

**Consolidated Financial Statements**

**Autifony Therapeutics Limited**

**30 September 2020**

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COMPANIES HOUSE

# **AUTIFONY THERAPEUTICS LIMITED**

## **CONSOLIDATED FINANCIAL STATEMENTS 2020**

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# **AUTIFONY THERAPEUTICS LIMITED**

## **CONSOLIDATED FINANCIAL STATEMENTS 2020**

### **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 2020**

### **STRATEGIC REPORT**

#### **PRINCIPAL ACTIVITIES**

The principal activity of the company is drug discovery.

#### **BUSINESS REVIEW**

In the 2019/20 budget year, Autifony continued its main drug development programme for schizophrenia targeting Kv3.1/3.2 ion channels with its lead compound AUT00206 and clinical-stage backup, AUT00201. In April 2020, Boehringer Ingelheim (BI) declined to exercise its option to acquire the Kv3.1/3.2 programme assets based on the deal signed in 2017. As a result, the Option terminated and all rights to the Kv3.1/3.2 programme reverted to Autifony. Over the remainder of the year, the Company continued the non-clinical development of a new clinical formulation of AUT00206 and the clinical Phase Ia "first-in-human" trial of AUT00201, which was conducted in the UK. As part of the Kv3.1/3.2 programme, the company has progressed the development of further backup compounds, filing new patents covering a novel compound class.

In addition, Autifony continued an early-stage, preclinical programme for neurodegenerative disorders, with financial support from the Dementia Discovery Fund (DDF). During 2019/20, Autifony continued key target validation studies in collaboration with University groups in UK, US, Italy and Australia, and continued internal medicinal chemistry and biology exploration of novel compound classes against the drug target. A new patent was filed covering these compound in December 2019.

A new early-stage preclinical programme in collaboration with Oxford University, with funding from the UK's BBSRC (a "LINK" award to Oxford) was established in September 2020, and involves Autifony's biologists and chemists at both the UK and Italy sites.

Over the course of 2019/20, Autifony also negotiated a new early research collaboration with BI to explore a novel ion channel for CNS and non-CNS disorders. At the time of writing, this collaboration has now begun and provides funding from BI into Autifony.

From March 2020, 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 were re-opened safely. The Directors took 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 CROS 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 December 2020 the Company entered into a new collaboration with Boehringer Ingelheim to investigate a novel ion channel target involved in the function of cellular lysosomes.

#### **RESULTS AND DIVIDENDS**

The group's loss for the financial year is £6,738,614 (2019 profit: £8,079,420). The group is not yet in a position to pay a dividend.

# AUTIFONY THERAPEUTICS LIMITED

## CONSOLIDATED FINANCIAL STATEMENTS 2020

### 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.

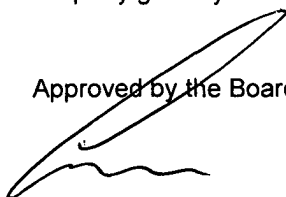
##### **Regulatory risk**

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 20 May 2021



**C Large**  
Director

# **AUTIFONY THERAPEUTICS LIMITED**

## **CONSOLIDATED FINANCIAL STATEMENTS 2020**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 September 2020.

### **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.

### **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

# AUTIFONY THERAPEUTICS LIMITED

## CONSOLIDATED FINANCIAL STATEMENTS 2020

### 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:

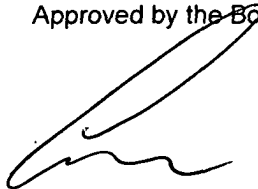
- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor 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 20 May 2021 and signed on behalf of the Board.



C Large  
Director

# **AUTIFONY THERAPEUTICS LIMITED**

## **CONSOLIDATED FINANCIAL STATEMENTS 2020**

### **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 2020, 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 2020 and of the group's loss for the year then ended;
- the group 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.
- 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.



# AUTIFONY THERAPEUTICS LIMITED

## CONSOLIDATED FINANCIAL STATEMENTS 2020

### 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 group's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group'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 group 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.

# AUTIFONY THERAPEUTICS LIMITED

## CONSOLIDATED FINANCIAL STATEMENTS 2020

### 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](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.

Grant Thornton UK LLP

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

20 May 2021

# AUTIFONY THERAPEUTICS GROUP

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 September 2020

	Note	Year ended 30 September 2020	Year ended 30 September 2019
		£	£
Revenue	9	328,484	15,694,640
Research and development		(7,493,756)	(6,539,068)
General and administration		(1,320,022)	(1,289,510)
<b>Operating (loss)/profit</b>	3	<b>(8,485,294)</b>	7,866,062
Finance income	13	120,253	147,099
Finance expense	13	(7,858)	(834)
<b>(Loss)/profit before taxation</b>		<b>(8,372,899)</b>	8,012,327
Taxation	12	1,634,285	67,093
<b>(Loss)/profit for the year</b>		<b>(6,738,614)</b>	8,079,420
<b>Other comprehensive income</b>			
Foreign currency translation differences		(817)	(493)
<b>Total comprehensive income for the year</b>		<b>(6,739,431)</b>	8,078,927

All amounts relate to continuing operations.

# AUTIFONY THERAPEUTICS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 September 2020

	Note	30 September 2020	30 September 2019
		£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	5	113,069	198,069
Property, plant & equipment	6	386,128	295,155
<b>Total non-current assets</b>		<b>499,197</b>	<b>493,224</b>
<b>Current assets</b>			
Trade and other receivables	8	2,105,951	536,235
Cash and cash equivalents		20,047,325	27,882,643
<b>Total current assets</b>		<b>22,153,276</b>	<b>28,418,878</b>
<b>Total assets</b>		<b>22,652,473</b>	<b>28,912,102</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables	14	106,710	-
<b>Total non-current liabilities</b>		<b>106,710</b>	<b>-</b>
<b>Current liabilities</b>			
Trade and other payables	14	1,963,225	1,590,133
<b>Total current liabilities</b>		<b>1,963,225</b>	<b>1,590,133</b>
<b>Total liabilities</b>		<b>2,069,935</b>	<b>1,590,133</b>
<b>EQUITY</b>			
Share capital	15	25,814	25,814
Capital redemption reserve		1,681	1,681
Share premium account		24,760,825	24,760,825
Other components of equity		11,839	12,656
Retained earnings		(4,217,621)	2,520,993
<b>Total equity</b>		<b>20,582,538</b>	<b>27,321,969</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>22,652,473</b>	<b>28,912,102</b>

The financial statements of Autifony Therapeutics Limited, registered number 07543962, were approved by the Board of Directors and authorised for issue on 20 May 2021.

Signed on behalf of the Board of Directors

C Large

Director

# AUTIFONY THERAPEUTICS LIMITED

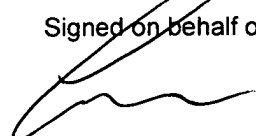
## COMPANY STATEMENT OF FINANCIAL POSITION as at 30 September 2020

	Note	30 September 2020	30 September 2019
		£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	5	113,069	198,069
Property, plant & equipment	6	49,921	64,486
Investment	4	8,602	1,908,592
<b>Total non-current assets</b>		<b>171,592</b>	<b>2,171,147</b>
<b>Current assets</b>			
Trade and other receivables	8	1,999,888	498,959
Cash and cash equivalents		18,856,892	26,548,374
<b>Total current assets</b>		<b>20,856,780</b>	<b>27,047,333</b>
<b>Total assets</b>		<b>21,028,372</b>	<b>29,218,480</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	1,649,045	1,145,279
<b>Total current liabilities</b>		<b>1,649,045</b>	<b>1,145,279</b>
<b>EQUITY</b>			
Share capital	15	25,814	25,814
Capital redemption reserve		1,681	1,681
Share premium account		24,760,825	24,760,825
Retained earnings		(5,408,993)	3,284,881
<b>Total equity</b>		<b>19,379,327</b>	<b>28,073,201</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>21,028,372</b>	<b>29,218,480</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 £8,693,874 (2019: profit £8,957,066).

The financial statements of Autifony Therapeutics Limited, registered number 07543962, were approved by the Board of Directors and authorised for issue on 20 May 2021.

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 2020

	Share capital £	Capital redemption reserve £	Share premium £	Other components of equity £	Retained earnings £	Total equity £
<b>Balance at 30 September 2018</b>	<b>25,304</b>	<b>1,681</b>	<b>24,760,825</b>	<b>13,149</b>	<b>(5,558,427)</b>	<b>19,242,532</b>
Issue of share capital	510	-	-	-	-	510
<b>Transactions with owners</b>	<b>510</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>510</b>
Profit for the year and total comprehensive income	-	-	-	(493)	8,079,420	8,078,927
<b>Balance at 30 September 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>

# AUTIFONY THERAPEUTICS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY For the period ended 30 September 2020

	Share capital £	Capital redemption reserve £	Share premium £	Other components of equity £	Retained earnings £	Total equity £
<b>Balance at 1 October 2018</b>	<b>25,304</b>	<b>1,681</b>	<b>24,760,825</b>	<b>-</b>	<b>(5,672,185)</b>	<b>19,115,625</b>
Issue of share capital						
Cancellation of shares	510	-	-	-	-	510
<b>Transactions with owners</b>	<b>510</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>510</b>
Profit for the period and total comprehensive income	-	-	-	-	8,957,066	8,957,066
<b>Balance at 30 September 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	-	-	-	-	-	-
Cancellation of shares	-	-	-	-	-	-
<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>

# AUTIFONY THERAPEUTICS LIMITED

## CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS For the period ended 30 September 2020

	Group		Company	
	Year ended 30 September 2020 £	Year ended 30 September 2019 £	Year ended 30 September 2020 £	Year ended 30 September 2019 £
<b>Cash flows from operating activities</b>				
(Loss)/profit-before income tax	(8,372,899)	8,012,327	(10,343,268)	8,885,697
Finance income	(120,253)	(147,099)	(117,692)	(146,165)
Finance expense	7,858	834	2,125	83
Profit on sale of asset	-	-	-	(400,000)
Loss on impairment	-	-	2,724,990	-
Depreciation and amortisation	270,996	179,573	178,199	136,160
	<b>(8,214,298)</b>	<b>8,045,635</b>	<b>(7,555,646)</b>	<b>8,475,775</b>
<b>Changes in working capital</b>				
(Increase)/decrease in trade and other receivables	31,456	24,415	115,347	77,880
Increase/(decrease) in trade and other payables	323,415	480,664	478,150	82,618
<b>Net cash used in operations</b>	<b>(7,859,427)</b>	<b>8,550,714</b>	<b>(6,962,149)</b>	<b>8,636,273</b>
Taxation received	33,114	-	33,114	-
<b>Net cash inflow from/(used in) operating activities</b>	<b>(7,826,313)</b>	<b>8,550,714</b>	<b>(6,929,035)</b>	<b>8,636,273</b>
<b>Cash flows from investing activities</b>				
Finance income received	120,253	147,099	117,692	146,165
Payment for investment in subsidiary	-	-	(825,000)	(1,499,990)
Proceeds from sale of asset	-	-	-	15,859
Purchase of property, plant and equipment	(44,211)	(180,570)	(4,123)	(29,375)
<b>Net cash (used in)/generated from investing activities</b>	<b>76,042</b>	<b>(33,471)</b>	<b>(711,431)</b>	<b>(1,367,341)</b>
<b>Cash flows from financing activities</b>				
Finance expense paid	(59)	(834)	-	(83)
Proceeds from issue of shares	-	510	-	510
Repayment of leasing liabilities	(78,984)	-	(51,016)	-
<b>Net cash (used in)/generated from financing activities</b>	<b>(79,043)</b>	<b>(324)</b>	<b>(51,016)</b>	<b>427</b>
<b>Movements in cash and cash equivalents in the year/period</b>	<b>(7,829,314)</b>	<b>8,516,919</b>	<b>(7,691,482)</b>	<b>7,269,359</b>
Cash and cash equivalents at start of period	27,882,643	19,365,684	26,548,374	19,279,015
Exchange difference on cash and cash equivalents	(6,004)	40	-	-
<b>Cash and cash equivalents at end of year/period</b>	<b>20,047,325</b>	<b>27,882,643</b>	<b>18,856,892</b>	<b>26,548,374</b>



# **AUTIFONY THERAPEUTICS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 September 2020**

### **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 2020 (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 2020.

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 2020.

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.

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2020

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Standards in issue but not yet effective

At the date of authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards and interpretations have been published by the IASB. The standards and amendments that are not yet effective and have not been adopted early by the Group include:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The Directors anticipate, based on current business processes, that the introduction of the above standards and amendments will not have a material impact on the Group and Company financial statements and therefore the impact of these changes on the financial statements have not been made.

#### 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 2019:

- IFRS 16, 'Leases'

IFRS 16 replaces IAS 17. The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases.

The new Standard has been applied using the modified retrospective approach. Prior periods have not been restated.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 October 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4.1%.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 October 2019:

	Carrying amount at 30 September 2019 £	Reclassification £	IFRS 16 carrying amount at 1 October 2019 £
Property, plant and equipment	626,680	224,822	851,502
Lease liabilities			
Current	-	(66,454)	(66,454)
Non-current	-	(146,964)	(146,964)
	<u>626,680</u>	<u>11,404</u>	<u>638,084</u>

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2020

### 2. ACCOUNTING POLICIES (CONTINUED)

The following is a reconciliation of total operating lease commitments at 30 September 2019 (as disclosed in the financial statements to 30 September 2019) to the lease liabilities recognised at 1 October 2019:

	£
Total operating lease commitments disclosed at 30 September 2019	36,292
Reasonably certain extension options	199,006
Discounted using incremental borrowing rate	(21,880)
	<hr/>
Total lease liabilities recognised under IFRS 16 at 1 October 2019	213,418
	<hr/>

#### 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 2020

### 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
Laboratory equipment	-	33.33% straight line

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

#### Leased assets

For any new contracts entered into on or after 1 October 2019, 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 2020

### 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 2020

### 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 2020

### 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 2020

### 3. OPERATING PROFIT

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

	Group	
	Year ended 30 September 2020 £	Year ended 30 September 2019 £
<b>Operating profit/(loss) is after charging:</b>		
Amortisation of patents	85,000	85,000
Depreciation of right-of-use assets	74,429	-
Depreciation of tangible assets	111,567	94,573
Auditors' remuneration – audit services	20,000	17,500
Auditors' remuneration – tax compliance services	-	25,550
	<u>          </u>	<u>          </u>

### 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	
			2020	2019
Autifony Srl	Italy	Drug discovery	100%	100%
Autifony Alpha Limited	England and Wales	Drug discovery	100%	100%

	Company
	£
Balance at 1 October 2019	1,908,592
Additions	825,000
Impairment	(2,724,990)
Balance at 30 September 2020	<u>8,602</u>

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



**AUTIFONY THERAPEUTICS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 September 2020**

**5. INTANGIBLE FIXED ASSETS**

<b>Group &amp; Company:</b>	<b>Intellectual property rights</b>
	<b>£</b>
<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/>

<b>Group &amp; Company:</b>	<b>Intellectual property rights</b>
	<b>£</b>
<b>Cost</b>	
Balance at 1 October 2018	850,000
Additions	-
	<hr/>
Balance at 30 September 2019	850,000
	<hr/>
<b>Accumulated amortisation and impairment</b>	
Balance at 1 October 2018	566,931
Charge in period	85,000
	<hr/>
Balance at 30 September 2019	651,931
	<hr/>
<b>Carrying amount at 30 September 2019</b>	<b>198,069</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 2020

### 6. PROPERTY, PLANT AND EQUIPMENT

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>

Group:	Right-of-use assets £	Office equipment £	Laboratory equipment £	Total £
<b>Cost</b>				
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
<b>Accumulated depreciation and impairment</b>				
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
<b>Carrying amount at 30 September 2019</b>	<b>-</b>	<b>226,398</b>	<b>68,757</b>	<b>295,155</b>

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2020

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

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
Disposals	-	-	-	-
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
Disposals	-	-	-	-
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>

Company:	Right-of-use assets £	Office equipment £	Laboratory equipment £	Total £
<b>Cost</b>				
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
<b>Accumulated depreciation and impairment</b>				
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
<b>Carrying amount at 30 September 2019</b>	<b>-</b>	<b>11,587</b>	<b>52,899</b>	<b>64,486</b>

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2020

### 7. 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 6).

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.

#### Reconciliation of liabilities arising from financing activities

30 September 2020

	Group £	Company £
On inception of IFRS 16	213,418	63,106
Lease repayments	(78,984)	(51,016)
Interest	7,799	2,124
Effects of foreign exchange	2,749	-
Closing lease balance	144,982	14,214

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	43,331	28,970	28,970	28,970	28,970	159,211
Interest	(5,059)	(3,907)	(2,860)	(1,769)	(634)	(14,229)
	38,272	25,063	26,110	27,201	28,336	144,982

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2020

### 8. TRADE & OTHER RECEIVABLES

	Group 30 September 2020	30 September 2019
	£	£
<b>Amounts receivable within one year</b>		
Other receivables	200,749	298,999
Tax recoverable	1,720,760	71,369
Other taxation and social security	184,442	165,867
	<u>2,105,951</u>	<u>536,235</u>
	Company 30 September 2020	30 September 2019
	£	£
<b>Amounts receivable within one year</b>		
Amounts due from subsidiary undertakings	-	25,658
Other receivables	178,840	279,185
Tax recoverable	1,720,760	71,369
Other taxation and social security	100,288	122,747
	<u>1,999,888</u>	<u>498,959</u>

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

### 9. REVENUE

	Group		Company	
	Year ended 30 September 2020	Year ended 30 September 2019	Year ended 30 September 2020	Year ended 30 September 2019
	£	£	£	£
Option and asset income	-	15,359,609	-	15,359,609
Other revenue	328,484	335,031	-	335,031
	<u>328,484</u>	<u>15,694,640</u>	<u>-</u>	<u>15,694,640</u>

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.

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2020

### 10. EMPLOYEES

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

	Year ended 30 September 2020	Year ended 30 September 2019
Administration	3	3
Development	22	19
Non-executive	2	2
Average total persons employed	<u>27</u>	<u>24</u>

As at 30 September 2020 the group had 27 employees (30 September 2019: 27)

Staff costs in respect of these employees were:

	Year ended 30 September 2020 £	Year ended 30 September 2019 £
Wages and salaries	2,019,934	1,976,028
Social security costs	318,297	286,248
Other pension costs	95,600	92,827
Total remuneration	<u>2,433,831</u>	<u>2,355,103</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 2020 in respect of pension are £7,818 (30 September 2019: £11,745).

Key management remuneration:

	Year ended 30 September 2020 £	Year ended 30 September 2019 £
Wages and salaries	966,635	996,928
Social security costs	126,187	130,517
Other pension costs	30,858	37,310
Total remuneration	<u>1,123,680</u>	<u>1,164,755</u>

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

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2020

### 11. DIRECTORS' EMOLUMENTS

	Year ended 30 September 2020 £	Year ended 30 September 2019 £
Aggregate emoluments	342,902	344,820
Company contributions to a money purchase pension scheme	7,571	14,700
	<u>350,473</u>	<u>359,520</u>

During the period retirement benefits were accruing to 1 director (2019: 1) in respect of money purchase pension schemes.

#### Highest paid director

	Year ended 30 September 2020 £	Year ended 30 September 2019 £
Aggregate emoluments	287,990	291,571
Company contributions to a money purchase pension scheme	7,571	14,700
	<u>295,561</u>	<u>306,271</u>

### 12. TAXATION

	Year ended 30 September 2020 £	Year ended 30 September 2019 £
Research and development tax credits	1,649,391	71,369
Adjustment in respect of previous periods	-	-
Foreign corporation tax	(15,106)	(4,276)
	<u>1,634,285</u>	<u>67,093</u>

The tax assessed for the period is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2020

### 12. TAXATION (CONTINUED)

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

	Year ended 30 September 2020 £	Year ended 30 September 2019 £
Result for the year/period before taxation	(8,372,899)	8,012,327
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(1,590,851)	1,522,342
Expenses not deductible for tax purposes	9,098	32,785
Additional deduction for R&D tax credit	(1,222,686)	(867,316)
Patent box additional deduction	-	(859,659)
Surrender of tax losses for R&D Tax Credit refund	498,130	-
Deferred tax not recognised	668,150	107,837
Impact of differences on foreign tax rates	3,874	(3,082)
Total tax	(1,634,285)	(67,093)

#### Factors that may affect future tax charges

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

There are significant losses available to carry forward, estimated at £10.8 million (2019: £8.1 million) for which no deferred tax asset is recognised.

### 13. FINANCE INCOME AND FINANCE EXPENSE

	Year ended 30 September 2020 £	Year ended 30 September 2019 £
Finance income	120,253	147,099
	Year ended 30 September 2020 £	Year ended 30 September 2019 £
Interest expense	59	834
Interest expense for leasing arrangements	7,799	-
	7,858	834



# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2020

### 14. TRADE AND OTHER PAYABLES

	Group	
	30 September 2020	30 September 2019
	£	£
<b>NON-CURRENT</b>		
Lease liabilities	106,710	-
<b>CURRENT</b>		
Trade payables	566,528	481,126
Lease liabilities	38,272	-
Other taxation and social security	186,084	112,056
Accruals and deferred income	1,172,341	996,951
	<u>1,963,225</u>	<u>1,590,133</u>

	Company	
	30 September 2020	30 September 2019
	£	£
Trade payables	521,179	381,947
Lease liabilities	14,214	-
Amounts payable to subsidiaries	128,533	9,280
Other taxation and social security	52,212	48,879
Accrued expenses	932,907	705,173
	<u>1,649,045</u>	<u>1,145,279</u>

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

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

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

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2020

### 15. CALLED UP SHARE CAPITAL

	30 September 2020	30 September 2019
	£	£
<b>Called up, allotted and fully paid</b>		
1,748,736 (2019 – 1,748,736) Ordinary shares of £0.001 each	1,749	1,749
1,400,000 (2019 – 1,400,000) A Ordinary shares of £0.001 each	1,400	1,400
13,021,429 (2019 – 13,021,429) Series A Preferred shares of £0.001 each	13,021	13,021
1,698,418 (2019 – 1,698,418) Series A-2 Preferred shares of £0.001 each	1,698	1,698
1,300,000 (2019 – 1,300,000) Series A-2 NV Preferred shares of £0.001 each	1,300	1,300
5,863,459 (2019 – 5,863,459) Series A-3 Preferred shares of £0.001 each	5,863	5,863
783,333 (2019 – 783,333) Series A-3 NV Preferred shares of £0.001 each	783	783
	<u>25,814</u>	<u>25,814</u>

#### Share rights

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

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

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

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

#### Share issues

During the year ended 30 September 2020 the company issued nil (2019: 509,824) Ordinary shares of £0.001 each at par.

#### 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) 30<sup>th</sup> June 2020.

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.

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2020

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

During the year certain employees exercised nil (2019: 130,937) options for Ordinary shares. During the year certain employees surrendered nil (2019: 105,063) options in exchange for the same number of Ordinary shares.

At 30 September 2020 the company has 3,187,000 outstanding options over Ordinary shares (2019: 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 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 £52,868 was paid to Farmacokinetica Limited (2019: 50,898). The amount owed to Farmacokinetica Limited at 30 September 2020 was £nil (2019: £nil).

The Company receives consultancy services from Alterion Consulting Limited, a company controlled by a shareholder. During the period £111,091 was paid to Alterion Consulting Limited (2019: £107,030). The amount owed to Alterion Consulting Limited at 30 September 2020 was £11,052 (2019: £10,828).

The Company receives consultancy services from Advanced Research & Clinical Trials LLC, a company controlled by a shareholder. During the period £87,453 was paid to Advanced Research & Clinical Trials LLC (2019: £94,455). The amount owed to Advanced Research & Clinical Trials LLC at 30 September 2020 was £nil (2019: £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 2020	September 2019	September 2020	September 2019
	£	£	£	£
Other receivables	16,337	10,427	-	-
Amounts payable from subsidiaries	-	-	-	25,658
Cash and cash equivalents	20,047,325	27,882,643	18,856,892	26,548,375
	<u>20,063,662</u>	<u>27,893,070</u>	<u>18,856,892</u>	<u>26,574,033</u>

# AUTIFONY THERAPEUTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2020

### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial liabilities measured at amortised cost	Group		Company	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	£	£	£	£
Trade payables	566,528	481,126	521,179	381,947
Lease liabilities – non-current	106,710	-	-	-
Lease liabilities - current	38,272	-	14,214	-
Amounts payable to subsidiaries	-	-	128,533	9,280
Other payables	1,172,341	996,951	932,906	705,171
	<u>1,883,851</u>	<u>1,478,077</u>	<u>1,596,832</u>	<u>1,096,398</u>

#### Foreign currency risk

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

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

#### Fair value of financial assets and liabilities

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

#### Credit risk

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

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

#### 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 (2019: £13m).

At September 30, 2020, the group held available £nil (2019: £100,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. In February 2020 this amount was fully repaid to the current account.

# **AUTIFONY THERAPEUTICS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 September 2020**

### **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.