



Hemogenyx Pharmaceuticals plc

30 April 2020

### **Hemogenyx Pharmaceuticals plc**

("Hemogenyx" or the "Company")

### **Final Results for the Year Ended 31 December 2019**

Hemogenyx Pharmaceuticals plc (LSE: HEMO), the biopharmaceutical group developing new therapies and treatments for deadly blood diseases, announces its results for the year ended 31 December 2019.

#### Key Highlights

- CDX antibody demonstrated to be effective against Acute Myeloid Leukemia ("AML") and as a Conditioning Therapeutic *in vivo*
- CDX antibody effective against Acute Lymphoblastic Leukemia ("ALL") *in vitro*
- Development of a new generation of the Company's humanised mice that is being used as a model for several diseases
- Continued development of CDX with a global pharmaceutical company involving manufacturability assessment and follow-up tests of the antibody

#### Post-Period End Highlights

- Hemogenyx to use its advanced humanised mice to develop potential treatments for COVID-19 and other emerging pathogens
- New CAR-T product candidate HEMO-CAR-T cells demonstrated to be effective against AML *in vivo*
- Approval of patents for Hu-PHEC (Human Post-natal Hemogenic Endothelial Cells) in both the US and Europe
- Placing and Subscription in January 2020 raised approximately £650,000

Dr Vladislav Sandler, CEO of Hemogenyx, said:

*"2019 was an exceptionally productive year for Hemogenyx, both scientifically and commercially. Not only did we achieve significant progress on our existing product candidates, we were also able to leverage our proprietary technologies and expertise to further broaden and diversify our product pipeline. Our*

*humanised mice have proven to be an immensely useful tool and have allowed the Company to enter new areas of drug development, including for autoimmune diseases and diseases caused by viral infections, in particular COVID-19."*

### **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.

### **Enquiries:**

#### **Hemogenyx Pharmaceuticals plc**

<https://hemogenyx.com>

Dr Vladislav Sandler, Chief Executive Officer & Co-Founder

[headquarters@hemogenyx.com](mailto:headquarters@hemogenyx.com)

Peter Redmond, Non-Executive Director

#### **SP Angel Corporate Finance LLP**

Tel: +44 (0)20 3470 0470

Matthew Johnson, Vadim Alexandre, Soltan Tagiev

#### **Peterhouse Capital Limited**

Tel: +44 (0)20 7469 0930

Lucy Williams, Duncan Vasey, Charles Goodfellow

#### **US Media enquiries**

Tel: +1 (323) 646-3249

Lowell Goodman

[lowell@corbomitecomms.com](mailto:lowell@corbomitecomms.com)

## **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 at its state-of-the-art research facility in New York City and a wholly-owned Belgian subsidiary, Hemogenyx-Cell SPRL, located in Liège.

Hemogenyx is a pre-clinical stage biopharmaceutical group developing new medicines and treatments to treat blood and autoimmune disease and 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 several distinct and complementary product candidates, 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 report a highly productive period of scientific and commercial progress in the year ended 31 December 2019. It has been a remarkable year for Hemogenyx in many respects, with strong progress on several fronts.

Our lead product, the CDX bi-specific antibody, was originally designed to provide a safer way to condition patients suffering from blood diseases for bone marrow transplants. As shareholders will be aware, however, the CDX bi-specific antibody has been found to have wider potential applications, including the treatment itself of blood diseases, in particular acute myeloid leukaemia (AML), the most dangerous form of leukaemia. Working with a major global pharmaceutical group, we have made considerable progress in the development of the antibody. We have also developed a new product candidate based on CAR-T, further diversifying and de-risking our product portfolio. This product is designed to be used in the treatment of AML and other blood diseases, as well as in transplant conditioning. Together with these new scientific breakthroughs, we have also been working to take our Hu-PHEC cell therapy product candidate forward.

At the same time, we have made significant advances in the use of our advanced humanised mice. We originally developed these mice as a tool to test our CDX antibodies. As shareholders will know, however, these mice have proved to be of value in their own right. Their exceptional properties are now being used in a number of applications in collaboration with major pharmaceutical companies, such as the continuing work with Johnson & Johnson in relation to Lupus.

As a result of our use of the mice to model Lupus, we made further discoveries about their properties. These findings led us to understand that our mice can be used to model an even wider range of autoimmune diseases, as well as to develop treatments for diseases caused by viral infections. In 2019, we began our efforts to leverage our mouse technology for these purposes, and in view of the recent crisis arising from the COVID-19 pandemic we have now initiated work in a number of areas related to COVID-19, as we recently announced.

Our remarkable progress in all of these areas has been accomplished on budget and with the assistance of our major biopharmaceutical collaborators, our strong and highly qualified advisory board, and not least by our exceptional team of in-house scientists.

I propose to go into more detail about the various components of our product pipeline below.

### **Background**

Hemogenyx is developing two primary sets of products for the multi-billion<sup>1</sup> bone marrow/hematopoietic stem cell transplant market. They are:

- A set of treatments for blood malignancies that includes CDX bi-specific antibody and CAR-T therapy. Both CDX and CAR-T are product candidates that could eliminate relapsed and/or refractory ("R/R") acute myeloid leukaemia ("AML"), acute lymphoblastic leukaemia ("ALL"), and myelodysplastic syndrome ("MDS") – forms 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 blood stem cell donor availability and issues around relapse or cell rejection after transplantation. These

---

<sup>1</sup> Milliman Research Report 2014 U.S. organ and tissue transplant cost estimates and discussion

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 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, particularly its newly developed form, the Advanced peripheral blood Hematopoietic Chimera ("ApbHC") which may also have a vital role to play in the rapid development and/or isolation of human antibodies against previously unknown pathogens such as the novel coronavirus, more broadly referred to as bioprotection/biodefence applications.

I would like to take this opportunity to summarise the substantial progress made during 2019. A number of advances have been made in several strategic areas, continuing to strengthen the Company's intellectual property, portfolio of product candidates and commercial prospects.

### **CDX Antibodies**

The Company made advances in 2019 with research into the use of its CDX antibody as a potential treatment for subsets of AML, ALL and MDS. The antibody was shown to be effective in animal studies against AML-derived cells using the Company's proprietary humanised mice, following successful test tube studies of the ability of CDX to target and eliminate ALL cells. These potential additional applications of the CDX product candidate could provide life-saving treatments against several forms of blood cancer which remain resistant to current modes of treatment. The use of CDX as a therapy against blood malignancies is beyond the application of CDX purely as a conditioning product for bone marrow transplantation anticipated when the Company listed in 2017.

In July 2019, the Company filed a new patent application for CDX in relation to conditioning patients for bone marrow transplantation and treatments for blood cancers such as AML and ALL. An additional composition of matter patent application is expected to be filed upon the completion of the current development agreement with a global international pharmaceutical company ("GlobalCo"; the identity of GlobalCo must remain confidential at its request). The Company therefore continues to strengthen its intellectual property portfolio and protections.

The work with GlobalCo on the Company's CDX antibody as a clinical candidate, first announced on 14 May 2018, entered its final phase in 2019. The Company and GlobalCo continue to develop CDX towards clinical readiness. GlobalCo has progressed manufacturability assessment and follow-up tests of the antibody. Hemogenyx and GlobalCo remain optimistic as to the outcome of these tests based on results to date.

The collaboration agreement, originally scheduled to complete in late April 2020, is being extended by a short period due to the impact on GlobalCo's operations of the novel coronavirus, following which Hemogenyx will either license the antibody to GlobalCo or will in-license GlobalCo's improvements to it on favourable terms.

In the latter part of 2018 and through 2019, the Company set to work with its monoclonal antibodies to develop a Chimeric Antigen Receptor T-cell ("CAR-T") product candidate as an alternative potential treatment for blood disorders. The initial laboratory results announced in January and February 2020 are described in the subsequent events section below.

## **Humanised Mice**

Immugenyx, LLC ("Immugenyx"), the Company's wholly owned subsidiary, developed a further improved version of its humanised mice, termed the Advanced peripheral blood Hematopoietic Chimera ("ApbHC") that presents several advantages over other mouse models. The ApbHC was initially developed as a research and development tool for the investigation of mature blood cell populations such as human T-cells, B-cells and antibody-producing plasma cells. A major advantage of the ApbHC is the absence of Graft versus Host Disease ("GvHD"), a disease that complicates and often renders impossible the efficient use of peripheral blood mononuclear cells in transplanted mice, shortening their lifespan and suitability for testing.

The ApbHC has a broad range of applications. Hemogenyx has demonstrated that the ApbHC can potentially be used for testing multi-specific antibodies, including its own bi-specific CDX antibody for the elimination of AML and the conditioning of patients for bone marrow transplantation. ApbHC may also be used for the development and testing of new cell therapies involving immune cell reprogramming, such as CAR-T. Immugenyx has further demonstrated that the ApbHC can potentially be used for the modelling of autoimmune diseases, such as Systemic Lupus Erythematosus (aka Lupus), with a goal of developing fundamentally new treatments for those diseases. The Directors also believe that the ApbHC could potentially be used as a tool for the rapid development and/or isolation of human antibodies against previously unknown viruses such as the novel coronavirus or other natural or engineered human-specific pathogens, referred to in biodefence circles as "Disease X".

As with the original Advanced Hematopoietic Chimera, the Company believes that the ApbHC will be of considerable interest to other drug developers and interest shown to date is promising.

Immugenyx entered into a research agreement with the above-mentioned GlobalCo to develop the ApbHC as a tool for drug development and testing, as announced on 23 October 2019. If the first phase of research produces successful results, Hemogenyx anticipates that further research will be commissioned, as has been the case with other trials using the Company's humanised mice. According to the agreement, Immugenyx will grant to GlobalCo a worldwide, non-exclusive, royalty-free licence to any know-how and any patent(s) and patent application(s) arising from the agreement to use solely for its own research and product development purposes. Immugenyx will also grant to GlobalCo an option to an exclusive licence of any patents or patent applications arising from the Agreement. The terms of the exclusive licence will be negotiated in good faith and on reasonable commercial terms at the time GlobalCo exercises its option.

Immugenyx has already completed or entered into humanised mouse related projects with a number of other large pharmaceutical companies, including the previously announced agreement with Janssen Research & Development, LLC ("Janssen"), to build a model of human systemic lupus erythematosus ("SLE", also known as Lupus), an autoimmune disease. The Company is developing independently 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.

These agreements confirm the value of the new type of humanised mice within the pharmaceutical community and give the Company an immediate revenue stream which the Company believes can be developed and promoted considerably more widely.

## **Hu-PHEC Stem Cell Therapy**

The Company reviewed and extended its licence agreement with Cornell University, the patent-holder of the Hu-PHEC technology posited and discovered by Hemogenyx's Co-Founder and CEO Dr Vladislav

Sandler while working at Cornell. The restated agreement confirms Hemogenyx's exclusive, worldwide sub-licensable licence to the patent.

Hemogenyx-Cell SPRL ("Hemogenyx-Cell") is the Company's wholly owned subsidiary, established in Belgium in April 2019 to develop Hu-PHEC for the direct treatment of leukaemia and other blood diseases. Hemogenyx-Cell has been considering plans with a number of potential Belgian-based partners, including Orgenesis, Inc. – the provider of funding to Hemogenyx-Cell and also to Immugenyx in a separate agreement through convertible loans – regarding key building blocks for the path through development towards clinical trials of Hu-PHEC, including the establishment of a cell bank.

Discussions continue, both on the Hu-PHEC project and on other initiatives, with the potential partners, who are highly respected names in complementary fields.

### **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:

A patent application entitled *Post-Natal Hemogenic Endothelial Cells and their isolation and use* was approved by the United States Patent and Trademark Office and issued on 25 February 2020 as Patent Number 10,570,373. The European Patent Office issued a decision notice in April 2020 that it will grant a patent bearing the same title as Patent Number 3068875. The patent issuance will take effect on the date on which the European Patent Bulletin mentions the grant, scheduled for 13 May 2020. The patent applications were filed in 2014 and are the subject of Hemogenyx's aforementioned licence first granted in 2015 and restated in 2019.

The Company continued to draw on the cash provided by convertible loan facilities from Orgenesis Inc. for a maximum of US\$2,000,000. As at 31 December 2019 a total of US\$1,500,000 of the total facilities available had been drawn down, and the remaining \$500,000 was drawn down in February 2020.

On 30 January 2020 the Company announced that it had raised £648,200 before expenses through a placing and subscription of 36,011,116 ordinary shares at a price of 1.8p per share. The funds are being used to continue the development and *in vivo* testing of the Company's Chimeric Antigen Receptor (CAR) programmed T cells, for the further development and commercialisation of the Company's ApcHC and models and treatments for diseases, and to provide additional working capital for the Company to progress its core CDX antibody collaboration and to support its various partnerships with other major pharmaceutical companies.

In January and February 2020 the Company announced breakthroughs, first in test tube tests and subsequently in animal studies, in the promising field of CAR-T therapy. Hemogenyx has successfully constructed and tested CAR programmed T cells, termed HEMO-CAR-T, as a potential alternative treatment for AML. HEMO-CAR was constructed using Hemogenyx's proprietary humanised monoclonal antibody, against a target on the surface of AML cells. The Company has demonstrated that HEMO-CAR was able to programme human T cells (i.e. convert them into HEMO-CAR-T cells) to identify and destroy human AML derived cells.

Following the successful completion of these tests, Hemogenyx is undertaking further engineering of HEMO-CAR to enhance their safety. The Company is introducing and testing a safety switch designed to control the level of activity of HEMO-CAR-T cells, with the aim of creating a "tunable and controllable drug". The purpose of these efforts is to dramatically improve the safety and potential versatility of HEMO-CAR-T cells for the treatment of AML and/or conditioning of bone marrow transplants, as well as a number of additional potential indications.

## COVID-19

In late April 2020, the Company began applying its groundbreaking research and technologies to develop treatments for COVID-19, the disease caused by the SARS-CoV-2 virus. Hemogenyx is using the exceptional characteristics of its ApbHC mice to discover human neutralising antibodies that could fight the virus. The study aims to demonstrate how Hemogenyx's technology can be deployed rapidly in emergencies in order to discover human neutralising antibodies against a host of viral pathogens, including what infectious disease experts in the bioprotection and biodefense sectors call "Disease X", meaning as-yet unknown viruses that may represent a similar or greater threat than the one presented by COVID-19.

Concurrently, Hemogenyx has initiated a pilot study to understand why some individuals who are infected with SARS-CoV-2 are asymptomatic, some exhibit mild symptoms, and some become very sick and even die. Such understanding could prove essential for both the development of new treatments for COVID-19 and managing the current risk of infection. Should the study prove to be successful, Hemogenyx will aim to develop and commercialise a test that would prospectively identify people with potentially high/low risk of severe illness caused by the virus.

## **Financial Results**

During the year the Group made a loss of £1,453,144 (2018: £1,544,324 restated loss).

## **Scientific Advisory Board & Board Update**

I have chaired the Scientific Advisory Board since September 2017 and have worked 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.

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.

There were no changes to the composition of the Board during 2019, giving the Company a period of stability in which its talented scientific staff were able to demonstrate their extraordinary capacity to advance the Company's science and commercial relationships on limited financial resources.

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 share options and collectively we remain confident that the Company's shares should deliver significant shareholder return over the long term.

## **Conclusion**

The Company has made progress in further widening its suite of products (e.g. its new ApbHC form of humanised mice and its CAR-T product candidate) and their potential applications (e.g. the use of ApbHC for biodefence purposes and the use of CDX antibodies to treat ALL and MDS) and in cultivating important partnerships and financing.

2019 marked substantial further contributions to the diversification and de-risking of the Company's prospects and additional steps in opening up yet more disease markets. The period saw increased recognition of the excellence of the Company's scientific team, and laid further foundations for the realisation of substantial shareholder value as the Company moves ever closer to entering a product candidate to clinical trials.





My fellow Directors and I are greatly encouraged by the Company's work and on-going conversations with key industry partners on several fronts, and believe that the next 12 months will mark a key inflection point in its growth and maturity.

**Prof Sir Marc Feldmann AC, FRS**

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

***Chairman***

30 April 2020

## Directors' Report for the year ended 31 December 2019

The Directors present their report with the audited financial statements of the Group for the year ended 31 December 2019.

The Company's Ordinary Shares were admitted to listing on the London Stock Exchange under the name Silver Falcon plc, on the Official List pursuant to Chapters 14 of the Listing Rules, which sets out the requirements for Standard Listings, on 9 November 2015.

On 4 October 2017 the Company's shareholders voted in favour of acquiring the biotechnology company Hemogenyx Pharmaceuticals Limited, with shares being readmitted to trading on 5 October 2017 under the name Hemogenyx Pharmaceuticals plc.

### Principal Activity

The Group's principal activity is the discovery, development and commercialisation of novel therapies and treatments for blood diseases such as leukemia and lymphoma. The company's leading technologies aim to change the way in which bone marrow/hematopoietic stem cell ("BM"/"HSC") transplants are performed and improve their efficacy. Hemogenyx's distinct and complementary products include immunotherapy product candidates for the treatment of AML and other blood malignancies and patient conditioning – the CDX bi-specific antibody and CAR-T therapy, and a cell therapy product for BM/HSC transplantation – the Hu-PHEC. Each of these products holds the potential to revolutionise the way BM/HSC transplants are being performed or diseases of the blood are treated, offering solutions that mitigate the dangers and limitations associated with the current standard of care.

The Group has three companies that are located outside of the UK. The principal laboratory of the Group is located in Brooklyn, New York, USA. The Group has also established additional operations in Liège, Belgium.

### Results and Dividends

The Consolidated Statement of Comprehensive Loss shows a loss for the year amounting to £1,453,144 (2018: loss of £1,544,324 restated). The Directors do not propose a dividend in respect of the year ended 31 December 2019 (31 December 2018: nil).

### Directors and Directors' Interests

The Directors who held office during the year were as follows:

	Date Appointed	Date Resigned
Professor Sir Marc Feldmann	9 April 2018	-
Dr Vladislav Sandler	4 October 2017	-
Dr Robin Campbell	4 October 2017	5 January 2019
Alexis Sandler	4 October 2017	-
Peter Redmond	29 July 2015	-

The Directors of the Company who held office at 31 December 2019 had the following beneficial interests in the Ordinary shares of the Company at 31 December 2019 according to the register of directors' interests:

Director	At 31 December 2019	At 31 December 2018
Professor Sir Marc Feldmann	-	-

Peter Redmond*	5,040,714	5,040,714
Dr Vladislav Sandler	41,544,677	40,451,210
Alexis Sandler	75,090,685	75,090,685

\* Peter Redmond holds the majority of these shares through Catalyst Corporate Consultants Ltd of which he is the sole shareholder.

At the date of this report, the only change to the Directors' beneficial interest in the Ordinary shares of the Company as disclosed in the table above is that Peter Redmond's interest has increased to 5,596,270 shares by virtue of his participation in the Subscription and Placing of January 2020.

According to the Register of Directors' Interests, no rights to subscribe for shares in or debentures of Group companies were granted to any of the Directors or their immediate families, or exercised by them, during the financial year except as indicated below (see note 20 for detail on option plans):

#### Options

Date of grant	Number of options at start of year	Options granted or acquired during year	Options lapsed during year	Number of options at end of year
Dr Robin Campbell				
4 Oct 2017	3,560,429	-	3,560,429	-
	3,560,429	-	3,560,429	-
Professor Sir Marc Feldmann				
9 Apr 2018	18,002,568	-	-	18,002,568
	18,002,568	-	-	18,002,568

#### Warrants

Date of grant	Number of warrants at start of year	Warrants granted or acquired during year	Warrants lapsed during year	Number of warrants at end of year
Dr Vladislav Sandler				
4 October 2017	214,286	-	214,286	-
	214,286	-	214,286	-
Peter Redmond				
4 October 2017	1,942,857	-	1,942,857	-
	1,942,857	-	1,942,857	-

#### Qualifying Third Party Indemnity Provision

At the date of this report, the Company has a third-party indemnity policy in place for all Directors.

## Substantial Shareholders

As at 31 December 2019, the total number of issued Ordinary Shares with voting rights in the Company was 361,242,853 (now: 397,253,969). The Company has been notified of the following interests of 3 per cent or more in its issued share capital as at the date of approval of this report.

Party Name	Number of Ordinary Shares	% of Share Capital
Alexis Sandler	75,090,685	18.9
Vladislav Sandler	41,544,677	10.5
Craig Auringer	31,407,913	7.9
HSBC Client Holdings Nominee (UK) Limited	20,125,759	5.1
Samantha Bauer	17,996,487	4.5
Optiva Securities Limited*	18,506,211	4.7
Ron Valk	17,131,193	4.3
Lawshare Nominees Limited	13,397,733	3.4
Mark Hawtin	13,268,570	3.3

\* Optiva Securities Limited holds these shares through JIM Nominees Limited.

## Relationship Agreement

In accordance with Listing Rule 9.8.4(14)R, the Company has set out below a statement describing the relationship agreement entered into by the Company with its principal shareholder.

On 8 September 2017, the Company entered into a Relationship Agreement with Dr Vladislav Sandler and Alexis Sandler (the "Controlling Parties"), which came into force at the Company's re-admission. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of the Controlling Parties.

If the Company ceases to be admitted to the Main Market of the London Stock Exchange, or the Controlling Parties (together with their associates) cease to hold 20 per cent or more of the voting rights over the Company's shares the Relationship Agreement shall terminate save for certain specified provisions.

The Relationship Agreement provides that the Controlling Parties undertake to use all reasonable endeavours to procure that they and their associates shall:

- conduct all transactions with the Company on an arm's length basis and on a normal commercial basis;
- not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules or the corporate governance principles adopted by the Group;
- not propose or procure the proposal of a shareholder resolution which is intended to, or appears to be intended to, circumvent the proper application of the Listing Rules; and
- not take any actions which is intended to, or appears to be intended to, breach or circumvent the proper application of the Relationship Agreement, the Listing Rules or the corporate governance principles adopted by the Group.

The Directors believe that the terms of the Relationship Agreement enable the Company to carry on its business independently from the Controlling Parties and their affiliates and ensure that all transactions and relationships between the Company and the Controlling Parties are, and will be, at arm's length and on a normal commercial basis. The Company has and, in so far as it is aware, the Controlling Parties and their associates have, complied with the independence provisions set out in the Relationship Agreement

from the date of the agreement, through the relevant period under review. The ordinary shares owned by the Controlling Parties rank *pari passu* with the other ordinary shares in all respects.

### **Share Capital**

Details of the issued share capital, together with details of the movement in issued share capital during the year, are shown in note 18 to the financial statements.

### **Financial Instruments**

Details of the use of the Company's financial risk management objectives and policies as well as exposure to financial risk are contained in the Accounting policies and note 25 of the financial statements.

### **Future Developments and Events Subsequent to the Year End**

Further details of the Group's future developments and events subsequent to the year end are set out in the Chairman's Statement and Strategic Report.

### **Corporate Governance**

The Corporate Governance report forms part of the Directors' Report.

### **Going Concern**

The Company's business activities, together with facts likely to affect its future operations and financial and liquidity positions are set out in the Chairman's Statement and Directors' Strategic Report. In addition, note 25 to the financial statements discloses the Company's capital risk management policy and note 2 details further considerations made by the Directors in respect of going concern, including an assessment of the possible impact on the Company arising from COVID-19.

The Directors, having made due and careful enquiry, are of the opinion that the Company has or will have access to sufficient funding in order to execute its operations over the next 12 months. The Directors therefore have made an informed judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As a result, the Directors have adopted the going concern basis of accounting in the preparation of the annual financial statements.

### **Political Donations**

The Group made no political donations during the year (2018: £nil).

### **Charitable Donations**

There were no charitable donations made by the Group in the current or prior year.

### **Auditors**

The auditors, PKF Littlejohn LLP, have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible to make a statement that they consider that the annual report and accounts, taken as a whole, is fair, balanced, and understandable and provides the information necessary for the shareholders to assess the Group and parent company's position and performance, business model and strategy.

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

### **Directors' Responsibility Statement Pursuant to Disclosure and Transparency Rules**

Each of the Directors confirm that, to the best of their knowledge and belief:

- the financial statements prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group and parent company; and
- the Annual Report and financial statements, including the Business review, includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that they face.

### **Disclosure of Information to Auditors**

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.



Approved by the Board on 30 April 2020

**Dr Vladislav Sandler**

**CEO**

## Consolidated Statement of Comprehensive Income

Continuing Operations	Note	Year Ended 31 December 2019	Year Ended 31 December 2018 Restated
		£	£
<b>Revenue</b>		-	-
Administrative Expenses	6	<b>1,589,407</b>	1,630,222
Depreciation Expense	12	<b>94,726</b>	51,805
<b>Operating Loss</b>		<b>(1,684,133)</b>	(1,682,027)
Other Income	7	<b>213,126</b>	91,357
Finance Income		<b>14,191</b>	4,374
Finance Costs		<b>(31,328)</b>	(1,779)
<b>Loss before Taxation</b>		<b>(1,488,144)</b>	(1,588,075)
<b>Income tax</b>	10	<b>35,000</b>	43,751
<b>Loss for the year</b>		<b>(1,453,144)</b>	(1,544,324)
Loss attributable to:			
- Owners of Hemogenyx Pharmaceuticals plc		<b>(1,450,627)</b>	(1,544,324)
- Non-controlling interests		<b>(2,517)</b>	-
		<b>(1,453,144)</b>	(1,544,324)
Items that will be reclassified subsequently to profit or loss:			
Translation of foreign operations		<b>16,176</b>	51,031
Other comprehensive income for the year		<b>16,176</b>	51,031
Total comprehensive income for the year		<b>(1,436,968)</b>	(1,493,293)
Attributable to:			
Owners of Hemogenyx Pharmaceuticals plc		<b>(1,434,451)</b>	(1,493,293)
Non-controlling interests		<b>(2,517)</b>	-
Total comprehensive loss for the year		<b>(1,436,968)</b>	(1,493,293)
Basic and diluted loss per share attributable to the equity owners of the Company	11	<b>(0.004)</b>	(0.004)

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



## Consolidated Statement of Financial Position

### Group

		Year Ended 31 December 2019	Year Ended 31 December 2018 Restated
	Note	£	£
<u>Assets</u>			
Non-current assets			
Property, plant and equipment	12	123,922	173,943
Right of use asset	13	109,442	-
Intangible asset	14	262,050	272,753
Total non-current assets		<b>495,414</b>	446,696
Current assets			
Trade and other receivables	17	55,804	90,475
Cash and cash equivalents		498,679	1,762,428
Total current assets		<b>554,483</b>	1,852,903
<b>Total assets</b>		<b>1,049,897</b>	<b>2,299,599</b>
<u>Equity and Liabilities</u>			
Equity attributable to shareholders			
Paid-in Capital			
Called up share capital	18	3,612,429	3,601,762
Share premium	19	7,699,789	7,340,267
Other reserves	20	399,229	686,851
Reverse asset acquisition reserve	4	(6,157,894)	(6,157,894)
Foreign currency translation reserve		53,223	37,047
Retained Earnings		(5,953,294)	(4,548,867)
Equity attributable to owners of the Company		<b>(346,518)</b>	959,166
Non-controlling interests		<b>(2,517)</b>	-
Total Equity		<b>(349,035)</b>	959,166
<u>Liabilities</u>			
Non-current liabilities			
Lease liabilities	13	73,192	-
Borrowings	23	1,144,167	1,172,826
Total non-current liabilities		<b>1,217,359</b>	1,172,826
Current liabilities			
Trade and other payables	22	141,677	167,607
Lease liabilities	13	39,896	-
Total Current Liabilities		<b>181,573</b>	167,607
Total Liabilities		<b>1,398,932</b>	1,340,433
<b>Total equity and liabilities</b>		<b>1,049,897</b>	<b>2,299,599</b>

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 2019 £	Year Ended 31 December 2018 Restated £
<u>Assets</u>			
Non-current assets			
Loan to subsidiaries	15	1,570,839	1,453,736
Investment in subsidiary	16	8,000,000	8,000,000
Total non-current assets		<b>9,570,839</b>	9,453,736
Current assets			
Trade and other receivables	17	6,282	75,972
Cash and cash equivalents		14,505	461,003
Total current assets		<b>20,787</b>	536,975
<b>Total assets</b>		<b>9,591,626</b>	9,990,711
<u>Equity and Liabilities</u>			
Equity attributable to shareholders			
Paid-in Capital			
Called up share capital	18	3,612,429	3,601,762
Share premium	19	7,699,789	7,340,267
Other reserves	20	386,662	680,564
Retained Earnings		<b>(2,205,815)</b>	(1,765,967)
Total Equity		<b>9,493,065</b>	9,856,626
<u>Liabilities</u>			
Current liabilities			
Trade and other payables	22	98,561	134,085
Total Current Liabilities		<b>98,561</b>	134,085
Total Liabilities		<b>98,561</b>	134,085
<b>Total equity and liabilities</b>		<b>9,591,626</b>	9,990,711

Hemogenyx Pharmaceuticals plc has used the exemption granted 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 2019 was £486,048 (2018: £602,874 restated).

*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 earnings	Non- Controlling interests	Total Equity
	£	£	£	£	£	£	£	£
As at 1 January 2018	3,600,514	7,341,056	369,147	(6,157,894)	(13,984)	(3,006,982)	-	2,131,857
Loss in year	-	-	-	-	-	(1,544,324)	-	(1,544,324)
Other Comprehensive Income	-	-	-	-	51,031	-	-	51,031
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,031</b>	<b>(1,544,324)</b>	<b>-</b>	<b>(1,493,293)</b>
Issue of shares – exercise of warrants	1,248	3,745	-	-	-	-	-	4,993
Embedded derivate on convertible note	-	-	6,287	-	-	-	-	6,287
Issue of options	-	-	309,322	-	-	-	-	309,322
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	686,851	(6,157,894)	37,047	(4,548,867)	-	959,166
Loss in year	-	-	-	-	-	(1,450,627)	(2,517)	(1,453,144)
Other Comprehensive Income	-	-	-	-	16,176	-	-	16,176
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,176</b>	<b>(1,450,627)</b>	<b>(2,517)</b>	<b>(1,436,968)</b>
Issue of shares	10,667	21,333	-	-	-	-	-	32,000
Embedded derivate on convertible note	-	-	6,280	-	-	-	-	6,280
Issue of options	-	-	90,487	-	-	-	-	90,487
Writeback of options lapsed	-	-	(46,200)	-	-	46,200	-	-

Write-back of warrants lapsed	-	338,189	(338,189)	-	-	-	-	-
<b>As at 31 December 2019</b>	<b>3,612,429</b>	<b>7,699,789</b>	<b>399,229</b>	<b>(6,157,894)</b>	<b>53,223</b>	<b>(5,953,294)</b>	<b>(2,517)</b>	<b>(349,035)</b>

*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 £	Total Equity £
As at 1 January 2018	3,600,514	7,341,056	369,147	(1,165,532)	10,145,185
Loss in year	-	-	-	(602,874)	(602,874)
Other Comprehensive Income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(602,874)	(602,874)
Issue of shares – exercise of warrants	1,248	3,745	-	-	4,993
Issue of options	-	-	309,322	-	309,322
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	680,564	(1,765,967)	9,856,626
Loss in year	-	-	-	(486,048)	(486,048)
Other Comprehensive Income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(486,048)	(486,048)
Issue of shares	10,667	21,333	-	-	32,000
Issue of options	-	-	90,487	-	90,487
Writeback of options lapsed	-	-	(46,200)	46,200	-
Write-back of warrants lapsed	-	338,189	(338,189)	-	-
<b>As at 31 December 2019</b>	<b>3,612,429</b>	<b>7,699,789</b>	<b>386,662</b>	<b>(2,205,815)</b>	<b>9,493,065</b>

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

## Consolidated Statement of Cash Flows

Group	Note	Year Ended	Year Ended
		31 December 2019	31 December 2018
		£	Restated £
<u>Cash flows generated from operating activities</u>			
Loss before income tax		(1,453,144)	(1,544,324)
Depreciation	12	94,726	51,805
Other Non-cash items interest/professional fees (shares issued)		-	-
Interest income		(14,191)	(4,374)
Interest expense		31,328	1,779
Reverse Acquisition Expense	4	-	-
Compensation settled in shares		32,000	-
Share based payments	20	90,487	309,322
Foreign exchange gain		20,745	(49,000)
(Decrease)/increase in trade and other payables		(17,880)	(98,670)
Decrease/(increase) in trade and other receivables		16,056	(19,266)
<b>Net cash outflow used in operating activities</b>		<b>(1,199,873)</b>	<b>(1,352,728)</b>
<u>Cash flows generated from financing activities</u>			
Proceeds from issuance of equity securities		-	4,993
Proceeds from borrowings	23	-	1,175,915
Payment of lease liabilities	13	(39,393)	-
<b>Net cash flow generated from financing activities</b>		<b>(39,393)</b>	<b>1,180,908</b>
<u>Cash flows generated from investing activities</u>			
Interest income		14,191	4,374
Interest paid		-	(6)
Purchase of property, plant & equipment		(11,918)	(24,589)
<b>Net cash flow generated from investing activities</b>		<b>2,273</b>	<b>(20,221)</b>
Net (decrease)/increase in cash and cash equivalent		(1,236,993)	(192,041)
Effect of exchange rates on cash		(26,756)	77,814
Cash and cash equivalents at the beginning of the period		1,762,428	1,876,655
Cash and cash equivalents at the end of the period		498,679	1,762,428

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 2019	Year Ended 31 December 2018
		£	Restated £
<u>Cash flows generated from operating activities</u>			
Loss before income tax		(486,048)	(602,874)
Other Non-cash items interest/professional fees (shares issued)		-	-
Foreign exchange (gain) loss		48,621	(105,351)
Interest income		(76)	(1,267)
Interest expense		-	6
Compensation settled in shares		32,000	-
Share based payments	20	90,487	309,322
(Decrease) in trade and other payables		(35,524)	(129,514)
Decrease/(increase) in trade and other receivables		69,692	(9,959)
<b>Net cash outflow used in operating activities</b>		<b>(280,848)</b>	<b>(539,637)</b>
<u>Cash flows generated from financing activities</u>			
Proceeds from issuance of equity securities		-	4,993
<b>Net cash flow generated from financing activities</b>		<b>-</b>	<b>4,993</b>
<u>Cash flows generated from investing activities</u>			
Interest income		76	1,267
Interest paid		-	(6)
Loan to related parties		(151,914)	(802,951)
<b>Net cash flow generated from investing activities</b>		<b>(151,838)</b>	<b>(801,690)</b>
Net (Decrease)/increase in cash and cash equivalent		(432,686)	(1,336,334)
Effect of exchange rates on cash		(13,812)	49,000
Cash and cash equivalents at the beginning of the period		461,003	1,748,337
Cash and cash equivalents at the end of the period		14,505	461,003

*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 2019. 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. Control is triggered by the acquisition of the majority or all of the share capital of subsidiaries. Please refer to note 4 for information on the consolidation of Hemogenyx LLC.

Hemogenyx Pharmaceuticals plc has used the exemption granted 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 2019 was £458,113 (2018: £553,476 restated).

#### 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 life 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 given particular thought to the impact on the Group that may result from the novel coronavirus and any other potential pandemics that may arise. The Group's New York operations are classed as an essential business and are not subject to closure, and so work continues with prudent hygiene and distancing measures in place including limited work in the laboratory on rota and work from home. The Group is allowing for extended delivery times for

some supplies, and for slower progress with collaboration partners. The Board and UK management continue to operate remotely, as usual. At present the Group believes that there should be no material disruption to its work, but the Board continues to monitor these risks and the Group's business continuity plans.

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 will require further funding in the medium term. The Group faces a degree of uncertainty at present as a result of impact from the novel coronavirus, including its ability to access further funding. Any actions relating to fundraising are currently delayed pending the outcome of discussions with collaboration partners and until the financial markets return to more regular patterns of activity. The Directors note that the Group has always been successful with past fundraisings and continue to believe strongly in the Group's products and the value of its intellectual property. They therefore believe that the Group has or will have access to sufficient funding in order to execute its operations over 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, Immugenyx LLC and Hemogenyx-Cell SPRL 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, Immugenyx LLC and Hemogenyx-Cell SPRL 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 corporate finance advisers for assistance in raising private equity and to its Scientific Advisory Board members ("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.

#### *Prior year adjustment*

Due to an oversight the value of options issued in October 2017 and April 2018 was calculated in accordance with the the Black Scholes method of options valuation using a 2 year expected life whereas the expected lives of the options should have been 5 years and 3 years respectively. The options have been recalculated using the correct expected lives.

As a result the loss for 2018 was understated by £66,792. There was no impact on the cash flow statement and the changes to the Statement of Financial Position were in the Equity section only. Further details are disclosed in note 26.

## 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 enforceable 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.

## Financial Assets and Liabilities

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.

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

### Segmental reporting

The Group's operations are located in New York, USA and, 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 the United Kingdom, Belgium 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 16, Leases**

IFRS 16 replaces the current guidance in IAS 17 – ‘Leases’. 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 periods commencing on or after 1 January 2019 and has been endorsed by the EU. Under the provisions of the standard most leases including the majority of those previously classified as operating leases, will be brought onto the statement of financial position, as both a right-of-use asset and a largely offsetting lease liability. The right-of-use asset and lease liability are both based on the present value of lease payments due over the term of the lease, with the asset being depreciated in accordance with IAS 16 ‘Property, Plant and Equipment’ and the liability increased for the accretion of interest and reduced by lease payments.

IFRS 16 Leases has been applied for the first time in preparing the annual report and financial statements. Note 13 sets out the key impacts on the Consolidated Statement of Comprehensive Loss and the Consolidated Statement of Financial Position of the adoption of the new standard.

## 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:

Amendments to References to the Conceptual Framework in IFRS Standards: Included are revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. [Issued 29 March 2018, applies to accounting periods beginning on or after 1 January 2020, subject to EU endorsement].

Amendment to IFRS 3: Business Combinations: The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The definition removes the reference to an ability to reduce costs, and the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. An optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business has been included as part of the amendments. [Issued 22 October 2018, applies to accounting periods beginning on or after 1 January 2020, subject to EU endorsement].

Amendments to IAS 1 and IAS 8: Definition of Material: The amendments clarify the definition of material and how it should be applied. The amendments ensure that the definition of material is consistent across all IFRS Standards. [Issued 31 October 2018, applies to accounting periods beginning on or after 1 January 2020, subject to EU endorsement].

The Group has not early adopted any of the above standards and the directors are assessing the impact on future financial statements.

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.

### **3. 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 elements of the convertible notes are measured using a risk-based pricing model. For more information in relation to the fair value measurement of this derivative please refer to note 23.

#### 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 20 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 its 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	<u>(448,800)</u>
Net assets	<u>710,480</u>

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:

	<b>Year Ended 31 December 2019</b>	<b>Year Ended 31 December 2018</b>	<b>Year Ended 31 December 2017</b>
	<b>£</b>	<b>£</b>	<b>£</b>
As at start of year	(6,157,894)	(6,157,894)	-
Pre-acquisition losses of			
Hemogenyx Pharmaceuticals plc <sup>1</sup>	-	-	(799,763)
Hemogenyx LLC issued capital at acquisition <sup>2</sup>	-	-	1,010,849
Investment in Hemogenyx LLC <sup>3</sup>	-	-	(8,000,000)
Reverse acquisition expense <sup>4</sup>	-	-	1,631,020
<b>As at end of year</b>	<b>(6,157,894)</b>	<b>(6,157,894)</b>	<b>(6,157,894)</b>

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 2019:

	<b>Year Ended 31 December 2019</b>	<b>Year Ended 31 December 2018</b>
	£	£
Revenue		
SEGMENT ASSETS		
United Kingdom		
- Non-current	-	-
- Current	20,787	536,976
United States		
- Non-current	495,414	446,696
- Current	513,729	1,315,927
Belgium		
- Non-current	-	-
- Current	19,967	-
Total		
- Non-current	495,414	446,696
- Current	554,483	1,852,903
CAPITAL EXPENDITURE		
United Kingdom	-	-
United States	11,918	24,589
Belgium	-	-
	11,918	24,589

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

## 6. Expenses by nature

	<b>Group Year Ended 31 December 2019</b>	<b>Group Year Ended 31 December 2018 Restated</b>
	£	£
Laboratory expenses	21,246	57,653

Consumable equipment and supplies	400,571	290,613
Contractors & consultants	47,666	40,350
Travel	33,505	14,632
Staff Costs	691,992	813,807
Insurance	50,499	50,926
Other	74,815	19,804
Operating lease expense	-	45,283
Legal and professional fees	256,091	291,899
Foreign exchange loss / (gain)	13,021	5,255
Total Administrative Expenses	1,589,407	1,630,222

## 7. Other income

Other income of £213,126 during the year to 31 December 2019 (2018: £91,357) relates to funds received from a third party under a research collaboration programme.

## 8. Employees

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>Year Ended 31</b>	<b>Year Ended 31</b>	<b>Year Ended 31</b>	<b>Year Ended 31</b>
	<b>December 2019</b>	<b>December</b>	<b>December 2019</b>	<b>December 2018</b>
		<b>2018</b>		<b>Restated</b>
		<b>Restated</b>		<b>Restated</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Wages and salaries	547,127	470,580	118,251	145,142
Social security	40,667	23,279	-	-
Share based payments	90,487	309,322	90,487	309,322
Pension contributions	13,711	10,626	-	-
	691,992	813,807	208,738	454,464

Average number of people (including Executive Directors) employed:

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>Year Ended 31 December 2019</b>	<b>Year Ended 31 December 2018</b>	<b>Year Ended 31 December 2019</b>	<b>Year Ended 31 December 2018</b>
Research & development	5	5	-	-
Administration	2	2	2	2
	<u>7</u>	<u>7</u>	<u>2</u>	<u>2</u>

### 9. Auditor's remuneration

	<b>Group</b>	<b>Group</b>
	<b>Year Ended 31 December 2019</b>	<b>Year Ended 31 December 2018</b>
	<b>£</b>	<b>£</b>
Fees payable to the Company auditor:		
Audit of the financial statements of the Group and Company	45,000	36,500
	<u>45,000</u>	<u>36,500</u>

### 10. Income tax

	<b>Group</b>	<b>Group</b>
	<b>Year Ended 31 December 2019</b>	<b>Year Ended 31 December 2018</b>
	<b>£</b>	<b>Restated £</b>
Current Tax:		
Corporation tax on loss for the year	-	-
New York City Biotech tax credit – prior years	35,000	43,751
Deferred Tax	-	-
Tax on loss on ordinary activities	<u>35,000</u>	<u>43,751</u>
<b>Loss on ordinary activities before tax</b>	<b>(1,453,144)</b>	<b>(1,588,075)</b>

### Analysis of charge in the year:

Loss on ordinary activities multiplied by weighted average tax rate for the group of 26.16% (2018: 30.46%)	(380,142)	(483,727)
Disallowed items	23,137	99,265
Timing differences	-	-
Tax losses carried forward	(357,005)	(384,462)
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 2019 are 19%, 27.5% and 29.58% in the UK, the USA and the Belgium respectively.

The Group has accumulated tax losses arising in the UK of approximately £880,391 (Dec 2018: restated £713,000) 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 £1,450,000 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 attributable to equity owners of the Group of £(1,450,626) (2018 Restated: £(1,544,324)) by the weighted average number of ordinary shares in issue during the year of 360,719,748 (2018: 360,125,230).

Dilutive loss per Ordinary Share equals basic loss per Ordinary Share as, due to the losses incurred in 2019 and 2018, there is no dilutive effect from the subsisting share options.

## 12. Property, plant and equipment

Group	Property, plant & equipment	Computer equipment	Total
	£	£	£
<b>Cost</b>			
<b>31 December 2017</b>	235,698	-	235,698
Additions	24,589	-	24,589
Foreign exchange movement	14,590	-	14,590
<b>31 December 2018</b>	274,877	-	274,877
Additions	6,355	5,563	11,918
Foreign exchange movement	(11,118)	(184)	(11,302)
<b>31 December 2019</b>	<b>270,114</b>	<b>5,379</b>	<b>275,493</b>

### Accumulated depreciation and impairment losses

<b>31 December 2017</b>	44,120	-	44,120
Depreciation	51,805	-	51,805
Foreign exchange movement	5,009	-	5,009
<b>31 December 2018</b>	100,934	-	100,934
Depreciation	55,464	1,284	56,748
Foreign exchange movement	(6,062)	(49)	(6,111)
<b>31 December 2019</b>	<b>150,336</b>	<b>1,235</b>	<b>151,571</b>

### Carrying amounts

31 December 2017	191,578	-	191,578
31 December 2018	173,943	-	173,943
<b>31 December 2019</b>	<b>119,778</b>	<b>4,144</b>	<b>123,922</b>

## 13. Leases

The Group has adopted IFRS 16 using the modified retrospective approach with the effect of applying this standard at the date of initial recognition of 1 January 2019. Consequently comparatives have not been restated.

As a lessee, the Group has previously classified leases as operating or finance leases based on whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for all leases on its balance sheet. Each of the two US subsidiaries has a agreement for the lease of laboratory facilities to which IFRS 16 has been applied.

The key impacts on the Statement of Comprehensive Income and the Statement of Financial Position are as follows:

### Group & Company

	Right of use asset £	Lease liability £	Income statement £
Balance on transition	-	-	-
Additions	145,923	(145,923)	-
Depreciation	(37,978)	-	(37,978)
Interest	-	(6,830)	(6,830)
Lease payments	-	39,393	-
Foreign exchange movements	1,497	272	-

<b>Carrying value at 31 December 2019</b>	<b>109,442</b>	<b>(113,088)</b>	<b>(44,808)</b>
---	----------------	------------------	-----------------

#### 14. 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
	£
<b>31 December 2017</b>	<b>257,525</b>
Exchange movements	15,228
<b>31 December 2018</b>	<b>272,753</b>
Exchange movements	(10,703)
<b>31 December 2019</b>	<b>262,050</b>

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 life 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.

#### 15. Loan to subsidiary

	Company Year Ended 31 December 2019	Company Year Ended 31 December 2018
	£	£
Loan to Hemogenyx LLC	1,570,839	1,453,736
	1,570,839	1,453,736

Hemogenyx Pharmaceuticals plc has made cumulative loans to Hemogenyx LLC of US\$2,096,915 (£1,570,839) as at 31 December 2019 (Dec 2018 US\$1,896,915; £1,453,736). 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 2019 and has determined that there was no impairment required. The interest rate and impairment assessment are reviewed on an annual basis.

## 16. 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	-	97.85%
Hemogenyx-Cell SPRL	Avenue du Parc Industriel 89, 4041 Milmort, Belgique	Biomedical sciences	-	100

The remaining shares in Immugenyx LLC are held by Dr Vladislav Sandler and by an employee, Carina Sirochinsky, as part of their compensation under their respective roles as CEO and Director of Operations. Hemogenyx LLC owns 500,000 shares in Immugenyx LLC, and Dr Sandler and Ms Sirochinsky receive 10,000 and 1,000 shares respectively for each year of employment from January 2019.

## 17. Trade and other receivables

	Group Year Ended 31 December 2019 £	Group Year Ended 31 December 2018 £	Company Year Ended 31 December 2019 £	Company Year Ended 31 December 2018 £
VAT receivable	2,237	64,361	2,237	64,361
Trade & other receivables	30,075	-	-	-
Prepayments	23,492	26,114	4,045	11,612

Total trade and other receivables	55,804	90,475	6,282	75,973
-----------------------------------	--------	--------	-------	--------

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.

## 18. Called up share capital

Group & Company	Number of shares	£
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
Issue of shares 28 June 2019	1,066,667	10,667
<b>As at 31 December 2019</b>	<b>361,242,853</b>	<b>3,612,429</b>

## 19. Share premium

Group & Company	£
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
Issue of shares 28 June 2019	21,333
Writeback of value of placement warrants lapsed	338,189
<b>As at 31 December 2019</b>	<b>7,699,789</b>

## 20. Other reserves

Group:	Year Ended 31 December 2019	Year Ended 31 December 2018
	£	Restated £
As at start of year	<b>686,851</b>	369,147
Charge for the year - employees	<b>90,487</b>	309,322
Fair value of warrants issued in connection with share placement	-	4,534
Fair value of warrants lapsed	<b>(338,189)</b>	-
Fair value of options lapsed	<b>(46,200)</b>	(2,439)

Convertible Note embedded derivative	<b>6,280</b>	6,287
	<hr/>	<hr/>
<b>As at end of year</b>	<b>399,229</b>	686,851
	<hr/>	<hr/>

<b>Company:</b>	<b>Year Ended 31 December 2019</b>	<b>Year Ended 31 December 2018</b>
		<b>Restated</b>
	<b>£</b>	<b>£</b>
	<hr/>	<hr/>
As at start of year	<b>680,564</b>	369,147
Charge for the year - employees	<b>90,487</b>	309,322
Fair value of warrants issued in connection with share placement	-	4,534
Fair value of warrants lapsed	<b>(338,189)</b>	-
Fair value of options lapsed	<b>(46,200)</b>	(2,439)
	<hr/>	<hr/>
<b>As at end of year</b>	<b>386,662</b>	680,564
	<hr/>	<hr/>

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

<b>Group and Company:</b>	<b>Year Ended 31 December 2019</b>	<b>Year Ended 31 December 2018</b>
		<b>Restated</b>
	<b>£</b>	<b>£</b>
	<hr/>	<hr/>
Expense arising from equity-settled share-based payment transactions	<b>90,487</b>	309,322
	<hr/>	<hr/>
Total expense arising from share-based payment transactions	<b>90,487</b>	309,322
	<hr/>	<hr/>

### **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:

	<b>Number options</b>
<b>Employees, including directors*</b>	<b>21,206,951</b>
<b>Members of the Scientific Advisory Board</b>	<b>11,146,751</b>
<b>Total</b>	<b>32,353,702</b>

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

<b>Group &amp; Company:</b>	<b>2019</b>	<b>2019</b>	2018	2018
	<b>Number</b>	<b>WAEP<sup>2</sup> pence</b>	Number	WAEP <sup>3</sup> pence
Outstanding at the beginning of the year	<b>36,071,741</b>	<b>3.5</b>	24,566,957	3.5
Granted during the year	<b>712,085</b>	<b>3.5</b>	19,426,737	3.5
Lapsed during the year	<b>(6,230,750)</b>	<b>3.5</b>	(2,581,310)	3.5
Cancelled during the year	-	-	(5,340,643)	3.5

<sup>2</sup> Weighted average exercise price

<b>Outstanding at end of year</b>	<b>30,553,076</b>	<b>3.5</b>	36,071,741	3.5
<b>Exercisable at end of year</b>	<b>22,428,934</b>	<b>3.5</b>	16,339,066	3.5

The weighted average remaining contractual life for the share options outstanding as at 31 December 2019 is 2.84 years (2018: 1.25). The weighted average fair value of options granted during the year was 0.007 pence (2018: 0.01). The weighted average fair value of options cancelled or lapsed during the year was 0.018 pence (2018: 0.008). The exercise price for options outstanding at the end of the year was 3.5 pence (2018: 3.5).

The following table lists the inputs to the models used for the two plans for the years ended 31 December 2019 and 31 December 2018:

	<b>Jan-2019 (EMP)</b>
Expected volatility %	<b>52.12</b>
Risk-free interest rate %	<b>0.956</b>
Expected life of options (years)	<b>5</b>
WAEP - pence	<b>3.5</b>
Expected dividend yield	-
Model used	<b>Black Scholes</b>

	Nov-2018 (EMP)	Apr-2018 (EMP)	Jan-2018 (EMP)	Oct-2017 (EMP)
Expected volatility %	44.06	45.32	46.88	63.82
Risk-free interest rate %	0.818	0.918	0.577	0.472
Expected life of options (years)	5	3	5	5
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.

The warrants expired on 4 October 2019.

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

	(NEMP)
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

## 21. 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.

## 22. Trade and other payables

	Group Year Ended 31 December 2019 £	Group Year Ended 31 December 2018 £	Company Year Ended 31 December 2019 £	Company Year Ended 31 December 2018 £
Trade and other payables	61,407	91,373	34,561	66,727
Accruals and deferred income	80,270	76,234	64,000	67,358
<b>Total</b>	<b>141,677</b>	<b>167,607</b>	<b>98,561</b>	<b>134,085</b>
Current liabilities	141,677	167,607	98,561	134,085

Non-current liabilities - - - -

## 23. 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. The notes payable consists of the following:

<b>Group &amp; Company</b>	<b>Year Ended 31 December 2019</b>	<b>Year Ended 31 December 2018</b>
<b>Non-current</b>	<b>£</b>	<b>£</b>
<b><u>Borrowings</u></b>		
<b>Balance at 1 January</b>	583,269	-
<b>Drawdowns</b>	-	587,245
<b>Interest expense</b>	12,743	882
<b>Value of embedded derivative transferred to</b>		
<b>Other Reserves</b>	(6,280)	(6,287)
<b>Foreign exchange movement</b>	(18,104)	1,429
<b>Balance at 31 December 2019</b>	<b>571,628</b>	<b>583,269</b>
<b><u>Convertible Notes</u></b>		
<b>Balance at 1 January</b>	589,557	-
<b>Drawdowns</b>	-	588,670
<b>Interest expense</b>	11,755	882
<b>Value of embedded derivative transferred to</b>		
<b>Other Reserves</b>	(6,040)	-
<b>Foreign exchange movement</b>	(22,733)	5
<b>Balance at 31 December 2019</b>	<b>572,539</b>	<b>589,557</b>
<b>Total Borrowings at 31 December 2019</b>	<b>1,144,167</b>	<b>1,172,826</b>

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 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 SPRL ("Hemo-Cell") is a wholly owned Belgian entity and was incorporated in April 2019 at which point this loan facility was treated as a borrowing 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.

## 24. 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 and the Company Secretary.

## 25. 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:

	<b>Group</b> <b>Year Ended 31</b> <b>December</b> <b>2019</b>	<b>Group</b> <b>Year Ended 31</b> <b>December</b> <b>2018</b>	<b>Company</b> <b>Year Ended 31</b> <b>December</b> <b>2019</b>	<b>Company</b> <b>Year Ended 31</b> <b>December</b> <b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<u>Assets</u>				
Trade and other receivables, except prepayments	32,312	64,361	2,237	64,361
Cash and cash equivalents	498,679	1,762,428	14,505	461,003
Right of use assets	109,442	-	-	-
	<b>640,433</b>	<b>1,826,789</b>	<b>16,742</b>	<b>525,364</b>
<u>Liabilities</u>				
Trade and other payables	(61,407)	(167,607)	(34,561)	(134,085)
Lease liabilities	(113,088)	-	-	-
Borrowings	(1,144,167)	(1,172,826)	-	-
	<b>(1,318,662)</b>	<b>(1,340,433)</b>	<b>(34,561)</b>	<b>(134,085)</b>

<b>Group</b>	<b>1 January 2019</b>	<b>Cash flows</b>	<b>Non-cash changes</b>			<b>31 December 2019</b>
			<b>Share repayment</b>	<b>Foreign exchange movements</b>	<b>Interest charge</b>	
Long-term borrowings	1,172,826	-	-	(53,157)	24,498	1,144,167
Short-term borrowings	-	-	-	-	-	-
<b>Total</b>	<b>1,172,826</b>	<b>-</b>	<b>-</b>	<b>(53,157)</b>	<b>24,498</b>	<b>1,144,167</b>

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	

a) Credit risk

The Group had receivables of £28,279 owing from customers (31 December 2018: £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 2019	Year Ended 31 December 2018	Year Ended 31 December 2019	Year Ended 31 December 2018
	£	£	£	£
<b>Financial Assets</b>				
Cash and cash equivalents	498,679	1,762,428	14,505	461,003
<b>Financial Liabilities</b>				
Borrowings	(1,144,167)	(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 2019 and 31 December 2018:

Currency of net monetary assets/(liabilities )	31 December 2019			
	Functional Currency			
	Pound Sterling	US Dollars	Euro	Total
	£	£	£	£
Pounds Sterling	13,354	-	-	13,354
US Dollars	1,151	(679,961)	(571,628)	(1,250,438)
Euros	-	-	19,967	19,967
<b>Total</b>	<b>14,505</b>	<b>(679,961)</b>	<b>(551,661)</b>	<b>(1,217,117)</b>

Currency of net monetary assets/(liabilities)	31 December 2018			
	Functional Currency			
	Pound Sterling	US Dollars	Euro	Total
	£	£	£	£
Pounds Sterling	13,354	-	-	13,354
US Dollars	1,151	(679,961)	(571,628)	(1,250,438)
Euros	-	-	19,967	19,967
<b>Total</b>	<b>14,505</b>	<b>(679,961)</b>	<b>(551,661)</b>	<b>(1,217,117)</b>

Pounds Sterling	109,654	-	-	109,654
US Dollars	351,348	26,184	-	377,532
Euros	-	-	-	-
<b>Total</b>	<b>461,002</b>	<b>26,184</b>	<b>-</b>	<b>487,186</b>

### 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.

## **26. Prior year restatement**

Due to an oversight the value of options issued in October 2017 and April 2018 was calculated in accordance with the Black Scholes method of options valuation using a 2 year expected life where the expected lives of the options should have been 5 years and 3 years respectively. The options have been recalculated using the correct expected lives.

As a result the loss for 2018 was understated by £66,792. There was no impact on the cash flow statement and the changes to the Statement of Financial Position were in the Equity section only.

The effect of this change on the trading result for the year ended 31<sup>st</sup> December 2018 is shown below.

### Consolidated Statement of Comprehensive Loss:

Administrative expenses increased by £66,792

Loss for the year attributable to equity owners increase by £66,792

### Statement of Changes in Equity Group and Company:

Total comprehensive loss for the year to 31 December 2018 increased by £66,792

Other reserves increased by £66,792

Retained losses at 31 December increased by £66,792

### Statement of Financial Position Consolidated and Company:

Other reserves increased by £66,792

Retained losses at 31 December increased by £66,792

A third statement of financial position as at the beginning of the preceding period has not been presented in accordance with IAS paragraph 40(a) as the amount relating to the preceding period is immaterial.

## **27. Commitments**

## 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 minimum future payments contingent upon meeting certain development, regulatory and commercialisation milestones total £780,484 (\$1,035,000) plus £377,045 (\$500,000) on receipt of marketing approval from each additional market excluding the United States of America and the European Union. 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 £56,557 (\$75,000) until the commercial sales are achieved.

## 28. Ultimate controlling party

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

## 29. Subsequent events

A patent application entitled Post-Natal Hemogenic Endothelial Cells and their isolation and use was approved by the United States Patent and Trademark Office and issued on 25 February 2020 as Patent Number 10,570,373. The European Patent Office issued a decision notice in April 2020 that it will grant a patent bearing the same title as Patent Number 3068875. The patent issuance will take effect on the date on which the European Patent Bulletin mentions the grant, scheduled for 13 May 2020. The patent applications were filed in 2014 and are the subject of Hemogenyx's aforementioned licence first granted in 2015 and restated in 2019.

The Company continued to draw on the cash provided by convertible loan facilities from Orgenesis Inc. for a maximum of US\$2,000,000. As at 31 December 2019 a total of US\$1,500,000 of the total facilities available had been drawn down, and the remaining \$500,000 was drawn down in February 2020.

On 30 January 2020 the Company announced that it had raised £648,200 before expenses through a placing and subscription of 36,011,116 ordinary shares at a price of 1.8p per share. The funds are being used to continue the development and in vivo testing of the Company's Chimeric Antigen Receptor (CAR) programmed T cells, for the further development and commercialisation of the Company's ApbHC and models and treatments for diseases, and to provide additional working capital for the Company to progress its core CDX antibody collaboration and to support its various partnerships with other major pharmaceutical companies.

In January and February the Company announced breakthroughs, first in test tube tests and subsequently in animal studies, in the promising field of CAR-T therapy. Hemogenyx has successfully constructed and tested CAR programmed T cells, termed HEMO-CAR-T, as a potential alternative treatment for AML. HEMO-CAR was constructed using Hemogenyx's proprietary humanised monoclonal antibody, against a target on the surface of AML cells. The Company has demonstrated that HEMO-CAR was able to programme human T cells (i.e. convert them into

HEMO-CAR-T cells) to identify and destroy human AML derived cells. Following the successful completion of these tests, Hemogenyx is undertaking further engineering of HEMO-CAR to enhance their safety.

In late April 2020, the Company began applying its groundbreaking research and technologies to develop treatments for COVID-19, the disease caused by the SARS-CoV-2 virus. Hemogenyx is using the exceptional characteristics of its ApbHC mice to discover human neutralising antibodies that could fight the virus. The study aims to demonstrate how Hemogenyx's technology can be deployed rapidly in emergencies in order to discover human neutralising antibodies against a host of viral pathogens, including what infectious disease experts in the bioprotection and biodefense sectors call "Disease X", meaning as-yet unknown viruses that may represent a similar or greater threat than the one presented by COVID-19.

Concurrently, Hemogenyx has initiated a pilot study to understand why some individuals who are infected with SARS-CoV-2 are asymptomatic, some exhibit mild symptoms, and some become very sick and even die. Such understanding could prove essential for both the development of new treatments for COVID-19 and managing the current risk of infection. Should the study prove to be successful, Hemogenyx will aim to develop and commercialise a test that would prospectively identify people with potentially high/low risk of severe illness caused by the virus.

### **30. Copies of the annual report**

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