

**Consolidated Financial Statements**

**Autifony Therapeutics Limited**

**30 September 2021**

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COMPANIES HOUSE

# **AUTIFONY THERAPEUTICS LIMITED**

## **CONSOLIDATED FINANCIAL STATEMENTS 2021**

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# **AUTIFONY THERAPEUTICS LIMITED**

## **CONSOLIDATED FINANCIAL STATEMENTS 2021**

### **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 2021**

### **STRATEGIC REPORT**

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Group is drug discovery.

#### **BUSINESS REVIEW**

In the 2020/21 budget year, Autifony reviewed its main drug development programmes targeting Kv3.1/3.2 ion channels following the withdrawal of Boehringer Ingelheim (BI) from an Option deal in April 2020, with all rights to the Kv3.1/3.2 programme reverting to Autifony. The Group continued the non-clinical development of a new clinical formulation of its lead compound, AUT00206, and in September 2021 initiated a new clinical trial in healthy volunteers to explore the pharmacokinetic profile of the tablet form; the study was conducted in the UK. The Group also completed the clinical Phase Ia "first-in-human" trial of AUT00201 during the 2020/21 financial year, a study that was also conducted in the UK. Key strategic decisions were taken to re-focus the Kv3.1/3.2 programme on clinical indications in Fragile X Syndrome with AUT00206 (which obtained Orphan Drug Designation from the FDA in 2017 for this indication), and a rare genetic epilepsy linked to variation in the Kv3.1 gene (KCNC1) with AUT00201. A clinical trial in the rare genetic epilepsy is due to start in 2Q22; a Phase II trial in patients with Fragile X Syndrome will start in 1Q23, following completion of Phase II enabling non-clinical studies with AUT00206.

In addition, Autifony continued to progress its early-stage portfolio for neurodegenerative disorders, with continuing financial support from the Dementia Discovery Fund (DDF). During 2020/21, 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.

In January 2021, Autifony initiated a new early-stage collaboration with BI to explore and develop compounds for a novel lysosomal ion channel with potential in the treatment of neurodegenerative disorders. As part of the collaboration agreement, BI finances the costs of the R&D 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**

In December 2021, Autifony initiated a process to identify a new pharma partner or new investors to support the conduct of a Phase II Fragile X study and the future development of AUT00206 towards the market. 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 £4,656,833 (2020: £6,738,614). The group is not yet in a position to pay a dividend.

# AUTIFONY THERAPEUTICS LIMITED

## CONSOLIDATED FINANCIAL STATEMENTS 2021

### 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.

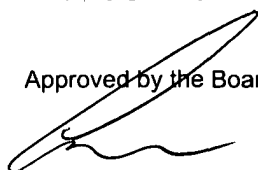
##### **Regulatory risk**

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 3<sup>rd</sup> May 2022



**C Large**  
**Director**

# **AUTIFONY THERAPEUTICS LIMITED**

## **CONSOLIDATED FINANCIAL STATEMENTS 2021**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 September 2021.

### **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 2021**

### **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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the group and company 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 group and company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# AUTIFONY THERAPEUTICS LIMITED

## CONSOLIDATED FINANCIAL STATEMENTS 2021

### DIRECTORS' REPORT (CONTINUED)

#### AUDITOR

The auditor, RSM UK Audit LLP, will be appointed 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:

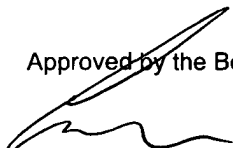
- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor 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 3<sup>rd</sup> May 2022 and signed on behalf of the Board.



C Large  
Director



# **AUTIFONY THERAPEUTICS LIMITED**

## **CONSOLIDATED FINANCIAL STATEMENTS 2021**

### **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 2021 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 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 2021

### 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 2021

### 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 operate 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, inspecting correspondence with local tax authorities and evaluating advice received from internal/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 2021

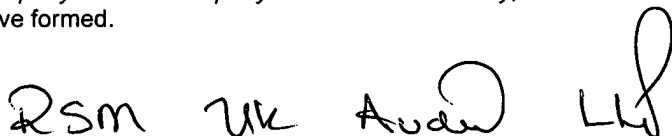
### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTIFONY THERAPEUTICS LIMITED (CONTINUED)

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.

Handwritten signature of Andrew Monteith in black ink.

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

14<sup>th</sup> June 2021

# AUTIFONY THERAPEUTICS LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 September 2021

	Note	Year ended 30 September 2021	Year ended 30 September 2020
		£	£
Revenue	3	713,439	328,484
Research and development		(5,127,147)	(7,493,756)
General and administration		(1,282,499)	(1,320,022)
<b>Operating loss</b>	4	<b>(5,696,207)</b>	<b>(8,485,294)</b>
Finance income	5	1,833	120,253
Finance expense	5	(5,650)	(7,858)
<b>Loss before taxation</b>		<b>(5,700,024)</b>	<b>(8,372,899)</b>
Taxation	6	1,043,191	1,634,285
<b>Loss for the year</b>		<b>(4,656,833)</b>	<b>(6,738,614)</b>
<b>Other comprehensive income</b>			
Foreign currency translation differences		(11,643)	(817)
<b>Total comprehensive income for the year</b>		<b>(4,668,476)</b>	<b>(6,739,431)</b>

All amounts relate to continuing operations.

# AUTIFONY THERAPEUTICS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 September 2021

	Note	30 September 2021	30 September 2020
		£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	7	28,069	113,069
Property, plant & equipment	8	433,020	386,128
<b>Total non-current assets</b>		<b>461,089</b>	<b>499,197</b>
<b>Current assets</b>			
Trade and other receivables	10	3,116,666	2,105,951
Cash and cash equivalents		13,507,441	20,047,325
<b>Total current assets</b>		<b>16,624,107</b>	<b>22,153,276</b>
<b>Total assets</b>		<b>17,085,196</b>	<b>22,652,473</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables	11	77,332	106,710
<b>Total non-current liabilities</b>		<b>77,332</b>	<b>106,710</b>
<b>Current liabilities</b>			
Trade and other payables	11	1,092,667	1,963,225
<b>Total current liabilities</b>		<b>1,092,667</b>	<b>1,963,225</b>
<b>Total liabilities</b>		<b>1,169,999</b>	<b>2,069,935</b>
<b>EQUITY</b>			
Share capital	15	26,949	25,814
Capital redemption reserve		1,681	1,681
Share premium account		24,760,825	24,760,825
Other components of equity		196	11,839
Retained earnings		(8,874,454)	(4,217,621)
<b>Total equity</b>		<b>15,915,197</b>	<b>20,582,538</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>17,085,196</b>	<b>22,652,473</b>

The financial statements of Autifony Therapeutics Limited, registered number 07543962, were approved by the Board of Directors and authorised for issue on 3<sup>rd</sup> May 2022.

Signed on behalf of the Board of Directors

C Large  
Director

# AUTIFONY THERAPEUTICS LIMITED

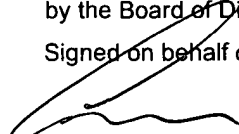
## COMPANY STATEMENT OF FINANCIAL POSITION as at 30 September 2021

	Note	30 September 2021	30 September 2020
		£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	7	28,069	113,069
Property, plant & equipment	8	39,833	49,921
Investment	9	8,602	8,602
<b>Total non-current assets</b>		<b>76,504</b>	<b>171,592</b>
<b>Current assets</b>			
Trade and other receivables	10	3,066,686	1,999,888
Cash and cash equivalents		12,884,507	18,856,892
<b>Total current assets</b>		<b>15,951,193</b>	<b>20,856,780</b>
<b>Total assets</b>		<b>16,027,697</b>	<b>21,028,372</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	936,572	1,649,045
<b>Total current liabilities</b>		<b>936,572</b>	<b>1,649,045</b>
<b>EQUITY</b>			
Share capital	15	26,949	25,814
Capital redemption reserve		1,681	1,681
Share premium account		24,760,825	24,760,825
Retained earnings		(9,698,330)	(5,408,993)
<b>Total equity</b>		<b>15,091,125</b>	<b>19,379,327</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>16,027,697</b>	<b>21,028,372</b>

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 £4,289,337 (2020: £8,693,874).

The financial statements of Autifony Therapeutics Limited, registered number 07543962, were approved by the Board of Directors and authorised for issue on 3<sup>rd</sup> May 2022.

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 2021

	Share capital £	Capital redemption reserve £	Share premium £	Other components of equity £	Retained earnings £	Total equity £
<b>Balance at 1 October 2019</b>	<b>25,814</b>	<b>1,681</b>	<b>24,760,825</b>	<b>12,656</b>	<b>2,520,993</b>	<b>27,321,969</b>
Issue of share capital	-	-	-	-	-	-
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loss for the year and total comprehensive income	-	-	-	(817)	(6,738,614)	(6,739,431)
<b>Balance at 30 September 2020</b>	<b>25,814</b>	<b>1,681</b>	<b>24,760,825</b>	<b>11,839</b>	<b>(4,217,621)</b>	<b>20,582,538</b>
Issue of share capital	1,135	-	-	-	-	1,135
<b>Transactions with owners</b>	<b>1,135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,135</b>
Loss for the year and total comprehensive income	-	-	-	(11,643)	(4,656,833)	(4,668,476)
<b>Balance at 30 September 2021</b>	<b>26,949</b>	<b>1,681</b>	<b>24,760,825</b>	<b>196</b>	<b>(8,874,454)</b>	<b>(15,915,197)</b>



# AUTIFONY THERAPEUTICS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY For the period ended 30 September 2021

	Share capital £	Capital redemption reserve £	Share premium £	Other components of equity £	Retained earnings £	Total equity £
<b>Balance at 1 October 2019</b>	<b>25,814</b>	<b>1,681</b>	<b>24,760,825</b>	<b>-</b>	<b>3,284,881</b>	<b>28,073,201</b>
Issue of share capital	-	-	-	-	-	-
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loss for the period and total comprehensive income	-	-	-	-	(8,693,874)	(8,693,874)
<b>Balance at 30 September 2020</b>	<b>25,814</b>	<b>1,681</b>	<b>24,760,825</b>	<b>-</b>	<b>(5,408,993)</b>	<b>19,379,327</b>
Issue of share capital	1,135	-	-	-	-	1,135
<b>Transactions with owners</b>	<b>1,135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,135</b>
Loss for the period and total comprehensive income	-	-	-	-	(4,289,337)	(4,289,337)
<b>Balance at 30 September 2021</b>	<b>26,949</b>	<b>1,681</b>	<b>24,760,825</b>	<b>-</b>	<b>(9,698,330)</b>	<b>15,091,125</b>

# AUTIFONY THERAPEUTICS LIMITED

## CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS For the period ended 30 September 2021

	Group		Company	
	Year ended 30 September 2021 £	Year ended 30 September 2020 £	Year ended 30 September 2021 £	Year ended 30 September 2020 £
<b>Cash flows from operating activities</b>				
(Loss)/profit before income tax	(5,700,024)	(8,372,899)	(5,333,084)	(10,343,268)
Finance income	(1,833)	(120,253)	(1,833)	(117,692)
Finance expense	5,650	7,858	936	2,125
Profit on sale of asset	-	-	-	-
Loss on impairment	-	-	-	2,724,990
Depreciation and amortisation	257,779	270,996	154,312	178,199
	<b>(5,438,428)</b>	<b>(8,214,298)</b>	<b>(5,179,669)</b>	<b>(7,555,646)</b>
<b>Changes in working capital</b>				
(Increase)/decrease in trade and other receivables	34,060	31,456	(22,023)	115,347
Increase/(decrease) in trade and other payables	(828,672)	323,415	(661,542)	478,150
<b>Net cash used in operations</b>	<b>(6,233,040)</b>	<b>(7,859,427)</b>	<b>(5,863,234)</b>	<b>(6,962,149)</b>
Taxation (paid)/received	(555)	33,114	-	33,114
<b>Net cash inflow from/(used in) operating activities</b>	<b>(6,233,595)</b>	<b>(7,826,313)</b>	<b>(5,863,234)</b>	<b>(6,929,035)</b>
<b>Cash flows from investing activities</b>				
Finance income received	804	120,253	804	117,692
Payment for investment in subsidiary	-	-	-	(825,000)
Proceeds from sale of asset	-	-	-	-
Purchase of property, plant and equipment	(237,071)	(44,211)	(59,223)	(4,123)
<b>Net cash (used in)/generated from investing activities</b>	<b>(236,267)</b>	<b>76,042</b>	<b>(58,419)</b>	<b>(711,431)</b>
<b>Cash flows from financing activities</b>				
Finance expense paid	-	(59)	-	-
Proceeds from issue of shares	1,135	-	1,135	-
Repayment of leasing liabilities	(79,663)	(78,984)	(51,867)	(51,016)
<b>Net cash (used in)/generated from financing activities</b>	<b>(78,528)</b>	<b>(79,043)</b>	<b>(50,732)</b>	<b>(51,016)</b>
<b>Movements in cash and cash equivalents in the year/period</b>	<b>(6,548,390)</b>	<b>(7,829,314)</b>	<b>(5,972,385)</b>	<b>(7,691,482)</b>
Cash and cash equivalents at start of period	20,047,325	27,882,643	18,856,892	26,548,374
Exchange difference on cash and cash equivalents	8,506	(6,004)	-	-
<b>Cash and cash equivalents at end of year/period</b>	<b>13,507,441</b>	<b>20,047,325</b>	<b>12,884,507</b>	<b>18,856,892</b>

# **AUTIFONY THERAPEUTICS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 September 2021**

### **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 2021 (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 2021.

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 2021.

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 on-going 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 pandemic 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.

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2021

### 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 2020.

#### 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 2021

### 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
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#### 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
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Laboratory equipment	-	33.33% straight line
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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 2021

### 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 2021

### 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 2021

### 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 2021

### 3. REVENUE

	Group		Company	
	Year ended 30 September 2021 £	Year ended 30 September 2020 £	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Other revenue	713,439	328,484	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 2021 £	Year ended 30 September 2020 £
Operating profit/(loss) is after charging:		
Amortisation of patents	85,000	85,000
Depreciation of right-of-use assets	74,175	74,429
Depreciation of tangible assets	98,604	111,567
Auditors' remuneration – audit services	24,000	20,000
Auditors' remuneration – tax compliance services	6,750	-

### 5. FINANCE INCOME AND FINANCE EXPENSE

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Finance income	1,833	120,253

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2021

### 5. FINANCE INCOME AND FINANCE EXPENSE (CONTINUED)

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Interest expense	-	59
Interest expense for leasing arrangements	5,650	7,799
	<u>5,650</u>	<u>7,858</u>

### 6. TAXATION

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Research and development tax credits	1,043,746	1,649,391
Foreign corporation tax	(7,480)	(15,106)
Adjustment in respect of previous periods – foreign tax	6,925	-
	<u>1,043,191</u>	<u>1,634,285</u>

The tax assessed for the period is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

*Tax on (loss)/profit on ordinary activities*

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Result for the year/period before taxation	(5,700,024)	(8,372,899)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(1,083,005)	(1,590,851)
Fixed asset differences	(557)	-
Expenses not deductible for tax purposes	52,151	9,098
Additional deduction for R&D tax credit	(753,952)	(1,222,686)
Surrender of tax losses for R&D Tax Credit refund	296,211	498,130
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	1,375,867	668,150
Impact of differences on foreign tax rates	261	3,874
Total tax	<u>(1,043,191)</u>	<u>(1,634,285)</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.

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2021

### 6. TAXATION (CONTINUED)

There are significant losses available to carry forward, estimated at £12.7 million (2020: £10.8 million) for which no deferred tax asset is recognised.

### 7. INTANGIBLE FIXED ASSETS

#### Group & Company:

	Intellectual property rights
	£
<b>Cost</b>	
Balance at 1 October 2020	850,000
Additions	-
	<hr/>
Balance at 30 September 2021	850,000
	<hr/>
<b>Accumulated amortisation and impairment</b>	
Balance at 1 October 2020	736,931
Charge in period	85,000
	<hr/>
Balance at 30 September 2021	821,931
	<hr/>
<b>Carrying amount at 30 September 2021</b>	<b>28,069</b>
	<hr/> <hr/>

#### Group & Company:

	Intellectual property rights
	£
<b>Cost</b>	
Balance at 1 October 2019	850,000
Additions	-
	<hr/>
Balance at 30 September 2020	850,000
	<hr/>
<b>Accumulated amortisation and impairment</b>	
Balance at 1 October 2019	651,931
Charge in period	85,000
	<hr/>
Balance at 30 September 2020	736,931
	<hr/>
<b>Carrying amount at 30 September 2020</b>	<b>113,069</b>
	<hr/> <hr/>

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 2021

### 8. PROPERTY, PLANT AND EQUIPMENT

Group:	Right-of-use assets £	Office equipment £	Laboratory equipment £	Total £
<b>Cost</b>				
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	269,687	677,681	167,125	1,114,493
<b>Accumulated depreciation and impairment</b>				
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	147,811	392,433	141,229	681,473
<b>Carrying amount at 30 September 2021</b>	<b>121,876</b>	<b>285,248</b>	<b>25,896</b>	<b>433,020</b>

Group:	Right-of-use assets £	Office equipment £	Laboratory equipment £	Total £
<b>Cost</b>				
Balance at 1 October 2019		466,505	160,175	626,680
Adjustment on transition to IFRS 16	224,822			224,822
Additions	-	44,211	-	44,211
Effects of foreign exchange	3,549	9,967	-	13,516
Balance at 30 September 2020	228,371	520,683	160,175	909,229
<b>Accumulated depreciation and impairment</b>				
Balance at 1 October 2019	-	240,107	91,418	331,525
Charge in period	74,429	77,091	34,476	185,996
Effects of foreign exchange	888	4,692	-	5,580
Balance at 30 September 2020	75,317	321,890	125,894	523,101
<b>Carrying amount at 30 September 2020</b>	<b>153,054</b>	<b>198,793</b>	<b>34,281</b>	<b>386,128</b>

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2021

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

Company:	Right-of-use assets £	Office equipment £	Laboratory equipment £	Total £
<b>Cost</b>				
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
<b>Accumulated depreciation and impairment</b>				
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
<b>Carrying amount at 30 September 2021</b>	<b>24,724</b>	<b>5,070</b>	<b>10,039</b>	<b>39,833</b>

Company:	Right-of-use assets £	Office equipment £	Laboratory equipment £	Total £
<b>Cost</b>				
Balance at 1 October 2019	-	59,129	134,225	193,354
Adjustment on transition to IFRS 16	74,511	-	-	74,511
Additions	-	4,123	-	4,123
Balance at 30 September 2020	74,511	63,252	134,225	271,988
<b>Accumulated depreciation and impairment</b>				
Balance at 1 October 2019	-	47,542	81,326	128,868
Charge in period	49,674	9,049	34,476	93,199
Balance at 30 September 2020	49,674	56,591	115,802	222,067
<b>Carrying amount at 30 September 2020</b>	<b>24,837</b>	<b>6,661</b>	<b>18,423</b>	<b>49,921</b>

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2021

### 9. 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	
			2021	2020
Autifony Srl	Italy	Drug discovery	100%	100%
Autifony Alpha Limited	England and Wales	Drug discovery	100%	100%

#### Company

£

Balance at 1 October 2020	8,602
Additions	-
Impairment	-
Balance at 30 September 2021	<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.

### 10. TRADE & OTHER RECEIVABLES

	Group 30 September 2021	30 September 2020
	£	£
<b>Amounts receivable within one year</b>		
Other receivables	331,253	200,749
Tax recoverable	2,749,392	1,720,760
Other taxation and social security	36,021	184,442
	<u>3,116,666</u>	<u>2,105,951</u>

**AUTIFONY THERAPEUTICS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****Year ended 30 September 2021****10. TRADE & OTHER RECEIVABLES (CONTINUED)**

	<b>Company</b>	
	<b>30 September 2021</b>	<b>30 September 2020</b>
	<b>£</b>	<b>£</b>
<b>Amounts receivable within one year</b>		
Other receivables	<b>362,288</b>	178,840
Tax recoverable	<b>2,693,138</b>	1,720,760
Other taxation and social security	<b>11,260</b>	100,288
	<b><u>3,066,686</u></b>	<b><u>1,999,888</u></b>

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

**11. TRADE AND OTHER PAYABLES**

	<b>Group</b>	
	<b>30 September 2021</b>	<b>30 September 2020</b>
	<b>£</b>	<b>£</b>
<b>NON-CURRENT</b>		
Lease liabilities	<b>77,332</b>	106,710
	<b><u>77,332</u></b>	<b><u>106,710</u></b>
<b>CURRENT</b>		
Trade payables	<b>182,524</b>	566,528
Lease liabilities	<b>36,471</b>	38,272
Other taxation and social security	<b>118,339</b>	186,084
Accruals and deferred income	<b>651,948</b>	937,106
Other payables	<b>103,385</b>	235,235
	<b><u>1,092,667</u></b>	<b><u>1,963,225</u></b>

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2021

### 11. TRADE AND OTHER PAYABLES (CONTINUED)

	Company	
	30 September 2021	30 September 2020
	£	£
Trade payables	38,385	521,179
Lease liabilities	12,733	14,214
Amounts payable to subsidiaries	195,089	128,533
Other taxation and social security	41,917	52,212
Accrued expenses	648,448	932,907
	<u>936,572</u>	<u>1,649,045</u>

Trade and other payables principally consist of amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are normally settled on 30 to 45 day terms. The Directors consider that the carrying value of trade and other payables approximates their fair value.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

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

### 12. 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 years

All leases have options to extend or to terminate.



# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2021

### 12. LEASES (CONTINUED)

#### Reconciliation of liabilities arising from financing activities

30 September 2021

	Group £	Company £
Opening lease balance	144,982	14,214
Additions	49,449	49,449
Lease repayments	(79,663)	(51,867)
Interest	5,650	936
Effects of foreign exchange	(6,615)	-
Closing lease balance	113,803	12,732

Future minimum lease payments are as follows:

	0-1 years £	1-2 years £	2-3 years £	3-4 years £	4-5 years £	Total Group £
Gross	40,303	27,439	27,439	27,439	-	122,620
Interest	(3,832)	(2,709)	(1,676)	(600)	-	(8,817)
	36,471	24,730	25,763	26,839	-	113,803

### 13. EMPLOYEES

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

	Year ended 30 September 2021	Year ended 30 September 2020
Administration	3	3
Development	20	22
Non-executive	2	2
Average total persons employed	25	27

As at 30 September 2021 the group had 24 employees (30 September 2020: 27)

Staff costs in respect of these employees were:

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2021

### 13. EMPLOYEES (CONTINUED)

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Wages and salaries	1,885,354	2,019,934
Social security costs	312,552	318,297
Other pension costs	97,583	95,600
Total remuneration	<u>2,295,489</u>	<u>2,433,831</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 2021 in respect of pension are £8,990 (30 September 2020: £7,818).

Key management remuneration:

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Wages and salaries	792,448	966,635
Social security costs	128,644	126,187
Other pension costs	27,132	30,858
Total remuneration	<u>948,224</u>	<u>1,123,680</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.

### 14. DIRECTORS' EMOLUMENTS

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Aggregate emoluments	338,180	342,902
Company contributions to a money purchase pension scheme	8,921	7,571
	<u>347,101</u>	<u>350,473</u>

During the period retirement benefits were accruing to 1 director (2020: 1) in respect of money purchase pension schemes.

#### Highest paid director

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Aggregate emoluments	282,451	287,990
Company contributions to a money purchase pension scheme	8,921	7,571

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2021

### 15. CALLED UP SHARE CAPITAL

	30 September 2021	30 September 2020
	£	£
<b>Called up, allotted and fully paid</b>		
2,883,736 (2020 – 1,748,736) Ordinary shares of £0.001 each	<b>2,884</b>	1,749
1,400,000 (2020 – 1,400,000) A Ordinary shares of £0.001 each	<b>1,400</b>	1,400
13,021,429 (2020 – 13,021,429) Series A Preferred shares of £0.001 each	<b>13,021</b>	13,021
1,698,418 (2020 – 1,698,418) Series A-2 Preferred shares of £0.001 each	<b>1,698</b>	1,698
1,300,000 (2020 – 1,300,000) Series A-2 NV Preferred shares of £0.001 each	<b>1,300</b>	1,300
5,863,459 (2020 – 5,863,459) Series A-3 Preferred shares of £0.001 each	<b>5,863</b>	5,863
783,333 (2020 – 783,333) Series A-3 NV Preferred shares of £0.001 each	<b>783</b>	783
	<b>26,949</b>	25,814

#### 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 2021 the company issued 1,135,000 (2020: nil) 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.

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2021

### 15. CALLED UP SHARE CAPITAL (CONTINUED)

During the year certain employees exercised 1,135,000 (2020: nil) options for Ordinary shares.

At 30 September 2021 the company has 2,052,000 outstanding options over Ordinary shares (2020: 3,187,000). 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 13, and directors' emoluments are disclosed in note 14 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 £36,771 was paid to Farmacokinetica Limited (2020: £52,868). The amount owed to Farmacokinetica Limited at 30 September 2021 was £nil (2020: £nil).

The Company received consultancy services from Alterion Consulting Limited, a company controlled by a shareholder. During the period £64,470 was paid to Alterion Consulting Limited (2020: £111,091). The amount owed to Alterion Consulting Limited at 30 September 2021 was nil (2020: £11,052).

The Company receives consultancy services from Advanced Research & Clinical Trials LLC, a company controlled by a shareholder. During the period £73,895 was paid to Advanced Research & Clinical Trials LLC (2020: £87,453). The amount owed to Advanced Research & Clinical Trials LLC at 30 September 2021 was £nil (2020: £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:

	Group		Company	
	30	30	30	30
Financial assets measured at amortised cost	September 2021	September 2020	September 2021	September 2020
	£	£	£	£
Other receivables	15,473	16,337	-	-
Cash and cash equivalents	13,507,441	20,047,325	12,884,507	18,856,892
	<u>13,522,914</u>	<u>20,063,662</u>	<u>12,884,507</u>	<u>18,856,892</u>

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2021

### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial liabilities measured at amortised cost	Group		Company	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
	£	£	£	£
Trade payables	182,841	566,528	38,385	521,179
Lease liabilities – non-current	77,332	106,710	-	-
Lease liabilities - current	36,471	38,272	12,733	14,214
Amounts payable to subsidiaries	-	-	195,420	128,533
Other payables	755,333	1,172,341	648,448	932,906
	<b>1,051,977</b>	<b>1,883,851</b>	<b>894,986</b>	<b>1,596,832</b>

#### 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.

#### 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 (2020: £nil).

# **AUTIFONY THERAPEUTICS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 September 2021**

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

#### **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 is accrued 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. The accrued cumulative fixed rate dividend as at the reporting date for all the Preferred shares in issue is £15,870,868 (2020: £13,903,214).