

Company Registration No. 07543962

Consolidated Financial Statements

Autifony Therapeutics Limited

30 September 2022

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AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2022

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AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2022

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Berriman
C Large
C Bingham
A Pande
IP2IPO Services Limited
R Al-Hallaq

REGISTRATION NUMBER

07543962

REGISTERED OFFICE

Stevenage Bioscience Catalyst
Gunnels Wood Road
Stevenage
Hertfordshire
SG1 2FX

INDEPENDENT AUDITOR

RSM UK Audit LLP
Third Floor
Priory Place
New London Road
Chelmsford
Essex
CM2 0PP

BANKERS

Barclays Bank
1 Churchill Place
London
E14 5HP

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2022

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The principal activity of the Group is drug discovery.

BUSINESS REVIEW

In the 2021/22 financial year, Autifony progressed its main drug development programme targeting Kv3.1/3.2 ion channels. This included the clinical evaluation in the UK of a new tablet formulation of its lead compound, AUT00206, which completed in the 1st half of 2022 and was followed by the initiation of 3-month non-clinical toxicology studies, conducted in the UK, to support longer term clinical dosing for Phase II trials. In addition, the company initiated the synthesis and manufacture of AUT00206 drug product for Phase II. The intention is to initiate a Phase II trial with AUT00206 in patients with Fragile X Syndrome in 2023. AUT00206 previously received orphan drug designation for FXS from the FDA, and Autifony is currently applying for similar orphan status for this disorder in the EU.

In the 2021/22 financial year, the Group also continued the development of the second clinical asset, AUT00201. Manufacture of AUT00201 drug product was undertaken, and an Investigational Drug Application was submitted to the FDA to explore the safety and efficacy of AUT00201 in patients with a rare genetic form of epilepsy (MEAK). Autifony received FDA approval in late 2022 to initiate the first part of this clinical study, and has since been conducting start up activities to allow patients to be dosed within the first half of 2023.

Autifony continued to progress its early-stage portfolio for neurological disorders. During 2021/22, Autifony continued key target validation studies in collaboration with University groups in UK, US and Italy, and continued internal medicinal chemistry and biology exploration of novel compound classes against the drug targets.

Autifony also continued its early-stage collaboration with Boehringer Ingelheim (BI) to explore and develop compounds for a novel lysosomal ion channel with potential in the treatment of neurodegenerative disorders. Costs of Autifony internal resources on this programme as well external drug development costs are met by BI in return for rights to the compound IP that is developed. Autifony is also eligible under the agreement to receive certain milestone payments as the programme progresses.

FUTURE DEVELOPMENTS

Over the 2021/22 year, Autifony has continued to interact with potential new pharma partners and investors in order to secure future funding support for its programmes. A new partnership and/or new investment will ensure Autifony's future and opportunities to grow the business based on the new early stage portfolio as well as the clinical assets.

RESULTS AND DIVIDENDS

The group's loss for the financial year is £5,605,580 (2021: £4,656,833). The group is not yet in a position to pay a dividend.

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2022

STRATEGIC REPORT (CONTINUED)

RISK MANAGEMENT POLICIES

The principal risks and uncertainties of the Group, the status of which are monitored by management, are as follows:

Programme development risk

Investment in the Group is dependent on delivering new drug discovery programmes to a certain stage of validation and compound development, and future revenue is dependent on progression into clinical development. The Group employs teams of experts in development to support the successful development of its programmes, and also collaborates widely with external experts in Universities and Contract Research Organisations.

Competitive technology risk

Autifony focuses on areas of drug discovery where there is limited competition; however, over time competition does increase. This risk is minimised by ensuring early filing of patent applications and avoiding disclosure of Autofony research findings until the programme reaches a later stage of development.

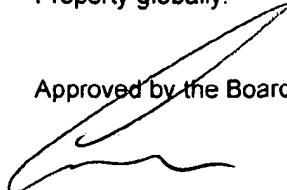
Regulatory risk

The regulatory hurdles for novel drugs are high. The Group has scientific advisers who advise on regulatory matters in the Group's major markets to ensure regulatory approvals can be achieved.

Intellectual proprietary rights risk

The Group's Intellectual Property may be at risk. The Group continues to invest in protecting its Intellectual Property globally.

Approved by the Board of Directors and signed on behalf of the Board on 01/06/2023



C Large
Director

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2022

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 2022.

PRINCIPAL ACTIVITY

The principal activity of the Group is drug discovery research.

DIRECTORS

The directors who served throughout the period are shown below:

J Berriman
C Large
C Bingham
A Pande
IP2IPO Services Limited
R Al-Hallaq

The company provides Directors and Officers indemnity insurance for the benefit of the directors of the group.

FINANCIAL RISK MANAGEMENT POLICIES

Foreign currency risk

The Company's collaboration agreement with Boehringer Ingelheim is denominated in Euros. The Company has contractual obligations also denominated in Euros and other foreign currency. The group is able to manage its exchange risk through the natural matching of payments and receipts.

Liquidity risk

Management monitors the level of cash on a regular basis to ensure that the Group has sufficient funds to meet its financial commitments when due.

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2022

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law to prepare the group and company financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

The group and company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2022

DIRECTORS' REPORT (CONTINUED)

AUDITOR

The auditor, RSM UK Audit LLP, will be reappointed in accordance with section 485 of the Companies Act 2006.

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:

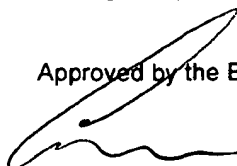
- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor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

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

DISCLOSURE OF INFORMATION IN THE STRATEGIC REPORT

Information regarding financial risk management and future developments has been included in the Strategic Report as permitted under section 414C(II) of the Companies Act 2006.

Approved by the Board of Directors on 01/06/2023 and signed on behalf of the Board.



C Large
Director

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2022

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

Opinion

We have audited the financial statements of Autifony Therapeutics Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2022 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 notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 30 September 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTIFONY THERAPEUTICS LIMITED (CONTINUED)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTIFONY THERAPEUTICS LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are IFRS / UK-adopted IAS, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to scientific testing. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTIFONY THERAPEUTICS LIMITED (CONTINUED)

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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

Use of our report

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

A C Monteith

Andrew Monteith (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor
Priory Place
New London Road
Chelmsford
CM2 0PP
05/06/23.....

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 September 2022

	Note	Year ended 30 September 2022	Year ended 30 September 2021
		£	£
Revenue	3	1,013,769	713,439
Research and development		(6,791,180)	(5,127,147)
General and administration		(1,200,583)	(1,282,499)
Operating loss	4	(6,977,994)	(5,696,207)
Finance income	5	2,646	1,833
Finance expense	5	(6,325)	(5,650)
Loss before taxation		(6,981,673)	(5,700,024)
Taxation	8	1,376,093	1,043,191
Loss for the year		(5,605,580)	(4,656,833)
Other comprehensive income			
Foreign currency translation differences		5,540	(11,643)
Total comprehensive income-for the year		(5,600,040)	(4,668,476)

All amounts relate to continuing operations.

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 September 2022

	Note	30 September 2022	30 September 2021
		£	£
ASSETS			
Non-current assets			
Intangible assets	9	-	28,069
Property, plant & equipment	10	482,881	433,020
Total non-current assets		482,881	461,089
Current assets			
Trade and other receivables	12	2,026,315	3,116,666
Cash and cash equivalents		9,418,378	13,507,441
Total current assets		11,444,693	16,624,107
Total assets		11,927,574	17,085,196
LIABILITIES			
Non-current liabilities			
Trade and other payables	13	139,792	77,332
Total non-current liabilities		139,792	77,332
Current liabilities			
Trade and other payables	13	1,472,585	1,092,667
Total current liabilities		1,472,585	1,092,667
Total liabilities		1,612,377	1,169,999
EQUITY			
Share capital	15	26,989	26,949
Capital redemption reserve		1,681	1,681
Share premium account		24,760,825	24,760,825
Other components of equity		5,736	196
Retained earnings		(14,480,034)	(8,874,454)
Total equity		10,315,197	15,915,197
TOTAL LIABILITIES AND EQUITY		11,927,574	17,085,196

The financial statements of Autifony Therapeutics Limited, registered number 07543962, were approved by the Board of Directors and authorised for issue on 01/06/2023.

Signed on behalf of the Board of Directors


C Large
Director

AUTIFONY THERAPEUTICS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION as at 30 September 2022

	Note	30 September 2022	30 September 2021
		£	£
ASSETS			
Non-current assets			
Intangible assets	9	-	28,069
Property, plant & equipment	10	66,224	39,833
Investment	11	8,602	8,602
Total non-current assets		74,826	76,504
Current assets			
Trade and other receivables	12	1,942,192	3,066,686
Cash and cash equivalents		9,021,033	12,884,507
Total current assets		10,963,225	15,951,193
Total assets		11,038,051	16,027,697
LIABILITIES			
Current liabilities			
Trade and other payables	13	1,404,730	936,572
Total current liabilities		1,404,730	936,572
EQUITY			
Share capital	15	26,989	26,949
Capital redemption reserve		1,681	1,681
Share premium account		24,760,825	24,760,825
Retained earnings		(15,156,174)	(9,698,330)
Total equity		9,633,321	15,091,125
TOTAL LIABILITIES AND EQUITY		11,038,051	16,027,697

The company has taken the exemption under section 408 of the Companies Act 2006 to present a full statement of comprehensive income. The loss for the year of the parent company was £5,457,844 (2021: £4,289,337).

The financial statements of Autifony Therapeutics Limited, registered number 07543962, were approved by the Board of Directors and authorised for issue on 01/06/2023.

Signed on behalf of the Board of Directors



C Large
Director

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the period ended 30 September 2022

	Share capital £	Capital redemption reserve £	Share premium £	Other components of equity £	Retained earnings £	Total equity £
Balance at 1 October 2020	25,814	1,681	24,760,825	11,839	(4,217,621)	20,582,538
Issue of share capital	1,135	-	-	-	-	1,135
Transactions with owners	1,135	-	-	-	-	1,135
Loss for the year and total comprehensive income	-	-	-	(11,643)	(4,656,833)	(4,668,476)
Balance at 30 September 2021	26,949	1,681	24,760,825	196	(8,874,454)	15,915,197
Issue of share capital	40	-	-	-	-	40
Transactions with owners	40	-	-	-	-	40
Loss for the year and total comprehensive income	-	-	-	5,540	(5,605,580)	(5,600,040)
Balance at 30 September 2022	26,989	1,681	24,760,825	5,736	(14,480,034)	10,315,197

AUTIFONY THERAPEUTICS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY For the period ended 30 September 2022

	Share capital £	Capital redemption reserve £	Share premium £	Other components of equity £	Retained earnings £	Total equity £
Balance at 1 October 2020	25,814	1,681	24,760,825	-	(5,408,993)	19,379,327
Issue of share capital	1,135	-	-	-	-	1,135
Transactions with owners	1,135	-	-	-	-	1,135
Loss for the period and total comprehensive income	-	-	-	-	(4,289,337)	(4,289,337)
Balance at 30 September 2021	26,949	1,681	24,760,825	-	(9,698,330)	15,091,125
Issue of share capital	40	-	-	-	-	40
Transactions with owners	40	-	-	-	-	40
Loss for the period and total comprehensive income	-	-	-	-	(5,457,844)	(5,457,844)
Balance at 30 September 2022	26,989	1,681	24,760,825	-	(15,156,174)	9,633,321

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

For the period ended 30 September 2022

	Group		Company	
	Year ended 30 September 2022 £	Year ended 30 September 2021 £	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Cash flows from operating activities				
Loss before income tax	(6,981,673)	(5,700,024)	(6,845,843)	(5,333,084)
Finance income	(2,646)	(1,833)	(2,578)	(1,833)
Finance expense	6,325	5,650	776	936
Gain on disposal of asset	(4,250)	-	-	-
Depreciation and amortisation	217,752	257,779	93,794	154,312
	(6,764,492)	(5,438,428)	(6,753,851)	(5,179,669)
Changes in working capital				
(Increase)/decrease in trade and other receivables	(221,235)	34,060	(180,932)	(22,023)
Increase/(decrease) in trade and other payables	374,975	(828,672)	522,294	(661,542)
Net cash used in operations	(6,610,752)	(6,233,040)	(6,412,489)	(5,863,234)
Taxation (paid)/received	2,687,460	(555)	2,693,138	-
Net cash used in operating activities	(3,923,292)	(6,233,595)	(3,719,351)	(5,863,234)
Cash flows from investing activities				
Finance income received	2,864	804	2,864	804
Purchase of property, plant and equipment	(84,122)	(237,071)	(92,116)	(59,223)
Net cash used in investing activities	(81,258)	(236,267)	(89,252)	(58,419)
Cash flows from financing activities				
Proceeds from issue of shares	40	1,135	40	1,135
Repayment of leasing liabilities	(84,414)	(79,663)	(54,911)	(51,867)
Net cash used in financing activities	(84,374)	(78,528)	(54,871)	(50,732)
Movements in cash and cash equivalents in the period	(4,088,924)	(6,548,390)	(3,863,474)	(5,972,385)
Cash and cash equivalents at start of period	13,507,441	20,047,325	12,884,507	18,856,892
Exchange difference on cash and cash equivalents	(139)	8,506	-	-
Cash and cash equivalents at end of period	9,418,378	13,507,441	9,021,033	12,884,507

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

1. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRSs

Autifony Therapeutics Limited, the Group's ultimate parent company, is a private company limited by shares, 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 Stevenage Bioscience Catalyst, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2FX.

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International accounting standards ('IFRS').

The consolidated financial statements are presented for the year to 30 September 2022 (including comparatives).

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 30 September 2022.

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 30 September 2022.

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

Going concern

These financial statements have been prepared on a going concern basis which assumes that the group will continue as a going concern for the foreseeable future, being a period of not less than 12 months from the date of approval of the accounts.

The Directors have reviewed the Group's business plans, including cashflow projections for the Group covering the next 12 month period from the date of approval of these financial statements, and have reasonable expectation that the Group and parent company will be able to continue to meet its liabilities as and when they fall due and continue to execute on its business plan.

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

2. ACCOUNTING POLICIES (CONTINUED)

Standards in issue but not yet effective

There are no new standard or amendments in issue but not yet effective that are applicable to the financial statements of the Group.

New and amended standards adopted by the Group

The Group has not applied any new standards and amendments for the annual reporting period commencing 1 October 2021.

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 period-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.

Revenue from Contracts with Customers

Option and asset income

The Group entered into a research collaboration agreement that gives its alliance partner exclusive option to purchase certain Autifony assets to treat serious CNS disorders.

The Group receives funding in the form of upfront and milestone payments from the alliance partner relating to the drug research activities.

Upfront payments are recognised as revenue when the rights for a non-refundable amount under the contractual agreement have been assigned to the Group and there are no remaining performance obligations.

Milestone income is recognised at the point in time when it is highly probable that the respective milestone event criteria is achieved, and the risk of revenue reversal is considered remote, i.e. when the Group has achieved the milestone in agreement with the alliance partner and the milestone payment has been received or has become receivable.

Other revenue

Other revenue is recognised over time when expenditure on research activities is recognised.

The Group recognises deferred income (contract liability) if consideration has been received (or has become receivable) before the Group transfers the promised services to the customer.

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

2. ACCOUNTING POLICIES (CONTINUED)

Grant income

Grant receipts are credited to other operating income as the related expenditure is incurred. At the period 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 accrued.

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

Research and development expenditure

Research expenditure is written off to the profit and loss account in the period in which it is incurred. Development expenditure is written off in the same period 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.

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.

Leased assets

For any new contracts entered into on or after 1 October 2020, the Group considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

2. ACCOUNTING POLICIES (CONTINUED)

Measurement and recognition of leases

At lease commencement date, the Group recognised a right-of-use asset and a lease liability on the balance sheet.

The Group depreciated the right-of-use assets on a straight-line basis from the date of initial application of IFRS 16 at 1 October 2019 to the end of the lease term. The Group also assessed the right-of-use asset for impairment when such indicators exist.

At the date of initial application of IFRS 16 on 1 October 2019, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed).

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

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

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group classifies its financial assets at amortised cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets measured at amortized cost are mainly comprised of trade and other receivables and cash and cash equivalents.

The Group classifies its financial liabilities as measured at amortized cost. Financial liabilities are mainly comprised of trade and other payables.

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.

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

2. ACCOUNTING POLICIES (CONTINUED)

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.

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.

Equity

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

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

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.
Capital redemption reserve	-	arising from the purchase of the Company's own share capital

Retained earnings includes all current and prior period retained profits and share-based employee remuneration.

Share based payments

The group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the group.

The cost of equity settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

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.

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

2. ACCOUNTING POLICIES (CONTINUED)

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.

Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Key judgements

Revenue from contracts with customers

The upfront payments and milestones are received when performance obligations under the contract have occurred. Management has made judgements regarding timing of revenue recognition, based on the terms of the contractual agreement with Boehringer Ingelheim, that income on upfront payments and milestones is earned when there are no remaining obligations, i.e. payments have been received and the amounts are non-refundable in the event that the contract is cancelled.

Leased assets

Management considers all facts and circumstances including their past practice to make judgements on determining whether a contract contains a lease, establishing whether or not it is reasonably certain that an extension option will be exercised, and considering whether or not it is reasonably certain that a termination option will not be exercised.

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.

Leased assets

Management has calculated the appropriate discount rate to use on leased assets in accordance with their bank borrowing rate.

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

3. REVENUE

	Group		Company	
	Year ended 30 September 2022 £	Year ended 30 September 2021 £	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Other revenue	1,013,769	713,439	948,665	581,589

All revenue arose from provision of services to customers located in the UK and Europe.

The Group recognise revenue from drug discovery research at a point in time upon achievement of agreed objectives or performance targets as defined in the collaboration agreement.

Other revenue is recognised over time when expenditure on research activities is recognised.

4. OPERATING PROFIT

An analysis of the Group's operating profit has been arrived at after charging:

	Group	
	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Operating profit/(loss) is after charging:		
Amortisation of patents	28,069	85,000
Depreciation of right-of-use assets	78,685	74,175
Depreciation of tangible assets	110,998	98,604
Gain on disposal of lease asset	(4,250)	-
Auditors' remuneration – audit services	26,500	24,000
Auditors' remuneration – tax compliance services	9,650	6,750

5. FINANCE INCOME AND FINANCE EXPENSE

	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Finance income	2,646	1,833

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

5. FINANCE INCOME AND FINANCE EXPENSE (CONTINUED)

	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Interest expense for leasing arrangements	6,325	5,650
	<u>6,325</u>	<u>5,650</u>

6. EMPLOYEES

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

	Year ended 30 September 2022	Year ended 30 September 2021
Administration	3	3
Development	19	20
Non-executive	2	2
Average total persons employed	<u>24</u>	<u>25</u>

As at 30 September 2022 the group had 24 employees (30 September 2021: 24)

Staff costs in respect of these employees were:

	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Wages and salaries	1,827,479	1,885,354
Social security costs	341,574	312,552
Other pension costs	105,010	97,583
Total remuneration	<u>2,274,063</u>	<u>2,295,489</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 30 September 2022 in respect of pension are £7,963 (30 September 2021: £8,990).

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

6. EMPLOYEES (CONTINUED)

Key management remuneration:

	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Wages and salaries	693,825	792,448
Social security costs	141,098	128,644
Other pension costs	22,962	27,132
Total remuneration	<u>857,885</u>	<u>948,224</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.

7. DIRECTORS' EMOLUMENTS

	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Aggregate emoluments	328,962	338,180
Company contributions to a money purchase pension scheme	10,399	8,921
	<u>339,361</u>	<u>347,101</u>

During the period retirement benefits were accruing to 1 director (2021: 1) in respect of money purchase pension schemes.

Highest paid director

	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Aggregate emoluments	272,256	282,451
Company contributions to a money purchase pension scheme	10,399	8,921

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

8. TAXATION

	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Research and development tax credits	1,387,999	1,043,746
Foreign corporation tax	(11,906)	(7,480)
Adjustment in respect of previous periods – foreign tax	-	6,925
	<u>1,376,093</u>	<u>1,043,191</u>

The tax assessed for the period is lower than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

Tax on (loss)/profit on ordinary activities

	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Result for the year/period before taxation	<u>(6,981,673)</u>	<u>(5,700,024)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	<u>(1,326,518)</u>	<u>(1,083,005)</u>
Fixed asset differences	(2,050)	(557)
Expenses not deductible for tax purposes	43,981	52,151
Additional deduction for R&D tax credit	(1,017,048)	(753,952)
Surrender of tax losses for R&D Tax Credit refund	414,860	296,211
Adjustments to tax charge in respect of previous periods	-	(6,925)
Remeasurement of deferred tax for changes in tax rates	-	(923,242)
Deferred tax not recognised	510,233	1,375,867
Impact of differences on foreign tax rates	449	261
Total tax	<u>(1,376,093)</u>	<u>(1,043,191)</u>

Factors that may affect future tax charges

The company takes advantage of the enhanced tax deductions for Research and Development expenditure and relief under patent box and expects to continue to be able to do so.

There are significant losses available to carry forward, estimated at £15.2 million (2021: £12.7 million) for which no deferred tax asset is recognised.

AUTIFONY THERAPEUTICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 30 September 2022****9. INTANGIBLE FIXED ASSETS****Group & Company:****Intellectual
property rights****£****Cost**

Balance at 1 October 2021

850,000

Additions

-

Balance at 30 September 2022

850,000

Accumulated amortisation and impairment

Balance at 1 October 2021

821,931

Charge in period

28,069

Balance at 30 September 2022

850,000

Carrying amount at 30 September 2022

-

Group & Company:**Intellectual
property rights****£****Cost**

Balance at 1 October 2020

850,000

Additions

-

Balance at 30 September 2021

850,000

Accumulated amortisation and impairment

Balance at 1 October 2020

736,931

Charge in period

85,000

Balance at 30 September 2021

821,931

Carrying amount at 30 September 2021**28,069**

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.

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

10. PROPERTY, PLANT AND EQUIPMENT

Group:	Right-of- use assets £	Office equipment £	Laboratory equipment £	Total £
Cost				
Balance at 1 October 2021	269,687	677,681	167,125	1,114,493
Additions	225,130	53,515	30,607	309,252
Disposals	(142,160)	-	-	(142,160)
Effects of foreign exchange	4,656	14,952	-	19,608
Balance at 30 September 2022	<u>357,313</u>	<u>746,148</u>	<u>197,732</u>	<u>1,301,193</u>
Accumulated depreciation and impairment				
Balance at 1 October 2021	147,811	392,433	141,229	681,473
Charge in period	78,685	102,236	8,762	189,683
Disposals	(62,444)	-	-	(62,444)
Effects of foreign exchange	288	9,312	-	9,600
Balance at 30 September 2022	<u>164,340</u>	<u>503,981</u>	<u>149,991</u>	<u>818,312</u>
Carrying amount at 30 September 2022	<u>192,973</u>	<u>242,167</u>	<u>47,741</u>	<u>482,881</u>

Group:	Right-of- use assets £	Office equipment £	Laboratory equipment £	Total £
Cost				
Balance at 1 October 2020	228,371	520,683	160,175	909,229
Additions	49,449	180,672	6,950	237,071
Effects of foreign exchange	(8,133)	(23,674)	-	(31,807)
Balance at 30 September 2021	<u>269,687</u>	<u>677,681</u>	<u>167,125</u>	<u>1,114,493</u>
Accumulated depreciation and impairment				
Balance at 1 October 2020	75,317	321,890	125,894	523,101
Charge in period	74,175	83,269	15,335	172,779
Effects of foreign exchange	(1,681)	(12,726)	-	(14,407)
Balance at 30 September 2021	<u>147,811</u>	<u>392,433</u>	<u>141,229</u>	<u>681,473</u>
Carrying amount at 30 September 2021	<u>121,876</u>	<u>285,248</u>	<u>25,896</u>	<u>433,020</u>

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company:	Right-of-use assets £	Office equipment £	Laboratory equipment £	Total £
Cost				
Balance at 1 October 2021	123,960	66,076	141,176	331,212
Additions	56,148	5,361	30,607	92,116
Balance at 30 September 2022	180,108	71,437	171,783	423,328
Accumulated depreciation and impairment				
Balance at 1 October 2021	99,236	61,006	131,137	291,379
Charge in period	52,799	4,164	8,762	65,725
Balance at 30 September 2022	152,035	65,170	139,899	357,104
Carrying amount at 30 September 2022	28,073	6,267	31,884	66,224

Company:	Right-of-use assets £	Office equipment £	Laboratory equipment £	Total £
Cost				
Balance at 1 October 2020	74,511	63,252	134,225	271,988
Additions	49,449	2,824	6,951	59,224
Balance at 30 September 2021	123,960	66,076	141,176	331,212
Accumulated depreciation and impairment				
Balance at 1 October 2020	49,674	56,591	115,802	222,067
Charge in period	49,562	4,415	15,335	69,312
Balance at 30 September 2021	99,236	61,006	131,137	291,379
Carrying amount at 30 September 2021	24,724	5,070	10,039	39,833

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

11. 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 period end	
			2022	2021
Autifony Srl	Italy	Drug discovery	100%	100%
Autifony Alpha Limited	England and Wales	Drug discovery	100%	100%

	Company
	£
Balance at 1 October 2021	8,602
Additions	-
Impairment	-
Balance at 30 September 2022	<u>8,602</u>

Investments are recognised at cost. the recoverable amount is dependent on the future success of the drug development programmes from which value may be generated from licence or sale.

12. TRADE & OTHER RECEIVABLES

	Group 30 September 2022	30 September 2021
	£	£
Amounts receivable within one year		
Other receivables	545,158	384,018
Tax recoverable	1,387,999	2,696,627
Other taxation and social security	93,158	36,021
	<u>2,026,315</u>	<u>3,116,666</u>

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

12. TRADE & OTHER RECEIVABLES (CONTINUED)

	Company	
	30 September 2022	30 September 2021
	£	£
Amounts receivable within one year		
Other receivables	486,820	362,288
Tax recoverable	1,387,999	2,693,138
Other taxation and social security	67,373	11,260
	<u>1,942,192</u>	<u>3,066,686</u>

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

13. TRADE AND OTHER PAYABLES

	Group	
	30 September 2022	30 September 2021
	£	£
NON-CURRENT		
Lease liabilities	139,792	77,332
CURRENT		
Trade payables	619,405	182,524
Lease liabilities	41,414	36,471
Tax payable	2,740	-
Other taxation and social security	135,695	118,339
Accruals and deferred income	635,050	651,948
Other payables	38,281	103,385
	<u>1,472,585</u>	<u>1,092,667</u>

	Company	
	30 September 2022	30 September 2021
	£	£
Trade payables	432,795	38,385
Lease liabilities	14,745	12,733
Amounts payable to subsidiaries	281,975	195,089
Other taxation and social security	43,985	41,917
Accrued expenses	631,230	648,448
	<u>1,404,730</u>	<u>936,572</u>

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

13. TRADE AND OTHER PAYABLES (CONTINUED)

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.

14. LEASES

The Group has leases for laboratories and offices in the UK and in Italy. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 8).

The Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on the balance sheet:

Right-of-use asset	Remaining term
UK laboratory	0.5 years
UK office	0.5 years
Italy laboratory	5.6 years

All leases have options to extend or to terminate.

Reconciliation of liabilities arising from financing activities

	30 September 2022	
	Group £	Company £
Opening lease balance	113,803	12,732
Additions	225,130	56,148
Disposals	(85,203)	-
Lease repayments	(84,414)	(54,911)
Interest	6,325	776
Effects of foreign exchange	5,565	-
Closing lease balance	181,206	14,745

Future minimum lease payments are as follows:

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

14. LEASES (CONTINUED)

	0-1 years £	1-2 years £	2-3 years £	3-4 years £	4-5 years £	5+ years £	Total Group £
Gross	48,922	34,001	34,001	34,001	34,001	19,833	204,759
Interest	(7,507)	(6,037)	(4,679)	(3,256)	(1,763)	(310)	(23,552)
	<u>41,415</u>	<u>27,964</u>	<u>29,322</u>	<u>30,745</u>	<u>32,238</u>	<u>19,523</u>	<u>181,207</u>

15. CALLED UP SHARE CAPITAL

	30 September 2022 £	30 September 2021 £
Called up, allotted and fully paid		
2,923,736 (2021 – 2,883,736) Ordinary shares of £0.001 each	2,924	2,884
1,400,000 (2021 – 1,400,000) A Ordinary shares of £0.001 each	1,400	1,400
13,021,429 (2021 – 13,021,429) Series A Preferred shares of £0.001 each	13,021	13,021
1,698,418 (2021 – 1,698,418) Series A-2 Preferred shares of £0.001 each	1,698	1,698
1,300,000 (2021 – 1,300,000) Series A-2 NV Preferred shares of £0.001 each	1,300	1,300
5,863,459 (2021 – 5,863,459) Series A-3 Preferred shares of £0.001 each	5,863	5,863
783,333 (2021 – 783,333) Series A-3 NV Preferred shares of £0.001 each	783	783
	<u>26,989</u>	<u>26,949</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.

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

15. CALLED UP SHARE CAPITAL (CONTINUED)

Share issues

During the year ended 30 September 2022 the company issued 40,000 (2021: 1,135,000) Ordinary shares of £0.001 each at par.

Share options

The company has granted options to employees over Ordinary shares. All options have fully vest.

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.

During the year certain employees exercised 40,000 (2021: 1,135,000) options for Ordinary shares.

At 30 September 2022 the company has 2,012,000 outstanding options over Ordinary shares (2021: 2,052,000). These have an exercise price of £0.001 per share. No material share based payment charge is calculated to arise.

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 6, and directors' emoluments are disclosed in note 7 of the consolidated financial statements.

The Company received consultancy services from Farmacokinetica Limited, a company controlled by Dr C Large's spouse. During the period £nil was paid to Farmacokinetica Limited (2021: £36,771). The amount owed to Farmacokinetica Limited at 30 September 2022 was £nil (2021: £nil).

The Company received consultancy services from Alterion Consulting Limited, a company controlled by a shareholder. During the period £nil was paid to Alterion Consulting Limited (2021: £64,470). The amount owed to Alterion Consulting Limited at 30 September 2022 was nil (2021: £nil).

The Company receives consultancy services from Advanced Research & Clinical Trials LLC, a company controlled by a shareholder. During the period £66,678 was paid to Advanced Research & Clinical Trials LLC (2021: £73,895). The amount owed to Advanced Research & Clinical Trials LLC at 30 September 2022 was £nil (2021: £nil).

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 financial commitments when due. The table below analyses the Group and Company's financial assets and liabilities:

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Group		Company	
	30	30	30	30
Financial assets measured at amortised cost	September 2022	September 2021	September 2022	September 2021
	£	£	£	£
Other receivables	21,915	15,473	-	-
Cash and cash equivalents	9,418,378	13,507,441	9,021,033	12,884,507
	<u>9,440,293</u>	<u>13,522,914</u>	<u>9,021,033</u>	<u>12,884,507</u>

	Group		Company	
	30	30	30	30
Financial liabilities measured at amortised cost	September 2022	September 2021	September 2022	September 2021
	£	£	£	£
Trade payables	619,405	182,841	432,795	38,385
Lease liabilities – non-current	139,792	77,332	-	-
Lease liabilities - current	41,414	36,471	14,745	12,733
Amounts payable to subsidiaries	-	-	281,975	195,420
Other payables	673,332	755,333	631,230	648,448
	<u>1,473,943</u>	<u>1,051,977</u>	<u>1,360,745</u>	<u>894,986</u>

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.

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.

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2022

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the group held deposits at call of £nil (2021: £nil).

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. CONTINGENT LIABILITIES

A cumulative fixed rate dividend arises on all Preferred Shares at the subscription price from the date on which each share was first issued at a rate of 8% per annum. As there are no distributable reserves, this has not been provided for but the right to the dividend has been recognised as a contingent liability. The cumulative fixed rate dividend as at the reporting date for all of the Preferred shares in issue is £17,838,523 (2021: £15,870,868).