed statistically significant pain relief in a pivotal clinical study completed in 2015. We have since been advised by the relevant European regulator that no further clinical efficacy work is expected to be required for either of the products ahead of submission of regulatory dossiers, which we aim to submit by the end of 2016. There is considerable interest in the two products from potential commercial partners and we have recently appointed advisers to manage the out-licensing process.

In June 2015, we started a pivotal efficacy study of MED2002, our topical gel for the treatment of erectile dysfunction. Recruitment of patients for the study is proceeding well and headline data from the study is expected by the end of H1 2016. In October 2015, we signed an agreement with Quantum Pharma Plc under which it has made MED2002 available as an unlicensed medicine, or special, in the UK. MED2002 meets the UK regulatory criteria for a special owing to the estimated 7.5% of erectile dysfunction sufferers who cannot be prescribed PDE5 inhibitors because of contraindications with other medications taken by them.

The R&D team within the Company was strengthened during the year by establishing two separate teams, one focusing on clinical development and the other on chemistry, manufacturing and controls. This structure is working well and is providing additional resource for progressing our current pipeline and for the development of new product opportunities.

Chairman's and Chief Executive's Review

Our balance sheet remains strong, with cash resources of £4.2 million as at 31 December 2015. We expect our costs to be significantly lower in the current year compared with 2015, which was a year of intense clinical activity. R&D expenditure in 2015 was £4.8 million (2014: £2.4 million) but £2.4 million of the 2015 spend was in respect of the MED2002 and pain relief studies which will not be repeated in 2016.

Portfolio updates - Sexual healthcare

CSD500: Condom containing the erectogenic Zanafil® gel

CSD500 benefits from three clinically proven claims: the maintenance of a firmer erection, maximised penile size and a longer lasting sexual experience for women. CSD500, which gained CE marking in 2013, represents real innovation in an industry where there has been limited new product development. Futura's unique intellectual property position for CSD500 has been protected throughout the world. We are continuing to progress a further patent application worldwide based on our extended shelf life manufacturing process, which we anticipate will extend patent protection for CSD500 through to 2033.

Our out-licensing strategy for CSD500 is on a territorial basis and in addition to Bizzy Diamond BV, our Futura distributor for Holland and Belgium, to date we have licensed exclusive rights to CSD500 as follows:

<i>Company / CSD500 Licensee</i>	<i>Territorial Licensing Rights</i>
Church & Dwight	North America and certain European countries
Kabey Pharmaceuticals	Key countries in the Middle East and North Africa
RFSU	The Nordic region
Ansell	China
Kwang Dong Pharmaceutical	South Korea

Discussions in connection with further geographic regions are ongoing and, as stated above, we expect to sign at least one further licensee agreement during 2016.

Regulatory approval has been granted for all 28 EU countries and we have now started to receive regulatory approvals from non-EU countries, such as Saudi Arabia.

CSD500 will be launched either under commercial partners' own brand names or under Futura's brand name, Blue Diamond®. Bizzy Diamond BV launched Blue Diamond® in the Netherlands and Belgium in 2014 and continues to market the product in those countries. Our licensees however have been waiting for the extended shelf life product, which we are now close to achieving.

Much of the focus during 2015 was on optimising the manufacturing of CSD500 to achieve a longer shelf life to meet the requirements of the condom supply chain. Following a study of all aspects of CSD500's manufacture and a modification to the manufacturing process, we announced in December 2015 that we had achieved a significantly extended shelf life beyond the currently approved shelf life of one year. A regulatory submission has been made in Europe, and it is the role of the regulator to specify the duration of the new shelf life. The Company is currently awaiting the decision of the regulator for the approval of the changes in manufacture to extend the shelf life of CSD500 in Europe. In addition we are also awaiting approval of an alternative manufacturing facility in Asia. These approvals are expected during the coming months.

Chairman's and Chief Executive's Review

MED2002: Treatment for erectile dysfunction

MED2002, which uses our DermaSys[®] drug delivery system, is the development name for our topical gel for the treatment of men with erectile dysfunction (ED). We hold worldwide rights to the product, which shares the same active ingredient as CSD500. We anticipate that MED2002 is likely to be a prescription-only product. In Europe, MED2002 has patent protection until 2025 and in the USA it has patent protection until 2028.

In June 2015, we began a pivotal study of MED2002 with the primary endpoint being the product's efficacy in male subjects self-diagnosed with ED using the erectile function domain of the International Index of Erectile Function (IIEF). The IIEF is a well validated measure of erectile function and was used for the approval of PDE5 inhibitors, such as Viagra[®]. Secondary endpoints in the trial include the speed of onset, which we believe is an important claim for the product and a substantial differentiator to products, such as Viagra[®], that require planning by sexual partners owing to the delay of onset after the treatment is taken.

A total of 192 patients are expected to complete the study, which remains on track to deliver headline results by the end of H1 2016. Recruitment of patients for the study is proceeding well, with 250 patients having been consented into the study to date. Based on current estimates, we have a requirement for 310 consented patients to ensure that 192 patients complete the study as all studies over recruit to compensate for patient drop out.

No serious adverse events have been recorded to date among the patients who have participated in the study, which is of a randomised, placebo-controlled, double blind, home use, crossover design. As the study is blinded, efficacy data will not be available until the end of the study. The current MED2002 study is expected to be one of two pivotal studies required for the regulatory filing of the product. The final commercialisation strategy, including design of the second efficacy study, will be decided following the results of the current study.

Whilst the clinical work is underway, we have advanced MED2002 as an unlicensed medicine, or "special". Specials are medicines that have not yet been authorised and which are requested and prescribed for treatment on a named patient basis only by appropriately qualified doctors under their own authority. Such requests can only be made subject to a number of conditions being met including the absence of licensed alternatives.

In October 2015, we signed an agreement with Quantum Pharma Plc under the terms of which it has made MED2002 available for prescription as a special. MED2002 meets the criteria required within the UK for an unlicensed medicine because of the estimated 7.5% of ED sufferers who cannot be prescribed PDE5 inhibitors due to contraindications with other medications taken by them. It is intended that MED2002 will remain available as a special until it gains marketing authorisation.

Chairman's and Chief Executive's Review

Portfolio updates - Pain relief management

Topical pain relief

The rapid skin permeation rates offered by Futura's transdermal delivery system, DermaSys[®], have created a major opportunity in topical pain relief. Rapid skin permeation offers potential benefits in pain management including: improved onset of action, duration and degree of pain relief.

Futura made major progress in its pain relief portfolio during 2015, specifically in achieving statistically significant results from its two NSAID programmes, TPR100 (2% diclofenac gel) and TIB200 (10% ibuprofen gel), in a pivotal clinical study. A third product, the methyl salicylate and menthol product SPR300, failed to achieve its primary endpoint and no further work on the compound is currently being carried out.

The clinical study of a total of 60 subjects compared Futura's products against a placebo. It also compared them against currently marketed products to show equivalence, which is a strategy frequently used in the consumer healthcare industry as it gives the potential for strong marketing claims, such as superior delivery of drug (through the skin) whilst reducing the clinical requirements for regulatory approval. No comparator product, topical or oral outperformed our two NSAID products.

Our objective is for our products to be best in class. The rationale for this is that the National Institute for Health and Care Excellence (NICE) gives clear guidance to physicians to prescribe topical NSAIDs in the first instance for joint pain associated with osteoarthritis, in preference to oral NSAIDs, owing to concerns on the long term use of oral NSAIDs. This means that the best-in-class topical treatment should be the first choice for doctors in the initial treatment of pain and therefore represents a substantial opportunity in a market with global sales estimated at US\$2.9 billion.

As announced in November 2015, we have been advised by the relevant European regulator that in principle no further clinical efficacy studies are expected to be required for either of these products prior to the submission of regulatory dossiers in Europe. Filing of these dossiers in Europe is expected by the end of 2016.

The US also represents a very significant opportunity for TPR100 and we are preparing for a meeting with the US Food and Drug Administration in the near future to clarify the remaining requirements for US regulatory approval.

We have recently appointed advisers to manage the out-licensing of the two products, which have already attracted considerable interest from potential commercial partners.

Chairman's and Chief Executive's Review

People

At year end Futura had 14 employees compared with 12 a year earlier. It is not anticipated that staff numbers will grow significantly during the current year.

We were delighted to announce on 7 March that Ken James will join our Board as a Non-Executive Director. Ken, the former head of consumer healthcare R&D at GlaxoSmithKline plc, has a proven track record of bringing innovative consumer healthcare products to market across multiple geographies. We look forward to his input to the Board.

Lisa Arnold, who has served as a Non-Executive Director since 2008, has decided to step down from the end of March. We are immensely grateful to Lisa for her wise counsel during the past eight years and we wish her all the best in her career.

We offer our sincere thanks to all our staff, external consultants, scientific advisers and commercial partners for their contribution to the development of the Company throughout the year. We also extend our sincere thanks to our shareholders for their patience and support.

Outlook

2015 was a period of intense clinical activity for Futura, following which we expect our R&D expenditure to be significantly lower in the current year when there will be more of a focus on commercial development. We have made important progress with the shelf life extension of our novel condom CSD500 and we look forward to the start of licensee launches in 2016 and beyond. Futura has also made significant advances in its clinical programmes in erectile dysfunction and pain relief. In 2016 we expect to build on that progress and look forward to providing further updates during the course of the year across the wider portfolio.

John Clarke

Chairman

James Barder

Chief Executive

Strategic Report

Our strategy is to develop innovative products with compelling commercial potential in the consumer healthcare market, leveraging our core skills in transdermal drug delivery.

The Strategic Report should be read in conjunction with the Chairman's and Chief Executive's Review on pages 9 to 13, the consolidated financial statements and the Notes to the Consolidated Financial Statements set out on pages 35 to 56.

Group strategy

The Group strategy is to focus on developing innovative products primarily for the consumer healthcare market. This strategy is aligned with the well-publicised demographic change of an ageing population, increasing prosperity, Government initiatives to increase self-medication, pressures on payers and healthcare systems, rapid growth of over the counter ("OTC") in developing countries, the natural desire for improved quality of life and the Directors' expectations that consumer healthcare spending will increase as a result. The objective is to develop products such that each on its own has the potential to generate significant annual revenues.

The Group's innovation strategy applies advanced science to develop products with compelling commercial potential and is driven by the following four criteria:

- **Advanced transdermal technology:** offering innovative delivery of proven compounds through the skin to improve their performance or to address new indications.
- **Controlled development risk:** using only approved compounds to control the risk profile.
- **Strong intellectual property:** developing products where the Group can secure strong patent protection.
- **Commercialisation:** out-licensing products to leading healthcare companies which offer the optimum potential financial returns.

Our focus is on sexual healthcare and pain relief. Our expertise is in transdermal delivery with our unique proprietary delivery technology DermaSys®.

Long lead times for product development characterise the pharmaceutical industry. However, the Board seeks to drive the business through to revenue generation as soon as is practicable with due regard to regulatory standards and an appropriate commercial approach. This is achieved through swift decision-making, highly capable staff, the involvement of external expertise and a focus on compounds with a known safety profile.

At the same time, the Board remains committed to keeping regular or fixed costs restricted to an appropriate level through the continued and judicious use of external consultants and professional advisers. Clearly, the lower the Group's regular and fixed costs, the earlier that on-going revenue generation would lead to a key future financial milestone of monthly break-even and profitability.

Strategic Report

The consumer healthcare market and competitive environment

The Group develops products that address the needs of the consumer healthcare market. The Group considers there to be two distinct categories in which it operates.

The first category is the global transdermal delivery market, valued at US\$21.5 billion in 2010¹. Although the Group develops transdermal products for prescription and OTC use, its focus is on developing non-prescription drugs. These comprise the sexual healthcare product MED2002 and the pain relief products: TPR100 and TIB200. The global topical OTC analgesics market was estimated at US\$2.9 billion in 2015² and the market leader for topical OTC analgesics has annual sales of US\$632 million³. As MED2002 could form a new category within the OTC market, no published data is available on the OTC sexual healthcare market to substantiate market size estimates. The prescription market for erectile dysfunction treatments was estimated to be in excess of US\$4.2 billion⁴ in 2014.

The second category is the global consumer medical devices market. The consumer medical device being developed by the Group is the condom product CSD500 which addresses the global condom market, estimated to be worth US\$3.5 billion⁵.

These consumer healthcare markets are dominated by global pharmaceutical and consumer healthcare groups with established distribution networks. Smaller R&D companies, such as Futura, seek to out-license their innovative products to these larger entities.

Futura offers its licensing partners its ability to identify commercially attractive consumer healthcare product opportunities coupled with a lower cost, expert and fast development model, backed by strong patent protection. In return for this, Futura seeks significant royalties from future sales of these products through its partners and their established distribution networks.

Financial Review

The Group ended the year with costs under control and with a more advanced and diverse development portfolio.

Revenue

Group revenue for the year ended 31 December 2015 was £29k (2014: £44k).

Notes

¹Transdermal Medicine Review and Outlook 2011, Pharmalive

²2015 IMS Health estimate

³Get Report 2014 Global Sales

⁴Futura estimate based on erectile dysfunction product sales data from 2014 Annual Reports for Pfizer, Lilly and Bayer

⁵Source: "Condoms: A Global Strategic Business Report", Oct. 2012, Global Industry Analysts, Inc.

Strategic Report

Losses

The Group continues to maintain a focus on tight control of all expenditure. The Group's operating loss for the year ended 31 December 2015 was £6.12 million (2014: £3.53 million). The Group's loss after taxation for the year ended 31 December 2015 was £5.08 million (2014: £3.00 million). Loss per share for the year ended 31 December 2015 was 5.13 pence (2014: 3.35 pence).

No dividends were paid and none are proposed by the Board of Directors ("the Board") (2014: £nil).

Group research and development costs

Group R&D costs each year reflect the number of products being developed, the stage of development reached for each and the impact on their progress of external factors.

R&D costs of £4,778,039 were higher (2014: £2,365,678) as we undertook two clinical trials for four products and continued the development of CSD500.

The table shows the trend in R&D costs and other administrative costs over the past five years ended 31 December:

	2015 £	2014 £	2013 £	2012 £	2011 £
R&D costs	4,778,039	2,365,678	1,976,322	1,435,731	1,480,774
Other administrative costs	1,368,240	1,205,078	926,123	1,095,197	776,154
Total operating costs	6,146,279	3,570,756	2,902,445	2,530,928	2,256,928
R&D ratio	78%	66%	68%	57%	66%

The R&D ratio is the percentage of R&D costs relative to total operating costs. The Board monitors this ratio closely. Total R&D spend since the formation of the business totals £22.8 million (62% of total cumulative operating costs). During the year a subsidiary, Futura Medical Developments Limited, continued to incur this R&D expenditure which has been written off as incurred for all reporting periods prior to and including the year ended 31 December 2015.

The Board considers that this overall total R&D spend relative to its pipeline of later stage products and emerging new products distinguishes the Group's lower funding requirements and risk profile from more typical businesses in the wider pharmaceutical industry. The Group's strategy is to focus on medical devices and pharmaceutical drugs that offer the potential for a significant return on the costs of development. As well as progressing its existing R&D programme, the Group continues to seek new opportunities for potential products to add to its portfolio.

Strategic Report

Other administrative costs

Other administrative costs for the year ended 31 December 2015 were £1,368,240 (2014: £1,205,078). These comprised all other operating costs excluding those relating to product development and associated intellectual property.

The main constituents of other administrative costs and their relative proportions were:

	Year ended 31 December 2015	Year ended 31 December 2014
Wages and salaries	47%	49%
Legal and professional advisers	14%	13%
Office costs and staff expenses	6%	7%
Commercial and marketing support	33%	31%
	100%	100%

Taxation

A tax credit of £997,036 (2014: £480,689) in respect of R&D expenditure incurred has been recognised in the consolidated financial statements.

Capital structure and funding

The Group remains funded primarily by equity share capital. Equity funding (net of expenses) received since the formation of the business until 31 December 2015 totalled £34.40 million.

On 31 December 2015 the Group raised £24,750 following the issue of 69,718 shares at 35.50 pence per share under the Non-Executive Directors' remuneration policy.

Cash held by the Group at 31 December 2015 totalled £4.19 million comprising cash and cash equivalents (31 December 2014 £9.49 million).

The Group had no bank borrowings at 31 December 2015 (2014: £nil). Other significant sources of funding received for the Group since formation of the business until 31 December 2015 comprised: R&D tax credits £3.05 million, interest £1.00 million and grants £0.28 million.

As a result of this, the Directors have a reasonable expectation that the consolidated Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For these reasons the Directors continue to adopt the going concern basis in preparing the financial statements.

Key performance indicators

The Directors consider the successful achievement of development, licensing and commercialisation milestones and the number of products under development (beyond the evaluation stage) to be the major drivers of value creation for the Group. These are measures of the progress of the business towards its revenue generation goal and are considered by the Directors to be the key non-financial performance indicators used to determine achievement of Group strategy. The Group's performance with regard to such milestones is discussed in the Chairman's and Chief Executive's Review on pages 9 to 13.

Strategic Report

The Directors consider Group cash and the absolute values of, and the ratio between, R&D costs and other administrative overhead costs as being the Group's key financial performance indicators. The cost related indicators assist in monitoring financial control to reduce the hurdle to achieving a key future financial milestone of monthly break-even and profitability. The monitoring of cash gives due consideration to anticipated future spend required to prioritise development opportunities and to plan the resources required to achieve the goals of the business.

Principal risks and uncertainties

The development of pharmaceutical drugs and medical devices requires the necessary safety, stability and efficacy to be demonstrated in clinical programmes in order to meet the requirements of the appropriate regulatory bodies. These clinical programmes may not achieve their endpoints. The Directors consider that the key risks of the Group are:

Clinical development and regulatory risk

There can be no guarantee that any of the Group's products will be able to obtain or maintain the necessary regulatory approvals in any or all of the territories in respect of which applications for such approvals are made. Where regulatory approvals are obtained, there can be no guarantee that the conditions attached to such approvals will not be considered too onerous by the Group or its distribution partners in order to be able to market its products effectively. The Group seeks to reduce this risk by developing products using safe, well-characterised active compounds, by seeking advice from regulatory advisers, consultations with regulatory approval bodies and by working with experienced distribution partners.

Commercial risk

There can be no guarantee that the Group will succeed in establishing and maintaining the necessary contractual relationships with licensing partners for the Group's products under development. Even if the Group's products are successfully developed and approved by the appropriate regulatory bodies, they may not be successfully launched by the Group's licensing partners or enjoy commercial acceptance. The Group is reliant on commercial partners to carry out their contractual obligations and the degree to which these can be enforced by the Group is limited. The Group seeks to reduce this risk by selecting experienced licensing partners, maintaining and developing these relationships and seeking to develop new products of commercial interest to these and other partners.

Funding risk

The Group continues to incur substantial operating expenses. Until the Group generates positive net cash inflows from the commercialisation of its products it remains dependent upon additional funding through the injection of equity capital from share issues. The Group may not be able to generate positive net cash inflows in the future or to attract such additional required funding at all, or on suitable terms. In such circumstances the development programmes may be delayed or cancelled and business operations cut back.

The Group seeks to reduce this risk by keeping a tight control on expenditure, avoiding long-term supplier contracts (other than clinical trials), prioritising development spend on products closest to potential revenue generation, obtaining government grants (where applicable), maintaining a focused portfolio of products under development and keeping shareholders informed of progress.

Strategic Report

Treasury and financial risk

Treasury and financial risk management policy is concerned with financial instruments and management of interest rate risk and foreign exchange rate risk. Financial risks are quantified in note 2 of the Notes to the Consolidated Financial Statements and were not considered significant at the Consolidated Statement of Financial Position date. The financial instruments held by the Group are disclosed in note 12 of the Notes to the Consolidated Financial Statements. The Group policy on exposure to financial risk is disclosed in note 2 of the Notes to the Consolidated Financial Statements.

Competition risk

The Group's current and future potential competitors include, amongst others, major multinational pharmaceutical and healthcare companies with substantially greater resources than those of the Group. There can be no assurance that competitors will not succeed in developing systems and products that are more effective or economic than any of those developed by the Group, with its distribution partners, or which would render the Group's products obsolete or otherwise non-competitive.

The Group seeks to reduce this risk by securing patent registration protection for its products, maintaining confidentiality agreements regarding Group know-how and technology, monitoring technological developments and by selecting leading businesses in their respective fields as licensing partners capable of addressing significant competition, should it arise.

Intellectual property risk

The commercial success of the Group and its ability to compete effectively with other companies depend, amongst other things, on its ability to obtain and maintain patents sufficiently broad in scope to provide protection for the Group's intellectual property rights against third parties and to exploit its pharmaceutical products. The absence of any such patents may have a material adverse effect on the Group's ability to develop its business. The Group seeks to reduce this risk by only developing products where legal advice indicates patent protection would be available, seeking patent protection for the Group's products, maintaining confidentiality agreements regarding Group know-how and technology and monitoring technological developments and the registration of patents by other parties.

The commercial success of the Group also depends upon not infringing patents granted, now or in the future, to third parties who may have filed applications or who have obtained, or may obtain, patents relating to business processes which might inhibit the Group's ability to develop and exploit its own products.

The Strategic Report was approved by order of the Board on 14 March 2016.



Derek Martin
Secretary

Board of Directors

The Board of Directors has overall responsibility for the Group.

The Board of Directors ("the Board") comprises the Non-Executive Chairman, the Chief Executive, the Finance Director and two independent Non-Executive Directors. The Board retains full control of the Group with day-to-day operational control delegated to the Executive Directors. The full Board meets bi-monthly and on any other occasions it considers necessary. The Board is responsible for approving interim and annual financial statements, formulating and monitoring Group strategy, approving financial plans and reviewing performance, as well as complying with legal, regulatory and corporate governance matters.

The Chairman provides strategic and operational guidance bringing to bear his extensive experience of the healthcare sector. He also oversees the duties performed by the Chief Executive and ensures that they are in line with Board expectations with a particular emphasis on monitoring product development. The Chief Executive manages the day-to-day running and strategic direction of the Group in line with policy decisions given by the Board and shareholder expectations with particular emphasis on the commercial direction of the Group.

John Clarke Non-Executive Chairman



Current roles: John Clarke became Chairman of Futura Medical plc in February 2012. He is a member of the Nominations Committee and the Remuneration Committee. He is also the Non-Executive Chairman of Science in Sport plc, Quantum Pharma Plc, Kind Consumer Holdings Limited and a senior advisor to Helios Investment Partners LLP.

Past roles: Appointed President of GSK Consumer Healthcare in 2006, a position from which he stepped down in October 2011. Under his leadership, GSK Consumer Healthcare became one of the fastest-growing companies in its industry.

Brings to the Board: Extensive experience of the healthcare sector, having worked at GSK for more than 35 years.

James Barder Chief Executive



Current roles: James Barder joined the Group as Chief Executive in June 2001. He assists the Remuneration Committee and the Nominations Committee (but is not a member of and does not vote on either). He has overall responsibility for all activities of the Group, is a principal contact for shareholder and investor relations matters and leads licensing and distribution negotiations. He first became involved with the Group in 1997.

Past roles: Managing Director of Aon Capital Markets Limited and Non-Executive Director of Lorega Limited. He has predominantly worked in the field of insurance and finance including firms he founded.

Brings to the Board: Over 25 years of experience in setting up, managing and running companies.

Board of Directors



Derek Martin, BSc (Hons), ACA
Finance Director and Company Secretary

Current roles: Derek Martin joined the Board in September 2008. He oversees the Group's finance function, its compliance procedures and is a principal contact for shareholder and investor relations matters.

Past roles: Senior financial roles in a diverse range of industries including retail, software, telecoms and advertising, media and sales promotion.

Brings to the Board: Over 25 years of experience in finance.



Jonathan Freeman, BA (Hons), MBA
Senior Independent Non-Executive Director
and Chairman of Remuneration Committee and Audit Committee

Current roles: Jonathan Freeman joined the Board in July 2003 and was appointed Senior Independent Non-Executive Director in November 2003. He chairs the Audit Committee and the Remuneration Committee and is also a member of the Nominations Committee. He is also a Director of PhotonStar LED Group plc and Braveheart Investment Group plc.

Past roles: Director of Beeson Gregory, Chief Executive Officer of Syndicate Asset Management plc and a Director of Hume Securities plc.

Brings to the Board: Over 25 years of experience in the financial services sector, guidance on City regulatory matters, corporate finance and investor relations.



Lisa Arnold
Independent Non-Executive Director and Chair of Nominations Committee

Current roles: Lisa Arnold joined the Board in March 2008 and is resigning on 31 March 2016. She chairs the Nominations Committee and is also a member of the Remuneration Committee and the Audit Committee. She also has a number of appointments on the boards of pension funds and is a non-executive director of PIMCO Europe Limited.

Past roles: Senior investment banking analyst positions at NatWest Markets, UBS and Commerzbank. She has also worked in consultancy and Non-Executive roles in the pensions, healthcare and technology sectors and was most recently a Non-Executive Director of the UK's Medicines and Healthcare products Regulatory Agency ("MHRA"), for nine years where she also chaired the Risk & Audit Committee.

Brings to the Board: Over 20 years of experience of financial markets and healthcare sectors and associated governance frameworks.

Remuneration Report

Remuneration Committee: composition and terms of reference

During the period under review the Remuneration Committee comprised the three independent Non-Executive Directors and was chaired by Jonathan Freeman.

The purpose of the Remuneration Committee is to ensure that the Executive Directors and other employees are fairly rewarded for their individual contribution to the overall performance of the Group. The Committee considers and recommends to the Board the remuneration of the Executive Directors and is kept informed of the remuneration packages of senior staff and invited to comment on these. There were three Remuneration Committee meetings during 2015.

The Board retains responsibility for overall remuneration policy. The terms of reference of the Remuneration Committee are set out in the Governance pages of the Investors section on the Group's website at www.futuramedical.com.

Policy on Executive Directors' remuneration

Executive remuneration packages are designed to attract and retain executives of the necessary skill and calibre to run the Group. Direct benchmarking of remuneration is difficult given the specialised nature and size of the Group. The Remuneration Committee recommends to the Board remuneration packages by reference to individual performance and uses the knowledge and experience of the Committee members, published surveys relating to AIM companies, the pharmaceutical industry and market changes generally. The Remuneration Committee has responsibility for recommending any long-term incentive schemes.

The Board determines whether or not Executive Directors are permitted to serve in roles with other companies. Such permission is only granted where a role is on a strictly limited basis, where there are no conflicts of interest or competing activities and providing there is not an adverse impact on the commitments required to the Group. Earnings from such roles are not disclosed to the Group.

There are four main elements of the remuneration package for Executive Directors and staff:

Basic salaries and benefits in kind

Basic salaries are recommended to the Board by the Remuneration Committee, taking into account the performance of the individual and the rates for similar positions in comparable companies. Benefits in kind comprising death in service cover and private medical insurance are available to all staff and Executive Directors. *Benefits in kind are non-pensionable.*

Share options and other share-based incentives

The Group operates approved and unapproved share option schemes for the Executive Directors and other employees to motivate those individuals through equity participation. Unapproved share options are occasionally granted to key consultants. Exercise of share options under the schemes is subject to specified exercise periods and compliance with the AIM Rules.

Remuneration Report

The schemes are overseen by the Remuneration Committee which recommends to the Board all grants of share options based on the Remuneration Committee's assessment of personal performance and specifying the terms under which eligible individuals may be invited to participate.

The UK Corporate Governance Code ("the Code") refers to the requirement for the performance related elements of remuneration to form a significant proportion of the total remuneration package of Executive Directors and should be designed to align their interests with those of the shareholders. In the development phase of the Group and during the early stages of revenue generation, the Remuneration Committee currently considers that the best alignment of these interests is through the continued use of incentives for performance through the award of share options or other share-based arrangements.

The Group operates a long-term incentive plan ("LTIP"). The quantum of any awards receivable by the staff and Executive Directors will depend on achieving set Group performance milestones and the share price at the time relative to targets set in advance. As a guide, if all of the approved milestones are achieved at the share price targets over the next 48 months and if the Group exercised its discretion to settle the awards in equity then the additional shares issued in after tax settlement would be equivalent to approximately 6.38% of the issued share capital.

Bonus scheme

The Group has a discretionary bonus scheme for staff and Executive Directors.

Pension contributions

The Group pays a defined contribution to the pension scheme of Executive Directors and other employees. The individual pension schemes are private and their assets are held separately from those of the Group.

Salaries and benefits are reviewed in December to cover the following calendar year. The timing of the review enables the Group's performance over the preceding financial year and the strategy for the forthcoming year to be considered.

Service contracts

The Executive Directors are employed under service contracts requiring six months' notice by either party. Non-Executive Directors and the Chairman receive payments under appointment letters which are terminable by three months' notice by either party. The service contracts of the Non-Executive Directors are made available for inspection at the AGM.

Remuneration Report

Policy on Non-Executive Directors' remuneration

The Non-Executive Directors and the Chairman each receive a fee for their services as a director, which is approved by the Board, mindful of the time commitment and responsibilities of their roles and of current market rates for comparable organisations and appointments. Non-Executive Directors and the Chairman are reimbursed for travelling and other incidental expenses incurred on Group business.

The Board encourages the ownership of Futura shares by Executive and Non-Executive Directors alike and in normal circumstances does not expect Directors to undertake dealings of a short-term nature.

The Non-Executive Directors receive a proportion of their remuneration in the form of shares. The quantum of shares is determined at the start of each calendar year based on the average closing mid-price of the last ten trading days prior to the year end. The award for 2015 was settled on 31 December 2015 by the issue of 69,718 shares at 35.50 pence per share. The 2016 award has been determined at 28.45 pence per share and the Non-Executive Directors accrue these shares over 2016 and will receive them on 31 December 2016 or such lower number as have accrued if they leave the Group earlier.

The Board considers ownership of Futura shares by Non-Executive Directors as a positive alignment of their interest with shareholders. The Board will periodically review the shareholdings of the Non-Executive Directors and will seek guidance from its advisers if, at any time, it is concerned that a shareholding may, or could appear to, conflict with their duties as an independent Non-Executive Director of the Group.

Directors' emoluments

The emoluments of the Directors in 2015, who represent the key management personnel, were as follows:

	Year ended 31 December 2015						Year ended
	Salary & Directors' Fees		Share Awards	Benefits In Kind	Pension	Total	31 December 2014
	£	Bonus £	£	£	£	£	£
Executive Directors							
James Barder	225,244	25,881	-	5,885	-	257,010	252,570
Derek Martin	130,561	16,388	-	4,403	13,099	164,451	160,569
Non-Executive Directors							
John Clarke	50,390	-	25,195	-	-	75,585	74,100
Jonathan Freeman	29,380	-	8,394	-	-	37,774	37,029
Lisa Arnold	29,380	-	8,394	-	-	37,774	37,029
Totals	464,955	42,269	41,983	10,288	13,099	572,594	561,297

The above fees and emoluments exclude reimbursed expenditure incurred in the conduct of Group business.

There were no cash bonuses or settlements under the LTIP in 2015 (2014: £nil).

Remuneration Report

Directors' interests in shares

	31 December 2015		31 December 2014	
	Beneficial Interests	Non-beneficial Interests	Beneficial Interests	Non-beneficial Interests
John Clarke	119,551	-	76,968	-
James Barder	591,330	867,500	616,330	392,500
Derek Martin	280,000	-	280,000	-
Jonathan Freeman	35,803	-	22,382	-
Lisa Arnold	40,713	-	26,999	-
Totals	1,067,397	867,500	1,022,679	392,500

Other than as shown in the table no Director had any interest in the shares of the Company at 31 December 2015 or at 31 December 2014.

Directors' interests in share options

The Board uses share options to align Directors' and employees' interests with those of shareholders in order to provide incentives and reward them based on improvements in Group performance.

	31 December 2015		31 December 2014	
	Options Held	Share-based Payment Expense	Options Held	Share-based Payment Expense
James Barder	1,500,000	33,018	1,250,000	48,384
Derek Martin	869,279	17,516	719,279	23,774
Totals	2,369,279	50,534	1,969,279	72,158

All share options were granted with an exercise price at or above market value on the date of grant. The main vesting condition of the share options is that the Director remain employed with the Group as at the date of exercise or continues to provide consultancy services as at the date of exercise. The share options of the Directors under the Futura Medical plc Enterprise Management Incentive Scheme (included in totals on page 54) are set out below:

	Grant Date	Number Awarded	Exercise Price/Share	Earliest Exercise Date	Expiry Date
James Barder	6 July 2010	176,543	40.50 pence	1 August 2012	31 July 2017
James Barder	14 September 2012	250,000	61.50 pence	1 October 2014	30 September 2019
James Barder	23 September 2013	34,615	71.50 pence	1 October 2015	30 September 2020
Derek Martin	28 September 2011	73,894	56.50 pence	1 October 2013	30 September 2018
Derek Martin	14 September 2012	100,000	61.50 pence	1 October 2014	30 September 2019
Derek Martin	23 September 2013	130,000	71.50 pence	1 October 2015	30 September 2020
Derek Martin	11 September 2014	103,961	51.75 pence	1 October 2016	30 September 2021
Totals		869,013			

Remuneration Report

Directors' interests in long-term incentive plan

Assuming that each remaining Group performance milestone is met, at the target share price and before the next target date ends, and if the awards were to be equity-settled then the number of shares that could be awarded before tax to the participants are:

	2016	2017	2018	2019
James Barder	208,125	219,375	219,375	219,375
Derek Martin	208,125	219,375	219,375	219,375
Other employees	624,375	658,125	658,125	658,125
At discretion of Remuneration Committee	346,875	365,625	365,625	365,625
Totals	1,387,500	1,462,500	1,462,500	1,462,500

The Directors consider that until a milestone has been met it is not appropriate to recognise any share-based remuneration charge in the Consolidated Statement of Comprehensive Income in respect of the LTIP.

Jonathan Freeman
Chairman of the Remuneration Committee

Corporate Governance

Directors' statement on corporate governance

The Board of Directors is accountable to shareholders for the good corporate governance of the Group. Under the AIM rules compliance with the UK Corporate Governance Code ('the Code') is voluntary. Although the Board has not formally adopted the Code, the Board is aware of the best practice defined by the Code and will seek to adopt procedures to institute good governance insofar as is practical and appropriate for a group of its size while retaining its primary focus on the success of the business. This statement sets out how certain principles of the Code are met through the Group's application of best practice.

Board of Directors

The Board comprises a Non-Executive Chairman ("Chairman"), a Chief Executive, a Finance Director and two independent Non-Executive Directors. The Chairman and the Non-Executive Directors receive part of their remuneration in the form of shares but this does not constitute a material business relationship with the Group and is not considered to impair the independence of the Non-Executive Directors. The Board is satisfied that it has an appropriate mix of experience in its Non-Executive Directors. The roles of Chairman and Chief Executive are intended to remain separate.

The Board retains full control of the Group with day-to-day operational control delegated to the Executive Directors. The full Board meets bi-monthly and on any other occasions it considers necessary. During 2015, there were 8 meetings of the full Board, three of the Remuneration Committee, three of the Audit Committee and two meetings of the Nominations Committee. All meetings were fully attended by their constituent Directors.

Board responsibility

The Board is responsible for approving interim and annual financial statements, formulating and monitoring Group strategy, approving financial plans and reviewing performance, as well as complying with legal, regulatory and corporate governance matters. There is a schedule of matters reserved for the Board.

There have been no material changes to our corporate governance processes following our annual review.

The Board considers that the remuneration of Executive Directors should include a performance related element which is almost entirely based on the award of share options or other share-based incentives as recommended by the Remuneration Committee and set out in the Remuneration Report.

Audit Committee

During the period under review the Audit Committee comprised the Non-Executive Directors, Jonathan Freeman and Lisa Arnold, and was chaired by Jonathan Freeman as Senior Independent Non-Executive Director. It met to review the Interim Report, the Annual Report and to consider the suitability and monitor the effectiveness of the internal control processes. There were three Audit Committee meetings during 2015. The Audit Committee reviews the findings of the external auditors and reviews accounting policies and material accounting judgements.

Corporate Governance

Audit Committee (continued)

The independence and effectiveness of the external auditor is reviewed annually and audit partners are rotated every five years. The possibility of undertaking an audit tender process is considered on a regular basis. The Audit Committee meets at least once per calendar year with the auditors to discuss their independence and objectivity, the Annual Report, any audit issues arising, internal control processes, appointment and fee levels and any other appropriate matters. As well as providing audit related services, the auditors also provide taxation advice. The fees in respect of audit and tax services are disclosed in Note 4 of the Notes to the Consolidated Financial Statements. Fees for non-audit services paid to the auditors are not deemed to be of such significance to them as to impair their independence and therefore the Audit Committee considers that the objectivity and independence of the auditors is safeguarded.

The terms of reference of the Audit Committee are set out in the Investors/Corporate Governance section on the Group's website at www.futuramedical.com.

Internal control

The Board is responsible for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure of the achievement of business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Audit Committee continues to monitor and review the effectiveness of the system of internal control and report to the Board when appropriate with recommendations.

The annual review of internal control and financial reporting procedures did not highlight any issues warranting the introduction of an internal audit function. It was concluded, given the current size and transparency of the operations of the Group, that an internal audit function was not required.

The main features of the internal control system are outlined below:

- A control environment exists through the close management of the business by the Executive Directors. The Group has a defined organisational structure with delineated approval limits. Controls are implemented and monitored by the Executive Directors.
- The Board has a schedule of matters expressly reserved for its consideration and this schedule includes acquisitions and disposals, major capital projects, treasury and risk management policies and approval of budgets.
- The Group utilises a detailed budgeting and forecasting system. Detailed budgets are prepared annually by the Executive Directors before submission to the Board for approval. Forecasts are updated at least quarterly to reflect changes in the business and are monitored by the Board including future cash flow projections. Actual results are monitored against annual budgets in detail on a monthly basis, with variances highlighted to the Board.

Corporate Governance

Internal control (continued)

- Financial risks are identified and evaluated for each major transaction for consideration by the Board and senior management.
- Standard financial control procedures are operated throughout the Group to ensure that the assets of the Group are safeguarded and that proper accounting records are maintained.
- A business planning process is in operation whereby the Chief Executive and Finance Director present a report to the Board each year on the key business risks.

Going concern

As disclosed in the Strategic Report the consolidated financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Nominations Committee

During the period under review the Nominations Committee comprised the two independent Non-Executive Directors and the Chairman and was chaired by Lisa Arnold.

The Nominations Committee monitors the requirements of the Group in respect of Board composition as the Group evolves and with regard to succession planning. There were two meetings during 2015. The terms of reference of the Nominations Committee are set out in the Investors/ Corporate Governance section on the Group's website at www.futuramedical.com.

Employees

At 31 December 2015, the Group's employees (excluding Non-Executive Directors) comprised: two Executive Directors and eight full-time and one part-time members of staff, all of whom are employed by Futura Medical Developments Limited.

The Executive Directors keep staff informed of the progress and development of the Group regularly through formal and informal meetings and employee feedback is encouraged. The Group has a policy of offering share options or other share-based incentives to all eligible employees with due consideration to the level of dilution to shareholders.

The Group does not discriminate between employees and prospective employees on the grounds of age, race, disability, religion or gender.

The Board recognises its obligation towards its employees to provide a safe and healthy working environment. The Group complies with health and safety legislation including conducting regular inspections and risk assessments.

Corporate Governance

Environmental, social and community matters

As a consequence of the size and nature of our operations, the impact of the Group's operations on the local community and the environment is not considered to be significant. Recycling of office supplies is undertaken where possible. The Group operates in a highly regulated industry and clinical trials are conducted in compliance with regulatory requirements. The Group undertakes regular reviews of corporate social responsibility matters with policy updates and implements improvements to its operations where identified.

Relationship with shareholders

The Directors seek to build a mutual understanding of objectives between the Group and its shareholders. The Group reports formally to shareholders in its Interim Report and Annual Report setting out details of its activities. In addition, the Group keeps shareholders informed of events and progress through the issue of regulatory news in accordance with the AIM Rules for Companies ("AIM Rules") of the London Stock Exchange. The Chief Executive and Finance Director meet with institutional shareholders following interim and final results. The Group also maintains investor relations pages and other information regarding the business, its products and activities on its website at www.futuramedical.com.

The Annual Report is made available to shareholders at least 20 working days before the Annual General Meeting ("AGM") along with notice of the AGM. Directors are required to attend the AGM, unless unable to do so for personal reasons or due to pressing commercial commitments, and shareholders are given the opportunity to vote on each separate resolution proposed at the AGM. The Group counts all proxy votes and will indicate the level of proxies lodged for each resolution, after it has first been dealt with by a show of hands.

Derek Martin
Secretary

Directors' Report

Directors

The Directors during the year were:

John Clarke
James Barder
Derek Martin
Jonathan Freeman
Lisa Arnold – resigning 31 March 2016

Dividends

No dividends were paid and none are proposed (2014: £nil).

Group research and development costs

The main area of R&D continues to be in the field of innovative pharmaceutical drugs and medical devices for the consumer healthcare market with the focus being on sexual healthcare and pain relief management.

Financial Instruments

Information about the Group's management of financial risk can be found in note 2 to the financial statements.

Future developments

The Group aims to achieve cost-effective research and development ("R&D") and to bring products to market through licensing partners as soon as is practicable.

Directors' qualifying third party indemnity provisions

The Group has made qualifying third party indemnity provisions in favour of the Directors against liability in respect of proceedings brought by third parties and these remain in force at the date of this Directors' Report.

Adequacy of information supplied to auditors

Each Director has taken all reasonable steps to make themselves aware of any information needed by the Group's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Statement of Directors' responsibilities

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 elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and have elected to prepare the Company financial statements under United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law 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 of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

Directors' Report

In preparing these financial statements, the Directors are required to:

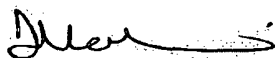
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained 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.

Website publication

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



Derek Martin
Secretary
14 March 2016

Independent Auditor's Report

Independent auditor's report to the members of Futura Medical plc

We have audited the financial statements of Futura Medical plc for the year ended 31 December 2015, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Parent Company Balance Sheet, the Parent Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's ("FRC's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's Report

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

BDO LLP

Christopher Pooles (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
Reading
United Kingdom
14 March 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

		Year ended 31 December 2015 £	Year ended 31 December 2014 £
Revenue	Notes 1.5	29,476	43,929
Research and development costs		(4,778,039)	(2,365,678)
Administrative costs		(1,368,240)	(1,205,078)
Operating loss	4	(6,116,803)	(3,526,827)
Finance income	7	38,325	48,257
Loss before tax		(6,078,478)	(3,478,570)
Taxation	8	997,036	480,689
Total comprehensive loss for the year attributable to owners of the parent company		(5,081,442)	(2,997,881)
Basic and diluted loss per share (pence)	9	(5.13 pence)	(3.35 pence)

All amounts relate to continuing activities.

The notes on pages 39 to 56 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Notes	Share Capital £	Share Premium £	Merger Reserve £	Retained Losses £	Total Equity £
At 1 January 2014		155,619	21,516,284	1,152,165	(21,836,296)	987,772
Total comprehensive loss for the year		-	-	-	(2,997,881)	(2,997,881)
Share-based payment	17	-	-	-	177,043	177,043
Shares issued during the year	16	42,426	12,050,622	-	-	12,093,048
Cost of share issues		-	(538,171)	-	-	(538,171)
At 31 December 2014		198,045	33,028,735	1,152,165	(24,657,134)	9,721,811
Total comprehensive loss for the year		-	-	-	(5,081,442)	(5,081,442)
Share-based payment	17	-	-	-	121,112	121,112
Shares issued during the year	16	140	24,610	-	-	24,750
At 31 December 2015		198,185	33,053,345	1,152,165	(29,617,464)	4,786,231

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

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 using merger accounting under UK GAAP.

Retained losses represent cumulative net losses recognised in the Consolidated Statement of Comprehensive Income. The total comprehensive loss for the year represents the total recognised income and expense for the year.

The notes on pages 39 to 56 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

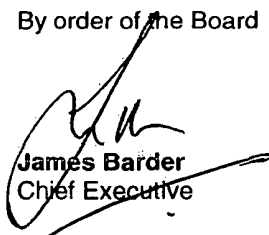
As at 31 December 2015

	Notes	As at 31 December 2015 £	As at 31 December 2014 £
Assets			
Non-current assets			
Plant and equipment	10	20,115	11,115
Total non-current assets		20,115	11,115
Current assets			
Inventories	11	163,767	141,517
Trade and other receivables	13	146,137	204,600
Taxation	8	997,036	480,689
Cash and cash equivalents	14	4,188,294	9,491,776
Total current assets		5,495,234	10,318,582
Liabilities			
Current liabilities			
Trade and other payables	15	(729,118)	(607,886)
Total liabilities		(729,118)	(607,886)
Total net assets		4,786,231	9,721,811
Capital and reserves attributable to owners of the parent company			
Share capital	16	198,185	198,045
Share premium		33,053,345	33,028,735
Merger reserve		1,152,165	1,152,165
Retained losses		(29,617,464)	(24,657,134)
Total equity		4,786,231	9,721,811

The consolidated financial statements were approved and authorised for issue by the Board on 14 March 2016.

The notes on pages 39 to 56 form part of these consolidated financial statements.

By order of the Board


James Barder
 Chief Executive

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 £	Year ended 31 December 2014 £
Cash flows from operating activities			
Loss before tax		(6,078,478)	(3,478,570)
Adjustments for:			
Depreciation	10	6,958	4,527
Finance income	7	(38,325)	(48,257)
Share-based payment charge	17	121,112	177,043
Cash flows from operating activities before changes in working capital		(5,988,733)	(3,345,257)
Increase in inventories	11	(22,250)	(106,510)
Decrease / (increase) in trade and other receivables		45,212	(58,524)
Increase in trade and other payables	15	121,232	129,888
Cash used in operations		(5,844,539)	(3,380,403)
Income tax received		480,689	313,677
Net cash used in operating activities		(5,363,850)	(3,066,726)
Cash flows from investing activities			
Purchase of plant and equipment	10	(15,958)	(7,793)
Interest received		51,576	20,851
Cash generated by investing activities		35,618	13,058
Cash flows from financing activities			
Issue of ordinary shares	16	24,750	12,093,048
Expenses paid in connection with share issues		-	(538,171)
Cash generated by financing activities		24,750	11,554,877
(Decrease)/increase in cash and cash equivalents		(5,303,482)	8,501,209
Cash and cash equivalents at beginning of year		9,491,776	990,567
Cash and cash equivalents at end of year	14	4,188,294	9,491,776

The notes on pages 39 to 56 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. Accounting policies

1.1 Basis of preparation

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

The accounting policies set out below have been applied to all periods presented in these consolidated financial statements and are in accordance with IFRSs as adopted by the European Union and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that were applicable for the year ended 31 December 2015.

1.2 Going concern

The Group had cash balances of £4.19 million at 31 December 2015, with a net cash outflow of £5.30 million in the year.

The consolidated financial statements have been prepared on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future. The rate of expenditure in 2015 reflected the two clinical studies undertaken in the year and that rate of expenditure will not be sustained in 2016. In assessing whether the going concern assumption is appropriate the Directors have taken into account all relevant available information about the future trading including profit forecasts, cash forecasts and funding. It is therefore considered appropriate to adopt the going concern basis of accounting in the preparation of the annual financial statements.

1.3 Accounting developments

The following amendments have been adopted in the year however the Directors do not expect them to have a material effect on the Group financial statements:

- Defined Benefit Plans: Employee Contributions: Amendments to IAS 19

The following new standards, amendments and interpretations, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Group's future financial statements:

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.4 Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business, so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries Futura Medical Developments Limited and Futura Consumer Healthcare Limited as if they formed a single entity (the "Group"). Intra-group transactions and balances are eliminated in preparing the consolidated financial statements.

1.5 Revenue

Revenue comprises the fair value received or receivable for: exclusivity arrangements, consultancy fees, milestone income or royalties, net of value added tax.

The accounting policies for the principal revenue streams of the Group are as follows:

- (i) Exclusivity arrangements and similar agreements are recognised as revenue in the accounting period in which the related services, or required activities, are performed or specified conditions are fulfilled in accordance with the terms of completion of the specific transaction.
- (ii) Consultancy fees are recognised as revenue in the accounting period in which the revenue becomes receivable.
- (iii) Non-refundable milestone income is recognised as revenue in the accounting period in which the milestones are achieved. If any milestone income is creditable against royalty payments then it is deferred and released to the Consolidated Statement of Comprehensive Income over the accounting periods in which the royalties would otherwise be receivable.
- (iv) Royalty income relating to the sale by a licensee of licensed product is recognised on an accruals basis in accordance with the substance of the relevant agreement and based on the receipt from the licensee of the relevant information to enable calculation of the royalty due.

1.6 Leased assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.7 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 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 impairment at least annually. The value is written down immediately if impairment has occurred and the unimpaired cost amortised over the reduced useful life. The Directors consider that the criteria to capitalise development expenditure are not met for a product prior to that product being commercially launched in at least one country.

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.

Patents and trademarks

The costs incurred in establishing patents and trademarks are either expensed or capitalised in accordance with the corresponding treatment of the development expenditure for the product to which they relate.

1.8 Plant and equipment

Plant and equipment is initially recognised at cost, and subsequently at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is charged to the 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.9 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment on a half-yearly basis and when events or circumstances suggest that the carrying amount may not be recoverable. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). An impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of fair value, less disposal costs, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

1.10 Inventories

Inventories 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 Consolidated Statement of Comprehensive Income in respect of obsolete, slow-moving or defective items, where appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.11 Financial instruments

Financial assets

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

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less an estimate made for impairment based on a review of all past due amounts at the year end. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. If an impairment loss is required the carrying amount of the trade or other receivable is reduced through the use of an allowance account and the amount of the loss recognised immediately in the Consolidated Statement of Comprehensive Income in administrative costs.

Medium-term deposits, comprising sterling fixed rate deposits, with original maturities of more than twelve months are included in trade and other receivables.

Cash and cash equivalents are financial assets and comprise cash in hand and sterling fixed rate short-term deposits with original maturities of twelve months or less which are held by the Group so as to be available to meet short-term cash commitments.

The Group assesses at each Consolidated Statement of Financial Position date whether there is objective evidence that a financial asset is impaired.

Financial liabilities

The Group's financial liabilities comprise 'trade and other payables' recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.12 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.

1.13 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.14 Employee benefits

(i) 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.

(ii) 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.

(iii) Share-based payment transactions

The Group operates an equity-settled share-based compensation plan. For all share options awarded to employees, and others providing similar services, the fair value of the 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.

(iv) Long-term incentive plan

The Group operates a long-term incentive plan for staff and Executive 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 can exercise discretion in settling any award in equity or in cash.

1.15 Finance income

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

1.16 Critical accounting estimates 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 Consolidated Financial Statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.16 Critical accounting estimates and judgements (continued)

Judgements

(i) Revenue recognition

Fees invoiced in respect of non-refundable milestones have been recognised as revenue in the Consolidated Statement of Comprehensive Income in the period when all criteria for revenue recognition have been met.

(ii) Intangible asset recognition

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 country.

(iii) Deferred tax recognition

The Directors consider that, given the current stage of development of the business, deferred tax assets should not be recognised before the Group is generating sufficient recurring royalty revenue.

Estimates and assumptions

(iv) Fair value of financial instruments

The Group determines the fair value of financial instruments using valuation techniques which can be significantly affected by the assumptions used, including interest and discount rates and estimates of future cash flows.

(v) Inventories

The Group reviews the net realisable value of its inventories on a half-yearly basis to provide assurance that recorded inventories are stated at the lower of cost or net realisable value. Factors that could impact realisable value include: the timing and success of future technological innovations in relation to product R&D, competitor and Government actions, supplier prices and economic trends.

(vi) Share-based payments

The Group operates an equity-settled share-based compensation plan as detailed in note 17 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.

2. Financial risk management

2.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange 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. The Group's primary treasury objective is to minimise exposure to potential capital losses whilst at the same time securing favourable market rates of interest on Group cash deposits using money market deposits with banks. Cash balances used to settle the liabilities from operating activities are also maintained in current accounts which earn interest at variable rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(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. Where supplier contracts of more than £100,000 total value are to be settled in foreign currencies consideration is given to settling the sums to be paid through conversion of sterling deposits to the appropriate foreign currency holdings at the outset of the contract to minimise the risk of adverse currency fluctuations.

For contracts with smaller values the foreign exchange rate risk is not considered sufficient to require the establishment of foreign currency accounts unless specific circumstances are identified which warrant this.

At 31 December 2015 the Group had trade payables of £27,014 denominated in a foreign currency (31 December 2014: £55,809).

Cash flow interest rate risk and fair value interest rate risk

The Group's interest rate risk arises from short-term money market deposits. Deposits which earn variable rates of interest are exposed to cash flow interest rate risk. Deposits at fixed rates expose the Group to fair value interest rate risk. The Group analyses its interest rate exposure on a dynamic basis.

The impact in the year ended 2015, of a defined interest rate shift of a 1% higher rate of interest earned per annum applied to the term deposits over the period of the deposit, on the post-tax loss for the year and net assets would have been £124,350 reduction/increase (2014: £110,629 reduction/increase).

The impact in the year ended 2015, of a defined interest rate shift of a 1% lower (or to zero) rate of interest earned per annum applied to the term deposits over the period of the deposit, on the post-tax loss for the year and net assets would have been £51,545 increase/reduction (2014: £20,775 increase/reduction).

(ii) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposure in relation to outstanding receivables. The Group policy is to spread deposits over at least two institutions with investment grade A1 or better (Standard & Poor's credit rating) and deposits are made in sterling only. The Group does not expect any losses from non-performance by these institutions.

(iii) Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Prudent liquidity risk management involves maintaining sufficient cash and cash equivalents and the monitoring of rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The Group had trade and other payables at the Consolidated Statement of Financial Position date of £729,118 (2014: £607,886) which fall due within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders of the Company and benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital.

2.3 Fair value estimation

The Group uses amortised cost, using the effective interest rate method, to determine subsequent fair value, after initial recognition, for its financial instruments.

3. Segment reporting

The Group is organised and operates as one business segment. The main area of R&D continues to be in the field of innovative products for consumer healthcare using the Group's advanced proprietary transdermal technology.

The Group manages any overseas R&D from the UK, the primary business segment. Segment revenue is based on the geographical location of the Group's customers. Since there is currently only one business segment and one geographical segment, no separate segment reporting has been prepared.

4. Operating loss

	Year ended 31 December 2015 £	Year ended 31 December 2014 £
Operating loss is stated after charging		
Depreciation of plant and equipment (note 10)	6,958	4,527
Inventories consumed in R&D	60,647	41,317
Wages and salaries (note 5)	1,653,345	1,339,981
Operating lease costs: property	70,992	69,603
Loss on foreign exchange	4,066	1,314

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

	Year ended 31 December 2015 £	Year ended 31 December 2014 £
Audit services		
Parent company	27,500	27,500
Subsidiaries	7,500	7,500
Tax compliance services		
Parent company	1,000	1,000
Subsidiaries	5,000	5,000
Total fees	41,000	41,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

5. Wages and salaries

The average monthly number of persons (including all Directors) employed by the Group during the year was 14 (by category: R&D 8, administration 6), (2014:10, by category: R&D 4, administration 6) and their aggregate emoluments were:

	Year ended 31 December 2015	Year ended 31 December 2014
	£	£
Wages and salaries	1,273,543	953,830
Social security costs	159,715	120,064
Other pension and insurance benefits costs	108,784	115,050
Total cash-settled emoluments	1,542,042	1,188,944
Accrued/(prepaid) holiday pay	650	(5,544)
Share-based payment remuneration charge	110,653	156,581
Total emoluments	1,653,345	1,339,981

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

6. Directors' emoluments

	Year ended 31 December 2015	Year ended 31 December 2014
	£	£
Aggregate emoluments	559,495	710,384
Employer pension contributions	13,099	45,497
Subtotal per remuneration report	572,594	755,881
Share-based payment remuneration charge	50,534	110,866
Employer's national insurance charge	76,746	97,265
Total emoluments	699,874	964,012

There were no share options exercised by the Directors during the current or preceding year. In 2015 one Director (2014: three Directors) participated in a private money purchase defined contribution pension scheme. Emoluments for individual Directors are disclosed within the Remuneration Report.

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

	Year ended 31 December 2015	Year ended 31 December 2014
	£	£
Aggregate emoluments	257,010	243,161
Employer pension contributions	-	9,409
Subtotal per remuneration report	257,010	252,570
Share-based payment remuneration charge	33,018	48,384
Employer's national insurance charge	35,155	30,418
Total emoluments	325,183	331,372

7. Finance income

Interest receivable in 2015 on fixed rate short-term deposits was £38,325 (2014: £48,257)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. Taxation

Current tax

	Year ended 31 December 2015 £	Year ended 31 December 2014 £
UK corporation tax credit reported in the Consolidated Statement of Comprehensive Income	997,036	480,689

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 2015 £	Year ended 31 December 2014 £
Loss on ordinary activities before tax	6,078,478	3,478,570
Loss on ordinary activities at an average standard rate of corporation tax in the UK of 20% (2014: 20%)	1,215,696	695,714
Expenses not deductible for tax purposes	(674)	(481)
Difference between depreciation and capital allowances	1,800	653
Other short-term timing differences	(24,321)	(36,795)
Unutilised tax losses	(615,640)	(354,615)
Tax relief on share options exercised	-	2,100
Additional relief attaching to R&D tax credit claims	420,175	174,113
UK corporation tax credit reported in the Consolidated Statement of Comprehensive Income	997,036	480,689

The Group has tax losses of £20,360,259 (2014: £17,272,460) available for offset against future taxable profits.

Deferred tax

Deferred tax assets amounting to £3,676,244 (2014: £3,475,177) have not been recognised on the basis that their future economic benefit is not certain. Assuming a prevailing tax rate of 18% (2014: 20%) when the timing differences reverse, the unrecognised deferred tax asset comprises:

	Year ended 31 December 2015 £	Year ended 31 December 2014 £
Depreciation in excess of capital allowances	7,444	10,071
Tax relief on unexercised share options	2,121	6,757
Other short-term timing differences	1,832	3,857
Unutilised tax losses	3,664,847	3,454,492
	3,676,244	3,475,177

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

9. Loss per share (pence)

The calculation of the loss per share is based on a loss of £5,081,442 (2014: loss of £2,997,881) and on a weighted average number of shares in issue of 99,022,600 (2014: 89,452,302).

The loss attributable to equity holders of the Company for the purpose of calculating the fully diluted loss per share is identical to that used for calculating the basic loss per share. The exercise of share options, disclosed in note 17, or the issue of shares under the long-term incentive plan, would have the effect of reducing the loss per share and is therefore anti-dilutive under the terms of IAS 33 'Earnings per Share'.

10. Plant and equipment

	Computer Equipment £	Furniture and Fittings £	Total £
Cost			
At 1 January 2015	33,939	53,101	87,040
Additions	10,815	5,143	15,958
At 31 December 2015	44,754	58,244	102,998
Depreciation			
At 1 January 2015	24,995	50,930	75,925
Charge for year	5,849	1,109	6,958
At 31 December 2015	30,844	52,039	82,883
Net book value			
At 31 December 2015	13,910	6,205	20,115
At 31 December 2014	8,944	2,171	11,115
Cost			
At 1 January 2014	59,958	52,146	112,104
Additions	5,719	2,074	7,793
Disposals	(31,738)	(1,119)	(32,857)
At 31 December 2014	33,939	53,101	87,040
Depreciation			
At 1 January 2014	52,500	51,755	104,255
Charge for year	4,233	294	4,527
Disposals	(31,738)	(1,119)	(32,857)
At 31 December 2014	24,995	50,930	75,925
Net book value			
At 31 December 2014	8,944	2,171	11,115
At 31 December 2013	7,458	391	7,849

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

11. Inventories

	31 December 2015 £	31 December 2014 £
Raw materials and consumables	163,767	141,517

12. Financial instruments by category

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

Assets as per Consolidated Statement of Financial Position	31 December 2015 £	31 December 2014 £
Loans and receivables		
Trade and other receivables (note 13)	146,137	204,600
Cash and cash equivalents (note 14)	4,188,294	9,491,776
Total loans and receivables	4,334,431	9,696,376

Liabilities as per Consolidated Statement of Financial Position	31 December 2015 £	31 December 2014 £
Trade and other payables (note 15)	529,355	435,832
Accrued expenses (note 15)	199,763	172,054
Total financial liabilities	729,118	607,886

13. Trade and other receivables

	31 December 2015 £	31 December 2014 £
Amounts receivable within one year:		
Other receivables	49,578	111,350
Prepayments and accrued income	96,559	93,250
	146,137	204,600

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 2015 £	31 December 2014 £
Cash at bank and in hand	44,110	176,914
Sterling fixed rate short-term deposits	4,144,184	9,314,862
	4,188,294	9,491,776

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

15. Trade and other payables

	31 December 2015 £	31 December 2014 £
Trade payables	461,451	395,645
Social security and other taxes	67,904	40,187
Accrued expenses and deferred income	199,763	172,054
	729,118	607,886

16. Share capital

Authorised	31 December 2015 Number	31 December 2014 Number	31 December 2015 £	31 December 2014 £
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 2015 Number	31 December 2014 Number	31 December 2015 £	31 December 2014 £
Ordinary shares of 0.2 pence each	99,092,318	99,022,600	198,185	198,045

The number of issued ordinary shares as at 1 January 2014 was 77,809,576. During the year ended 31 December 2014, the Company issued shares of 0.2 pence each as follows:

Month	Reason for issue	Gross Consideration £	Shares Issued Number
January 2014	Share option exercise at 56.25 pence per share	67,500	120,000
March 2014	Share placing at 57.00 pence per share	12,000,000	21,052,632
December 2014	Non-Executive Director award at 63.25 pence per share	25,548	40,392
		12,093,048	21,213,024

The number of issued ordinary shares as at 1 January 2015 was 99,022,600. During the year ended 31 December 2015, the Company issued shares of 0.2 pence each as follows:

Month	Reason for issue	Gross Consideration £	Shares Issued Number
December 2015	Non-Executive Director award at 35.50 pence per share	24,750	69,718

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

17. Share options

At 31 December 2015, the number of ordinary shares of 0.2 pence each subject to share options granted under the Company's Approved and Unapproved Share Option Schemes were:

Exercise Period	Exercise Price per Share Pence	At 1 January 2015 Number	Grants During Year Number	Options Lapsed Number	At 31 December 2015 Number
1 August 2011 - 31 July 2016	24.25	314,279	-	-	314,279
1 August 2012 - 31 July 2017	40.50	662,962	-	(180,000)	482,962
1 October 2013 - 30 September 2018	56.50	827,500	-	(200,000)	627,500
1 October 2014 - 30 September 2019	61.50	860,000	-	(200,000)	660,000
1 October 2015 - 30 September 2020	71.50	950,000	-	(200,000)	750,000
1 October 2016 - 30 September 2021	51.75	1,240,000	-	(200,000)	1,040,000
1 October 2017 - 30 September 2022	30.00	-	1,110,000	-	1,110,000
		4,854,741	1,110,000	(980,000)	4,984,741

On 9 September 2015 share options over 1,110,000 new ordinary shares were granted to employees (including Executive Directors) and a consultant.

The share options outstanding at 31 December 2015 represented 5.03% of the issued share capital as at that date (2014: 4.9%) and would generate additional funds of £2,439,700 (2014: £2,662,100) if fully exercised. The weighted average remaining life of the share options was 62 months (2014: 57 months), with a weighted average remaining exercise price of 48.94 pence (2014: 54.84 pence).

The share options exercisable at 31 December 2015 totalled 2,834,741 (2014: 2,664,741) with an average exercise price of 55.33 pence (2014: 50.33 pence) and would have generated additional funds of £1,568,500 (2014: £1,341,150) if fully exercised.

The Group's share option scheme rules apply to 4,229,741 of the share options outstanding at 31 December 2015 (31 December 2014: 4,199,741) and include a rule regarding forfeiture of unexercised share options upon the cessation of employment/provision of consultancy services (except in specific circumstances).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

17. Share options (continued)

	31 December 2015	31 December 2014
Inputs to share option pricing model		
Grant date	9 September	12 September
Number of shares under option	1,110,000	1,240,000
Share price as at date of grant	30.00 pence	51.75 pence
Option exercise price	30.00 pence	51.75 pence
Expected life of options: based on previous exercise history	3 years	3 years
Expected volatility: based on 50 day median fluctuations over 3 years	42.68%	42.96%
Dividend yield: no dividends assumed	0%	0%
Risk-free rate: yield on 3 year treasury stock as at date of grant	0.82% p.a.	1.24% p.a.
Outputs generated from share option pricing model		
	31 December 2015	31 December 2014
Fair value per share under option	8.27 pence	15.71 pence
Total expected charge over the vesting period	£91,750	£194,804
Recognised in Consolidated Statement of Comprehensive Income		
	31 December 2015	31 December 2014
	£	£
The share-based remuneration charge comprises:		
Share-based payments - employees	110,653	156,581
Share-based payments - consultants	10,459	20,462
Share-based payments	121,112	177,043

18. Pension costs

The pension charge represents contributions payable by the Group to independently administered funds which during the year ended 31 December 2015 amounted to £80,923 (2014: £93,993). Pension contributions payable in arrears at 31 December 2015 included in accrued expenses at the relevant Consolidated Statement of Financial Position date totalled £5,470 (2014: £4,139).

19. Commitments

At 31 December 2015 the Group had operating lease commitments in respect of property leases cancellable on one month's notice of £5,945 (2014: £5,829).

20. 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. In October 2015 the Company signed an agreement with Quantum Pharma Plc, for whom John Clarke is Non-Executive Chairman, for the manufacture and supply of MED2002 as an unlicensed medicine. At the year end the sum due from Quantum Pharma Plc in respect of shared development costs was £10,923 (2014: £Nil).

Key management compensation

The Directors represent the key management personnel. Details of their compensation and share options are given in note 6 and within the Remuneration Report.

Parent Company Balance Sheet

For the year ended 31 December 2015

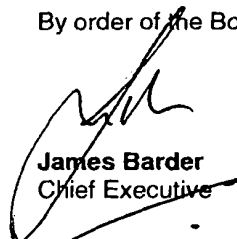
Company No. 04206001

	Notes	As at 31 December 2015 £	As at 31 December 2014 £
Fixed assets			
Investment	2	1,066,132	945,020
Current assets			
Debtors – due within one year	3	17,869	9,117
Debtors – due after more than one year	3	29,030,995	23,776,856
Total debtors		29,048,864	23,785,973
Cash at bank and in hand		4,080,777	9,314,862
Total current assets		33,129,641	33,100,835
Creditors: amounts falling due within one year	4	(37,379)	(13,307)
Net current assets		33,092,262	33,087,528
Total net assets		34,158,394	34,032,548
Capital and reserves			
Called up share capital	5	198,185	198,045
Share premium account		33,053,345	33,028,735
Profit and loss account		906,864	805,768
Equity shareholders' funds		34,158,394	34,032,548

The parent company financial statements were approved and authorised for issue by the Board on 14 March 2016.

The notes on pages 58 to 60 form part of these parent company financial statements.

By order of the Board



James Barder
Chief Executive

Parent Company Statement of Changes in Equity

For the year ended 31 December 2015

	Note	Share Capital £	Share Premium £	Profit and Loss Account £	Total Equity £
At 1 January 2014		155,619	21,516,284	634,759	22,306,662
Total comprehensive loss for the year		-	-	(6,034)	(6,034)
Share-based payment		-	-	177,043	177,043
Shares issued during the year	5	42,426	12,050,622	-	12,093,048
Cost of share issues		-	(538,171)	-	(538,171)
At 31 December 2014		198,045	33,028,735	805,768	34,032,548
Total comprehensive loss for the year		-	-	(20,016)	(20,016)
Share-based payment		-	-	121,112	121,112
Shares issued during the year	5	140	24,610	-	24,750
At 31 December 2015		198,185	33,053,345	906,864	34,158,394

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

Profit and loss account represents the cumulative net profit recognised. The total comprehensive loss for the year represents the total recognised income and expense for the year.

The notes on pages 59 to 61 form part of these parent company financial statements.

Notes to the Parent Company Financial Statements

For the year ended 31 December 2015

1. Accounting policies

The parent company financial statements have been prepared in accordance with FRS 100 'Application of Financial Reporting Requirements' and FRS 101 'Reduced Disclosure Framework'.

The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied to all the years presented, unless otherwise stated. The financial statements have been prepared on a historical cost basis. The presentation currency used is sterling and amounts have been presented in round pounds ("£").

The accounts are prepared on the going concern basis. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant available information about the future trading including profit forecasts, cash forecasts and funding. It is therefore considered appropriate to adopt the going concern basis of accounting in the preparation of the annual financial statements.

As a consolidated statement of comprehensive income is published, no separate statement of comprehensive income for the parent company has been included in these financial statements, as permitted by section 408 of the Companies Act 2006. The loss in respect of the Company for the year was £26,050 (2014: £6,034). The remuneration of the Directors of the Company is disclosed in note 6 to the consolidated financial statements. Auditor's remuneration is disclosed in note 4 to the consolidated financial statements.

Disclosure exemptions adopted

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 comparative information as otherwise required by EU endorsed IFRS;
- financial instrument disclosures;
- 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.

Investment

The investment represents 100% of the issued ordinary shares in the subsidiary undertaking Futura Medical Developments Limited and is stated at cost plus capital contribution to the subsidiary in respect of share-based payment charge, less any provision for impairment.

Financial assets

The Company does not have any financial assets which it would classify as fair value through profit or loss, held for trading or held to maturity. Therefore all financial assets are classed as below:

Notes to the Parent Company Financial Statements

For the year ended 31 December 2015

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Loans to Group companies are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method. An impairment provision is recognised immediately in the Company Statement of Comprehensive Income for the amount by which the inter-group loan receivable exceeds its recoverable amount. Recoverable amount is calculated by value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Cash and cash equivalents

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

Financial liabilities and equity

The Company does not have any financial liabilities that would be classified as fair value through the profit or loss. Therefore these financial liabilities are classified as financial liabilities at amortised cost, as defined below. Financial liabilities include trade and other short-term monetary liabilities, which are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

Share-based employee remuneration

The Company has no employees but does issue shares to satisfy share option awards made by its subsidiary company. The Company has applied Financial Reporting Standard 20 'Share-based Payment' to all share options granted to employees of the subsidiary. The Company's investment in the subsidiary is increased by the capital contribution equivalent to the fair value of the share-based payment charge incurred by the subsidiary.

Taxation

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. There are no unutilised tax losses in 2015 (2014: £nil). A deferred tax asset in respect of unutilised tax losses has not been recognised on the basis that the future economic benefit was not certain.

Notes to the Parent Company Financial Statements

For the year ended 31 December 2015

2. Investment in subsidiary

The principal activity of the subsidiary is the research and development of pharmaceutical drugs and medical devices and their commercial exploitation. The results of the subsidiary are included in the consolidated financial statements.

	31 December 2015	31 December 2014
	£	£
Cost	1,066,132	945,020

The movement in the year represents the share-based payment charge.

3. Debtors

	31 December 2015	31 December 2014
	£	£
Amounts receivable within one year: prepayments	17,869	9,117
Amounts receivable after more than one year:		
Amounts owed by subsidiary	29,030,995	23,776,856

4. Creditors: amounts falling due within one year

	31 December 2015	31 December 2014
	£	£
Trade creditors	2,779	7,500
Accruals and deferred income	34,600	5,807
	37,379	13,307

5. Called up share capital

	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	Number	Number	£	£
Authorised				
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				
Ordinary shares of 0.2 pence each	99,092,318	99,022,600	198,185	198,045

Details of shares issued by the Company in the year and details of share options outstanding are given in notes 16 and 17 to the consolidated financial statements.

6. Related party transactions

Details are given in note 20 to the consolidated financial statements.

7. First time adoption of FRS 101 'Reduced Disclosure Framework'

This is the first time that the Company has adopted FRS 101 having previously applied UK GAAP. The date of transition to FRS 101 was 1 January 2014. In applying FRS 101 for the first time the Company has elected to retain the cost of investment in subsidiary undertakings at their carrying value under applicable UK accounting standards.

Other than the adoption of the reduced disclosures there was no material effect of applying FRS 101 for the first time. The disclosure exemptions are included in note 1 to the parent company financial statements.

Company Information

Company number

04206001

Directors

John Clarke	Non-Executive Chairman
James Barder	Chief Executive
Derek Martin	Finance Director
Jonathan Freeman	Non-Executive Director
Lisa Arnold	Non-Executive Director

Audit committee

Jonathan Freeman
Lisa Arnold

Remuneration committee

Jonathan Freeman
Lisa Arnold
John Clarke

Nominations committee

Lisa Arnold
Jonathan Freeman
John Clarke

Secretary and registered office

Derek Martin
Futura Medical plc
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