Hemogenyx Pharma Plc - Final Results for the Year Ended 31 December 2018

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Hemogenyx Pharmaceuticals PLC

29 April 2019

Hemogenyx Pharmaceuticals plc

("Hemogenyx" or the "Company")

Final Results for the Year Ended 31 December 2018

Hemogenyx Pharmaceuticals plc (LSE: HEMO), the biopharmaceutical group developing new therapies and treatments designed to transform bone marrow transplantation for the treatment of blood diseases, announces its Final Results for the year ended 31 December 2018.

All financial amounts are stated in GBP British pounds unless otherwise indicated.

Key highlights

- Progress continues towards the submission of an Investigational New Drug ("IND") application for a CDX antibody, the Company's lead product

candidate

- Agreement with global bio-pharmaceutical company to develop the Company's CDX antibodies - potential for licensing deal
- Expanding use of CDX antibodies to improve the efficacy of already approved drugs as well as those still in clinical trials for acute myeloid leukemia, and to use as a potential treatment for relapsed/refractory acute myeloid leukemia
- Advanced Hematopoietic Chimera ("AHC"), the Company's humanised mouse model, continues to generate interest across the bio-pharmaceutical industry as a platform for disease modelling and drug discovery
- Established subsidiary Immugenyx LLC for the development and commercialisation of AHC which is earning collaboration fees for the Company; Immugenyx has received investment from NASDAQ-listed Orgenesis, Inc. ("Orgenesis")
- Established Belgium subsidiary, Hemogenyx-Cell SPRL, to focus on Hu-PHEC technology which may be eligible for financial support from the Belgium government; funding secured from Orgenesis

Post-period end highlights

- Hemogenyx-Cell has lodged an application for a matched funding grant for the further development of Hu-PHEC technology
- Reviewed and extended the licence agreement with Cornell University, the patent-holder of the Hu-PHEC technology
- Leveraging collaboration with Jannsen Pharmaceuticals, initiating a programme to develop a suite of novel treatments for Systemic Lupus Erythematosus (SLE or Lupus)

Dr Vladislav Sandler, CEO of Hemogenyx, said:

"2018 was an important year for Hemogenyx both scientifically and commercially as we progressed and diversified our product pipeline and commenced collaborations with several key pharmaceutical industry partners. Work on CDX antibodies is progressing well and we have initiated discussions with a global pharmaceutical company on a potential licensing deal. Additionally, we have been evaluating the use of CDX antibodies in combination with other blood cancer treatments and as a potential treatment for relapsed/refractory AML. Our collaborations with Orgenesis will accelerate the development of our Hu-PHEC cell therapy product and the adoption of Hemogenyx's AHC humanised mice, a new product line."

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this news release contain forward-looking information. These statements address future events and conditions and, as such, involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results,

performance or achievements expressed or implied by the statements. Such factors include without limitation the completion of planned expenditures, the ability to complete exploration programs on schedule and the success of exploration programs. Readers are cautioned not to place undue reliance on the forward-looking information, which speak only as of the date of this news release.

Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

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About Hemogenyx Pharmaceuticals plc

Hemogenyx Pharmaceuticals plc ("Hemogenyx") is a publicly traded company (LSE:

HEMO) headquartered in London, with its wholly-owned US operating subsidiaries, Hemogenyx LLC and Immugenyx LLC, located in New York City at its state-of-the-art research facility and a wholly-owned Belgian operating subsidiary, Hemogenyx-Cell SPRL, located in Liège.

Hemogenyx is a pre-clinical stage biopharmaceutical group developing new medicines and treatments to bring the curative power of bone marrow transplantation to a greater number of patients suffering from otherwise incurable life-threatening diseases. Hemogenyx is developing two distinct and complementary products, as well as a platform technology that it uses as an engine for novel product development.

For more than 50 years, bone marrow transplantation has been used to save the lives of patients suffering from blood diseases. The risks of toxicity and death that are associated with bone marrow transplantation, however, have meant that the procedure is restricted to use only as a last resort. Hemogenyx's technology has the potential to enable many more patients suffering from devastating blood diseases such as leukemia and lymphoma, as well as severe autoimmune diseases such as multiple sclerosis, aplastic anemia and systemic lupus erythematosus (Lupus), to benefit from bone marrow transplantation.

Chairman's Statement

I am very pleased to present an update on the Company for the year ended 31 December 2018.

Hemogenyx is developing two products for the multi-billion[1] bone marrow/hematopoietic stem cell transplant market. These two products are:

- A CDX bi-specific antibody - a product that could eliminate relapsed and/or refractory ("R/R") acute myeloid leukemia ("AML"), a form of blood cancer, as well as certain other blood malignancies and replace chemotherapy and radiation as a means of pre-transplant conditioning.

- A cell therapy group of products - cell therapies that address the problem of stem cell donor availability and issues around relapse or cell rejection after transplantation. These products use Human Postnatal Hemogenic Endothelial Cells ("Hu-PHECs") as a source of generating cancer-free, patient-matched blood stem cells for transplantation into the patient.

The products address a large and growing need and will be sold into a market that is already substantial. If successfully commercialised, Hemogenyx's products could enable a much wider range of patients to be treated than is presently the case as the products should be applicable to the very many patients who are unfit for or, through the lack of suitable cell donors, unable to receive blood stem cell transplants at present.

Additionally, the Advanced Hematopoietic Chimera ("AHC"), the Company's proprietary humanised mouse model originally developed to improve the testing of the Company's own products *in vivo,* is generating wide interest across the bio-pharmaceutical industry as a platform for disease modelling and drug discovery, and

now forms an additional line of business for the Company.

The Company made two key appointments during the year. I was appointed Chairman of the Board in April 2018. Prior to that, in March 2018, H. Michael Shepard, Ph.D., a pioneer in modern cancer research, was appointed to the Scientific Advisory Board.

I would like to take this opportunity to remind shareholders of the progress made during 2018. Overall, advances were made across the full range of the Company's activities, representing a significant step forward.

CDX Antibodies

Progress continues toward the submission of an Investigational New Drug ("IND") application to the US Food and Drug Administration or to a UK or European regulatory agency for the Company's lead product candidate, a CDX antibody. Pre-clinical evaluations of additional clones of CDX antibodies to use in combination with other blood cancer treatments have progressed well.

In February 2018 the Company announced that its CDX antibody was found to be capable of targeting the blood cancer AML *in vitro*. Since then, the Company has established a new *in vivo* model of human AML in its AHC mice that is being used to test CDX antibodies for their potential ability to eliminate AML *in vivo*. If these tests are successful, the Company may be able to use CDX antibodies not only to condition patients for bone marrow transplantation, but also to eliminate R/R AML in patients who qualify for bone marrow transplantation. The AML market across seven developed countries (US, France, Germany, Italy, Spain, the UK, and Japan) is projected to increase to US$1.5 billion by 2026.[2] The Directors consider the expansion of the use of CDX antibodies to treat AML to be a significant opportunity for the Company that may allow it to substantially increase revenues from the CDX antibodies when approved for sale and save more lives.

In May 2018 the Company announced a Development Agreement ("Agreement") with a global biopharmaceutical company for the development of the Company's CDX antibodies. The Company is pleased to report that the development of CDX antibodies under the Agreement is progressing well, and the Company has initiated preliminary discussions with the partner regarding a potential licensing deal.

Under the Agreement, Hemogenyx will receive on a cost-free basis technical support; access to advanced methods of discovering, developing and engineering antibodies; and certain intellectual property which is expected to assist the successful preclinical development of the Company's lead candidate bi-specific CDX antibodies. This will complement the Company's own development work currently being undertaken.

Also, Hemogenyx will grant the global pharmaceutical company a research licence for anything jointly developed under the Agreement, as well as an option for an exclusive worldwide licence to commercially exploit CDX antibodies or any variants which will be jointly developed. If such option is not exercised by the global pharmaceutical company, the Company has the option to license the jointly developed CDX antibodies or any variants.

Hemogenyx is already benefitting from the Agreement as its partner has produced good bi-specific antibodies which appear to be clinical grade, and further discussions will clarify their intentions. The Directors believe that either way Hemogenyx will benefit.

The Company is expanding the use of its CDX antibodies to improve the efficacy of already approved drugs as well as those still in clinical trials for AML. Hemogenyx's goal is to significantly improve the outcomes of treatments using these drugs without a risk of compromising the standard of care. The Directors believe that the potential to use CDX antibodies to improve the performance of existing drugs without any risk of a negative impact on treatment outcomes would be very attractive to major pharmaceutical companies. Consequently, the Company has filed a provisional patent application covering the composition matter of additional clones of CDX antibodies and their combination with a wide class of novel compounds that are currently undergoing clinical development by a number of other companies. The purpose is to create a new paradigm of combination treatment for patients with AML and possibly other types of blood cancers. The Company is in exploratory talks with a number of potential pharmaceutical partners about these opportunities.

The consequences of these developments in the CDX project are extensive. Hemogenyx expects that it may no longer need to spend money and use staff resources to make its own antibodies, because the preferred strategy now is to work with its partner which has already made a suitable antibody. With the availability of a new patented combination therapy strategy, the Directors believe it is likely that this or potentially other biopharmaceutical companies will decide to in-license CDX.

Advanced Hematopoietic Chimeras

The Company continues to be encouraged by the interest generated by its new type of humanised mice - Advanced Hematopoietic Chimeras or "AHC" - and the potential application of these mice in disease modelling and drug discovery. AHC possess a seemingly fully functional human immune system. This is a crucial advantage that the Directors believe makes AHC unique in this respect, to the best of their knowledge, among other types of currently available humanised mice.

The Company initially developed AHC in order to have an improved means of testing its own products *in vivo* but has now found that the AHC platform is generating much wider interest across the bio-pharmaceutical industry and beginning to provide significant immediate levels of revenue for the Company. To fully exploit this newly created opportunity, the Company is forming strategic collaborations with major bio-pharmaceutical companies to expand the use of AHC and to open new venues to increase its own product portfolio.

Subsidiary established to focus on AHC development

To take full advantage of opportunities presented by AHC, the Company has established a wholly owned subsidiary, Immugenyx, LLC ("Immugenyx"), which is

dedicated to the development and commercialisation of AHC as an *in vivo* platform for disease modelling and drug development and testing. In addition, Immugenyx itself is leveraging the useful distinguishing properties of AHC to discover and develop novel treatments for autoimmune diseases.

The value of AHC as an *in vivo* platform for disease modelling and drug development, as well as a source of collaboration project fees for the Company, has been evidenced not only by two previously announced ongoing collaborations with major biopharmaceutical companies, but also by the interest shown by a number of other biopharmaceutical companies that are currently in talks with the Company about entering into collaborations. The Company is looking forward to updating shareholders as these talks progress.

The first announced collaboration with a major US biotechnology company to use the Company's AHC as a tool for drug development and testing has progressed well and is expected to generate up to US$377,000 in fees at the conclusion of the current phase of collaboration.

The second announced collaboration with Janssen Research & Development, LLC ("Janssen"), one of the Janssen Pharmaceutical Companies of Johnson & Johnson, is centred on the development of a model of systemic lupus erythematosus ("SLE", also known as Lupus) using AHC. Lupus is a systemic autoimmune disease wherein patients' immune systems attack their own organs including the skin, kidneys, blood cells, brain, heart and lungs. Lupus is often a life-long disease that currently has no cure. Establishing a human Lupus model is very important for understanding the emergence and development of the disease. In addition, if successful, the Lupus model will provide the opportunity not only to test therapeutics that are currently under development, but also potentially to discover new therapeutic approaches for treatment of the disease.

During the period under review, the Company also announced that Immugenyx had entered into a collaboration agreement with Orgenesis, Inc. ("Orgenesis") to further develop and commercialise AHC. Orgenesis is advancing to Immugenyx a convertible note of not less than US$1,000,000 that can be converted into shares of Immugenyx at a price per share based on a pre-money valuation of US$8,000,000 with an option to increase the convertible note by up to an additional US$1,000,000. This collaboration represents additional validation of the potential value of the AHC platform. The Directors believe that the participation of Orgenesis in the business development and commercialisation of AHC may significantly expand and speed up the platform's adoption as a standard tool for drug discovery, testing, and disease modelling by a wide variety of pharmaceutical and biotechnology companies around the world as well as providing access to Orgenesis' marketing resources.

The research collaboration with Rockefeller University, which focuses on auto-

immune disease modelling to develop new treatments for diseases such as Lupus, is still in its early stages and continues to progress in line with the Company's expectations.

The collaborations above and the interest currently being shown by other potential collaborators reinforce the additional value that AHC can potentially unlock.

Hu-PHEC Products

The Company has in recent months focused its attention on the CDX antibody product candidate but has also taken clear steps to bring forward its Human Postnatal Hemogenic Endothelial Cell ("Hu-PHEC") based suite of product candidates.

To that end, because the technical requirements are different and costly, the Company has established a wholly owned subsidiary, Hemogenyx-Cell SPRL ("Hemogenyx-Cell"), and has entered into a collaboration agreement with Orgenesis to further develop and commercialise its Hu-PHEC technology. Hemogenyx-Cell will engage in the preclinical development of the Hu-PHEC technology, and as a Belgian company may be eligible for financial support from the Belgian government in the form of matching grants.

Hu-PHEC is a cell replacement product candidate that is being developed by the Company to generate cancer-free, patient-matched blood stem cells after transplantation into the patient. Orgenesis is advancing to Hemogenyx-Cell a convertible note of not less than US$1,000,000 that can be converted into shares of Hemogenyx-Cell at a price per share based on a pre-money valuation of US$12,000,000 with an option to increase the convertible note by up to an additional US$1,000,000. The Directors believe that this collaboration is especially important for the Company as it has the potential to accelerate development of its Hu-PHEC product candidate without reducing progress on other projects.

Post Period End Updates

Following the end of the period under review, the Company has continued to make progress in a number of areas and can highlight to shareholders the following developments:

The Company's Belgian subsidiary, Hemogenyx-Cell SPRL, was incorporated on 9 April 2019. Hemogenyx-Cell is progressing preclinical development of the Hu-PHEC technology and has lodged an application for a matched funding grant with the Belgian government.

The Company is pleased to report that it has reviewed and extended its licence agreement with Cornell University, the patent-holder of the Hu-PHEC technology.

The Company, leveraging its collaboration with Janssen Pharmaceuticals (a Johnson & Johnson pharmaceutical company), has initiated a programme of discovery and development of a suite of novel treatments for Systemic Lupus Erythematosus (SLE or Lupus). The Company is developing a cell-based approach to treat Lupus. In parallel, it is engaged in seeking novel druggable targets using its proprietary discovery platform that combines an AHC-based human Lupus model and single cell sequencing.

Financial Results

During the year the Group made a loss of £1,477,532 (2017: £2,361,599 loss).

Scientific Advisory Board & Board Update

I have been Chairman of the Scientific Advisory Board since September 2017 and have been working with the Company to widen its expertise and to bring in advisers that can specifically help given the stage to which the Company's product development has advanced.

In March 2018, we were very pleased to welcome Dr Michael Shepard to our Scientific Advisory Board. Dr Shepard is a renowned cancer research specialist and his work led to the discovery and development of many successful cancer treatments including Herceptin/trastuzumab, an antibody used to treat breast cancer patients when he was at Genentech. Sales of Herceptin in 2015 exceeded US$6.5 billion worldwide.

Our Scientific Advisory Board, under my Chairmanship, brings together a number of experienced experts with extensive biotech and large pharma drug development experience and their calibre is a reflection of the potential opportunity that our therapies present. Further additions are under consideration.

In April I was appointed Chairman of the Board of Directors, and at the same time as my appointment to the Board Adrian Beeston stood down as a Non-Executive Director. In November we announced that Andrew Wright was appointed as Financial Controller and Company Secretary in a non-Board position, and Lawrence Pemble, Chief Operating Officer, stood down as a Director. In January 2019 Dr Robin Campbell, my predecessor as Chairman, also stood down. I again extend my thanks to Adrian, Lawrence and Robin for their contributions to the Company.

The Board has continued to demonstrate its confidence in the ongoing success of the business throughout the period under review and post-period end. I have elected to receive most of my remuneration in shares and collectively we remain confident that they should deliver significant shareholder return over the long term.

Conclusion

The Company has made progress in widening its suite of products (e.g. its collaborations pertaining to AHC) and their potential applications (e.g. the application of CDX antibodies to treat AML) and providing important partnerships and finance for all of its product suites. The Directors believe that this investment in the diversification of the Company's product suites and their application to additional disease markets reduces business risk and maximises overall potential shareholder value.

Overall the Board is very pleased with the progress being made, in particular the unlocking of opportunities for CDX antibodies, as well as the potential value that can be created through the Company's new type of humanised mice.

Outlook

Our two main planned products are on track and should, if fully developed and brought into use, reduce the dangers of patient conditioning procedures and create a new form of blood stem cell transplantation. This new treatment paradigm has the potential to significantly improve the long-term success of bone marrow transplants and to extend the lives of patients diagnosed with serious blood diseases. In addition, in AHC the Company has a product that is already generating collaboration fees and which diversifies the Company's activities and lowers business risk. It also has the potential to further expand the application of the Company's CDX antibodies as a treatment for relapsed and/or refractory AML as well as using clones of its CDX antibodies in combination with other treatments for AML that are in clinical development.

My fellow Directors and I believe that the Company is well-advanced on the planned development steps that were announced at Admission and we look forward to the next 12 months with confidence.

Prof Sir Marc Feldmann AC, FRS

MB BS, PhD, FRCP, FRCPath, FAA, F Med Sci

Chairman

Consolidated Statement of Comprehensive Loss

Continuing Operations	**Note**	**Year Ended 31 December 2018**	Year Ended 31 December 2017
		£	£
Revenue		**-**	-
Administrative Expenses	6	**1,563,430**	837,060
Depreciation Expense	12	**51,805**	33,614
Operating Loss		**(1,615,235)**	(870,674)
Other Income	7	**91,357**	101,138
Finance Income		**4,374**	-
Finance Costs		**(1,779)**	(10,741)
Reverse acquisition expense	4	**-**	(1,631,020)
Loss before Taxation		**(1,521,283)**	(2,411,297)
Tax credit	10	**43,751**	49,698
Loss for the year attributable to equity owners		**(1,477,532)**	(2,361,599)
Items that will be reclassified subsequently to profit or loss:			
Translation of foreign operations		**51,031**	(36,652)
Other Comprehensive income for the year		**51,031**	(36,652)
Total comprehensive income to the year attributable to the equity owners		**(1,426,501)**	(2,398,251)
Basic and diluted earnings (per share)	11	**(0.00)**	(0.01)

The notes to the financial statements form an integral part of these financial statements.

Consolidated Statement of Financial Position

Group	**Note**	**Year Ended 31 December 2018**	Year Ended 31 December 2017
		£	£

Assets			
Non-current assets			
Property, plant and equipment	12	**173,943**	191,578
Intangible asset	13	**272,753**	257,525
Total non-current assets		**446,696**	449,103
Current assets			
Trade and other receivables	16	**90,475**	69,784
Cash and cash equivalents		**1,762,428**	1,876,655
Total current assets		**1,852,903**	1,946,439
Total assets		**2,299,599**	**2,395,542**
Equity and Liabilities			
Equity attributable to shareholders			
Paid-in Capital			
Called up share capital	17	**3,601,762**	3,600,514
Share premium	18	**7,340,267**	7,341,056
Other reserves	19	**620,059**	369,147
Reverse asset acquisition reserve	4	**(6,157,894)**	(6,157,894)
Foreign currency translation reserve		**37,047**	(13,984)
Retained Earnings		**(4,482,075)**	(3,006,982)
Total Equity		**959,166**	2,131,857
Liabilities			
Non-current liabilities			
Borrowings	22	**1,172,826**	-
Total non-current liabilities		**1,172,826**	-

Current liabilities			
Trade and other payables	21	**167,607**	263,685
Total Current Liabilities		**167,607**	263,685
Total Liabilities		**1,340,433**	263,685
Total equity and liabilities		**2,299,599**	**2,395,542**

The notes to the financial statements form an integral part of these financial statements.

Company Statement of Financial Position

Company	**Note**	**Year Ended 31 December 2018**	Year Ended 31 December 2017
		£	£
Assets			
Non-current assets			
Loan to subsidiaries	14	**1,453,736**	594,435
Investment in subsidiary	15	**8,000,000**	8,000,000
Total non-current assets		**9,453,736**	8,594,435
Current assets			
Trade and other receivables	16	**75,972**	66,013

Cash and cash equivalents		**461,003**	1,748,337
Total current assets		**536,975**	1,814,350
Total assets		**9,990,711**	10,408,785
Equity and Liabilities			
Equity attributable to shareholders			
Paid-in Capital			
Called up share capital	17	**3,601,762**	3,600,514
Share premium	18	**7,340,267**	7,341,056
Other reserves	19	**613,772**	369,147
Retained Earnings		**(1,699,175)**	(1,165,532)
Total Equity		**9,856,626**	10,145,185
Liabilities			
Current liabilities			
Trade and other payables	21	**134,085**	263,600
Total Current Liabilities		**134,085**	263,600
Total Liabilities		**134,085**	263,600
Total equity and liabilities		**9,990,711**	10,408,785

Hemogenyx Pharmaceuticals plc has used the exemption grated under s408 of the Companies Act 2006 that allows for the non-disclosure of the Income Statement of the parent company. The after-tax loss attributable to Hemogenyx Pharmaceuticals plc for the year ended 31 December 2018 was £536,082 (2017: £558,997).

The notes to the financial statements form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Group

	Called up Share Capital	Share Premium	Other reserves	Reverse acquisition reserve	Foreign currency translation reserve	Retained losses	Total Equity
	£	£	£	£	£	£	£
As at 1 January 2017	1,010,849	-	-	-	22,668	(645,383)	388,134
Loss in year	-	-	-	-	-	(2,361,599)	(2,361,599)
Other Comprehensive Income	-	-	-	-	(36,652)	-	(36,652)
Total comprehensive income for the year	-	-	-	-	(36,652)	(2,361,599)	(2,398,251)
Transfer to reverse acquisition reserve	(1,010,849)	-	-	1,010,849	-	-	-
Recognition of Hemogenyx Pharmaceuticals plc equity at reverse acquisition	669,000	841,243	-	831,257	-	-	2,341,500
Issue of shares for acquisition of subsidiary	2,285,714	5,714,286		(8,000,000)	-	-	-
Issue of shares to directors for services	30,000	75,000	-	-	-	-	105,000

Issue of shares - share subscription	571,429	1,428,571	-	-	-	-	2,000,000
Share issue costs		(495,316)	-	-	-	-	(495,316)
Issue of shares for debt settlement	44,371	110,927	-	-	-	-	155,298
Issue of options	-	-	35,492	-	-	-	35,492
Issue of warrants	-	(333,655)	333,655	-	-	-	-
As at 31 December 2017	3,600,514	7,341,056	369,147	(6,157,894)	(13,984)	(3,006,982)	2,131,857
Loss in year	-	-	-	-	-	(1,477,532)	(1,477,532)
Other Comprehensive Income	-	-	-	-	51,031	-	51,031
Total comprehensive income for the year	-	-	-	-	51,031	(1,477,532)	(1,426,501)
Issue of shares - exercise of warrants	1,248	3,745	-	-	-	-	4,993
Embedded derivate on convertible note	-	-	6,287	-	-	-	6,287
Issue of options	-	-	242,530	-	-	-	242,530
Writeback of options lapsed	-	-	(2,439)	-	-	2,439	-
Write-back of warrants exercised	-	(4,534)	4,534	-	-	-	-
As at 31 December 2018	**3,601,762**	**7,340,267**	**620,059**	**(6,157,894)**	**37,047**	**(4,482,075)**	**959,166**

The notes to the financial statements form an integral part of these financial statements.

Company Statement of Changes in Equity

Company

	Called up Share Capital	Share Premium	Other reserves	Retained earnings/(loss)	Total Equity
	£	£	£	£	£
As at 1 January 2017	669,000	841,243	-	(606,535)	903,708
Loss in year	-	-		(558,997)	(558,997)
			-		
Other Comprehensive Income	-	-		-	-
			-		
Total comprehensive income for the year	-	-		(558,997)	(558,997)
			-		
Issue of shares for acquisition of subsidiary	2,285,714	5,714,286		-	8,000,000
			-		
Issue of shares to directors for services	30,000	75,000		-	105,000
			-		
Issue of shares - share subscription	571,429	1,428,571	-	-	2,000,000
Share issue costs	-	(495,316)	-	-	(495,316)
Issue of shares for debt settlement	44,371	110,927	-	-	155,298
Issue of options	-	-	35,492	-	35,492
Issue of warrants	-	(333,655)	333,655	-	-
As at 31 December 2017	3,600,514	7,341,056		(1,165,532)	10,145,185
			369,147		
Loss in year	-	-		(536,082)	(536,082)
			-		
Other Comprehensive	-	-		-	-

Income					
			-		
Total comprehensive income for the year	-	-		(536,082)	(536,082)
			-		
Issue of shares - exercise of warrants	1,248	3,745		-	4,993
			-		
Issue of options	-	-	242,530	-	242,530
Writeback of options lapsed	-	-	(2,439)	2,439	-
Write-back of warrants exercised	-	(4,534)		-	-
			4,534		
As at 31 December 2018	**3,601,762**	**7,340,267**		**(1,699,175)**	**9,856,626**
			613,772		

The notes to the financial statements form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Group	**Note**	**Year Ended 31 December 2018**	Year Ended 31 December 2017
		£	£
Cash flows generated from operating activities			
Loss before income tax		**(1,477,532)**	(2,361,599)
Depreciation	12	**51,805**	33,614
Other Non-cash items interest/professional fees (shares issued)		**-**	105,000
Interest income		**(4,374)**	(732)
Interest expense		**1,779**	11,473

Reverse Acquisition Expense	4	**-**	1,631,020
Share based payments	19	**242,530**	35,492
Foreign exchange gain		**(49,000)**	-
Working capital changes applicable to pre-acquisition retained earnings		**-**	(1,145)
(Decrease)/increase in trade and other payables		**(98,670)**	7,637
(Increase)/decrease in trade and other receivables		**(19,266)**	86,260
Net cash outflow used in operating activities		**(1,352,728)**	(452,980)
Cash flows generated from financing activities			
Proceeds from issuance of equity securities		**4,993**	2,000,000
Share issue costs		**-**	(383,871)
Proceeds from borrowings	22	**1,175,915**	
Repayment of loans and borrowings	22	**-**	(154,422)
Other current liabilities acquired at acquisition		**-**	(245,000)
Net cash flow generated from financing activities		**1,180,908**	1,216,707
Cash flows generated from investing activities			
Interest income		**4,374**	732
Interest paid		**(6)**	(1,011)
Cash acquired on acquisition	4	**-**	1,098,640
Purchase of property, plant & equipment		**(24,589)**	(64,257)
Net cash flow generated from investing activities		**(20,221)**	1,034,104
Net (decrease)/increase in cash and cash equivalent		**(192,041)**	1,797,831

Effect of exchange rates on cash	**77,814**	(8,399)
Cash and cash equivalents at the beginning of the period	**1,876,655**	87,223
Cash and cash equivalents at the end of the period	**1,762,428**	1,876,655

The notes to the financial statements form an integral part of these financial statements.

Company Statement of Cash Flows

Company	**Note**	**Year Ended 31 December 2018**	Year Ended 31 December 2017
		£	£
Cash flows generated from operating activities			
Loss before income tax		**(536,082)**	(558,997)
Other Non-cash items interest/professional fees (shares issued)		**-**	105,000
Foreign exchange (gain) loss		**(105,350)**	19,176
Interest income		**(1,267)**	(1,166)
Interest expense		**6**	-
Share based payments	19	**242,530**	35,492
(Decrease)/increase in trade and other payables		**(9,960)**	23,459
Decrease in trade and other receivables		**(129,514)**	(64,332)
Net cash outflow used in operating activities		**(539,637)**	(441,368)

Cash flows generated from financing activities		
Proceeds from issuance of equity securities	**4,993**	2,000,000
Share issue costs	**-**	(383,871)
Net cash flow generated from financing activities	**4,993**	1,616,129
Cash flows generated from investing activities		
Interest income	**1,267**	1,166
Interest paid	**(6)**	-
Loan to related parties	**(802,951)**	(473,313)
Net cash flow generated from investing activities	**(801,690)**	(472,147)
Net (Decrease)/increase in cash and cash equivalent	**(1,336,334)**	702,614
Effect of exchange rates on cash	**49,000**	-
Cash and cash equivalents at the beginning of the period	**1,748,337**	1,045,723
Cash and cash equivalents at the end of the period	**461,003**	1,748,337

The notes to the financial statements form an integral part of these financial statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

The Group's business is preclinical-stage biotechnology focused on the discovery, development and commercialisation of innovative treatments relating to bone marrow/hematopoietic (blood-forming) stem cell (BM/HSC) transplants for blood diseases, including leukaemia, lymphoma and bone marrow failure. The products under development are designed to address a range of problems that occur with current standard of care treatments.

The Company's registered office is located at 5 Fleet Place, London EC4M 7RD, and it is listed on the London Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) interpretations as adopted for use by the European Union, and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Hemogenyx Pharmaceuticals plc and its subsidiaries as at 31 December 2018. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Please refer to note 4 for information on the consolidation of Hemogenyx LLC.

Hemogenyx Pharmaceuticals plc has used the exemption grated under s408 of the Companies Act 2006 that allows for the non-disclosure of the Income Statement of the parent company. The after-tax loss attributable to Hemogenyx Pharmaceuticals plc for the year ended 31 December 2018 was £536,082 (2017: £558,997).

Research and development expenditure

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. No development costs have been capitalised to date.

(ii) Clinical trial expenses

Clinical trial expenses are a component of the Company's research and development costs. These expenses include fees paid to contract research organisations, clinical sites, and other organisations who conduct development activities on the Company's behalf. The amount of clinical trial expenses recognised in a period related to clinical agreements are based on estimates of the work performed using an accrual basis of accounting. These estimates incorporate factors such as patient enrolment, services provided, contractual terms, and prior experience with similar contracts.

(iii) Government grants

Government grants relate to financial grants from governments, public authorities, and similar local, national or international bodies. These are recognised when there is a reasonable assurance that the Company will comply with the conditions attaching to them, and that the grant will be received. Government grants relating to research and development are off-set against the relevant costs.

Intangibles

Research and development

Research expenditure is written off as incurred. Development costs are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, the Group intends to and has sufficient resources to complete development and to use or sell the asset, and it is able to measure reliably the expenditure attributable to the intangible asset during its development.

The Group's view is that capitalised assets have a finite useful life and to that extent they should be amortised over their respective unexpired periods with provision made for impairment when required. Assets capitalised are not amortised until the associated product is available for use or sale. Amortisation is calculated using the straight-line method to allocate the costs of development over the estimated useful economic lives. Estimated useful economic life is assessed by reference to the remaining patent life and may be adjusted after taking into consideration product and market characteristics such as fundamental building blocks and product life cycle specific to the category of expenditure.

Intellectual property (IP)

IP assets (comprising patents, know-how, copyright and licences) acquired by the Group as a result of a business combination are initially recognised at fair value or as a purchase at cost and are capitalised.

Internally generated IP costs are written off as incurred except where IAS 38 criteria, as described in research and development above, would require such costs to be capitalised.

The Group's view is that capitalised IP assets have a finite useful life and to that extent they should be amortised over their respective unexpired periods with provision made for impairment when required. Capitalised IP assets are not amortised until the Group is generating an economic return from the underlying asset and as such no amortisation has been incurred to date as the products to which they relate are not ready to be sold on the open market. When the trials are completed and the products attain the necessary accreditation and clearance from the regulators, the Group will assess the estimated useful economic like and the IP will be amortised using the straight-line method over their estimated useful economic lives.

Fixed assets

All property, plant and equipment are stated at historical cost less accumulated depreciation or impairment value. Cost includes the original purchase price and expenditure that is directly attributable to the acquisition of the items to bring the

asset to its working condition. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful economic life. Assets held under finance leases, if any, are depreciated over their expected useful economic life on the same basis as owned assets, or where shorter, the lease term. Assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The following rates are used:

Computer equipment	33%	Straight-line
Laboratory equipment	20% - 50%	Straight-line

Impairment of non-financial assets

The Group is required to review, at least annually, whether there are indications (events or changes in circumstances) that non-financial assets have suffered impairment and that the carrying amount may exceed the recoverable amount. If there are indications of impairment then an impairment review is undertaken. An impairment charge is recognised within operating costs for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value-in-use. In the event that an intangible asset will no longer be used, for example, when a patent is abandoned, the balance of unamortised expenditure is written off.

Impairment reviews require the estimation of the recoverable amount based on value-in-use calculations. Non-financial assets relate typically to investments in related parties and in-process development and patents, and require broader assumptions than for developed technology. Key assumptions taken into consideration relate to technological, market and financial risks and include the chance of product launch taking into account the stage of development of the asset, the scale of milestone and royalty payments, overall market opportunities, market size and competitor activity, revenue projections, estimated useful lives of assets (such as patents), contractual relationships and discount rates to determine present values of cash flows.

Investments

Equity investments in subsidiaries are held at cost, less any provision for impairment. As there is no quoted price in an active market, fair value cannot be reliably measured.

Going concern

The preparation of financial statements requires an assessment on the validity of the going concern assumption.

The Directors have reviewed projections for a period of at least 12 months from the date of approval of the financial statements. The financial statements have been prepared on the going concern basis. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current available working capital and working capital facilities for the next 12 months. Therefore the Directors consider the going concern basis appropriate.

Trade and other receivables and payables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Other liabilities measured at amortised cost are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. The liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

The liabilities are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

Foreign currencies

Functional and presentation currency

The Company's presentation currency is the British Pound Sterling ("£"). The functional currency for the Company, being the currency of the primary economic environment in which the Company operates, is the British Pound Sterling. The individual financial statements of each of the Company's wholly owned subsidiaries are prepared in the currency of the primary economic environment in which it operates (its functional currency).

The financial statements of Hemogenyx LLC and Immugenyx LLC have been translated in to Pound Sterling in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates. This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). The foreign exchange differences on translation of Hemogenyx LLC and Immugenyx LLC are recognised in other comprehensive income (loss).

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

Share capital

Ordinary Shares are classified as equity. Equity instruments issued by the Hemogenyx Group are recorded at the proceeds received, net of direct issue costs.

Cash

Cash consists of cash bank deposit balances.

Share based payments

The Group has applied the requirements of IFRS 2 *Share-based Payment* for all grants of equity instruments.

The Group operates an equity-settled share option plan to certain shareholders. The fair value of the service received in exchange for the grant of options and

warrants is recognised as an expense. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payment is expensed on a graded vesting basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

In addition, the Group issues equity-settled share-based payments to the directors and senior management ("Employee Share Options") and to its corporate finance advisers for assistance in raising private equity ("Non-employee Share Options"). Equity-settled share-based payments are measured at fair value at the date of grant for Employee Share Options and the date of service for Non-employee Share Options. The fair value determined at the grant date or service date, as applicable, of the equity-settled share-based payments is expensed, with a corresponding credit to equity, on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each subsequent reporting date, the Group calculates the estimated cumulative charge for each award having regard to any change in the number of options that are expected to vest and the expired portion of the vesting period. The change in this cumulative charge since the last reporting date is expensed with a corresponding credit being made to equity. Once an option vests, no further adjustment is made to the aggregate amount expensed.

The fair value is calculated using the Black Scholes method for both Employee and Non-employee Share Options as management views the Black Scholes method as providing the most reliable measure of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability exercise restrictions and behavioural considerations. The market price used in the model is the issue price of Company shares at the last placement of shares immediately preceding the calculation date. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitation of the calculations used.

Taxation

Current tax

The charge for current taxation is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using rates that have been enacted, or substantially enacted, by the balance sheet date. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the relevant taxation authorities.

Deferred tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investment in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes related to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the

statement of comprehensive income.

Segmental reporting

The Group's operations are located in New York, USA (and, from 2019, in Liège, Belgium) with the head office located in the United Kingdom. The main assets of the Group, cash and cash equivalents, are held in both United Kingdom and the United States. The Board ensures that adequate amounts are transferred internally to allow all companies to carry out their operational on a timely basis.

The Group currently has one reportable segment - a biotechnology company focused on the discovery, development and commercialisation of innovative treatments relating to bone marrow/hematopoietic (blood-forming) stem cell (BM/HSC) transplants for blood disease.

New Accounting Standards and Interpretations issued and applied in the Financial Statements

IFRS 9, Financial Instruments

As of 1 January 2018, the Company adopted IFRS 9, Financial Instruments ("IFRS 9"), which replaced IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through the profit and loss statement ("FVTPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the entity's business model and of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in other comprehensive income. There is now a new expected credit losses model that replaces the incurred loss impairment model previously used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in Other Comprehensive Income/(Loss) for liabilities designated at FVTPL. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item

and hedging instrument and for the hedged ratio to be the same as the one management uses for risk management purposes. Contemporaneous documentation is still required but is different than what was prepared under IAS 39.

The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. The retrospective adoption did not result in any changes to the Statement of Financial Position for the previous year.

The accounting policy that reflects the new accounting standard for IFRS 9 is effective from 1 January 2018 and is as follows:

Financial Instruments

Financial assets and liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company currently does not use derivative financial instruments to manage or hedge financial exposures or liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise Trade and Other Receivables and Cash and Cash Equivalents in the Statement of Financial Position.

Impairment of Financial Assets

The Company and Group assesses at each reporting date whether a financial asset is impaired and will recognise the impairment loss immediately through the consolidated statement of comprehensive loss.

Interest Bearing Loans and Borrowings

Borrowings are initially recognised at the fair value of consideration received less directly attributable transaction costs. After initial recognition, borrowings

are subsequently measured at amortised cost using the effective interest rate method. Where borrowings are provided by shareholders at an interest rate discounted to market rates, the difference on initial fair value is taken to equity as a capital contribution.

Where the Group has entered into a Hybrid instrument whereby there is a debt instrument and an embedded derivative financial liability, the fair value of the debt instrument less the fair value of the derivative financial liability is equal to loan recognised on initial measurement.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2018, and supersedes: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue-Barter Transactions Involving Advertising Services. The standard establishes a five-step principle-based approach for revenue recognition and is based on the concept of recognising an amount that reflects the consideration for performance obligations only when they are satisfied, and the control of goods or services is transferred.

The majority of the Group's revenue is derived from fees related to collaboration agreements.

Management reviewed contracts where the Group received consideration in order to determine whether or not they should be accounted for in accordance with IFRS 15. To date, Hemogenyx has entered into few transactions that meet the scope of IFRS 15. Instead, most income has been generated through collaboration agreements and grants with counterparties that do not meet the definition of a customer, and therefore the contracts fall outside the scope of IFRS 15 and have been accounted for in accordance with IAS 20.

Revenue is recognised at either a point-in-time or over time, depending on the nature of the services and existence of acceptance clauses.

New Accounting Standards and Interpretations in issue but not applied in the Financial Statements

i) New standards, amendments and Interpretations in issue but not yet effective or not (and in some cases have not yet been adopted by the EU):

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are listed below. The Company intend to adopt these standards, if applicable, when they become effective. These are summarised below:

- IFRS 16 - 'Leases'. This standard replaces the current guidance in IAS 17 - 'Leases' and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts.

IFRS 16 includes an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting remains substantially unchanged. IFRS 16 provides updated guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts); under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the impact of IFRS 16.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated, and are based on historical

experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The principal areas in which judgement is applied are as follows:

Fair value disclosure

The embedded derivative is measured using a risk-based pricing model. For more information in relation to the fair value measurement of this derivative please refer to note 22. The fair value of financial instruments that are not traded in an active market are determined using valuation techniques.

Warrants to be issued pursuant to IPO

Under terms of the share placement completed pursuant to the IPO there was a maximum of 62,021,429 warrants eligible to be issued eligible participants. During the year 124,826 warrants were exercised. As at 31 December 2018 45,671,689 warrants had been issued to eligible IPO participants who had been identified and remain available to exercise. A total of 16,224,914 warrants potentially are still to be issued however it is not known if or when these warrants will be issued as the identity of the holders is not known as the holdings are held in the names of nominees and the Company has no vision of the underlying beneficial warrant holders. The Group has not brought the value of the unissued warrants to account as at 31 December 2018 as it cannot be reasonably ascertained if these outstanding warrants will ever be issued. The 16,224,914 warrants have a value of £99,033. Management has determined that a discount of 40% is reasonable to allow for the probability of the identity of the warrant holders remaining unknown. After applying this discount, a value of £39,613 has not been brought to account in the Statement of Financial Position due to uncertainty.

Valuation of stock options

Management uses the Black Scholes model to value the share options. The model requires use of assumptions regarding volatility, risk free interest rate and a calculation of the value of the option at the time of the grant. Please see note 18 for details.

Intangible assets impairment

When there is an indicator of a significant and permanent reduction in the value of intangible assets, an impairment review is carried out. The impairment analysis is principally based on estimated discounted future cash flows. The determination of the assumptions is subjective and requires the exercise of

considerable judgement. Any changes in key assumptions about the outcome of research and development activity, probability of technical and regulatory success, amount and timing of projected future cash flow or changes in market conditions could materially affect whether an impairment exists.

4. REVERSE ACQUISITION AND LSE LISTING

On 4 October 2017, the Company acquired the entire issued share capital of Hemogenyx LLC, a private company incorporated in the United States, by way of a share for share exchange.

Although the transaction resulted in Hemogenyx LLC becoming a wholly owned subsidiary of the Company, the transaction constitutes a reverse acquisition in as much as the shareholders of Hemogenyx LLC own a substantial majority of the outstanding ordinary shares of the Company and 2 out of 4 (5 as of 31 December 2018) members of the Board of Directors of the Company are Hemogenyx LLC shareholders and management.

In substance, the shareholders of Hemogenyx LLC acquired a controlling interest in the Company and the transaction has therefore been accounted for as a reverse acquisition. As the Company previously discontinued its investment activities and was engaged in acquiring Hemogenyx LLC and raising equity financing to provide the required funding for the operations of the acquisition and re-listing on the main market of the LSE, it did not meet the definition of a business according to the definition in IFRS 3. Accordingly, this reverse acquisition does not constitute a business combination and was accounted for in accordance with IFRS 2 Share-based payment and IFRIC guidance, with the difference between the equity value given up by the Hemogenyx LLC shareholders and the share of the fair value of net assets gained by the Hemogenyx LLC shareholders charged to the statement of comprehensive income as the cost of acquiring a main market LSE quoted listing.

Following the completion of the transaction the Company changed its name to Hemogenyx Pharmaceuticals plc.

In accordance with reverse acquisition accounting principles, these consolidated financial statements represent a continuation of the consolidated financial statements of Hemogenyx LLC and include:

a. The assets and liabilities of Hemogenyx LLC at their pre-acquisition carrying amounts and the results for both periods; and
b. The assets and liabilities of the Company as at 31 December 2017 and it's results from 5 October 2017 to 31 December 2017.

On 4 October 2017, the Company issued 228,571,428 shares for all 21,923,076 shares of Hemogenyx LLC.

On 4 October 2017, the quoted share price of Hemogenyx Pharmaceuticals plc was £0.035 and therefore this valued the investment in Hemogenyx LLC at £8,000,000.

Because the legal subsidiary, Hemogenyx LLC, was treated as the accounting acquirer and the legal Parent Company, Hemogenyx Pharmaceuticals plc, formerly known as Silver Falcon plc, was treated as the accounting subsidiary, the fair value of the shares deemed to have been issued by Hemogenyx LLC was calculated at £2,341,500 based on an assessment of the purchase consideration for a 100% holding in Hemogenyx Pharmaceuticals plc.

The fair value of net assets of Silver Falcon plc was as follows:

	£
Cash and cash equivalents	1,098,640
Other assets	60,641
Liabilities	(448,800)
Net assets	710,480

The difference between the deemed cost and the fair value of the net assets acquired of £1,631,020 has been expensed in accordance with IFRS 2, Share based payments, reflecting the economic cost to the Hemogenyx LLC shareholders of acquiring a quoted entity.

The reverse acquisition reserve that arose from the reverse takeover is made up

as follows:

	Year Ended 31 December 2018 £	Year Ended 31 December 2017 £
As at start of year	(6,157,894)	-
Pre-acquisition losses of Hemogenyx Pharmaceuticals plc1	-	(799,763)
Hemogenyx LLC issued capital at acquisition2	-	1,010,849
Investment in Hemogenyx LLC3	-	(8,000,000)
Reverse acquisition expense4	-	1,631,020
As at end of year	**(6,157,894)**	**(6,157,894)**

The movements on the Reverse acquisition reserve are as follows:

1) These consolidated financial statements present the legal capital structure of the Company. However, under reverse acquisition accounting rules, the Company was not acquired until 4 October 2017 and therefore the entry above is required to eliminate the initial retained losses of the Company.

2) Hemogenyx LLC had issued share capital of equivalent to £1,010,849 as at 4 October 2017. As these financial statements present the capital structure of the parent entity, the issue of equity by Hemogenyx LLC has been recorded in this reserve.

3) The Company issued 228,571,428 shares at £0.35 each, totalling £8,000,000 for the entire issued capital of Hemogenyx LLC. The above entry is required to eliminate the balance sheet impact of this transaction.

4) The reverse acquisition accounting is described in detail in note 4. The entry above represents the difference between the value of the equity issued by the Company, and the deemed consideration given by Hemogenyx LLC to acquire the Company.

5. SEGMENT INFORMATION

The Group has one reportable segment, the development of breakthrough therapies for the treatment of blood diseases, and administrative functions in the United Kingdom.

The following tables present expenditure and certain asset information regarding

the Group's geographical segments for the year ended 31 December 2018:

	Year Ended 31 December 2018	Year Ended 31 December 2017
	£	£
Revenue		
SEGMENT ASSETS		
United Kingdom		
- Non-current	-	-
- Current	536,976	1,814,350
United States		
- Non-current	446,696	449,103
- Current	1,315,927	132,089
Total		
- Non-current	446,696	449,103
- Current	1,852,903	1,946,439
CAPITAL EXPENDITURE		
United Kingdom	-	-
United States	24,589	64,257
	24,589	64,257

Capital expenditure consists of the purchase of property, plant and equipment.

6. EXPENSES BY NATURE

	Group Year Ended 31 December 2018 £	Group Year Ended 31 December 2017 £
Laboratory expenses	57,653	14,046
Consumable equipment and supplies	290,613	64,287
Contractors & consultants	40,350	59,876
Transaction completion success fees	-	105,000
Travel	14,632	19,494
Staff Costs	747,015	319,119
Insurance	50,926	13,820
Other	19,804	22,521
Operating lease expense	45,283	22,188
Legal and professional fees	291,899	166,902
Foreign exchange loss / (gain)	5,255	29,807
Total Administrative Expenses	1,563,430	837,060

7. OTHER INCOME

Other income of £91,357 during the year to 31 December 2018 (2017: £101,138) relates to funds received from a third party under a research collaboration programme.

8. EMPLOYEES

	Group Year Ended 31 December 2018	Group Year Ended 31 December 2017	Company Year Ended 31 December 2018	Company Year Ended 31 December 2017

	£	£	£	£
Wages and salaries	470,580	269,265		
			145,142	41,325
Social security	23,279	12,811	-	2,634
Share based payments	242,530	35,492		
			242,530	35,492
Pension contributions	10,626	1,551	-	-
	747,015	319,119		
			387,672	79,451

Average number of people (including Executive Directors) employed:

	Group Year Ended 31 December 2018	Group Year Ended 31 December 2017	Company Year Ended 31 December 2018	Company Year Ended 31 December 2017
Research & development	5	3	-	-
Administration	2	1	2	3
	7	4	2	3

9. AUDITOR'S REMUNERATION

	Group Year Ended 31 December 2018	Group Year Ended 31 December 2017
	£	£
Fees payable to the Company auditor:		
Audit of the financial statements of the Group and Company	36,500	35,000
Services relating to corporate finance transactions	-	37,995
	36,500	72,995

10. INCOME TAX

	Group Year Ended 31 December 2018	Group Year Ended 31 December 2017
	£	£
Current Tax:		
Corporation tax on loss for the year	-	-
New York City Biotech tax credit - prior years	43,751	49,698
Deferred Tax	-	-
Tax on loss on ordinary activities	43,751	49,698
Loss on ordinary activities before tax	**(1,521,283)**	**(2,411,297)**

Analysis of charge in the year:

Loss on ordinary activities multiplied by weighted average tax rate for the group of 30.46%% (2017: 25.69%)	(463,383)	(619,558)
Disallowed items	99,265	398,630
Timing differences	-	(7,466)
Tax losses carried forward	(364,118)	(228,394)
Current Tax charge	-	-

Weighted average tax rate is calculated by reference to the tax rates effective in each of the jurisdictions. The tax rates effective at 31 December 2018 are 19% and 34% in the UK and the USA respectively.

The Group has accumulated tax losses arising in the UK of approximately £713,000 (Dec 2017: restated £340,000) that should be available, under current legislation, to be carried forward against future profits. No deferred tax asset has been recognised against these losses. The Group has tax losses carried forward in the US of £1,100,000 available under current rules until 2037. No deferred tax asset has been recognised against these losses.

11. EARNINGS PER SHARE

The calculation of the Basic and fully diluted earnings per share is calculated by dividing the loss for the year from continuing operations of £1,477,532 (2017: £2,361,599) for the Group by the weighted average number of ordinary shares in issue during the year of 360,125,230 (2017: 260,270,699).

The weighted average number of shares is adjusted for the impact of the reverse acquisition as follows:

- Prior to the reverse takeover, the number of shares is based on Hemogenyx LLC, adjusted using the share exchange ratio arising on the reverse takeover; and
- From the date of the reverse takeover, the number of shares is based on the Company.

Dilutive loss per Ordinary Share equals basic loss per Ordinary Share as, due to the losses incurred in 2018 and 2017, there is no dilutive effect from the subsisting share options.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Property, plant & equipment
	£
Cost	
31 December 2016	188,785
Additions	64,257
Foreign exchange movement	(17,344)
31 December 2017	235,698
Additions	24,589
Foreign exchange movement	14,590
31 December 2018	**274,877**
Accumulated depreciation and impairment losses	
31 December 2016	12,987
Depreciation	33,614
Foreign exchange movement	(2,482)
31 December 2017	44,120
Depreciation	51,805
Foreign exchange movement	5,009
31 December 2018	**100,934**
Carrying amounts	
31 December 2016	175,797
31 December 2017	191,578
31 December 2018	**173,943**

13. INTANGIBLE ASSETS

On 15 January 2015, the Company entered into an Exclusive License Agreement with Cornell University to grant to the Company patent rights to patent PCT/US14/65469 entitled "Post-Natal Hematopoietic Endothelial Cells and Their Isolation and Use" and rights to any product or method deriving therefrom.

The Company paid Cornell University $347,500, consisting of cash payments of $22,500 and a convertible promissory note in the amount of $325,000.

Cost	Intellectual Property £
31 December 2016	**281,577**
Exchange movements	(24,052)
31 December 2017	**257,525**
Exchange movements	15,228
31 December 2018	**272,753**

The carrying value of intangible assets is reviewed for indications of impairment whenever events or changes in circumstances indicate that the carrying value may exceed the recoverable amount. The products to which they relate are not ready to be sold on the open market. When the trials are completed and the products attain the necessary accreditation and clearance from the regulators, the Group will assess the estimated useful economic like and the IP will be amortised using the straight-line method over their estimated useful economic lives. The directors are of the view that no impairment is required as the test results to date have been very positive and these products are now being moved on the clinical trial phase. Accordingly, the directors continue to believe that the products will eventually attain the necessary accreditation and clearance from the regulators and so no impairment has been considered necessary.

Amortisation will be charged to operating costs in the Statement of Comprehensive Income when the Group achieves product sales.

14. LOAN TO SUBSIDIARY

	Company	Company
	Year Ended 31 December 2018	Year Ended 31 December 2017
	£	£
Loan to Hemogenyx LLC	1,453,736	594,435
	1,453,736	594,435

Hemogenyx Pharmaceuticals plc has made cumulative loans to Hemogenyx LLC of US$1,896,915 (£1,453,736) as at 31 December 2018 (Dec 2017 US$802,121; £594,435). The loans are interest free and will be repaid when Hemogenyx LLC's operational cash flow allows. Management has undertaken an impairment assessment of the loan as at 31 December 2018 and has determined that that there was no impairment required. The interest rate and impairment assessment are reviewed on an annual basis.

15. INVESTMENT IN SUBSIDIARY

Name	Address of the registered office	Nature of business	Proportion of ordinary shares held directly by parent (%)	Proportion of ordinary shares held ultimately by parent (%)
Hemogenyx UK Limited	5 Fleet Place, London, UK EC4M 7RD	Holding Company	100	-
Hemogenyx LLC	9 East Lookerman Street, Suite 3A, Dover, Kent, Delaware, USA, 19901	Biomedical sciences	-	100
Immugenyx LLC	c/o Corporation Service Company 251 Little Falls Drive, Wilmington, Delaware, USA, 19808	Biomedical sciences	-	100

16. TRADE AND OTHER RECEIVABLES

	Group Year Ended 31 December 2018	Group Year Ended 31 December 2017	Company Year Ended 31 December 2018	Company Year Ended 31 December 2017
	£	£	£	£
VAT receivable	64,361	64,784	64,361	61,013
Prepayments	26,114	5,000	11,612	5,000
Total trade and other receivables	90,475	69,784	75,973	66,013

There are no material differences between the fair value of trade and other receivables and their carrying value at the year end.

No receivables were past due or impaired at the year end.

17. CALLED UP SHARE CAPITAL

Group	Class A shares Number	Class B shares Number	Ordinary shares Number	£
As at 31 December 2016	13,153,846	8,769,230	-	1,010,849
Transfer of LLC paid up capital to Reverse Acquisition Reserve 4 Oct 2017	(13,153,846)	(8,769,230)	-	(1,010,849)
Issued capital of plc at	-	-	66,900,000	669,000

acquisition 4 Oct 2017				
Issue of shares for acquisition of subsidiary 4 Oct 2017	-	-	228,571,428	2,285,714
Issue of shares to directors 4 Oct 2017	-	-	3,000,000	30,000
Issue of shares for cash 4 Oct 2017	-	-	57,142,857	571,429
Issue of shares for debt settlement 20 Oct 2017	-	-	4,437,075	44,371
As at 31 December 2017	-	-	360,051,358	3,600,514
Issue of shares for exercise of warrants 29 May 2018	-	-	124,826	1,248
As at 31 December 2018	**-**	**-**	**360,176,184**	**3,601,762**

The issued capital of the Group for the period 31 December 2016 to 4 October 2017 is that of Hemogenyx LLC. Upon completion of the acquisition the share capital of Hemogenyx LLC was transferred to the Reverse acquisition reserve (see note 4) and the share capital of Hemogenyx Pharmaceuticals plc was brought to account.

Company	**Number of shares**	**£**
As at 31 December 2016	66,900,000	669,000
Issue of shares for acquisition of subsidiary 4 Oct 2017	228,571,426	2,285,714
Issue of shares to directors 4 Oct 2017	3,000,000	30,000
Issue of shares for cash 4 Oct 2017	57,142,857	571,429
Issue of shares for debt settlement 20 Oct 2017	4,437,075	44,371
As at 31 December 2017	360,051,358	3,600,514
Issue of shares for exercise of warrants 29 May 2018	124,826	1,248
As at 31 December 2018	**360,176,184**	**3,601,762**

18. SHARE PREMIUM

Group & Company	£
As at 31 December 2016	-
Issued capital of the Company at acquisition 4 Oct 2017	841,243
Issue of shares for acquisition of subsidiary 4 Oct 2017	5,714,286
Issue of shares to directors 4 Oct 2017	75,000
Issue of shares for cash 4 Oct 2017	1,428,571
Issue of shares for debt settlement 20 Oct 2017	110,927
Value of warrants issued in connection with share placements	(333,655)
Share issue costs	(495,316)
As at 31 December 2017	7,341,056
Issue of shares for exercise of warrants 29 May 2018	3,745
Value of warrants issued in connection with share placements	(4,534)
As at 31 December 2018	**7,340,267**

19. OTHER RESERVES

Group:	Year Ended 31 December 2018	Year Ended 31 December 2017
	£	£
As at start of year	**369,147**	-
Charge for the year - employees	**242,530**	35,492
Fair value of warrants issued in connection with share placement	**4,534**	333,655
Fair value of options lapsed	**(2,439)**	-
Convertible Note embedded derivative	**6,287**	-
As at end of year	**620,059**	369,147

Company:	Year Ended 31 December 2018	Year Ended 31 December 2017
	£	£
As at start of year	**369,147**	-
Charge for the year - employees	**242,530**	35,492
Fair value of warrants issued in connection with share placement	**4,534**	333,655
Fair value of options lapsed	**(2,439)**	-
As at end of year	**613,772**	369,147

The expense recognised for employee and non-employee services during the year is shown in the following table:

Group and Company:	Year Ended 31 December 2018	Year Ended 31 December 2017
	£	£
Expense arising from equity-settled share-based payment transactions	**242,530**	35,492
Total expense arising from share-based payment transactions	**242,530**	1,666,512

Employee Plan

Under the Employee Plan ("EMP") share options are granted to directors and employees at the complete discretion of the Company. The fair value of the options is determined by the Company at the date of the grant. Options granted vest in tranches on each of the following events/dates:

(i) Admission to the LSE ("Admission");

(ii) On the date falling six (6) months after Admission;

(iii) On the date falling twelve (12) months after Admission; and

(iv) On the date falling twenty-four (24) months after Admission

On the provision that the option holder remains an employee of the Group.

Options granted to all other option holders from 4 January 2018 onwards vest in equal tranches of 12.5% every three months from the date of grant, until fully vested.

The fair value of the options is determined using the Black Scholes method as stated in Note 2. The contractual life of each option granted is between two and five years. There are no cash settlement alternatives.

Options are settled when the Company receives a notice of exercise and cash proceeds from the option holder equal to the aggregate exercise price of the options being exercised.

Non-Employee Plan

Under the Non-Employee Plan ("NEMP") share options are granted to non-employees at the complete discretion of the Company. The exercise price of the options is determined by the Company at the date of the grant. The options vest at the date of the grant.

The fair value of the options is determined using the Black Scholes method as stated in Note 2 and not the value of services provided as this is deemed the most appropriate method of valuation. In all cases non-employee option holders received cash remuneration in consideration for services rendered in accordance with agreed letters of engagement. The contractual life of each option granted ranges from two to five years. There are no cash settlement alternatives. Volatility was determined by calculating the volatility for three similar listed companies and applying the average of the four volatilities calculated.

Options are settled when the Company receives a notice of exercise and cash proceeds from the option holder equal to the aggregate exercise price of the options being exercised.

A schedule of options granted is below:

	Number options
Employees, including directors*	26,725,616
Members of the Scientific Advisory Board	9,346,125
Total	36,071,741

* Details of options held by individual directors are disclosed in the Directors'

Report.

Group & Company:	2018 Number	2018 WAEP[3] pence	2017 Number	2017 WAEP[3] pence
Outstanding at the beginning of the year	**24,566,957**	**3.5**	-	-
Granted during the year	**19,426,737**	**3.5**	24,566,957	3.5
Lapsed during the year	**(2,581,310)**	**3.5**	-	-
Cancelled during the year	**(5,340,643)**	**3.5**		
Outstanding at end of year	**36,071,741**	**3.5**	24,566,957	3.5
Exercisable at end of year	**16,339,066**	**3.5**	1,780,214	3.5

The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 is 1.25 years (2017: 3.89). The weighted average fair value of options granted during the year was 0.01 pence (2017: 0.01). The weighted average fair value of options cancelled or lapsed during the year was 0.008 pence (2017: n/a). The exercise price for options outstanding at the end of the year was 3.5 pence (2017: 3.5).

The following table lists the inputs to the models used for the two plans for the years ended 31 December 2018 and 31 December 2017:

	Nov-2018 (EMP)	Apr-2018 (EMP)	Jan-2018 (EMP)	Oct-2017 (EMP)

Expected volatility %	**44.67**	**45.32**	**50.09**	39.56
Risk-free interest rate %	**0.818**	**0.918**	**0.577**	0.472
Expected life of options (years)	**2**	**5**	**2**	2
WAEP - pence	**3.5**	**3.5**	**3.5**	3.5
Expected dividend yield	**-**	**-**	**-**	-
Model used	**Black Scholes**	**Black Scholes**	**Black Scholes**	Black Scholes

Warrants

The share placement that completed on 4 October 2017 with the issue of 57,142,857 shares at £0.035 carried 1 for 2 warrants for qualifying shareholders over 62,021,429 new ordinary shares at £0.04 per share. In order to qualify for these warrants the shareholder must have retained the shares for a period of 60 days after admission.

As at 31 December 2018 45,772,285 warrants had been issued to eligible IPO participants who had been identified. A total of 16,249,144 warrants potentially are still to be issued however it is not known if or when these warrants will be issued as the identity of the holders is not known. The 16,249,144 warrants have a value of £99,033 and applying a reasonable discount of 40% to allow for the probability of the identity of the warrant holders remaining unknown, an adjusted value £59,420 has been brought to account with the remaining £39,613 not brought to account in the Statement of Financial Position due to uncertainty.

The following table lists the inputs to the models used for the plan for the years ended 31 December 2018 and 31 December 2017:

Expected volatility %	39.56
Risk-free interest rate %	0.472
Expected life of options (years)	2
WAEP - pence	4.0
Expected dividend yield	-
Model used	Black Scholes

20. CAPITAL AND RESERVES

The nature and purpose of equity and reserves are as follows:

Share capital comprises the nominal value of the ordinary issued share capital of the Company.

Share premium represents consideration less nominal value of issued shares and costs directly attributable to the issue of new shares.

Other reserves represents the value of options in connection with share-based payments, warrants connected with share placements issued by the Company, and the value of the deemed embedded derivative connected with the Convertible Note liability in accordance with IAS39.

Reverse asset acquisition reserve is the reserve created in accordance with the acquisition of Hemogenyx LLC on 5 October 2017 in accordance with IFRS 2.

Foreign currency translation reserve is used to recognise the exchange differences arising on translation of the assets and liabilities of foreign branches and subsidiaries with functional currencies other than Pounds Sterling, as well as the revaluation of intercompany loans.

Retained earnings represent the cumulative retained losses of the Company at the reporting date.

21. TRADE AND OTHER PAYABLES

	Group	Group	Company	Company
	Year Ended 31 December 2018	Year Ended 31 December 2017	Year Ended 31 December 2018	Year Ended 31 December 2017
	£	£	£	£
Trade and other payables	91,373	7,332	66,727	7,247
Accruals and deferred income	76,234	256,353	67,358	256,353
Total	**167,607**	**263,685**	**134,085**	**263,600**
Current liabilities	167,699	263,685	134,177	263,600
Non-current liabilities	-	-	-	-

22. BORROWINGS

The borrowings are comprised of borrowings and convertible notes. As of 1 January 2018 the Group adopted IFRS 9, and as a result, where the instruments contained liability classified embedded derivatives, an election was taken to fair value the entire financial instrument through profit and loss rather than split out the embedded derivative. During the year ended 31 December 2018, the financial instruments for Hemogenyx LLC and Immugenyx LLC do not contain embedded derivatives and therefore these instruments continue to be held at amortised cost. The notes payable consists of the following:

Group & Company	Year Ended 31 December 2018	Year Ended 31 December 2017
Non-current	£	£
Borrowings		
Drawdowns	587,245	-
Interest expense	882	-
Value of embedded derivative transferred to Other Reserves	(6,287)	-
Foreign exchange movement	1,429	-
Balance at 31 December 2018	**583,269**	-
Convertible Notes		
Drawdowns	588,670	-
Interest expense	882	-
Foreign exchange movement	5	-
Balance at 31 December 2018	**589,557**	-
Total Borrowings at 31 December 2018	**1,172,826**	-

A summary of the debt facilities is as follows:

During 2018 Orgenesis entered in to two debt facility agreements with the Group, one each with Hemogenyx LLC and Immugenyx LLC. On 7 November 2018 the Group entered in to a loan agreement with Orgenesis Inc., an organisation with which the Group has an existing collaboration agreement. The loan amount was for not less than US$1,000,000 with the proceeds of the loan to be used solely for the development of the cell therapy technology in accordance with the plan of the collaboration agreement. As at reporting date drawdowns totalling US$750,000 (£587,245) had been made with the Hemogenyx LLC receiving the funds. The loan carries an interest rate of 2% and has a term of three years. Orgenesis has the option to convert both principal and accrued interest in to equity in Hemogenyx-Cell at any time prior to maturity. Hemogenyx-Cell ("Hemo-Cell") is a wholly owned Belgian entity and as at reporting date was not incorporated. As Hemo-Cell was not incorporated at the reporting date no conversion was possible and as a result this loan facility has been treated as a borrowing in accordance with IAS9. When Hemo-Cell is incorporated the facility will be treated in accordance with the provisions of IAS39.

On 7 November 2018 the Group entered in to a loan agreement through its

wholly owned subsidiary Immugenyx LLC, with Orgenesis Inc., an organisation with which the Group has an existing collaboration agreement. The loan amount was for not less than US$1,000,000 with the proceeds of the loan to be used solely for the development of the cell therapy technology in accordance with the plan of the collaboration agreement. As at reporting date drawdowns totalling US$750,000 (£588,670) had been made. The loan carries an interest rate of 2% and has a term of three years. Orgenesis has the option to convert both principal and accrued interest in to equity in Immugenyx LLC at any time prior to maturity. This loan has been treated in accordance with treated in accordance with the provisions of IAS39.

23. RELATED PARTY DISCLOSURES

There were no related party disclosures other than Directors' remuneration as disclosed in the Remuneration Report section of the Directors' Report. There are no key management personnel other than the Directors.

24. FINANCIAL INSTRUMENTS

The Group's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities and deferred payment.

Fair value of financial assets and liabilities

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying amount for cash, accounts receivable, and accounts payable and accrued liabilities on the statement of financial position approximate their fair value because of the limited term of these instruments. The fair value of deferred payment approximates its fair value. The investment is carried at cost as it is not traded on an active market.

Fair value hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices

(unadjusted) in active markets for identical assets or liabilities; and

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group did not have any financial instruments in Level 1, 2 and 3.

Financial risk management objectives and policies

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity and funding risk
- Market risk

The following table sets out the categories of financial instruments held by the Company as at the year ended 31 December 2018 and period ended 31 December 2017:

	Group	Group	Company	Company
	Year Ended 31 December 2018	Year Ended 31 December 2017	Year Ended 31 December 2018	Year Ended 31 December 2017
	£	£	£	£
Assets				
Trade and other receivables, except prepayments	64,361	64,784	64,361	61,013
Cash and cash equivalents	1,762,428	1,876,655	461,003	1,748,337
	1,826,789	1,941,439	525,364	1,809,350
Liabilities				

Trade and other payables	(167,607)	(263,685)	(134,085)	(263,600)
Borrowings	(1,172,826)	-	-	-
	(1,340,433)	(263,685)	(134,085)	(263,600)

Group	1 January 2018	Cash flows	Non-cash changes			31 December 2018
			Share repayment	Foreign exchange movements	Interest charge	
Long-term borrowings	-	1,175,915	-	(4,853)	1,764	1,172,826
Short-term borrowings	-	-	-	-	-	-
Total	-	1,175,915	-	(4,853)	1,764	1,172,826

Group	1 January 2017	Cash flows	Non-cash changes			31 December 2017
			Share repayment	Foreign exchange movements	Interest charge	
Long-term borrowings	275,500	(154,422)	(140,297)	7,746	11,473	-
Short-term borrowings	26,335	(26,335)	-	-	-	-
Total	301,835	(180,757)	(140,297)	7,746	11,473	-

a) Credit risk

The Group had receivables of £nil owing from customers (31 December 2017: £nil). All bank deposits are held with Financial Institutions with a minimum credit rating of AAA.

b) Liquidity and funding risk

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. The Group takes liquidity risk into consideration when deciding its sources of funds. The principle liquidity risk facing the business is the risk of going concern which has been discussed in Note 2.

c) Market risk

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

The Company has floating rate financial assets in the form of deposit accounts with major banking institutions; however, it is not currently subjected to any other interest rate risk.

Based on cash balances as above as at the statement of financial position date, a rise in interest rates of 1% would not have a material impact on the profit and loss of the Company and such is not disclosed.

The interest rates on the Convertible Notes are fixed and hence a rise in interest rates of 1% would not have a material impact on the profit and loss of the Group and such is not disclosed.

In relation to sensitivity analysis, there was no material difference to disclosures made on financial assets and liabilities.

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	Group	Group	Company	Company
	Year Ended 31 December 2018	Year Ended 31 December 2017	Year Ended 31 December 2018	Year Ended 31 December 2017
	£	£	£	£
Financial Assets				
Cash and cash equivalents	1,762,428	1,876,655	461,003	1,748,337
Financial Liabilities				
Borrowings	(1,172,826)	-	-	-

Foreign currency risk

The Group operates internationally and has monetary assets and liabilities in currencies other than the functional currency of the operating company involved.

The Group seeks to manage its exposure to this risk by ensuring that where possible, the majority of expenditure and cash of individual subsidiaries within the Group are denominated in the same currency as the functional currency of that subsidiary.

The Group has not entered into any derivative instruments to manage foreign exchange fluctuations.

The following table shows a currency of net monetary assets and liabilities by functional currency of the underlying companies for the years ended 31 December 2018 and 31 December 2017:

	31 December 2018 Functional Currency		
Currency of net monetary assets/(liabilities)	Pound Sterling £	US Dollars £	Total £
Pound Sterling	109,654	-	109,654
US Dollars	351,348	26,184	377,532
Total	**461,002**	**26,184**	**487,186**

	31 December 2017 Functional Currency		
Currency of net monetary assets/(liabilities)	Pound Sterling £	US Dollars £	Total £
Pounds Sterling	1,489,737	-	1,489,737
US Dollars	-	132,003	132,003
Total	1,489,737	132,003	1,621,740

Capital risk management

The Group defines capital as the total equity of the Company. The Group's 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 benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Fair value of financial assets and liabilities

There are no material differences between the fair value of the Group's financial assets and liabilities and their carrying values in the financial statements.

25. COMMITMENTS

Operating lease

The Group has office leasing commitments.

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group	
	2018	2017
	£	£
not later than 1 year	**9,610**	8,671
later than 1 year and not later than 5 years	**-**	-
not later than 5 years	**-**	-
Total Operating lease commitments	**9,610**	8,671

Licence

Milestone and royalty payments that may become due under the licence agreement are dependent on, among other factors, clinical trials, regulatory approvals and ultimately the successful development of a new drug, the outcome and timing of which are uncertain.

The Group's future payments contingent upon meeting certain development, regulatory and commercialisation milestones total £1,434,000. Upon commencement of commercial production, the Group will pay a royalty between 2 to 5% on all net sales. In addition, the Group pays an annual licence maintenance fee of up to £55,000 until the commercial sales are achieved.

26. ULTIMATE CONTROLLING PARTY

The Directors have determined that there is no controlling party as no individual shareholder holds a controlling interest in the Company.

27. SUBSEQUENT EVENTS

The Company's Belgian subsidiary, Hemogenyx-Cell SPRL, was incorporated on 9 April 2019. Hemogenyx-Cell is progressing preclinical development of the Hu-PHEC technology and has lodged an application for a matched funding grant with the Belgian government.

The Company also reviewed and extended its licence agreement with Cornell University, the patent-holder of the Hu-PHEC technology.

The Company, leveraging its collaboration with Janssen Pharmaceuticals (a Johnson & Johnson pharmaceutical company), has initiated a programme of discovery and development of a suite of novel treatments for Systemic Lupus Erythematosus (SLE or Lupus). The Company is developing a cell-based approach to treat Lupus. In parallel, it is engaged in seeking novel druggable targets using its proprietary discovery platform that combines an AHC-based human Lupus model and single cell sequencing.

28. COPIES OF THE ANNUAL REPORT

Copies of the annual report will be available on the Company's website at www.hemogenyx.com and from the Company's registered office, 5 Fleet Place London EC4M 7RD.

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[1] Milliman Research Report *2014 U.S. organ and tissue transplant cost estimates and discussion* (http://www.milliman.com/uploadedFiles/insight/Research/health-rr/1938HDP_20141230.pdf)

[2] Drug Development Technology *Report: Acute myeloid leukaemia market to grow at CAGR of 14% by 2026* (https://www.drugdevelopment-techno[logy.com/research-reports/researchreportreport-acute-myeloid-leukaemia-market-to-grow-at-a-cagr-of-14-by-2026-5876993/)

[3] Weighted average exercise price

END

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