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Company Registration No. 07543962

Consolidated Financial Statements

Autifony Therapeutics Limited

30 September 2019

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AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2019

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AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2019

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

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 LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2019

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The principal activity of the company is drug discovery.

BUSINESS REVIEW

In the 2018/19 budget year, Autifony continued its main drug development programme for schizophrenia targeting Kv3.1/3.2 ion channels with the completion of a Phase Ib clinical study of AUT00206 in patients with schizophrenia in the UK. In addition, the company progressed the development of the backup compound, AUT00201, completing the package of studies for submission of a Clinical Trial Application, which was subsequently approved by MHRA. AUT00201 has now progressed into a Phase 1 first-in-human clinical study in the UK.

The successful delivery of AUT00201 into the clinic earned the company further milestone payments of €7.5m and €10m from Boehringer Ingelheim (BI) under the terms of the Option for Asset Acquisition deal signed in 2017. Further income from BI is dependent upon reaching further milestones and on continuation of the collaboration agreement.

Also as part of the Kv3.1/3.2 programme, Autifony's medicinal chemistry team has identified and progressed the development of further backup compounds, filing new patents covering the novel compound class.

In addition, Autifony continued its early stage programme for dementia, with financial support from the Dementia Discovery Fund (DDF). Over the 2018/19 period, Autifony continued key target validation studies and medicinal chemistry exploration leading to the identification of novel compound classes against the drug target that subsequently resulted in new patent filings in December 2019.

Given the increasing drug discovery activities within Autifony, the company recruited additional FTEs into the chemistry and Biology groups in Autifony SRL in Padova.

Since the year end, the consequences of the COVID-19 outbreak have been the temporary closure of Autifony labs in Italy (Padova) and the UK (Stevenage). Lab staff were able to conduct some useful activities through home working. Following ITA and UK government guidelines, both labs have re-opened safely. The Directors are taking the following action to monitor, address and mitigate the uncertainties and risks facing the Group as a result: weekly management team review of the Covid-19 situation and operating procedures in place for both the UK and Italy companies. Regular all-staff meetings and 1:1 interactions between Autifony's HR manager and individual staff to ensure all staff are able to maintain productivity. Where necessary, alternative contract research organisations or suppliers have been engaged to maintain progress of key programmes. COVID-19 has adversely, but not materially, affected the business and there have been no adjustments for this event.

FUTURE DEVELOPMENTS

In October 2019 the company initiated the clinical evaluation of AUT00201 in a first-in-human Phase 1a clinical trial.

RESULTS AND DIVIDENDS

The group's profit for the financial year is £8,079,420 (2018: £16,243,897). The group is not yet in a position to pay a dividend.

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 Autifony 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 21 July 2020

C Large

Director

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2019

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 2019.

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
E Jones (resigned 15 April 2019)
A Pande
IP2IPO Services Limited
R Al-Hallaq (appointed 15 April 2019)

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.

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 period. 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;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

DIRECTORS' REPORT (CONTINUED)

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.

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.

AUDITOR

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

Approved by the Board of Directors on 21 July 2020 and signed on behalf of the Board.

C Large

Director

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 2019, which comprise 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 a summary of significant accounting policies. 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 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 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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 the 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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 pages 4 to 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.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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.

Grant Thornton UK LLP

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

21/7/2020

AUTIFONY THERAPEUTICS GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2019

	Note	**Year ended 30 September 2019**	Year ended 30 September 2018
		£	£
Revenue	9	**15,694,640**	22,241,200
Other income	10	**-**	590,805
Research and development		**(6,539,068)**	(5,486,638)
General and administration		**(1,289,510)**	(1,148,700)
Operating profit	3	**7,866,062**	16,196,667
Finance income	14	**147,099**	10,628
Finance expense	14	**(834)**	(462)
Profit before taxation		**8,012,327**	16,206,833
Taxation	13	**67,093**	37,064
Profit for the year		**8,079,420**	16,243,897
Other comprehensive income			
Foreign currency translation differences		**(493)**	1,384
Total comprehensive income for the year		**8,078,927**	16,245,281

All amounts relate to continuing operations.

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2019

	Note	30 September 2019	30 September 2018
		£	£
ASSETS			
Non-current assets			
Intangible assets	5	**198,069**	283,069
Property, plant & equipment	6	**295,155**	209,691
Total non-current assets		**493,224**	492,760
Current assets			
Trade and other receivables	8	**536,235**	489,281
Cash and cash equivalents		**27,882,643**	19,365,684
Total current assets		**28,418,878**	19,854,965
Total assets		**28,912,102**	20,347,725
LIABILITIES			
Current liabilities			
Trade and other payables	15	**1,590,133**	1,105,193
Total current liabilities		**1,590,133**	1,105,193
EQUITY			
Share capital	16	**25,814**	25,304
Capital redemption reserve		**1,681**	1,681
Share premium account		**24,760,825**	24,760,825
Other components of equity		**12,656**	13,149
Retained earnings		**2,520,993**	(5,558,427)
Total equity		**27,321,969**	19,242,532
TOTAL LIABILITIES AND EQUITY		**28,912,102**	20,347,725

The financial statements of Autifony Therapeutics Limited, registered number 07543962, were approved by the Board of Directors and authorised for issue on 21 July 2020.

Signed on behalf of the Board of Directors

C Large

Director

AUTIFONY THERAPEUTICS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION
as at 30 September 2019

	Note	30 September 2019	30 September 2018
		£	£
ASSETS			
Non-current assets			
Intangible assets	5	**198,069**	283,069
Property, plant & equipment	6	**64,486**	102,130
Investment	4	**1,908,592**	8,602
Total non-current assets		**2,171,147**	393,801
Current assets			
Trade and other receivables	8	**498,959**	505,470
Cash and cash equivalents		**26,548,374**	19,279,015
Total current assets		**27,047,333**	19,784,485
Total assets		**29,218,480**	20,178,286
LIABILITIES			
Current liabilities			
Trade and other payables	15	**1,145,279**	1,062,661
Total current liabilities		**1,145,279**	1,062,661
EQUITY			
Share capital	16	**25,814**	25,304
Capital redemption reserve		**1,681**	1,681
Share premium account		**24,760,825**	24,760,825
Retained earnings		**3,284,881**	(5,672,185)
Total equity		**28,073,201**	19,115,625
TOTAL LIABILITIES AND EQUITY		**29,218,480**	20,178,286

The company has taken the exemption under section 408 of the Companies Act 2006 to present a full statement of comprehensive income. The profit for the year of the parent company was £8,957,066 (2018: £16,244,773).

The financial statements of Autifony Therapeutics Limited, registered number 07543962, were approved by the Board of Directors and authorised for issue on 21 July 2020.

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 2019

	Share capital £	Capital redemption reserve £	Share premium £	Other components of equity £	Retained earnings £	Total equity £
Balance at 1 October 2017	**26,983**	**2**	**24,760,825**	**11,765**	**(21,800,670)**	**2,998,905**
Issue of share capital	184	-	-	-	-	184
Cancellation of shares	(1,863)	1,679	-	-	(1,654)	(1,838)
Transactions with owners	(1,679)	1,679	-	-	(1,654)	(1,654)
Profit for the year and total comprehensive income	-	-	-	1,384	16,243,897	16,245,281
Balance at 30 September 2018	**25,304**	**1,681**	**24,760,825**	**13,149**	**(5,558,427)**	**19,242,532**
Issue of share capital	510	-	-	-	-	510
Transactions with owners	510	-	-	-	-	510
Profit for the year and total comprehensive income	-	-	-	(493)	8,079,420	8,078,927
Balance at 30 September 2019	**25,814**	**1,681**	**24,760,825**	**12,656**	**2,520,993**	**27,321,969**

AUTIFONY THERAPEUTICS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
For the period ended 30 September 2019

	Share capital £	Capital redemption reserve £	Share premium £	Other components of equity £	Retained earnings £	Total equity £
Balance at 1 October 2018	**26,983**	**2**	**24,760,825**	**-**	**(21,915,304)**	**2,872,506**
Issue of share capital	184	-	-	-		184
Cancellation of shares	(1,863)	1,679	-	-	(1,654)	(1,838)
Transactions with owners	(1,679)	1,679	-	-	(1,654)	(1,654)
Profit for the period and total comprehensive income	-	-	-	-	16,244,773	16,244,773
Balance at 30 September 2018	**25,304**	**1,681**	**24,760,825**	**-**	**(5,672,185)**	**19,115,625**
Issue of share capital	510	-	-	-	-	510
Cancellation of shares	-	-	-	-	-	-
Transactions with owners	510	-	-	-	-	510
Profit for the period and total comprehensive income	-	-	-	-	8,957,066	8,957,066
Balance at 30 September 2019	**25,814**	**1,681**	**24,760,825**	**-**	**3,284,881**	**28,073,201**

AUTIFONY THERAPEUTICS LIMITED

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
For the period ended 30 September 2019

	Group		Company	
	Year ended 30 September 2019	Year ended 30 September 2018	**Year ended 30 September 2019**	Year ended 30 September 2018
	£	£	**£**	£
Cash flows from operating activities				
Profit-before income tax	**8,012,327**	16,206,833	**8,885,697**	16,207,709
Finance income	**(147,099)**	(10,628)	**(146,165)**	(10,628)
Finance expense	**834**	462	**83**	-
Profit on sale of asset	**-**	-	**(400,000)**	-
Depreciation and amortisation	**179,573**	163,404	**136,160**	129,079
	8,045,635	16,360,071	**8,475,775**	16,326,160
Changes in working capital				
(Increase)/decrease in trade and other receivables	**24,415**	(265,042)	**77,880**	(330,116)
Increase/(decrease) in trade and other payables	**480,664**	432,788	**82,618**	385,938
Net cash used in operations	**8,550,714**	16,527,817	**8,636,273**	55,822
Taxation received	**-**	453,950	**-**	453,950
Net cash inflow from/(used in) operating activities	**8,550,714**	16,981,767	**8,636,273**	16,835,932
Cash flows from investing activities				
Finance income received	**147,099**	10,628	**146,165**	10,628
Payment for investment in subsidiary			**(1,499,990)**	
Proceeds from sale of asset			**15,859**	
Purchase of property, plant and equipment	**(180,570)**	(211,640)	**(29,375)**	(113,869)
Net cash (used in)/generated from investing activities	**(33,471)**	(201,012)	**(1,367,341)**	(103,241)
Cash flows from financing activities				
Finance expense paid	**(834)**	(462)	**(83)**	-
Proceeds from issue of shares	**510**	184	**510**	184
Payment from cancellation of shares	**-**	(1,838)	**-**	(1,838)
Net cash (used in)/generated from financing activities	**(324)**	(2,116)	**427**	(1,654)
Movements in cash and cash equivalents in the year/period	**8,516,919**	16,778,639	**7,269,359**	16,731,037
Cash and cash equivalents at start of period	**19,365,684**	2,586,107	**19,279,015**	2,547,978
Exchange difference on cash and cash equivalents	**40**	938	**-**	-
Cash and cash equivalents at end of year/period	**27,882,643**	19,365,684	**26,548,374**	19,279,015

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

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 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 are presented for the year to 30 September 2019 (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 2019.

The principal activity of Autifony 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 2019.

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.

In preparing the forecasts the directors have considered the potential impact of the COVID-19 pandemic on the forecast revenues and cashflows expected to be generated by the business. The directors believe that they have adequate resources and contingency planning for what they believe might be the likely financial impact of the pandemic, however the potential impact and duration of the coronavirus epidemic are inherently highly uncertain but not expected to have a material impact on the Group.

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.

2. ACCOUNTING POLICIES (CONTINUED)

Standards in issue but not yet effective

A number of new standards are effective for annual periods beginning after 1 October 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is not expected to have a material impact on the Group's financial statements in the period of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees and applies from 1 October 2019. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The Group has reviewed all of its leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The Group will recognise new assets and liabilities for its operating leases of its offices. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. Based on the information currently available, the Group estimates that it will recognise no additional material lease liabilities.

On 1 October 2019, the Group expects to recognise lease liabilities of £258,956 and right-of-use assets of approximately £277,859 (after adjusting for prepaid rent and accrued lease payments recognised as at 30 September 2019). The lease liability is calculated by discounting the non-cancellable operating lease commitments (see Note 7) and lease payments over the extended period where the directors are reasonably certain to exercise an extension option at the interest rate implicit in the lease agreements. Overall there will be no impact on net assets and net current assets will be £109,672 lower, due to the presentation of the current portion of the lease liability under current liabilities and prepaid rent recognised as at 30 September 2019 included in the right-of-use asset.

The Group expects that net loss will increase by approximately £2,543 in 2020 as a result of adopting the new standard. Operating cash flows will increase and financing cash flows will decrease by approximately £112,043, because repayment of the principal portion of the lease liability will be classified as cash flow from financing activities.

New and amended standards adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 October 2018:

- IFRS 9, 'Financial Instruments'
- IFRS 15, 'Revenue from Contracts with Customers'
- Annual Improvements 2014-2016 cycle; and
- Interpretation 22, 'Foreign Currency Transactions and Advance Considerations'

The Group had to change its accounting policies following the adoption of IFRS 9 and IFRS 15 as disclosed in the accounting policies below. The new standards and other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group has applied IFRS 15 and IFRS 9 at 1 October 2018. It has applied IFRS 15 using the cumulative effect method, under which the comparative information is not restated. It has also taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements.

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 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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

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.

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

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.

2. ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

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. 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.

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.

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

3. OPERATING PROFIT

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

	Group	
	Year ended 30 September 2019 £	Year ended 30 September 2018 £
Operating profit/(loss) is after charging:		
Amortisation of patents	**85,000**	85,014
Depreciation of tangible assets	**94,573**	78,390
Operating leases – land and buildings	**142,348**	112,788
Auditors' remuneration – audit services	**17,500**	11,000
Auditors' remuneration – tax compliance services	**25,550**	3,600

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

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 period end**	
			2019	2018
Autifony Srl	Italy	Drug discovery	**100%**	100%
Autifony Alpha Limited	England and Wales	Drug discovery	**100%**	-

	Company
	£
Balance at 1 October 2018	8,602
Additions	1,899,990
Balance at 30 September 2019	1,908,592

On 3 April 2019 a new UK subsidiary Autifony Alpha Limited was incorporated. Autifony Alpha Limited is 100% owned by Autifony Therapeutics Limited

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.

5. INTANGIBLE FIXED ASSETS

Group & Company:	Intellectual property rights
	£
Cost	
Balance at 1 October 2018	850,000
Additions	-
Balance at 30 September 2019	850,000
Accumulated amortisation and impairment	
Balance at 1 October 2018	566,931
Charge in period	85,000
Balance at 30 September 2019	651,931
Carrying amount at 30 September 2019	**198,069**

Group & Company:	Intellectual property rights
	£
Cost	
Balance at 1 October 2017	850,000
Additions	-
Balance at 30 September 2018	850,000
Accumulated amortisation and impairment	
Balance at 1 October 2017	481,917
Charge in period	85,014
Balance at 30 September 2018	566,931
Carrying amount at 30 September 2018	**283,069**

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.

6. PROPERTY, PLANT AND EQUIPMENT

Group:	Office equipment £	Laboratory equipment £	Total £
Cost			
Balance at 1 October 2018	312,096	135,175	447,271
Additions	155,570	25,000	180,570
Effects of foreign exchange	(1,161)	-	(1,161)
Balance at 30 September 2019	466,505	160,175	626,680
Accumulated depreciation and impairment			
Balance at 1 October 2018	181,725	55,855	237,580
Charge in period	59,010	35,563	94,573
Effects of foreign exchange	(628)	-	(628)
Balance at 30 September 2019	240,107	91,418	331,525
Carrying amount at 30 September 2019	**226,398**	**68,757**	**295,155**

Group:	Office equipment £	Laboratory equipment £	Total £
Cost			
Balance at 1 October 2017	200,129	34,119	234,248
Additions	110,584	101,056	211,640
Effects of foreign exchange	1,383	-	1,383
Balance at 30 September 2018	312,096	135,175	447,271
Accumulated depreciation and impairment			
Balance at 1 October 2017	131,073	27,180	158,253
Charge in period	49,715	28,675	78,390
Effects of foreign exchange	937	-	937
Balance at 30 September 2018	181,725	55,855	237,580
Carrying amount at 30 September 2018	**130,371**	**79,320**	**209,691**

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company:	Office equipment £	Laboratory equipment £	Total £
Cost			
Balance at 1 October 2018	54,754	135,175	189,929
Additions	4,375	25,000	29,375
Disposals	-	(25,950)	(25,950)
Balance at 30 September 2019	59,129	134,225	193,354
Accumulated depreciation and impairment			
Balance at 1 October 2018	31,944	55,855	87,799
Charge in period	15,598	35,562	51,160
Disposals	-	(10,091)	(10,091)
Balance at 30 September 2019	47,542	81,326	128,868
Carrying amount at 30 September 2019	**11,587**	**52,899**	**64,486**

Company:	Office equipment £	Laboratory equipment £	Total £
Cost			
Balance at 1 October 2017	41,941	34,119	76,060
Additions	12,813	101,056	113,869
Balance at 30 September 2018	54,754	135,175	189,929
Accumulated depreciation and impairment			
Balance at 1 October 2017	16,554	27,180	43,734
Charge in period	15,390	28,675	44,065
Balance at 30 September 2018	31,944	55,855	87,799
Carrying amount at 30 September 2018	**22,810**	**79,320**	**102,130**

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 £
30 September 2019	36,292	-	-	36,292
30 September 2018	96,162	18,872	-	115,034

Payments recognised as an expense are disclosed in note 3.

8. TRADE & OTHER RECEIVABLES

	Group 30 September 2019 £	30 September 2018 £
Amounts receivable within one year		
Other receivables	**298,999**	313,663
Tax recoverable	**71,369**	33,114
Other taxation and social security	**165,867**	142,504
	536,235	489,281

	Company 30 September 2019 £	30 September 2018 £
Amounts receivable within one year		
Amounts due from subsidiary undertakings	**25,658**	55,373
Other receivables	**279,185**	288,445
Tax recoverable	**71,369**	33,114
Other taxation and social security	**122,747**	128,538
	498,959	505,470

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

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

9. REVENUE

	Group		Company	
	Year ended 30 September 2019 £	Year ended 30 September 2018 £	**Year ended 30 September 2019 £**	Year ended 30 September 2018 £
Option and asset income	**15,359,609**	22,041,200	**15,359,609**	22,041,200
Other revenue	**335,031**	200,000	**335,031**	200,000
	15,694,640	22,241,200	**15,694,640**	22,241,200

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.

10. OTHER OPERATING INCOME

	Group		Company	
	Year ended 30 September 2019 £	Year ended 30 September 2018 £	**Year ended 30 September 2019 £**	Year ended 30 September 2018 £
Grants receivable	-	590,805	-	590,805
	-	590,805	-	590,805

11. EMPLOYEES

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

	Year ended 30 September 2019	Year ended 30 September 2018
Administration	**3**	3
Development	**19**	15
Non-executive	**2**	2
Average total persons employed	**24**	20

As at 30 September 2019 the group had 27 employees (30 September 2018: 21)

Staff costs in respect of these employees were:

	Year ended 30 September 2019	Year ended 30 September 2018
	£	£
Wages and salaries	**1,976,028**	1,802,127
Social security costs	**286,248**	245,636
Other pension costs	**92,827**	71,093
Total remuneration	**2,355,103**	2,118,856

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 2019 in respect of pension are £11,745 (30 September 2018: £10,391).

Key management remuneration:

	Year ended 30 September 2019	Year ended 30 September 2018
	£	£
Wages and salaries	**996,928**	1,092,203
Social security costs	**130,517**	143,858
Other pension costs	**37,310**	34,103
Total remuneration	**1,164,755**	1,270,164

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

12. DIRECTORS' EMOLUMENTS

	Year ended 30 September 2019	Year ended 30 September 2018
	£	£
Aggregate emoluments	**344,820**	302,198
Company contributions to a money purchase pension scheme	**14,700**	12,120
	359,520	314,318

During the period retirement benefits were accruing to 1 director (2018: 1) in respect of money purchase pension schemes.

Highest paid director

	Year ended 30 September 2019	Year ended 30 September 2018
	£	£
Aggregate emoluments	**291,571**	250,688
Company contributions to a money purchase pension scheme	**14,700**	12,120

13. TAXATION

	Year ended 30 September 2019	Year ended 30 September 2018
	£	£
Research and development tax credits	**71,369**	33,114
Adjustment in respect of previous periods	**-**	3,950
Foreign corporation tax	**(4,276)**	-
	67,093	37,064

The tax assessed for the period is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

13. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

	Year ended 30 September 2019 £	Year ended 30 September 2018 £
Result for the year/period before taxation	**8,012,327**	16,206,833
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**1,522,342**	3,079,298
Expenses not deductible for tax purposes	**32,785**	13,712
Additional deduction for R&D tax credit	**(867,316)**	(745,008)
Patent box additional deduction	**(859,659)**	(1,470,812)
Adjustments to tax charge in respect of previous periods	**-**	(3,950)
Deferred tax (utilised)/not recognised	**107,837**	(910,304)
Impact of differences on foreign tax rates	**(3,082)**	-
Total tax	**(67,093)**	(37,064)

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19% rather than the previously enacted reduction to 17%.

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 £8.6 million (2018: £8.6 million) for which no deferred tax asset is recognised.

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

14. FINANCE INCOME AND FINANCE EXPENSE

	Year ended 30 September 2019 £	Year ended 30 September 2018 £
Finance income	**147,099**	10,628

	Year ended 30 September 2019 £	Year ended 30 September 2018 £
Finance expense	**834**	462

15. TRADE AND OTHER PAYABLES

	Group	
	30 September 2019	30 September 2017
	£	£
Trade payables	**481,126**	491,655
Other taxation and social security	**112,056**	66,810
Accruals and deferred income	**996,951**	546,728
	1,590,133	1,105,193

	Company	
	30 September 2019	30 September 2018
	£	£
Trade payables	**381,947**	466,499
Amounts payable to subsidiaries	**9,280**	-
Other taxation and social security	**48,879**	50,861
Accrued expenses	**705,173**	545,301
	1,145,279	1,062,661

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.

AUTIFONY THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

15. TRADE AND OTHER PAYABLES (CONTINUED)

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.

16. CALLED UP SHARE CAPITAL

	30 September 2019	30 September 2018
	£	£
Called up, allotted and fully paid		
1,748,736 (2018 – 1,238,912) Ordinary shares of £0.001 each	**1,749**	1,239
1,400,000 (2018 – 1,400,000) A Ordinary shares of £0.001 each	**1,400**	1,400
13,021,429 (2018 – 13,021,429) Series A Preferred shares of £0.001 each	**13,021**	13,021
1,698,418 (2018 – 1,698,418) Series A-2 Preferred shares of £0.001 each	**1,698**	1,698
1,300,000 (2018 – 1,300,000) Series A-2 NV Preferred shares of £0.001 each	**1,300**	1,300
5,863,459 (2018 – 5,863,459) Series A-3 Preferred shares of £0.001 each	**5,863**	5,863
783,333 (2018 – 783,333) Series A-3 NV Preferred shares of £0.001 each	**783**	783
	25,814	25,304

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 30 September 2019 the company issued 509,824 Ordinary shares of £0.001 each at par.

16. CALLED UP SHARE CAPITAL (CONTINUED)

Share options

The company has granted options to employees over Ordinary shares. The vesting period is either (i) four years from the date of the original optional agreement, or (ii) on the date Boehringer Ingelheim exercise the option as per the Option and Asset Purchase Agreement dated 13 December 2017.

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.

During the year certain employees exercised 130,937 options for Ordinary shares. During the year certain employees surrendered 105,063 options in exchange for the same number of Ordinary shares.

At 30 September 2019 the company has 3,187,000 outstanding options over Ordinary shares (2018: 3,423,000). These have an exercise price of £0.001 per share. No material share based payment charge is calculated to arise.

17. 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.

The Company receives consultancy services from Farmacokinetica Limited, a company controlled by Dr C Large's spouse. During the period £50,898 was paid to Farmacokinetica Limited (2018: 35,608). The amount owed to Farmacokinetica Limited at 30 September 2019 was £nil (2018: £4,241).

18. 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:

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial assets measured at amortised cost	Group 30 September 2019 £	Group 30 September 2018 £	Company 30 September 2019 £	Company 30 September 2018 £
Other receivables	**10,427**	-	-	-
Amounts payable from subsidiaries	-	-	**25,658**	55,373
Cash and cash equivalents	**27,882,643**	19,365,684	**26,548,375**	19,279,015
	27,893,070	19,365,684	**26,574,033**	19,334,388

Financial liabilities measured at amortised cost	Group 30 September 2019 £	Group 30 September 2018 £	Company 30 September 2019 £	Company 30 September 2018 £
Trade payables	**481,126**	491,655	**381,947**	466,499
Amounts payable to subsidiaries	-	-	**9,280**	-
Other payables	**996,951**	546,728	**705,171**	545,301
	1,478,077	1,038,383	**1,096,398**	1,011,800

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.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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 £13m (2017: £nil) that are expected to readily generate cash inflows for managing liquidity risk.

At September 30, 2019, the group held available £100,000 (2018: £100,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. Since the year end this amount has been repaid to the current account in full.

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.

19. POST BALANCE SHEET EVENTS

Since the year end, the consequences of the COVID-19 outbreak have materially and adversely disrupted the global economic situation. The Directors consider the event to be non-adjusting in nature and are taking appropriate action to monitor, address and mitigate the uncertainties and risks facing the Group as a result. These additional uncertainties have been taken into account in assessing the going concern position but the Directors are unable to quantify the potential impact on the sector or funding availability.