



For Immediate Release

30 May 2007

Futura Medical plc

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

Final Results for the year ended 31 December 2006

Futura Medical plc (AIM: FUM), the pharmaceutical group that develops innovative products for consumer healthcare, is pleased to announce its final results for the year ended 31 December 2006.

Operational Highlights

- Significant progress across our growing product and IP portfolio
- CSD500 - preparation for launch underway by Durex®-maker SSL International plc ahead of regulatory approval for our condom product to help healthy men maintain a firm erection
- MED2002 - partnering negotiations re-started following the return of development rights for our topical gel for erectile dysfunction
- DermaSys® - launch of brand name for the Group's unique, topical drug delivery technology
- TPR100 - exclusivity agreement signed with GlaxoSmithKline Consumer Healthcare for the negotiation of global distribution rights for our pain relief product

Financial Highlights

- Net loss of £1.8 million (2005: net loss of £1.9 million)
- Net cash at 31 December 2006 of £3.8 million (2005: £1.8 million)

James Barder, Futura's Chief Executive, said:

"The outlook remains positive for the remainder of the year: interest from potential partners for MED2002 is encouraging, our portfolio of product opportunities is broadening and we are on track to achieve the major milestone of regulatory approval for our most advanced product, CSD500, putting us firmly on course to becoming a business with a recurring royalty income stream."

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Chairman's and Chief Executive's Joint Review

We are pleased to announce Futura's results for the year ended 31 December 2006, a period of significant progress for the Group. It was a period during which our product development portfolio advanced and our corporate strategy evolved with the broadening of our involvement in the OTC market to include the new therapeutic area of pain relief. We have also sought to leverage our drug delivery technology by launching a distinct brand, DermaSys®, which we believe has significant commercial potential.

The current financial year promises to be a highly significant year for Futura, not least because we expect EU regulatory approval of our first product in the fourth quarter, putting the Group firmly on track to becoming a business with a recurring royalty income stream.

CSD500 ***Condom safety device***

We have made tremendous progress with our condom product CSD500 with our partner SSL International plc, the manufacturer of Durex® condoms, who continue to prepare for the EU marketing launch in anticipation of regulatory approval being received later this year. The launch of CSD500, a product that helps healthy men maintain a full erection during intercourse whilst wearing a condom, will mark a major milestone for Futura. As we move closer to product launch, we expect to be able to provide further details including the brand name of the product within the Durex® portfolio.

Futura continues to protect future revenue streams by aggressively patenting new developments. To protect CSD500's revenues, Futura has secured patent protection, or is proceeding to obtain patent protection, in 30 consumer markets, including the principal territories within Europe as well as the USA and Canada. Patent applications are on-going in 8 other territories.

Progress continues on CSD500's sister product, FLD500, and we look forward to providing further information in due course.

MED2002 ***Treatment for erectile dysfunction***

In July 2006, we announced a development agreement for MED2002 with GlaxoSmithKline Consumer Healthcare (GSK) with a view to GSK developing and marketing the product as the world's first OTC treatment for men with erectile dysfunction. Post the period end, in May 2007, we announced that GSK had returned the rights to the product to Futura owing to current priorities within GSK which meant that they were unlikely in the near future to approve a marketing agreement for the product.

Whilst GSK's decision was disappointing we have been encouraged by the level of interest from other potential licensees. Progress in the development of MED2002 has been significant and we remain confident in our ability to secure new commercial arrangements on favourable terms for the final stage of development and marketing of the product. We look forward to updating shareholders in due course on the progress in negotiations with other potential licensees.

Evaluation work on PET500, our product for the treatment of premature ejaculation, is progressing and we expect to be in a position to update shareholders on progress later in the year.

DermaSys® ***Drug delivery technology***

At the half year stage, we highlighted that the Group was carrying out a strategic review to determine the best way of leveraging its intellectual property assets, know-how and commercial expertise. This review focussed in part on the versatile and proprietary drug delivery technology that the Group has developed for the rapid and localised delivery of drugs through the skin. We had originally developed this technology for MED2002 but have since been assessing the technology against a wide range of generic drugs where improved topical delivery might bring commercial opportunities.

This assessment reinforces our belief that the technology has a range of applications in addition to MED2002. To increase the awareness and visibility of this technology and its technical and commercial potential we branded it DermaSys® and launched its brand name in February 2007.

DermaSys® can be adapted to suit specific compounds and the therapeutic indication being targeted with the result that an optimised delivery profile can be achieved in terms of dose, onset time and duration of effect. We intend to continue to leverage the DermaSys® asset in opportunities - developed in-house or through licensing arrangements - that offer clear commercial potential. We believe that our DermaSys® technology, combined with our commercial knowledge of routes to market, offers partnership opportunities with other technology companies to co-develop products.

TPR100

Topical pain relief

Our assessment work on DermaSys® identified significant opportunities to improve the effectiveness of topical pain relief products. As announced in September 2006, we were able to show, through in vitro human skin permeation studies, improved drug delivery rates in excess of eight times higher than the world's current market leading non-prescription topical analgesic. These studies were carried out by a world-renowned expert, Professor Mike Roberts at the University of Queensland, Australia.

We recently announced an exclusivity agreement with GSK for the negotiation of global distribution rights for the provision of pain relief using our DermaSys® technology. As part of the agreement, GSK has paid an upfront fee which will provide sufficient funding to cover the costs of the initial clinical work.

Topical pain relief marks a new therapeutic area for Futura, expanding our initial focus on sexual healthcare into a broader involvement with the consumer healthcare market. The worldwide market for pain relief is estimated at US\$ 50 billion for 2005 and is expected to increase to US\$ 75 billion by 2010¹. The global market for OTC sales of topical analgesics is estimated at US\$ 2.6 billion².

This evolution of our business model, based on the common theme of our DermaSys® drug delivery technology, will be continued into other therapeutic areas if we are satisfied with the potential commercial returns and overall fit with our strategy.

Whilst being very interested in new opportunities, we are determined to adhere to our principle of using lower-risk chemical actives, where there is a history of safe use in humans, rather than looking at new chemical entities, which carry a significantly increased risk profile.

Finance

The Group reported a net loss after tax in the year ended 31 December 2006 of £1.8 million (year ended 31 December 2005 as restated: £1.9 million). The Group raised £3.7 million net of costs during the year ended 31 December 2006 following a placing of shares in July 2006 and various exercises of options throughout the year. This provided us with a cash balance at 31 December 2006 of £3.8 million (year ended 31 December 2005: £1.8 million).

Outlook

As the Group moves towards revenue generation, we have updated the style and content of our website and Annual Report to reflect our increasing confidence and to appeal to a wider consumer audience as well as to our shareholders. We will continue to develop our communication with our audiences to keep our shareholders and other stakeholders informed of our strategy and progress.

The outlook remains positive for the remainder of the year: interest from potential partners for MED2002 is encouraging, our portfolio of product opportunities is broadening and we are on track to achieve the major milestone of regulatory approval for our most advanced product, CSD500, putting us firmly on course to becoming a business with a recurring royalty income stream.

Dr W D Potter, Executive Chairman

J H Barder, Chief Executive

29 May 2007

Note

- 1 *Pain Therapeutics – Drugs, Markets and Companies, October 2005*
- 2 *DB6 2007 database (MSP), Nicholas Hall & Company*

Financial Review

The Group finished the year with a healthy cash position, costs firmly under control and the prospects for revenue moving closer.

The Financial Review should be read in conjunction with the financial statements and the notes to the financial statements.

Turnover

The Group's turnover for the year to 31 December 2006 was £301 (year ended 31 December 2005: £1,660). This represents residual revenue from the settlement of an intellectual property dispute in 2004 and no further revenue is expected from that source.

Losses

The Group's accumulated loss for the year ended 31 December 2006 was £1.8 million (year ended 31 December 2005 as restated: £1.9 million). The Group's operating loss for the year ended 31 December 2006 was £2.1 million (year ended 31 December 2005 as restated: £2.4 million) and the operating loss of the sole subsidiary, Futura Medical Developments Limited, for the year ended 31 December 2006 was £2.0 million (year ended 31 December 2005 as restated: £2.2 million).

Loss per share for the year ended 31 December 2006 was 3.4 pence (year ended 31 December 2005 as restated: 4.0 pence).

All the restated amounts for the year ended 31 December 2005 relate solely to the first time adoption of FRS20 as explained in note 1.3 to the financial statements.

Group research and development costs

The Group aims to achieve cost effective research and development and to bring products to market as soon as practicable.

Group research and development costs vary year to year. This reflects both the stage of development reached for the various products under development and the impact of external factors. Such factors during the year ended 31 December 2006 included pending decisions of regulatory bodies and finalisation of joint development arrangements.

The table below shows the trend in our historic research and development costs and other administrative costs over the past five reporting periods (as restated for the first time adoption of FRS20 as explained in note 1.3):

	Year ended 31 December 2006 £	Year ended 31 December 2005 As restated £	Year ended 31 December 2004 As restated £	11 months ended 31 December 2003 As restated £	Year ended 31 January 2003 £
Research and development costs	1,077,312	1,553,056	971,043	632,062	810,754
Other administrative costs	1,030,360	805,161	954,725	885,888	485,322
Total operating					

expenses	<u>2,107,672</u>	<u>2,358,217</u>	<u>1,725,768</u>	<u>1,517,950</u>	<u>1,296,076</u>
R&D ratio	<u>51%</u>	<u>66%</u>	<u>56%</u>	<u>42%</u>	<u>63%</u>

The R&D ratio shown above is the percentage of research and development costs relative to total operating expenses for each period. The Board is mindful to keep a sensible balance as reflected in this R&D ratio. Clearly, higher research and development spend would increase this R&D ratio. Conversely, a reduction in the Group's research and development expenditure, such as through cost efficiencies, would decrease this ratio.

Total research and development spend since original formation of the business in 1997 totals £6.2 million (55% of total operating costs). During the year, the sole subsidiary Futura Medical Developments Limited has continued to incur this research and development expenditure which has been written off as incurred.

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

Research and development costs for the year ended 31 December 2006 fell compared with the year ended 31 December 2005. This was mainly as a result of reduced spend on MED2002 development whilst commercialisation arrangements were negotiated. In addition, the cost of CSD500 development has fallen to approximately half the level of 2005 following regulatory submission in November 2005. These reductions are partially offset by increased costs of new product development in the areas of pain relief and premature ejaculation.

Other administrative costs

The Group continues to maintain a focus on tight control of all expenditure.

Other administrative costs for the year ended 31 December 2006 were £1,030,360 (year ended 31 December 2005 as restated: £805,161). These comprise 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 2006	Year ended 31 December 2005
Wages and salaries	52%	55%
Legal and professional advisers	23%	28%
Office costs and staff expenses	14%	13%
Licensing negotiations	11%	4%
	<u>100%</u>	<u>100%</u>

The Group has expanded its internal team to support increased activity levels as it moves towards revenue generation and seeks further product development opportunities internally and externally. The principal reasons for the increase in other administrative costs relate to wages and salaries, related increases in staff expenses, and license negotiation costs (legal and advisory) in respect of the development and licensing of MED2002.

Although wages and salaries within other administrative costs fell as a proportion, the overall increase includes the impact of new marketing and support staff recruited in 2005 and 2006. Two additional support staff have been recruited in April 2007. This completes the current expansion of the central administrative functions of the Group as the platform for the next phase of the Group's growth strategy.

Taxation

A research and development tax credit of £196,133 (31 December 2005: £286,973) in respect of research and development expenditure incurred has been recognised in the financial statements. The reduction compared with the prior year reflects the fluctuating research and development spending year to year.

Capital structure and funding

The Group remains funded primarily by equity capital. This reflects the development status of its products. Cash held by the Group is shown below at each period end:

	31 December 2006 £M	31 December 2005 £M	31 December 2004 £M	31 December 2003 £M	31 January 2003 £M
Cash at bank and in hand	3.8	1.8	3.7	2.4	1.5

The Group did not have any bank borrowings at 31 December 2006 (31 December 2005: £nil). The net cash outflow from operating activities during the year ended 31 December 2006 was £2.1 million (year ended 31 December 2005: £2.3 million).

In July 2006, the Group raised £3.3 million net of costs following a private placing at 78 pence and exercise of share options by directors and staff. Exercise of options in January and February 2006, chiefly by former directors, raised a further £0.4 million net of costs for the Group (for the year ended 31 December 2005 the total receipts from the issue of share options was £0.1 million). This brings the total cash raised by the Group from formation of the business in 1997 until 31 December 2006 to £13.5 million net of costs.

Other significant sources of funding for the Group comprise research and development tax credits from formation of the business in 1997 until 31 December 2006 of £1.0 million (of which it has received £0.8 million) and bank interest received of £0.6 million.

A L Clayden, Finance Director

Consolidated Profit and Loss Account For the year ended 31 December 2006

	Notes	Year ended 31 December 2006 £	Year ended 31 December As restated 2005 £
Turnover		301	1,660
Research and development costs		(1,077,312)	(1,553,056)
Other administrative costs		(1,030,360)	(805,161)
Administrative expenses		(2,107,672)	(2,358,217)
Operating loss	2	(2,107,371)	(2,356,557)
Interest receivable	5	136,114	133,467

Loss on ordinary activities before taxation		(1,971,257)	(2,223,090)
Tax on loss on ordinary activities	6	196,133	286,973
Loss on ordinary activities after taxation and retained loss for the year	16	(1,775,124)	(1,936,117)
Basic and diluted loss per share (pence)	7	(3.4p)	(4.0p)

All amounts relate to continuing activities.

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

Balance Sheet At 31 December 2006

	Notes	Group		Company	
		31 December 2006	31 December 2005	31 December 2006	31 December 2005 As restated
		£	£	£	£
Fixed assets					
Tangible assets	8	20,109	25,370	-	-
Investments	9	-	-	60,724	60,724
		20,109	25,370	60,724	60,724
Current assets					
Stock	10	32,648	31,956	-	-
Debtors – due within one year	11	352,027	351,079	28,168	17,203
Debtors – due after more than one year	11	-	-	8,455,808	6,716,404
Total debtors		352,027	351,079	8,483,976	6,733,607
Cash at bank and in hand		3,779,798	1,808,913	3,717,204	1,732,998
		4,164,473	2,191,948	12,201,180	8,466,605
Creditors: amounts falling due within one year	12	(233,143)	(237,147)	(6,221)	(35,913)
Net current assets		3,931,330	1,954,801	12,194,959	8,430,692

Total net assets		3,951,439	1,980,171	12,255,683	8,491,416
Capital and reserves					
Called up share capital	14	110,607	97,877	110,607	97,877
Share premium account	16	12,251,275	8,560,987	12,251,275	8,560,987
Other reserves	16	1,152,165	1,152,165	-	-
Profit and loss account	16	(9,562,608)	(7,830,858)	(106,199)	(167,448)
Equity shareholders' funds	17	3,951,439	1,980,171	12,255,683	8,491,416

The financial statements from which this final results announcement is derived were approved and authorised for issue by the Board on 29 May 2007 and were signed on its behalf by JH Barder, Director.

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

**Consolidated Cash Flow Statement
For the year ended 31 December 2006**

	Notes	Year ended 31 December 2006 £	Year ended 31 December 2006 £	Year ended 31 December 2005 As restated £	Year ended 31 December 2005 As restated £
Net cash outflow from operating activities	A		(2,133,455)		(2,292,863)
Returns on investments and servicing of finance					
Interest received		124,730		139,306	
Net cash inflow from returns on investments and servicing of finance			124,730		139,306
Corporation tax					
Research and development tax credit received		282,636		167,858	
			282,636		167,858
Capital expenditure					
Payments to acquire tangible fixed assets		(6,088)		(13,835)	
Proceeds on disposal of fixed assets		44		-	
Net cash outflow from capital expenditure			(6,044)		(13,835)
Net cash outflow before use of liquid resources and					

financing		(1,732,133)	(1,999,534)
Management of liquid resources			
(Increase) / decrease in short term deposits		(1,979,031)	1,787,913
Financing			
Issue of ordinary shares	3,849,150		135,800
Expenses paid in connection with share issues	(146,132)		-
		<u>3,703,018</u>	<u>135,800</u>
Net cash inflow from financing		<u>3,703,018</u>	<u>135,800</u>
Decrease in cash	B	<u>(8,146)</u>	<u>(75,821)</u>

**Notes to the Consolidated Cash Flow Statement
For the year ended 31 December 2006**

A Reconciliation of operating loss to net cash outflow from operating activities

	Year ended 31 December 2006	Year ended 31 December 2005 As restated
	£	£
Operating loss	(2,107,371)	(2,356,557)
Depreciation	10,630	13,203
Loss on sale of fixed assets	6	-
Share-based payment charge	43,374	31,973
Increase in stocks	(692)	(17,144)
(Increase) / decrease in debtors	(76,067)	20,408
(Decrease) / increase in creditors	(3,335)	15,254
	<u>(2,133,455)</u>	<u>(2,292,863)</u>
Net cash outflow from operating activities	<u>(2,133,455)</u>	<u>(2,292,863)</u>

B Analysis of net funds

	At 1 January 2006	Cash flow	At 31 December 2006
	£	£	£
Cash at bank and in hand	88,913	(8,146)	80,767
Other liquid resources	1,720,000	1,979,031	3,699,031
	<u>1,808,913</u>	<u>1,970,885</u>	<u>3,779,798</u>

C Reconciliation of net cash flow to movement in net funds

	Year ended 31 December 2006	Year ended 31 December 2005
	£	£

Decrease in cash in the year	(8,146)	(75,821)
Cash inflow / (outflow) from changes in liquid resources	1,979,031	(1,787,913)
Movement in net funds in the year	1,970,885	(1,863,734)
Net funds at start of year	1,808,913	3,672,647
Net funds at end of year	3,779,798	1,808,913

Notes to the Financial Statements
For the year ended 31 December 2006

1 Accounting policies

1.1 Basis of preparation

The financial information set out in this announcement does not constitute the Group's full statutory accounts for the year ended 31 December 2006 or for the year ended 31 December 2005 for the purposes of section 240 of the Companies Act 1985, but is derived from those accounts.

Statutory accounts for 2005 have been delivered to the Registrar of Companies and those for 2006 will be delivered in due course. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

The principle accounting policies of the Group are unchanged from the Group's 2005 annual report with the exception of the adoption of FRS20 (Share-based Payment) as detailed in note 1.3. The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable UK accounting standards. The following principle accounting policies have been applied.

1.2 Basis of consolidation

The consolidated financial statements include the results of the Company and its subsidiary, Futura Medical Developments Limited, for the year ended 31 December 2006.

Under the provisions of Financial Reporting Standard 6 (Acquisitions and Mergers) these consolidated financial statements are prepared using merger accounting.

The investment is recorded in the Company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the consolidated financial statements, merged subsidiary undertakings are treated as if they had always been a member of the Group. The results of such a subsidiary are included for the whole period in the year it joins the Group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the Company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to reserves.

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in this final results announcement. The Company made a profit after tax of £17,875 for the year (year ended 31 December 2005: loss after tax of £14,170).

1.3 Change in accounting policy

The Group has applied the requirements of Financial Reporting Standard 20 (Share-based Payment) which it has adopted for the first time with effect from 1 January 2006 as its application is obligatory for

accounting periods commencing on or after that date. In accordance with the transitional provisions, Financial Reporting Standard 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2006.

The Group issues equity-settled share-based payments, i.e. share options, to certain Directors, employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant using an appropriate valuation model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed to the profit and loss account on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. At each balance sheet date the cumulative charge in respect of each option plan is adjusted to reflect expected and actual levels of options vesting. Prior to the adoption of Financial Reporting Standard 20, equity-settled share-based payments were not expensed to the profit and loss account.

The effect of this is to increase costs for the year ended 31 December 2006 by £43,374. The prior year comparatives have been restated resulting in an increase in cost for the year ended 31 December 2005 of £31,973. The cumulative effect on the Group's opening reserves at 1 January 2005 is a charge of £29,835 and a corresponding credit of £29,835 resulting in £nil net change. This has resulted in an increase in loss per ordinary share for the year ended 31 December 2006 of 0.08 pence per share (year ended 31 December 2005: increase of 0.07 pence per share). The cumulative effect on the Company's opening reserves at 1 January 2005 is a credit of £29,835 and a corresponding increase in the amounts owed by the subsidiary.

1.4 Turnover

Turnover comprises royalty fees and the sale of rights to future royalty fees and excludes value added tax.

Royalty fees that are receivable are recognised as turnover in the year to which they relate. Sales of the rights to future royalty fees are recognised as turnover on the date on which they become receivable.

1.5 Research and development

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	25% Straight line
Fixtures, fittings and equipment	25% Straight line

1.7 Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the Group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

1.8 Foreign currency translation

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

1.9 Pension costs

The Group provides retirement benefits to all employees and Executive Directors (except the Chairman) who wish to participate by 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 profit and loss account in the year in which they become payable.

1.10 Leased assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

1.11 Share-based payments

Where share options are awarded to employees and others providing similar services on or after 7 November 2002, the fair value of the options at the date of grant is expensed to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also expensed to the profit and loss account over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the profit and loss account is charged with the fair value of goods and services received.

1.12 National insurance on share options

Where possible, all employee option holders enter into an Inland Revenue joint election to transfer the employers' national insurance contribution potential liability to the employee. To the extent that such an election has not been entered into and where the share price at the balance sheet date is greater than the exercise price on options granted after 19 May 2000, provision for any employers' national insurance contribution has been made based on the prevailing rate of national insurance. However, under the terms of all option rules any liability which may arise is recoverable from each option holder and a corresponding debtor is also included.

1.13 Stocks

Stocks are stated at the lower of cost and net realisable value using the FIFO method. Cost includes all direct expenditure in bringing the stock to its current location and condition.

1.14 Government grants

Government grants relating to research and development expenditure are credited to the profit and loss account as the related expenditure is incurred.

1.15 Liquid resources

For the purpose of the cash flow statement liquid resources are defined as short term money market deposits and notice accounts of up to six month's duration.

2 Operating loss

Year ended

Year ended

	31 December 2006	31 December 2005
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	10,630	13,203
Loss on sale of fixed assets	6	-
Hire of other assets - operating leases	70,752	70,752
Auditors' remuneration		
- Audit services	23,660	23,120
- Tax services	13,017	10,700
- Other services	5,720	10,000

The audit fee for Futura Medical plc and its sole subsidiary, Futura Medical Developments Limited, is £29,380 (for the year ended 31 December 2005, the actual total fee charged was £28,250). The audit fee relating to the audit of the Company is £23,660 (for the year ended 31 December 2005, the actual fee relating to the Company was £23,120).

Included in other services is the audit fee apportioned to Futura Medical Developments Limited of £5,720 (for the year ended 31 December 2005 the actual fee apportioned was £5,500).

The agreed corporation tax compliance fee for Futura Medical Developments Limited, is £4,150 (for the year ended 31 December 2005, the actual corporation tax compliance fee charged by the auditors was £4,025).

The loss before tax is £1,971,257 (for the year ended 31 December 2005 as restated: £2,223,090) and total net assets are £3,951,439 (as at 31 December 2005: £1,980,171) and they are both derived from one class of business and one geographical market.

Operating leases are cancellable on one month's notice.

5 Interest receivable

	Year ended	Year ended
	31 December 2006	31 December 2005
	£	£
Bank interest receivable	136,114	133,467

6 Taxation

	Year ended	Year ended
	31 December 2006	31 December 2005
	£	As restated
		£
<i>Current tax</i>		
UK corporation tax on loss for the year	(195,033)	(281,536)
Under-provision in prior year	(1,100)	(5,437)
Tax credit on loss on ordinary activities	(196,133)	(286,973)

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	Year ended
31 December 2006	31 December 2005

	£	As restated £
Loss on ordinary activities before tax	(1,971,257)	(2,223,090)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (31 December 2005: 19%)	(374,539)	(422,387)
Expenses not deductible for tax purposes	2,370	1,751
Difference between depreciation and capital allowances	2,264	602
Other short-term timing differences	8,626	56
Unutilised tax losses	400,704	220,604
Schedule 23 deduction for share options	(176,501)	-
Additional relief attaching to tax credit claims	(57,957)	(82,162)
Under-provision in prior year	(1,100)	(5,437)
Current tax credit for the year	(196,133)	(286,973)

The Group has tax losses of approximately £7,289,771 (31 December 2005: £5,152,600) available for offset against future taxable profits.

Deferred tax assets amounting to £1,404,565 (31 December 2005 as restated: £996,020) have not been recognised on the basis that their future economic benefit is not certain. Assuming a prevailing tax rate of 19% when the timing differences reverse, the deferred tax asset comprises:

	Year ended 31 December 2006 £	Year ended 31 December 2005 As restated £
Accelerated capital allowances	1,575	(1,202)
Other short term timing differences	20,774	18,223
Unutilised tax losses	1,382,216	978,999
	<u>1,404,565</u>	<u>996,020</u>

7 Loss per share

Basic loss per share has been calculated in accordance with FRS22. Basic loss per share has been calculated by dividing the loss on continuing ordinary activities after taxation by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares in issue was 52,299,053 (year ended 31 December 2005: 48,686,327 shares) and the loss for the year was £1,775,124 (year ended 31 December 2005 as restated: £1,936,117). The effect of all potential ordinary shares is antidilutive.

8 Tangible fixed assets

Cost	Plant and machinery £	Fixtures, fittings and equipment £	Total £
At 1 January 2006	31,192	42,353	73,545
Additions	2,604	2,814	5,418
Disposals	-	(130)	(130)
At 31 December 2006	<u>33,796</u>	<u>45,037</u>	<u>78,833</u>

Depreciation

At 1 January 2006	13,275	34,900	48,175
Disposals	-	(81)	(81)
Charge for year	7,298	3,332	10,630
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2006	<u>20,573</u>	<u>38,151</u>	<u>58,724</u>
Net book value			
At 31 December 2006	<u>13,223</u>	<u>6,886</u>	<u>20,109</u>
At 31 December 2005	<u>17,917</u>	<u>7,453</u>	<u>25,370</u>

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

9 Fixed asset investments

	Shares in subsidiary undertaking
Company	£
Cost and net book value at 1 January 2006 and 31 December 2006	<u>60,724</u>

Interests in group undertakings

Subsidiary undertaking	Description of shares held	Proportion of nominal value of issued shares held and voting rights
Futura Medical Developments Limited	Ordinary £1 shares	100%

The above company is incorporated in England and Wales, and is included in the consolidated financial statements. Futura Medical Developments Limited undertakes research, development, production and sale of pharmaceutical products.

10 Stock

	Group		Company	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
	£	£	£	£
Raw materials and consumables	<u>32,648</u>	<u>31,956</u>	<u>-</u>	<u>-</u>

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

11 Debtors

	Group		Company	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
				As restated

	£	£	£	£
Amounts receivable within one year:				
Trade debtors	1,939	-	-	-
Corporation tax repayable	195,034	281,536	-	-
Other debtors	32,880	27,847	-	-
Prepayments and accrued income	122,174	41,696	28,168	17,203
	<u>352,027</u>	<u>351,079</u>	<u>28,168</u>	<u>17,203</u>
Amounts receivable after more than one year:				
Amounts owed by subsidiary	-	-	8,455,808	6,716,404
	<u>-</u>	<u>-</u>	<u>8,455,808</u>	<u>6,716,404</u>

12 Creditors: amounts falling due within one year

	Group		Company	
	31 December 2006 £	31 December 2005 £	31 December 2006 £	31 December 2005 £
Trade creditors	123,070	114,586	5,521	6,571
Taxation and social security	36,685	30,780	-	-
Accruals and deferred income	73,388	91,781	700	29,342
	<u>233,143</u>	<u>237,147</u>	<u>6,221</u>	<u>35,913</u>

14 Share capital

	Authorised			
	31 December 2006 No.	31 December 2005 No.	31 December 2006 £	31 December 2005 £
Ordinary shares of 0.2 pence each	<u>500,000,000</u>	<u>500,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
	Allotted, called up and fully paid			
	31 December 2006 No.	31 December 2005 No.	31 December 2006 £	31 December 2005 £
Ordinary shares of 0.2 pence each	<u>55,303,601</u>	<u>48,938,601</u>	<u>110,607</u>	<u>97,877</u>

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

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

3,849,150 6,365,000

16 Reserves

	Share premium account £	Other reserves £	Profit and loss account £
Group			
At 1 January 2006	8,560,987	1,152,165	(7,830,858)
Retained loss for the year	-	-	(1,775,124)
Share-based payments	-	-	43,374
Shares issued during the year	3,836,420	-	-
Cost of share issues	(146,132)	-	-
At 31 December 2006	<u>12,251,275</u>	<u>1,152,165</u>	<u>(9,562,608)</u>
Company			
At 1 January 2006 as previously stated	8,560,987	-	(229,256)
Prior year adjustment (see note 1.3)	-	-	61,808
At 1 January 2006 (as restated)	8,560,987	-	(167,448)
Retained profit for the year	-	-	17,875
Share-based payments	-	-	43,374
Shares issued during the year	3,836,420	-	-
Cost of share issues	(146,132)	-	-
At 31 December 2006	<u>12,251,275</u>	<u>-</u>	<u>(106,199)</u>

Other reserves represents the reserve arising on the acquisition of Futura Medical Developments Limited on 6 June 2001 via a share for share exchange accounted for as a group reconstruction using merger accounting.

17 Reconciliation of movements in shareholders' funds

	Group		Company	
	31 December 2006 £	31 December 2005 As restated £	31 December 2006 £	31 December 2005 As restated £
Profit / (loss) for the financial year	(1,775,124)	(1,936,117)	17,875	(14,170)
Share-based payments	43,374	31,973	43,374	31,973
Net proceeds from issue of shares	3,703,018	135,800	3,703,018	135,800
Net addition / (reduction) to shareholders' funds	<u>1,971,268</u>	<u>(1,768,344)</u>	<u>3,764,267</u>	<u>153,603</u>
Opening shareholders' funds as previously stated	1,980,171	3,748,515	8,429,608	8,307,978
Prior year adjustment (see note 1.3)	-	-	61,808	29,835
Opening shareholders' funds as restated	<u>1,980,171</u>	<u>3,748,515</u>	<u>8,491,416</u>	<u>8,337,813</u>
Closing shareholders' funds	<u>3,951,439</u>	<u>1,980,171</u>	<u>12,255,683</u>	<u>8,491,416</u>

