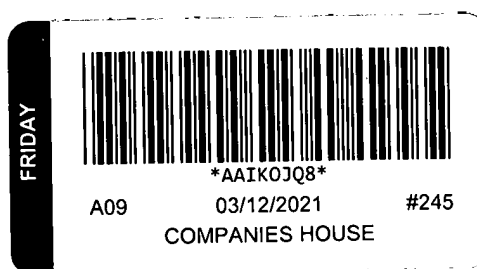


**REGISTERED NUMBER: 05414023 (England and Wales)**

**Strategic Report, Report of the Directors and  
Financial Statements for the Year Ended 31 December 2020  
for  
Modern Biosciences Limited**



**Modern Biosciences Limited (Registered number: 05414023)**

**Contents of the Financial Statements**  
*for the year ended 31 December 2020*

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2</b>
<b>Report of the Directors</b>	<b>4</b>
<b>Statement of Comprehensive Income</b>	<b>5</b>
<b>Statement of Financial Position</b>	<b>6</b>
<b>Statement of Changes in Equity</b>	<b>8</b>
<b>Notes to the Financial Statements</b>	<b>9</b>

# **Modern Biosciences Limited**

## **Company Information**

*for the year ended 31 December 2020*

**DIRECTORS:**

IP2IPO Services Limited  
Dr S C Williams

**SECRETARY:**

Pinsent Masons Secretarial Limited

**REGISTERED OFFICE:**

The Walbrook Building  
25 Walbrook  
London  
EC4N 8AF

**REGISTERED NUMBER:**

05414023 (England and Wales)

## **Modern Biosciences Limited (Registered number: 05414023)**

### **Strategic Report**

*for the year ended 31 December 2020*

The directors present their strategic report for the year ended 31 December 2020.

#### **RESULTS AND PERFORMANCE**

Modern Biosciences Ltd ("Modern Biosciences" or the "Company") is a drug development company. Its business model is focussed on the development of MBS2320, a novel drug for the treatment of rheumatoid arthritis (RA) and related autoimmune conditions.

The statement of comprehensive income is set out on page 5 and shows the loss for the year.

Total research and development expenses of £4,228,304 (2019: £2,011,968) were incurred. This is almost entirely attributable to the spend on MBS2320.

No interim dividend was paid during the year (2019: £nil) and the directors do not propose a final dividend for the year ended 31 December 2020 (2019: £nil).

#### **BUSINESS ENVIRONMENT**

The overall economic backdrop has a significant bearing on the Group's ability to pursue its strategic objectives. Short-term financial market volatility and investor risk appetite impacts the Group's ability to raise capital to fund its development programmes. Over the longer-term, Government spending on fundamental R&D as well as policy support towards the commercialisation of IP are key areas affecting the Group's business model.

In this context, these are uncertain times both economically and politically, particularly following events including the Covid-19 pandemic and the UK's vote to leave the European Union and the economic policy changes made, and under consideration, in the US.

Within the pharmaceutical industry, pressure on pricing and reimbursement from governments and payers has increased the need to fill pipelines with innovative new drugs that can command premium pricing. Thus, the appetite for licensing and acquiring early-stage drug-development assets by the pharmaceutical industry from smaller biotechnology companies remains healthy, and a strong global balance sheet amongst the top-20 pharmaceutical companies has allowed for a significant pace and size of deal-doing.

#### **STRATEGY**

The directors remain focussed on the Company's lead development drug, MBS2320, and assuring its success in clinical studies. MBS2320 is currently in the middle-stages (Phase 2) of clinical development. In addition, the Company has a couple of earlier-stage programmes in the discovery phase focussed on alternative ways of intervening at a molecular level in rheumatoid arthritis and other autoimmune conditions and cancer.

#### **KEY PERFORMANCE INDICATORS**

Given the nature of the business, the Company's directors are of the opinion that analysis using financial KPIs is not necessary for an understanding of the development, performance or position of the business.

**Modern Biosciences Limited (Registered number: 05414023)**

**Strategic Report**

*for the year ended 31 December 2020*

**PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to the undertaking of early-stage development programmes, protection of intellectual property and retention of key personnel.

The directors manage these risks in a variety of ways including confidentiality agreements, industry specific insurance arrangements (including clinical trial insurance where considered appropriate), employee share schemes and utilising the expertise of highly experienced officers, employees, consultants and service providers.

**FUTURE OUTLOOK**

The directors will aim to continue to maximise the development potential and value of MBS2320, whether through its own development efforts or in conjunction with a different pharmaceutical company.

**ON BEHALF OF THE BOARD:**



Sam Williams (Dec 1, 2021 14:11 GMT)

Dr S C Williams - Director

Date: 1/12/2021

**Modern Biosciences Limited (Registered number: 05414023)**

**Report of the Directors**

*for the year ended 31 December 2020*

The directors present their report with the financial statements of the company for the year ended 31 December 2020.

**PRINCIPAL ACTIVITY**

Modern Biosciences Limited is a drug development company. Further detail is included in the strategic report.

**BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The Directors' report should be read in conjunction with the Strategic report on pages 2 to 4 (which is incorporated in this Directors' report by reference), which together, include information about the Company's business, its financial performance during the year, and likely developments in the future.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2020 (2019: £nil).

**EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

IP2IPO Services Limited  
Dr S C Williams

**CHARITABLE AND POLITICAL CONTRIBUTIONS**

During the year the Company made no charitable or political contributions (2019: £nil).

**GOING CONCERN**

The Company has adequate financial resources and as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully and to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements.

**QUALIFYING THIRD PARTY INDEMNITY PROVISION**

The Company has arranged qualifying third-party indemnity for all of its directors.

**BRANCHES**

The Company operates from a single location in the UK and consequently has no branches.

**CREDITOR PAYMENT POLICY**

It is the Company's current policy to establish payment terms with suppliers when agreeing terms of supply, to ensure that suppliers are made aware of the terms of payment, and to adhere to those terms. The Company's average trade payable payment period at 31 December 2020 was 28 days (2019: 28 days).

**ON BEHALF OF THE BOARD:**



Sam Williams (Dec 1, 2021 14:11 GMT)

Dr S C Williams - Director

Date: 1/12/2021

**Modern Biosciences Limited (Registered number: 05414023)**

**Statement of Comprehensive Income**  
*for the year ended 31 December 2020*

	Notes	2020 £	2019 £
<b>TURNOVER</b>		-	-
Administrative expenses		<u>(5,168,832)</u>	<u>(2,687,270)</u>
		(5,168,832)	(2,687,270)
Other operating income		<u>69</u>	<u>-</u>
<b>OPERATING LOSS</b>		(5,168,763)	(2,687,270)
Interest receivable and similar income		<u>3,209</u>	<u>1,987</u>
		(5,165,554)	(2,685,283)
Interest payable and similar expenses	4	<u>-</u>	<u>6</u>
<b>LOSS BEFORE TAXATION</b>	5	(5,165,554)	(2,685,289)
Tax on loss	6	<u>1,101,237</u>	<u>102,242</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		(4,064,317)	(2,583,047)
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<u>(4,064,317)</u>	<u>(2,583,047)</u>

The notes form part of these financial statements

**Modern Biosciences Limited (Registered number: 05414023)**

**Statement of Financial Position**

**31 December 2020**

	Notes	2020 £	2019 £
<b>FIXED ASSETS</b>			
Tangible assets	7	887	2,800
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	8	1,895,953	1,377,788
Debtors: amounts falling due after more than one year	8	1,072,572	1,824,754
Cash at bank		<u>2,067,865</u>	<u>284,793</u>
		5,036,390	3,487,335
<b>CREDITORS</b>			
Amounts falling due within one year	9	<u>(6,729,763)</u>	<u>(1,422,750)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(1,693,373)</u>	<u>2,064,585</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(1,692,486)	2,067,385
<b>CREDITORS</b>			
Amounts falling due after more than one year	10	<u>(8,306,408)</u>	<u>(8,306,408)</u>
<b>NET LIABILITIES</b>		<u>(9,998,894)</u>	<u>(6,239,023)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	70,205	70,205
Share premium	13	17,275	17,275
Capital redemption reserve	13	99,033	99,033
Capital reserve	13	64,318	64,318
Retained earnings	13	<u>(10,249,725)</u>	<u>(6,489,854)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>(9,998,894)</u>	<u>(6,239,023)</u>

The notes form part of these financial statements



**Modern Biosciences Limited (Registered number: 05414023)**

**Statement of Financial Position - continued**

**31 December 2020**

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2020.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2020 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements were approved by the Board of Directors and authorised for issue on 1/12/2021..... and were signed on its behalf by:

*Sam Williams*

Sam Williams (Dec 1, 2021 14:11 GMT)

Dr S C Williams - Director

**Modern Biosciences Limited (Registered number: 05414023)**

**Statement of Changes in Equity**  
*for the year ended 31 December 2020*

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Share premium £</b>
<b>Balance at 1 January 2019</b>	70,205	(4,196,807)	17,275
<b>Changes in equity</b>			
Total comprehensive loss	-	(2,583,047)	-
LTIP share option charge	-	290,000	-
<b>Balance at 31 December 2019</b>	<u>70,205</u>	<u>(6,489,854)</u>	<u>17,275</u>
<b>Changes in equity</b>			
Total comprehensive loss	-	(4,064,317)	-
LTIP share option charge	-	304,446	-
<b>Balance at 31 December 2020</b>	<u>70,205</u>	<u>(10,249,725)</u>	<u>17,275</u>
	<b>Capital redemption reserve £</b>	<b>Capital reserve £</b>	<b>Total equity £</b>
<b>Balance at 1 January 2019</b>	99,033	64,318	(3,945,976)
<b>Changes in equity</b>			
Total comprehensive loss	-	-	(2,583,047)
LTIP share option charge	-	-	290,000
<b>Balance at 31 December 2019</b>	<u>99,033</u>	<u>64,318</u>	<u>(6,239,023)</u>
<b>Changes in equity</b>			
Total comprehensive loss	-	-	(4,064,317)
LTIP share option charge	-	-	304,446
<b>Balance at 31 December 2020</b>	<u>99,033</u>	<u>64,318</u>	<u>(9,998,894)</u>

The notes form part of these financial statements

## **Modern Biosciences Limited (Registered number: 05414023)**

### **Notes to the Financial Statements**

*for the year ended 31 December 2020*

#### **1. STATUTORY INFORMATION**

Modern Biosciences Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

#### **2. ACCOUNTING POLICIES**

##### **Basis of preparation**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 issued subsequently and which are effectively immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures: a Cash Flow Statement and related notes; disclosures in respect of capital management; the effects of new but not yet effective IFRSs; and disclosures of transactions with a management entity that provides key management personnel services to the Company.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The preparation of financial statements in compliance with generally accepted accounting principles requires the use of estimates and assumptions that affect the amount reported of assets and liabilities at the balance sheet date and the amounts reported as revenue and expenditure of the reporting period.

##### **Going concern**

The Company's cash position at 31 December 2020 was £2,067,865 (2019: £284,793).

The operations of the Company are structured to focus on developing the most promising commercialisation opportunities whilst maintaining a controlled overhead base. Detailed financial forecasts for the Company, primarily comprising cash flows for the 12-month period post signing of the accounts, have been prepared. On the basis of these forecasts the directors have concluded that the going concern basis of preparation remains appropriate. The financial statements do not include any adjustments that would result if the going concern basis of preparation were no longer appropriate.

##### **Significant accounting estimates and judgements**

The directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

##### **Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer equipment      -    between 20% and 33% on cost

## **Modern Biosciences Limited (Registered number: 05414023)**

### **Notes to the Financial Statements - continued**

*for the year ended 31 December 2020*

#### **2. ACCOUNTING POLICIES - continued**

##### **Financial assets**

In respect of regular way purchases or sales, the Company uses trade date accounting to recognise or derecognise financial assets. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or the Company has transferred substantially all risks and rewards of ownership.

The Company classifies its financial assets into one of the categories listed below, depending on the purpose for which the asset was acquired. None of the Company's financial assets are categorised as fair value through profit or loss, held for trading or held to maturity.

##### **Loans and receivables**

These assets are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise principally through the payment of expenses on behalf of other group companies and value added tax on expenses not yet recovered from HM Revenue & Customs. Loans and receivables are carried at cost less provision for impairment.

##### **Financial liabilities**

Financial liabilities are comprised of trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

Interest-free loans, which are not repayable on demand, are initially recognised at fair value and subsequently measured at amortised cost. The difference between fair value on initial recognition and proceeds received is recognised as income or a capital contribution, dependent upon the parties to the loan. This difference is recognised as imputed interest through the income statement using the effective interest method.

The fair value on initial recognition is determined as the net present value of future cash flows discounted at a market interest rate.

Unless otherwise indicated, the carrying amounts of the Company's financial liabilities are a reasonable approximation to their fair value.

##### **Deferred tax**

Full provision is made for deferred tax on all temporary differences resulting from the carrying value of an asset or liability and its tax base. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability settled. Deferred tax assets are recognised to the extent that it is probable that the deferred tax asset will be recovered in the future.

##### **Employee benefit costs**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

##### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

##### **Share capital**

Financial instruments issued by the Company are treated as equity if the holders have only a residual interest in the Company's assets after deducting all liabilities. The objective of the Company is to manage capital so as to provide shareholders with above average returns through capital growth over the medium to long term. The Company considers its capital to comprise its share capital, share premium and retained earnings. The Company is not subject to any externally imposed capital requirements.

**Modern Biosciences Limited (Registered number: 05414023)**

**Notes to the Financial Statements - continued**

*for the year ended 31 December 2020*

**2. ACCOUNTING POLICIES - continued**

**Changes in accounting policies**

**(i) New standards, interpretations and amendments effective from 1 January 2020**

There are no new standards have been applied in these financial statements.

**(ii) New standards, interpretations and amendments not yet effective**

No new standards, interpretations and amendments not yet effective are expected to have a material effect on the Company's future financial statements.

**3. EMPLOYEES AND DIRECTORS**

	2020	2019
	£	£
Wages and salaries	353,581	295,801
Social security costs	43,090	22,208
Other pension costs	<u>19,944</u>	<u>13,856</u>
	<u>416,615</u>	<u>331,865</u>

The average number of employees during the year was as follows:

	2020	2019
Administrative and Directors	<u>2</u>	<u>2</u>

	2020	2019
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

**4. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2020	2019
	£	£
Loan	<u>-</u>	<u>6</u>

**5. LOSS BEFORE TAXATION**

The loss before taxation is stated after charging:

	2020	2019
	£	£
Depreciation - owned assets	2,911	11,937
Auditors' remuneration	(2,427)	-
Foreign exchange differences	8,941	4,605
Share based payment charge	<u>304,446</u>	<u>290,000</u>

**Modern Biosciences Limited (Registered number: 05414023)**

**Notes to the Financial Statements - continued**  
*for the year ended 31 December 2020*

**6. TAXATION**

**Analysis of tax income**

	2020 £	2019 £
Current tax:		
Tax	(1,101,237)	(547,721)
Deferred tax	<u>-</u>	<u>445,479</u>
Total tax income in statement of comprehensive income	<u>(1,101,237)</u>	<u>(102,242)</u>

**Factors affecting the tax expense**

The tax assessed for the year is lower (2019 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £	2019 £
Loss before income tax	<u>(5,165,554)</u>	<u>(2,685,289)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(981,455)	(510,205)
Effects of:		
Expenses not deductible for tax purposes	17,612	55,136
Adjustments to tax charge in respect of previous periods	31	(36,532)
Tax rate changes	-	17,855
Effect of R & D relief	(473,846)	(215,586)
Deferred tax not recognised	278,576	587,090
Effect of share-based payment charge	<u>57,845</u>	<u>-</u>
Tax income	<u>(1,101,237)</u>	<u>(102,242)</u>

**7. TANGIBLE FIXED ASSETS**

	Computer equipment £
<b>COST</b>	
At 1 January 2020	99,095
Additions	<u>998</u>
At 31 December 2020	<u>100,093</u>
<b>DEPRECIATION</b>	
At 1 January 2020	96,295
Charge for year	<u>2,911</u>
At 31 December 2020	<u>99,206</u>
<b>NET BOOK VALUE</b>	
At 31 December 2020	<u>887</u>
At 31 December 2019	<u>2,800</u>

**Modern Biosciences Limited (Registered number: 05414023)**

**Notes to the Financial Statements - continued**  
*for the year ended 31 December 2020*

**8. DEBTORS**

	2020 £	2019 £
Amounts falling due within one year:		
Other debtors	55,449	67,598
Tax	1,594,486	1,251,586
VAT	246,018	58,604
	<u>1,895,953</u>	<u>1,377,788</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>1,072,572</u>	<u>1,824,754</u>
Aggregate amounts	<u>2,968,525</u>	<u>3,202,542</u>

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020 £	2019 £
Trade creditors	540,661	179,115
Social security and other taxes	17,201	7,084
Other creditors	6,134,053	1,160,371
Accruals and deferred income	37,848	76,180
	<u>6,729,763</u>	<u>1,422,750</u>

**10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2020 £	2019 £
Amounts owed to group undertakings	<u>8,306,408</u>	<u>8,306,408</u>

**11. CATEGORISATION OF FINANCIAL INSTRUMENTS**

	Loans and receivables £	Total £
<b>Financial assets</b>		
At 31 December 2020		
Trade and other receivables	1,128,021	1,128,021
Cash and cash equivalents	2,067,865	2,067,865
	<u>3,195,886</u>	<u>3,195,886</u>
At 31 December 2019		
Trade and other receivables	1,892,351	1,892,351
Cash and cash equivalents	284,793	284,793
	<u>2,177,144</u>	<u>2,177,144</u>

All financial liabilities are categorised as other financial liabilities and recognised at amortised cost.

**Modern Biosciences Limited (Registered number: 05414023)**

**Notes to the Financial Statements - continued**  
*for the year ended 31 December 2020*

**12. CALLED UP SHARE CAPITAL**

**Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	2020 £	2019 £
70,204,880	Ordinary	0.1p	<u>70,205</u>	<u>70,205</u>

**13. RESERVES**

	Retained earnings £	Share premium £	Capital redemption reserve £	Capital reserve £	Totals £
At 1 January 2020	(6,489,854)	17,275	99,033	64,318	(6,309,228)
Deficit for the year	(4,064,317)				(4,064,317)
LTIP share option charge	<u>304,446</u>	-	-	-	<u>304,446</u>
At 31 December 2020	<u>(10,249,725)</u>	<u>17,275</u>	<u>99,033</u>	<u>64,318</u>	<u>(10,069,099)</u>

**14. RELATED PARTY TRANSACTIONS**

The Company receives business support services from IP2IPO Limited, a subsidiary company of IP Group plc, which is a significant shareholder in the Company's parent company Istesso Limited. No amounts were invoiced or are outstanding at balance sheet date for these services during the year (2019: £nil).

The Company has received an £8.3m loan from IP Group plc.

As part of the provision of ongoing financial support to a number of its subsidiaries, the Company has permitted those subsidiaries to recharge the Company for their research related expenditure in the year. An analysis of the amounts recharged is as follows:

	2020 £	2019 £
PIMCO 2664 Limited	<u>-</u>	<u>-</u>

With the exception of the above, the Company has not sold to, or purchased from, any related party in the year. The amounts owed by group undertakings arose through the settlement of expenses by the Company which were incurred by another group undertaking. This amount is repayable on demand and does not bear interest. Its book value is considered to be its fair value at the balance sheet date.



**Modern Biosciences Limited (Registered number: 05414023)**

**Notes to the Financial Statements - continued**  
*for the year ended 31 December 2020*

**14. RELATED PARTY TRANSACTIONS (continued)**

The directors consider the key management of the Company to solely comprise the board of directors whose aggregate remuneration is that disclosed in note 3 to the financial statements. Details of the Company's subsidiary undertakings at 31 December 2020 are as follows:

	<b>Place of incorporation (or registration) and operation</b>	<b>Place of ownership interest and voting power held %</b>
PIMCO 2664 Limited*	England and Wales	100
Modern Biosciences Nominees Limited*	England and Wales	100
MBS Secretarial Limited*	England and Wales	100
MBS Director Limited*	England and Wales	100

All the above companies marked with a \* are dormant.

**15. EVENTS AFTER THE REPORTING PERIOD**

At present, the Directors do not envisage the Covid-19 pandemic will result in a significant adverse impact for the Company, however given that the outcome of the Covid-19 pandemic is uncertain we acknowledge that a definitive assessment of its impact cannot be made at this time.

**16. IMMEDIATE AND ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The immediate parent company and the ultimate controlling party is Istesso Limited. Copies of the ultimate parent company's financial statements may be obtained from its registered address.

**17. SHARE-BASED PAYMENTS**

In 2019, the Company began to incentivise employees with EMI options through its Share Option Scheme.

**Istesso Limited Share Option Scheme ("the Scheme")**

The EMI options allow an employee to exercise the option to purchase a specified class of Istesso Limited shares, at a specified price. The EMI options are subject to time-based vesting over three years (1/3 after year one, 1/3 after year two and 1/3 after year three) provided that the value of Istesso Limited's ordinary shares increases by 10% per year over the three-year period.

An analysis of movements in the EMI ordinary share options outstanding is as follows:

	<b>Number of options 2020</b>	<b>Weighted average exercise price 2020</b>	<b>Number of options 2019</b>	<b>Weighted average exercise price 2019</b>
At 1 January	1,123,147	249,339	-	-
EMI options granted in the year	73,298	11,361	1,126,126	250,000
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	(2,979)	(661)
At 31 December	<u>1,196,445</u>	<u>234,760</u>	<u>1,123,147</u>	<u>249,339</u>
Exercisable at 31 December	-	-	-	-

The options outstanding at 31 December 2020 had exercise prices between £0.155 and £0.222 (2019: £0.222) and a remaining contractual life of 8.6 years (2019: 9.6 years).

**Modern Biosciences Limited (Registered number: 05414023)**

**Notes to the Financial Statements - continued**  
*for the year ended 31 December 2020*

**17. SHARE-BASED PAYMENTS (continued)**

An analysis of movements in the EMI growth share options outstanding is as follows:

	Number of options 2020	Weighted average exercise price 2020	Number of options 2019	Weighted average exercise price 2019
At 1 January	183,399	183	-	-
EMI options granted in the year	-	-	183,399	183
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	-	-
At 31 December	<u>183,399</u>	<u>183</u>	<u>183,399</u>	<u>183</u>
Exercisable at 31 December	-	-	-	-

The options outstanding at 31 December 2020 had an exercise price of £0.001 (2019: £0.001) and a remaining contractual life of 8.5 years (2019: 9.5 years).

The fair value of EMI ordinary share options notionally awarded during the year was calculated using Monte Carlo pricing models with the following key assumptions:

	2020	2019
Share price at date of award	£1.11	£1.11
Exercise price	£0.155	£0.222
Fair value at grant date	£0.96	£0.51
Expected volatility	36%	36%
Expected life (years)	3.0	3.0
Expected dividend yield	0%	0%
Risk-free interest rate	0.1%	0.7%

The fair value of EMI growth share options notionally awarded during the year was calculated using Monte Carlo pricing models with the following key assumptions:

	2020	2019
Share price at date of award	-	£1.11
Exercise price	-	£0.001
Fair value at grant date	-	£0.56
Expected volatility	-	36%
Expected life (years)	-	3.0
Expected dividend yield	-	0%
Risk-free interest rate	-	0.6%