

**Consolidated Financial Statements**

**Autifony Therapeutics Limited**

**31 December 2015**

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COMPANIES HOUSE

# **AUTIFONY THERAPEUTICS GROUP**

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# **AUTIFONY THERAPEUTICS GROUP**

## **CONSOLIDATED FINANCIAL STATEMENTS 2015**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

J Berriman  
C Large  
C Bingham  
M Bhaman  
E Jones  
A Pande

#### **REGISTRATION NUMBER**

07543962

#### **REGISTERED OFFICE**

B205 Imperial College Incubator  
Level 1 Bessemer Building  
Imperial College  
London  
SW7 2AZ

#### **INDEPENDENT AUDITOR**

Grant Thornton UK LLP  
Chartered Accountants & Statutory Auditor  
101 Cambridge Science Park  
Milton Road  
Cambridge  
Cambridgeshire  
CB4 0FY

#### **BANKERS**

Barclays Bank  
1 Churchill Place  
London  
E14 5HP

# **AUTIFONY THERAPEUTICS GROUP**

## **CONSOLIDATED FINANCIAL STATEMENTS 2015**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2015.

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

### **PRINCIPAL ACTIVITY**

The principal activity of the company is drug discovery research.

### **DIRECTORS**

The directors who served throughout the year are shown below:

J Berriman  
C Large  
CE Bingham  
M Bhaman  
A Baxter (deceased 27 January 2015)  
E Jones  
A Pande

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Directors' 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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

### **DISCLOSURE OF INFORMATION TO THE AUDITOR**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

# **AUTIFONY THERAPEUTICS GROUP**

## **CONSOLIDATED FINANCIAL STATEMENTS 2015**

### **DIRECTORS' REPORT (CONTINUED)**

#### **AUDITOR**

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Approved by the Board of Directors on 28 September 2016 and signed on behalf of the Board



C Large  
Director

# **AUTIFONY THERAPEUTICS GROUP**

## **CONSOLIDATED FINANCIAL STATEMENTS 2015**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTIFONY THERAPEUTICS LIMITED**

#### **Independent auditor's report to the members of Autifony Therapeutics Limited**

We have audited the financial statements of Autifony Therapeutics Limited for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 Auditing Practices Board'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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://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 of the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# AUTIFONY THERAPEUTICS GROUP

## CONSOLIDATED FINANCIAL STATEMENTS 2015

### 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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Directors' Report.

*Grant Thornton UK LLP*

Alison Seekings (Senior Statutory Auditor)  
for and on behalf of Grant Thornton UK LLP,  
Statutory Auditor, Chartered Accountants  
Cambridge

20 September 2016

# AUTIFONY THERAPEUTICS GROUP

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2015

	Note	2015 £	2014 £
Other income	9	1,125,285	934,637
Research and development		(5,878,183)	(3,945,706)
General and administration		(1,104,282)	(830,944)
<b>OPERATING LOSS</b>	3	<b>(5,857,180)</b>	<b>(3,842,013)</b>
Finance income	13	26,354	29,274
Finance expense	13	(1,006)	(924)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(5,831,832)</b>	<b>(3,813,663)</b>
Taxation	12	575,897	545,513
<b>LOSS FOR THE YEAR</b>		<b>(5,255,935)</b>	<b>(3,268,150)</b>
<b>Other comprehensive income</b>			
Foreign currency translation differences		(3,516)	(2,132)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(5,259,451)</b>	<b>(3,270,282)</b>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the Profit and loss account.



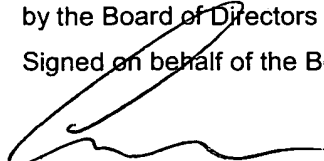
# AUTIFONY THERAPEUTICS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2015

	Note	2015	Group 2014	2013
		£	£	£
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets	5	516,833	601,853	686,853
Property, plant & equipment	6	49,807	55,650	82,469
<b>TOTAL NON-CURRENT ASSETS</b>		<b>566,640</b>	<b>657,503</b>	<b>769,322</b>
<b>CURRENT ASSETS</b>				
Trade and other receivables	8	827,339	372,182	184,885
Cash and cash equivalents		9,885,346	6,480,516	9,824,854
<b>TOTAL CURRENT ASSETS</b>		<b>10,712,685</b>	<b>6,852,698</b>	<b>10,009,739</b>
<b>TOTAL ASSETS</b>		<b>11,279,325</b>	<b>7,510,201</b>	<b>10,779,061</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	14	1,680,103	596,101	594,779
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,680,103</b>	<b>596,101</b>	<b>594,779</b>
<b>EQUITY</b>				
Share capital	15	26,899	19,778	19,678
Share premium account		24,760,825	16,823,373	16,823,373
Other components of equity		(7,334)	(3,818)	(1,686)
Retained earnings		(15,181,168)	(9,925,233)	(6,657,083)
<b>TOTAL EQUITY</b>		<b>9,599,222</b>	<b>6,914,100</b>	<b>10,184,282</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,279,325</b>	<b>7,510,201</b>	<b>10,779,061</b>

The financial statements of Autifony Therapeutics Limited, registered number 07543962, were approved by the Board of Directors and authorised for issue on 28 September 2016.

Signed on behalf of the Board of Directors



C Large

Director

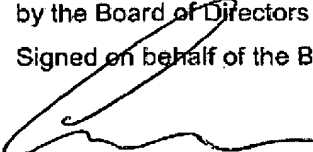
# AUTIFONY THERAPEUTICS LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION as at 31 December 2015

	Note	2015	2014	2013
		£	£	£
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets	5	516,833	601,853	686,853
Property, plant & equipment	6	7,105	8,776	16,399
Investment	4	8,602	8,602	8,602
<b>TOTAL NON-CURRENT ASSETS</b>		<b>532,540</b>	619,231	711,854
<b>CURRENT ASSETS</b>				
Trade and other receivables	8	770,461	435,110	151,712
Cash and cash equivalents		9,840,485	6,276,395	9,776,670
<b>TOTAL CURRENT ASSETS</b>		<b>10,610,946</b>	6,711,505	9,928,382
<b>TOTAL ASSETS</b>		<b>11,143,486</b>	7,330,736	10,640,236
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	14	1,626,024	481,716	500,730
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,626,024</b>	481,716	500,730
<b>EQUITY</b>				
Share capital	15	26,899	19,778	19,678
Share premium account		24,760,825	16,823,373	16,823,373
Retained earnings		(15,270,262)	(9,994,131)	(6,703,545)
<b>TOTAL EQUITY</b>		<b>9,517,462</b>	6,849,020	10,139,506
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,143,486</b>	7,330,736	10,640,236

The financial statements of Autifony Therapeutics Limited, registered number 07543962, were approved by the Board of Directors and authorised for issue on 28 September 2016.

Signed on behalf of the Board of Directors



C Large  
Director

# AUTIFONY THERAPEUTICS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2015

	Share capital £	Share premium £	Other components of equity £	Retained earnings £	Total equity £
<b>Balance at 1 January 2014</b>	<b>19,678</b>	<b>16,823,373</b>	<b>(1,686)</b>	<b>(6,657,083)</b>	<b>10,184,282</b>
Issue of share capital	100	-	-	-	100
<b>Transactions with owners</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>
Loss for the year and total comprehensive income	-	-	(2,132)	(3,268,150)	(3,270,282)
<b>Balance at 31 December 2014</b>	<b>19,778</b>	<b>16,823,373</b>	<b>(3,818)</b>	<b>(9,925,233)</b>	<b>6,914,100</b>
Issue of share capital	7,121	7,937,452	-	-	7,944,573
<b>Transactions with owners</b>	<b>7,121</b>	<b>7,937,452</b>	<b>-</b>	<b>-</b>	<b>7,944,573</b>
Loss for the year and total comprehensive income	-	-	(3,516)	(5,255,935)	(5,259,451)
<b>Balance at 31 December 2015</b>	<b>26,899</b>	<b>24,760,825</b>	<b>(7,334)</b>	<b>(15,181,168)</b>	<b>9,599,222</b>

## COMPANY STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2015

	Share capital £	Share premium £	Other components of equity £	Retained earnings £	Total equity £
<b>Balance at 1 January 2014</b>	<b>19,678</b>	<b>16,823,373</b>		<b>(6,703,545)</b>	<b>10,139,506</b>
Issue of share capital	100	-	-	-	100
<b>Transactions with owners</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>
Loss for the year and total comprehensive income	-	-	-	(3,290,586)	(3,290,586)
<b>Balance at 31 December 2014</b>	<b>19,778</b>	<b>16,823,373</b>	<b>-</b>	<b>(9,994,131)</b>	<b>6,849,020</b>
Issue of share capital	7,121	7,937,452	-	-	7,944,573
<b>Transactions with owners</b>	<b>7,121</b>	<b>7,937,452</b>	<b>-</b>	<b>-</b>	<b>7,944,573</b>
Loss for the year and total comprehensive income	-	-	-	(5,276,131)	(5,276,131)
<b>Balance at 31 December 2015</b>	<b>26,899</b>	<b>24,760,825</b>	<b>-</b>	<b>(15,270,262)</b>	<b>9,517,462</b>

# AUTIFONY THERAPEUTICS LIMITED

## CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS For the year ended 31 December 2015

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
<b>Cash flows from operating activities</b>				
Loss before income tax	(5,831,832)	(3,813,663)	(5,864,011)	(3,852,534)
Finance income	(26,354)	(29,274)	(26,354)	(29,274)
Finance expense	1,006	924	1,006	924
Depreciation and amortisation	113,207	112,172	94,193	94,030
Exchange differences	10,066	5,203	-	-
	(5,733,907)	(3,724,638)	(5,795,166)	(3,786,854)
<b>Changes in working capital</b>				
(Increase)/decrease in trade and other receivables	(455,257)	(187,197)	(335,451)	(283,298)
(Decrease)/increase in trade and other payables	1,084,003	1,322	1,144,308	(19,013)
<b>Cash used in operations</b>	(5,105,161)	(3,910,513)	(4,986,309)	(4,089,165)
Taxation received	575,897	545,513	587,880	561,947
<b>Net cash used in operating activities</b>	(4,529,264)	(3,365,000)	(4,398,429)	(3,527,218)
<b>Cash flows from investing activities</b>				
Finance income	26,354	29,274	26,354	29,274
Purchase of property, plant and equipment	(25,175)	(4,595)	(7,502)	(1,407)
<b>Net cash generated from investing activities</b>	1,179	24,679	18,852	27,867
<b>Cash flows from financing activities</b>				
Finance expense	(1,006)	(924)	(1,006)	(924)
Proceeds from issue of shares	7,944,673	-	7,944,673	-
<b>Net cash generated from financing activities</b>	7,943,667	(924)	7,943,667	(924)
<b>Movements in cash and cash equivalents in the period</b>	<b>3,415,582</b>	<b>(3,341,245)</b>	<b>3,564,090</b>	<b>(3,500,275)</b>
Cash and cash equivalents at start of period	6,480,516	9,824,854	6,276,395	9,776,670
Exchange difference on cash and cash equivalents	(10,752)	(3,093)	-	-
<b>Cash and cash equivalents at end of period</b>	<b>9,885,346</b>	<b>6,480,516</b>	<b>9,840,485</b>	<b>6,276,395</b>

# **AUTIFONY THERAPEUTICS LIMITED**

## **ADDITIONAL INFORMATION**

**Year ended 31 December 2015**

### **1. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRSs**

Autifony Therapeutics Limited, the Group's ultimate parent company, is a limited liability company incorporated and domiciled in the United Kingdom under the Companies Act 2006 (Registration number 07543962). The address of the registered office and principal place of business is B205 Imperial College Incubator, Level 1 Bessemer Building, Imperial College, London, SW7 2AZ.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements for the year ended 31 December 2015 (including comparatives) were approved and authorised for issue by the board of directors on September 2016.

The financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) until 31 December 2014. The date of transition to IFRSs was 1 January 2013. No adjustments to the comparative figures were required as a result of the transition to IFRSs. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are presented and explained in note 18.

IFRS is subject to amendment and interpretation by the IASB and the IFRS Interpretations Committee, and there is an on-going process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2015.

The principal activity of Autofony Therapeutics Limited and its subsidiaries (the Group) is drug discovery research.

### **2. ACCOUNTING POLICIES**

#### **Basis of preparation**

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

#### **Basis of consolidation**

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2015. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies.

#### **Going concern**

As part of their going concern review the Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of this financial information. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

On the basis of the above projections, the Directors are confident that the Group has sufficient working capital to honour all of its obligations to creditors as and when they fall due. Thus they have adopted the going concern basis of accounting in preparing the consolidated financial statements.

# **AUTIFONY THERAPEUTICS LIMITED**

## **ADDITIONAL INFORMATION**

**Year ended 31 December 2015**

### **2. ACCOUNTING POLICIES (CONTINUED)**

#### **Foreign currency translation**

The consolidated financial statements are presented in Pounds Sterling, which is also the functional currency of the parent company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the profit or loss.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Pounds Sterling are translated into Pounds Sterling upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Pounds Sterling at the closing rate at the reporting date. Income and expenses have been translated into Pounds Sterling at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

#### **Grant income**

Grant receipts are credited to other operating income as the related expenditure is incurred. At the year end, any grants submitted but not yet received are accrued for.

#### **Interest**

Interest income is credited to the Statement of Comprehensive Income as the income is received.

#### **Intangible assets**

Intellectual property rights are accounted for using the cost model whereby capitalised costs are amortised on a straight line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The following useful lives are applied:

Intellectual property rights	-	10% straight line
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#### **Research and development expenditure**

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same year unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period from which the company is expected to benefit.

# **AUTIFONY THERAPEUTICS LIMITED**

## **ADDITIONAL INFORMATION**

**Year ended 31 December 2015**

### **2. ACCOUNTING POLICIES (CONTINUED)**

#### **Property, plant and equipment**

Property, plant and equipment is carried at cost less accumulated depreciation and any recognised impairment in value. Property, plant and equipment is depreciated on a straight-line basis to its residual value over its anticipated useful economic life. The following depreciation rates are applied for the group:

Office equipment	-	33.33% straight line
Laboratory equipment	-	33.33% straight line

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within general and administration expenses.

#### **Operating leases**

Rentals under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

#### **Impairment of non-financial assets**

For Intellectual property rights the Group performs impairment testing where there are indicators of impairment. If such an indicator exists, the recoverable amount of the asset is reduced to its recoverable amount. An impairment loss is immediately recognised in the Group profit or loss.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's recoverable amount exceeds its carrying amount.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument.

Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

#### **Post-employment benefit plans**

The Group pays fixed contributions into independent entities for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that related employee services are received.

#### **Short-term employee benefits**

Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other obligations, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

# **AUTIFONY THERAPEUTICS LIMITED**

## **ADDITIONAL INFORMATION**

**Year ended 31 December 2015**

### **2. ACCOUNTING POLICIES (CONTINUED)**

#### **Taxation**

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity and includes tax incentives for research and development.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 'Income Taxes' specifies limited exemptions. As a result of these exemptions the Group does not recognise deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries.

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

Cash and cash equivalents consist of cash at bank and demand deposits.

#### **Equity**

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes and premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:

Translation reserve	-	comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Pounds Sterling.
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Retained earnings includes all current and prior period retained profits and share-based employee remuneration.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.



# AUTIFONY THERAPEUTICS LIMITED

## ADDITIONAL INFORMATION

Year ended 31 December 2015

### 2. ACCOUNTING POLICIES (CONTINUED)

#### **Estimation uncertainty**

##### *Impairment of non-financial assets*

In assessing impairment, management estimates the recoverable amount of each asset based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

##### *Useful lives of depreciable assets*

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

##### *Fair value measurement*

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

#### **Standards and interpretations to existing standards (all of which have yet to be adopted by the EU) which are not yet effective and are under review as to their impact on the Group**

The following standards and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2015 or later periods but which the Group has not early adopted:

- IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018)
- IFRS 9 Financial Instruments (effective date 1 January 2018)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective date 1 January 2018)
- IFRS 16 Leasing (effective 1 January 2019)

# AUTIFONY THERAPEUTICS LIMITED

## ADDITIONAL INFORMATION

Year ended 31 December 2015

### 3. OPERATING LOSS

An analysis of the Group's operating loss has been arrived at after charging/(crediting):

	Group 2015 £	2014 £	Company 2015 £	2014 £
<b>Operating loss is after charging:</b>				
Amortisation of patents	85,020	85,000	85,020	85,000
Depreciation of tangible assets	28,187	27,172	9,173	9,030
Operating leases – land and buildings	19,632	12,241	19,632	12,241
Auditors' remuneration	10,000	6,750	10,000	6,750

### 4. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The subsidiaries held directly by the Group are as follows:

Name of subsidiary	Country of incorporation	Principal activity	Proportion of ownership interests held by the Group at year end	
			2015	2014
Autifony Srl	Italy	Drug discovery	100%	100%

				Company £
<b>Cost</b>				
At 1 January 2015 and 31 December 2015				8,602

### 5. INTANGIBLE FIXED ASSETS

Group & Company:

	Intellectual property rights
	£
<b>Gross carrying amount</b>	
Balance at 1 January 2015	850,000
Additions	-
Balance at 31 December 2015	850,000
<b>Amortisation and impairment</b>	
Balance at 1 January 2015	248,147
Charge in year	85,020
Balance at 31 December 2015	333,167
<b>Carrying amount at 31 December 2015</b>	<b>516,833</b>

# AUTIFONY THERAPEUTICS LIMITED

## ADDITIONAL INFORMATION

Year ended 31 December 2015

### 5. INTANGIBLE FIXED ASSETS (CONTINUED)

Group & Company:	Intellectual property rights
	£
<b>Gross carrying amount</b>	
Balance at 1 January 2014	850,000
Additions	-
Balance at 31 December 2014	850,000
<b>Amortisation and impairment</b>	
Balance at 1 January 2014	163,147
Charge in year	85,000
Balance at 31 December 2014	248,147
<b>Carrying amount at 31 December 2014</b>	<b>601,853</b>

Expenditure on research and development has not been capitalised on the basis that until drug development projects obtain regulatory approval, the commercial and financial viability risks are such that the projects do not satisfy the criteria for capitalisation.

### 6. PROPERTY, PLANT AND EQUIPMENT

Group:	Office equipment £	Laboratory equipment £	Total £
<b>Gross carrying amount</b>			
Balance at 1 January 2015	98,204	25,505	123,709
Additions	25,175	-	25,175
Effects of foreign exchange	(5,031)	-	(5,031)
Balance at 31 December 2015	118,348	25,505	143,853
<b>Depreciation and impairment</b>			
Balance at 1 January 2015	49,651	18,408	68,059
Charge in year	21,090	7,097	28,187
Effects of foreign exchange	(2,200)	-	(2,200)
Balance at 31 December 2015	68,541	25,505	94,046
<b>Carrying amount at 31 December 2015</b>	<b>49,807</b>	<b>-</b>	<b>49,807</b>

# AUTIFONY THERAPEUTICS LIMITED

## ADDITIONAL INFORMATION

Year ended 31 December 2015

### 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group:	Office equipment £	Laboratory equipment £	Total £
<b>Gross carrying amount</b>			
Balance at 1 January 2014	99,945	25,505	125,450
Additions	4,595	-	4,595
Effects of foreign exchange	(6,336)	-	(6,336)
Balance at 31 December 2014	98,204	25,505	123,709
<b>Depreciation and impairment</b>			
Balance at 1 January 2014	33,075	9,906	42,981
Charge in year	18,670	8,502	27,172
Effects of foreign exchange	(2,094)	-	(2,094)
Balance at 31 December 2014	49,651	18,408	68,059
<b>Carrying amount at 31 December 2014</b>	<b>48,553</b>	<b>7,097</b>	<b>55,650</b>

Company:	Office equipment £	Laboratory equipment £	Total £
<b>Gross carrying amount</b>			
Balance at 1 January 2015	2,685	25,505	28,190
Additions	7,502	-	7,502
Balance at 31 December 2015	10,187	25,505	35,692
<b>Depreciation and impairment</b>			
Balance at 1 January 2015	1,006	18,408	19,414
Charge in year	2,076	7,097	9,173
Balance at 31 December 2015	3,082	25,505	28,587
<b>Carrying amount at 31 December 2015</b>	<b>7,105</b>	<b>-</b>	<b>7,105</b>

# AUTIFONY THERAPEUTICS LIMITED

## ADDITIONAL INFORMATION

Year ended 31 December 2015

### 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company:	Office equipment £	Laboratory equipment £	Total £
<b>Gross carrying amount</b>			
Balance at 1 January 2014	1,278	25,505	26,783
Additions	1,407	-	1,407
Balance at 31 December 2014	2,685	25,505	28,190
<b>Depreciation and impairment</b>			
Balance at 1 January 2014	478	9,906	10,384
Charge in year	528	8,502	9,030
Balance at 31 December 2014	1,006	18,408	19,414
<b>Carrying amount at 31 December 2014</b>	<b>1,679</b>	<b>7,097</b>	<b>8,776</b>

### 7. OPERATING LEASE

The Group leases an office under an operating lease. The future minimum lease payments are as follows:

	Within 1 year £	1 to 5 years £	After 5 years £	Total £
31 December 2015	3,575	-	-	3,575
31 December 2014	2,111	-	-	2,111

Payments recognised as an expense are disclosed in note 3. The rental contract has a cancellable term of five months and requires a two month notice period in the event of a cancellation by either party.

# AUTIFONY THERAPEUTICS LIMITED

## ADDITIONAL INFORMATION

Year ended 31 December 2015

### 8. TRADE & OTHER RECEIVABLES

	2015	Group 2014	2013
	£	£	£
<b>Amounts receivable within one year</b>			
Other receivables	741,423	287,360	141,729
Other taxation and social security	85,916	84,722	43,156
Called up share capital not paid	-	100	-
	<u>827,339</u>	<u>372,182</u>	<u>184,885</u>

	2015	Company 2014	2013
	£	£	£
<b>Amounts receivable within one year</b>			
Amounts due from subsidiary undertakings	-	127,463	21,923
Other receivables	711,308	254,048	129,789
Other taxation and social security	59,153	53,499	-
Called up share capital not paid	-	100	-
	<u>770,461</u>	<u>435,110</u>	<u>151,712</u>

All amounts are short-term. The net carrying value of receivables is considered a reasonable approximation of fair value.

### 9. OTHER OPERATING INCOME

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Government grants receivable	<u>1,125,285</u>	<u>934,637</u>	<u>1,125,285</u>	<u>934,637</u>

# AUTIFONY THERAPEUTICS LIMITED

## ADDITIONAL INFORMATION

Year ended 31 December 2015

### 10. EMPLOYEES

The average monthly number of persons (including executive directors) employed by the Group was:

	2015 £	2014 £
Administration	1	-
Development	12	9
Non-executive	2	2
Average total persons employed	<u>15</u>	<u>11</u>

As at 31 December 2015 the group had 17 employees (31 December 2014: 11)

Staff costs in respect of these employees were:

	2015 £	2014 £
Wages and salaries	1,127,439	854,587
Social security costs	178,140	140,396
Other pension costs	58,322	35,329
Total remuneration	<u>1,363,901</u>	<u>1,030,312</u>

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group in independently administered funds. The amounts outstanding at 31 December 2015 in respect of pension are £24,309 (31 December 2014: £5,933).

Key management remuneration:

	2015 £	2014 £
Wages and salaries	733,785	623,371
Social security costs	74,372	38,560
Other pension costs	31,709	17,550
Total remuneration	<u>839,866</u>	<u>679,481</u>

Key management includes executive directors, non-executive directors and senior management who have the responsibility for planning, directing and controlling, directly or indirectly, the activities of the Group.

# AUTIFONY THERAPEUTICS LIMITED

## ADDITIONAL INFORMATION

Year ended 31 December 2015

### 11. DIRECTORS' EMOLUMENTS

	2015 £	2014 £
Aggregate emoluments	228,400	218,029
Company contributions to a money purchase pension scheme	11,284	-
	<u>239,684</u>	<u>218,029</u>

During the year retirement benefits were accruing to 1 director (2014: 1) in respect of money purchase pension schemes.

#### Highest paid director

	2015 £	2014 £
Aggregate emoluments	179,200	159,279
Company contributions to a money purchase pension scheme	11,284	-
	<u>190,484</u>	<u>159,279</u>

### 12. TAX ON LOSS ON ORDINARY ACTIVITIES

	2015 £	2014 £
UK corporation tax credit on loss for the year	587,880	561,947
Foreign income taxes	(11,983)	(16,434)
	<u>575,897</u>	<u>545,513</u>

The tax assessed for the year is lower than (2014: lower than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%). The differences are explained below:

	2015 £	2014 £
Result for the year before taxation	(5,831,832)	(3,813,663)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	(1,180,946)	(819,556)
Expenses not deductible for tax purposes	92	-
Deferred tax not recognised	1,189,249	832,138
Research and development tax credit on losses surrendered	(587,880)	(561,947)
Effect of overseas tax rates	3,588	3,852
Total tax	<u>(575,897)</u>	<u>(545,513)</u>

#### Factors that may affect future tax charges

The company takes advantage of the enhanced tax deductions for Research and Development expenditure and expects to continue to be able to do so. The tax credit recognised relates to a claim for the prior year.

There are significant losses available to carry forward, estimated at £9 million (2014: £7 million) for which no deferred tax asset is recognised.



# AUTIFONY THERAPEUTICS LIMITED

## ADDITIONAL INFORMATION

Year ended 31 December 2015

### 13. FINANCE INCOME AND FINANCE EXPENSE

	2015 £	2014 £
Finance income	<u>26,354</u>	<u>29,274</u>

	2015 £	2014 £
Finance expense	<u>1,006</u>	<u>924</u>

### 14. TRADE AND OTHER PAYABLES

	2015 £	Group 2014 £	2013 £
Trade payables	652,613	198,043	62,714
Other taxation and social security	71,944	82,324	57,433
Accrued expenses	955,546	315,734	474,632
	<u>1,680,103</u>	<u>596,101</u>	<u>594,779</u>

	2015 £	Company 2014 £	2013 £
Trade payables	635,610	183,526	57,410
Amounts payable to subsidiaries	37,494	-	-
Other taxation and social security	28,714	17,203	6,647
Accrued expenses	924,206	280,987	436,673
	<u>1,626,024</u>	<u>481,716</u>	<u>500,730</u>

Trade and other payables principally consist of amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are normally settled on 30 to 45 day terms. The Directors consider that the carrying value of trade and other payables approximates their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

Amounts due to subsidiary undertakings are interest free, unsecured and have no fixed date of repayment.

# AUTIFONY THERAPEUTICS LIMITED

## ADDITIONAL INFORMATION

Year ended 31 December 2015

### 15. CALLED UP SHARE CAPITAL

	2015 £	2014 £
<b>Called up, allotted and fully paid</b>		
2,834,204 (2014 - 2,359,204) Ordinary shares of £0.001 each	2,834	2,359
1,400,000 (2014 - 1,400,000) A Ordinary shares of £0.001 each	1,400	1,400
13,021,429 (2014 - 13,021,429) Series A Preferred shares of £0.001 each	13,021	13,021
1,698,418 (2014 - 1,698,418) Series A-2 Preferred shares of £0.001 each	1,698	1,698
1,300,000 (2014 - 1,300,000) Series A-2 NV Preferred shares of £0.001 each	1,300	1,300
5,863,459 (2014 - nil) Series A-3 Preferred shares of £0.001 each	5,863	-
783,333 (2014 - nil) Series A-3 NV Preferred shares of £0.001 each	783	-
	<u>26,899</u>	<u>19,778</u>

### Share rights

Ordinary shares and A Ordinary shares carry voting rights, entitlement to dividends and a return on capital after repayment of the capital of the Preferred shares shareholders.

Series A Preferred shares and Series A-2 and A-3 Preferred shares carry voting rights, entitlement to dividends and a return on capital before the ordinary shareholders.

Series A-2 NV and A-3 NV Preferred shares carry entitlement to dividends and a return on capital before the ordinary shareholders but no voting rights.

Dividends are cumulative and accrue on a daily basis and are calculated at 8% of the par value. They are payable only on a share sale or qualifying listing. The shares may be converted into ordinary shares at the discretion of the shareholder at any time. The shares are all considered to be equity instruments.

### Share issues

During the year ended 31 December 2015 the company issued 475,000 Ordinary shares of £0.001 each at par. The company also issued 5,863,459 new Series A-3 Preferred shares of £0.001 each and 783,333 new Series A-3 NV Preferred shares of £0.001 each at a price of £1.20 per share.

### Share options

The company has granted options to employees over Ordinary shares. The vesting period is four years. The options are settled in equity once exercised. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before the options vest.

At 31 December 2015 the company has 970,000 outstanding options over Ordinary shares (2014 - 435,000). These were granted from 19 March 2013 and have an exercise price of £0.001 per share. No material share based payment charge is calculated to arise.

# AUTIFONY THERAPEUTICS LIMITED

## ADDITIONAL INFORMATION

Year ended 31 December 2015

### 16. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Key management compensation is disclosed in note 10, and directors' emoluments are disclosed in note 11 of the consolidated financial statements.

### 17. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments are cash flow and liquidity and foreign currency risk. The Group's financial instruments comprise cash, other receivables and various items such as trade payables, which arise directly from its operations.

#### Cash flow and liquidity risk

Management monitors the level of cash on a regular basis to ensure that the Group has sufficient funds to meet its commitments where due. The table below analyses the Group and Company's financial assets and liabilities:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
<b>Assets as per statement of financial position</b>				
Other receivables	615,824	232,980	615,824	360,443
Cash and cash equivalents	9,885,346	6,480,516	9,840,485	6,276,395
Loans and receivables	10,501,170	6,713,496	10,456,309	6,636,838

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
<b>Liabilities as per statement of financial position</b>				
Trade payables	652,613	198,043	635,610	183,526
Other payables	955,546	315,735	961,701	280,987
Financial liabilities measured at amortised cost	1,608,159	513,778	1,597,311	464,513

#### Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's use of suppliers operating overseas, primarily denominated in Euro. The Group's exposure to foreign currency changes for all other currencies is not material.

At present the Group does not make use of financial instruments to minimise any foreign exchange gains or losses so any fluctuations in foreign exchange movements may have a material adverse impact on the results from operating activities.

# **AUTIFONY THERAPEUTICS LIMITED**

## **ADDITIONAL INFORMATION**

**Year ended 31 December 2015**

### **17. FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **Fair value of financial assets and liabilities**

There is no material difference between the fair value and the carrying values of the financial instruments because of the short maturity period of these financial instruments or their intrinsic size and risk.

#### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's financial assets are cash and cash equivalents and other receivables. The carrying value of these assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's policy is to minimise the risks associated with cash and cash equivalents by placing these deposits with institutions with a recognised high rating.

#### **Capital risk management**

The Group considers capital to be shareholders' equity as shown in the consolidated statement of financial position, as the Group is primarily funded by equity finance. The Group is not yet in a position to pay a dividend.

The objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and for other stakeholders. In order to maintain or adjust the capital structure the Group may return capital to shareholders and issue new shares.

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern, and to finance investment in research and development.

### **18. FIRST TIME ADOPTION OF IFRS**

These are the Company's first consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS is 1 January 2013.

IFRS 1 First-time Adoption of International Financial Reporting Standards sets out the procedures that the Company must follow when it adopts IFRS for the first time as the basis for preparing its financial statements. The Company's IFRS accounting policies presented in note 2 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information and the opening statement of financial position at the date of transition, 1 January 2013.

No transitional differences between IFRS and UK GAAP have arisen such that the transition has had no effect on the Company's financial position, financial performance or cash flows.