

Company Registration No. 05132505 (England and Wales)

Helperby Therapeutics Group Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

G i l b e r t s

Helperby Therapeutics Group Limited

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Helperby Therapeutics Group Limited

Company Information

| | | |
|--------------------------|--|--------------------------|
| Directors | Professor Sir Anthony Milnes Coates | |
| | Dennis Molnar | |
| | Patrick Mocatta | (Appointed 30 July 2019) |
| | James Phipson | (Appointed 30 July 2019) |
| Secretary | DA Secretarial Limited | |
| Company number | 05132505 | |
| Registered office | 66 Lincoln's Inn Fields London WC2A 3LH | |
| Auditor | Gilberts Chartered Accountants Pendragon House 65 London Road St Albans Hertfordshire AL1 1UJ | |

Helperby Therapeutics Group Limited

Directors' Report

For the year ended 31 December 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company continued to be that of providing support to its subsidiary companies which are developing intellectual property.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

| | |
|-------------------------------------|--------------------------|
| Professor Sir Anthony Milnes Coates | |
| Kenelm Storey | {Resigned 30 July 2019} |
| Barry Clare | {Resigned 30 July 2019} |
| Dennis Molnar | |
| Shawn Manning | {Resigned 30 July 2019} |
| Patrick Mocatta | {Appointed 30 July 2019} |
| James Phipson | {Appointed 30 July 2019} |

Results and dividends

The results for the year are set out on page 6.

The group's products are still under development and not yet revenue generating. Total expenses for the year decreased to £1,643,368 from £1,811,635. The loss before tax for the year was £1,664,576 (2018- £1,833,729), largely due to ongoing Research & Development spending. At the year end, the group had cash and cash equivalents of £124,306 (2018- £992,517) and net liabilities of £1,526,443 (2018- £44,316) .

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Auditor

Gilberts Chartered Accountants were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an annual general meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

Going Concern

The group's principal activity is developing intellectual property ("IP"). This IP is still in the research phase and the group will therefore continue to generate losses for the foreseeable future.

A company director and shareholder has confirmed their intentions to provide such financial support as is necessary to the company so as to enable it both to meet its liabilities as they fall due and carry on its business without a significant curtailment in its operations until a date at least 12 months from the date of approval of these financial statements. For this reason, the directors continue to adopt the going concern basis in the preparing the financial statements.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Helperby Therapeutics Group Limited

Directors' Report(Continued)

For the year ended 31 December 2019

On behalf of the board

8 July 2020

Helperby Therapeutics Group Limited

Directors' Responsibilities Statement

For the year ended 31 December 2019

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Helperby Therapeutics Group Limited

Independent Auditor's Report

To the Members of Helperby Therapeutics Group Limited

Opinion

We have audited the financial statements of Helperby Therapeutics Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.



Helperby Therapeutics Group Limited

Independent Auditor's Report (Continued)

To the Members of Helperby Therapeutics Group Limited

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Helperby Therapeutics Group Limited

Independent Auditor's Report (Continued)

To the Members of Helperby Therapeutics Group Limited

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Hattrell BA FCA (Senior Statutory Auditor)
for and on behalf of Gilberts Chartered Accountants

29 July 2020
Pendragon House
65 London Road
St Albans
Hertfordshire
AL1 1UJ

Helperby Therapeutics Group Limited

Group Profit and Loss Account

For the year ended 31 December 2019

| | | 2019 | 2018 |
|---|-------|--------------------|--------------------|
| | Notes | £ | £ |
| Cost of sales | | (1,002,067) | (712,687) |
| Administrative expenses | | (641,301) | (1,098,948) |
| Operating loss | | (1,643,368) | (1,811,635) |
| Interest receivable and similar income | 5 | 1,292 | 406 |
| Interest payable and similar expenses | | (22,500) | (22,500) |
| Loss before taxation | | (1,664,576) | (1,833,729) |
| Tax on loss | 6 | 152,765 | 147,434 |
| Loss for the financial year | | (1,511,811) | (1,686,295) |
| Loss for the financial year is attributable to: | | | |
| - Owners of the parent company | | (1,512,729) | (1,687,205) |
| - Non-controlling interests | | 918 | 910 |
| | | (1,511,811) | (1,686,295) |

Helperby Therapeutics Group Limited

Group Statement of Comprehensive Income

For the year ended 31 December 2019

| | 2019 £ | 2018 £ |
|---|--------------------|--------------------|
| Loss for the year | (1,511,811) | (1,686,295) |
| Other comprehensive income | | |
| Currency translation differences | 29,684 | 1,388 |
| Total comprehensive income for the year | <u>(1,482,127)</u> | <u>(1,684,907)</u> |
| Total comprehensive income for the year is attributable to: | | |
| - Owners of the parent company | (1,483,045) | (1,685,817) |
| - Non-controlling interests | 918 | 910 |
| | <u>(1,482,127)</u> | <u>(1,684,907)</u> |

Helperby Therapeutics Group Limited

Group Balance sheet

As at 31 December 2019

| | | 2019 | 2018 |
|--|-------|--------------------|--------------------|
| | Notes | £ | £ |
| Fixed assets | | | |
| Tangible assets | 7 | 1,259 | 2,286 |
| Current assets | | | |
| Debtors | 10 | 424,020 | 524,790 |
| Cash at bank and in hand | | 124,306 | 992,517 |
| | | <u>548,326</u> | <u>1,517,307</u> |
| Creditors: amounts falling due within one year | 11 | <u>(1,165,450)</u> | <u>(1,563,909)</u> |
| Net current liabilities | | <u>(617,124)</u> | <u>(46,602)</u> |
| Total assets less current liabilities | | <u>(615,865)</u> | <u>(44,316)</u> |
| Creditors: amounts falling due after more than one year | 12 | (910,578) | - |
| Net liabilities | | <u>(1,526,443)</u> | <u>(44,316)</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 206,939 | 206,939 |
| Share premium account | | 18,839,056 | 18,839,056 |
| Own shares | | 522,333 | 522,333 |
| Profit and loss reserves | | (21,098,263) | (19,615,218) |
| Equity attributable to owners of the parent company | | <u>(1,529,935)</u> | <u>(46,890)</u> |
| Non-controlling interests | | <u>3,492</u> | <u>2,574</u> |
| | | <u>(1,526,443)</u> | <u>(44,316)</u> |

These financial statements have been prepared in accordance with the provisions applicable to groups and companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 8 July 2020 and are signed on its behalf by:

Director

Helperby Therapeutics Group Limited

Company Balance sheet

As at 31 December 2019

| | | 2019 | | 2018 | |
|--|-------|-----------------|---------------------|------------------|---------------------|
| | Notes | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Investments | 8 | | 321,170 | | 321,170 |
| Current assets | | | | | |
| Debtors | 10 | 996 | | 996 | |
| Cash at bank and in hand | | 16,849 | | 21,463 | |
| | | <u>17,845</u> | | <u>22,459</u> | |
| Creditors: amounts falling due within one year | 11 | <u>(40,721)</u> | | <u>(552,073)</u> | |
| Net current liabilities | | | <u>(22,876)</u> | | <u>(529,614)</u> |
| Total assets less current liabilities | | | <u>298,294</u> | | <u>(208,444)</u> |
| Creditors: amounts falling due after more than one year | 12 | | (910,578) | | - |
| Net liabilities | | | <u>(612,284)</u> | | <u>(208,444)</u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 206,939 | | 206,939 |
| Share premium account | | | 18,839,056 | | 18,839,056 |
| Own shares | | | 522,333 | | 522,333 |
| Profit and loss reserves | | | <u>(20,180,612)</u> | | <u>(19,776,772)</u> |
| Total equity | | | <u>(612,284)</u> | | <u>(208,444)</u> |

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £403,840 (2018 - £2,879,754 loss).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 8 July 2020 and are signed on its behalf by:

Director

Company Registration No. 05132505

Helperby Therapeutics Group Limited

Group Statement of Changes in Equity

For the year ended 31 December 2019

| | Share capital | Share premium account | Own shares | Profit and loss reserves | TotalNon-controlling interest | Total |
|---|---------------|-----------------------|------------|--------------------------|-------------------------------|-------|
| Notes | £ | £ | £ | £ | £ | £ |
| Balance at 1 January 2018 | 201,880 | 16,828,183 | 522,333 | (17,929,401) | (377,005) | 1,664 |
| Year ended 31 December 2018: | | | | | | |
| Loss for the year | - | - | - | (1,687,205) | (1,687,205) | 910 |
| Other comprehensive income: | | | | | | - |
| Currency translation differences | - | - | - | 1,388 | 1,388 | - |
| Total comprehensive income for the year | - | - | - | (1,685,817) | (1,685,817) | 910 |
| Issue of share capital 16 | 5,059 | 2,010,873 | - | - | 2,015,932 | - |
| Balance at 31 December 2018 | 206,939 | 18,839,056 | 522,333 | (19,615,218) | (46,890) | 2,574 |
| Year ended 31 December 2019: | | | | | | |
| Loss for the year | - | - | - | (1,512,729) | (1,512,729) | 918 |
| Other comprehensive income: | | | | | | |
| Currency translation differences | - | - | - | 29,684 | 29,684 | - |
| Total comprehensive income for the year | - | - | - | (1,483,045) | (1,483,045) | 918 |
| Balance at 31 December 2019 | 206,939 | 18,839,056 | 522,333 | (21,098,263) | (1,529,935) | 3,492 |

Helperby Therapeutics Group Limited

Company Statement of Changes in Equity

For the year ended 31 December 2019

| | | Share capital | Share premium account | Own shares | Profit and loss reserves | Total |
|--|-------|---------------|--------------------------|------------|-----------------------------|-------------|
| | Notes | £ | £ | £ | £ | £ |
| Balance at 1 January 2018 | | 201,880 | 16,828,183 | 522,333 | (16,897,018) | 655,378 |
| Year ended 31 December 2018: | | | | | | |
| Loss and total comprehensive income for the year | | - | - | - | (2,879,754) | (2,879,754) |
| Issue of share capital | 16 | 5,059 | 2,010,873 | - | - | 2,015,932 |
| Balance at 31 December 2018 | | 206,939 | 18,839,056 | 522,333 | (19,776,772) | (208,444) |
| Year ended 31 December 2019: | | | | | | |
| Loss and total comprehensive income for the year | | - | - | - | (403,840) | (403,840) |
| Balance at 31 December 2019 | | 206,939 | 18,839,056 | 522,333 | (20,180,612) | (612,284) |

Helperby Therapeutics Group Limited

Notes to the Financial Statements

For the year ended 31 December 2019

1 Accounting policies

Company information

Helperby Therapeutics Group Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 66 Lincoln's Inn Fields, London, WC2A 3LH.

The group consists of Helperby Therapeutics Group Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Helperby Therapeutics Group Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

The group's principal activity is developing intellectual property ("IP"). This IP is still in the research phase and the group will therefore continue to generate losses for the foreseeable future.

Management have produced cashflow forecasts for the twelve months from the approval of the financial statements and have determined that with current and future committed resources the group can continue to operate as a going concern. The future resources have been formally committed by a director and shareholder of the group and are necessary for the group to continue as a going concern.

The directors have satisfied themselves that the future committed resources are readily available to the group and on that basis, they have a reasonable expectation that the group and company can continue in operational existence for the foreseeable future.

Helperby Therapeutics Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

1 Accounting policies

(Continued)

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|----------------------------------|----------------------|
| Fixtures, fittings and equipment | 15% reducing balance |
| Computer equipment | 33% straight line |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.6 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.7 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks.

Helperby Therapeutics Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

1 Accounting policies

(Continued)

1.9 Financial instruments

The group has elected to apply the provisions of Section 11 and Section 12 of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present fair value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, which include trade and other payables and bank loans, are initially measured at transaction price and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present fair value of the future receipts discounted at a market rate of interest.

1.10 Compound instruments

The component parts of compound instruments issued by the group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity net of income tax effects and is not subsequently remeasured.

1.11 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Helperby Therapeutics Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes option pricing model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution, and presented as an increase in the company's investment in that subsidiary.

1.15 Grants received

Grants received are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

The results of subsidiaries companies whose functional currency is not sterling have been translated at the average rate for the year whilst the assets and liabilities have been translated at the rate ruling at the balance sheet date.

Exchange differences that arise from translation of the net assets in the foreign subsidiary undertakings are taken to other comprehensive income. All other differences are taken to the income statement.

1.17 Prior year reclassification

During the year we have improved our reporting to management to ensure that expenditure is split between cost of sales and administrative expenses. Prior year balances within the profit and loss account have been reclassified to ensure consistency between years. The reclassifications have had no effect on the loss recorded for the prior year.

Helperby Therapeutics Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Recognition of Research and Development expenditure

Corporation tax relief in respect of research and development tax credits is included in the income statement on the basis of the amount that the directors expect to receive in respect of the research and development expenditure incurred during the year. The balance due at the year end is disclosed in debtors.

Impairment of the investment

The investments in subsidiary companies are included at cost. In the opinion of the directors the value of the group represents the value of the subsidiary companies which carry out the research and development activity of the group and therefore the directors believe that no impairment provision is necessary against the cost of these investments.

Convertible loan notes

The convertible loan notes are complex financial instruments and required to be recognised at fair value. In assessing the fair value of the loan, the directors have taken into account the likelihood of the loan noted being converted or repaid, the terms of repayment, the applicable interest rate and the expected rate of a comparable, non-convertible instrument. Following this, it is the directors judgement that the difference between the fair value of the loan note and the carrying value is not material.

3 Auditor's remuneration

| | 2019 | 2018 |
|--|--------|--------|
| | £ | £ |
| Fees payable to the company's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the group and company | 12,850 | 13,150 |
| | ===== | ===== |
| For other services | | |
| All other non-audit services | 2,500 | - |
| | ===== | ===== |

Helperby Therapeutics Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

4 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

| | Group 2019 Number | 2018 Number | Company 2019 Number | 2018 Number |
|-------|-------------------------|----------------|---------------------------|----------------|
| Total | 7 | 4 | 5 | 4 |

Their aggregate remuneration comprised:

| | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|-----------------------|--------------------|----------------|----------------------|-----------|
| Wages and salaries | 56,908 | 185,591 | - | - |
| Social security costs | 2,585 | 704 | - | - |
| Pension costs | 132 | 159 | - | - |
| | <u>59,625</u> | <u>186,454</u> | <u>-</u> | <u>-</u> |

5 Interest receivable and similar income

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Other interest receivable and similar income | 1,292 | 406 |

6 Taxation

| | 2019 £ | 2018 £ |
|---|------------------|------------------|
| Current tax | | |
| UK corporation tax on profits for the current period | (155,377) | (161,565) |
| Adjustments in respect of prior periods | - | 13,099 |
| Total UK current tax | <u>(155,377)</u> | <u>(148,466)</u> |
| Foreign current tax on profits for the current period | 353 | 1,032 |
| Total current tax | <u>(155,024)</u> | <u>(147,434)</u> |

Helperby Therapeutics Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

| 6 Taxation | | (Continued) | |
|--|------------------|--------------------|--|
| | 2019 | 2018 | |
| | £ | £ | |
| Deferred tax | | | |
| Origination and reversal of timing differences | 2,259 | - | |
| | ===== | ===== | |
| Total tax credit | (152,765) | (147,434) | |
| | ===== | ===== | |

At 2019 the company had deferred tax assets of £120,029 (2018 - £101,383), calculated at a corporation tax rate of 19% (2018 - 17%). At 2019 the group had deferred tax assets of £4,047,878 (2018 - £3,455,320), calculated at a corporation tax rate of 19% (2018 - 17%). The deferred tax assets are mainly in relation to tax losses carried forward and are not included in the financial statements because recovery is uncertain. The deferred tax assets may be recovered against future profits from the same trades.

7 Tangible fixed assets

| Group | Plant and machinery etc |
|--|--------------------------------|
| | £ |
| Cost | |
| At 1 January 2019 and 31 December 2019 | 14,658 |
| | ----- |
| Depreciation and impairment | |
| At 1 January 2019 | 12,372 |
| Depreciation charged in the year | 1,027 |
| | ----- |
| At 31 December 2019 | 13,399 |
| | ----- |
| Carrying amount | |
| At 31 December 2019 | 1,259 |
| | ===== |
| At 31 December 2018 | 2,286 |
| | ===== |

The company had no tangible fixed assets at 31 December 2019 or 31 December 2018.

8 Fixed asset investments

| | Group | | Company | |
|----------------------------|--------------|--------------|----------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £ | £ | £ | £ |
| Investment in subsidiaries | - | - | 321,170 | 321,170 |
| | ===== | ===== | ===== | ===== |

Helperby Therapeutics Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

9 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held Direct |
|---------------------------------------|-------------------|--------------------------------------|----------------------|---------------|
| Helperby IP Development Limited* | England and Wales | Dormant | Ordinary | 100.00 |
| Helperby Management Limited* | England and Wales | Dormant | Ordinary | 100.00 |
| Helperby Therapeutics Limited | England and Wales | Development of intellectual property | Ordinary | 100.00 |
| Helperby Therapeutics Ireland Limited | Ireland | Development of intellectual property | Ordinary | 100.00 |
| Helperby Therapeutics USA Inc | USA | Development of intellectual property | Ordinary | 95.67 |

The registered office of Helperby Therapeutics Limited, Helperby IP Development Limited and Helperby Management Limited is 66 Lincoln's Inn Fields, London, WC2A 3LH. The registered office of Helperby Therapeutics USA Inc is 1209 Orange Street, City of Wilmington 1989, County of New Castle, Delaware, USA. The registered office of Helperby Therapeutics Ireland Limited is 2 Grand Canal Square, Dublin 2, D02 A342, Ireland.

The companies marked with an asterisk are exempt from filing audited accounts under s394A of the Companies Act 2006 as they have been dormant throughout the period. Helperby Therapeutics USA Inc is exempt from filing audited accounts under the laws of the United States of America. Helperby Therapeutics Ireland Limited is exempt from filing audited accounts under the laws of Ireland.

10 Debtors

| | Group 2019 | 2018 | Company 2019 | 2018 |
|--|----------------|----------------|-----------------|------------|
| | £ | £ | £ | £ |
| Amounts falling due within one year: | | | | |
| Corporation tax recoverable | 316,535 | 448,785 | - | - |
| Other debtors | 87,456 | 76,005 | 996 | 996 |
| | <u>403,991</u> | <u>524,790</u> | <u>996</u> | <u>996</u> |
| Amounts falling due after more than one year: | | | | |
| Deferred tax asset | 20,029 | - | - | - |
| | <u>20,029</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total debtors | <u>424,020</u> | <u>524,790</u> | <u>996</u> | <u>996</u> |

Helperby Therapeutics Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

11 Creditors: amounts falling due within one year

| | Notes | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|------------------------------------|-------|--------------------|------------------|----------------------|----------------|
| Convertible loans | 14 | - | 522,500 | - | 522,500 |
| Trade creditors | | 604,054 | 360,809 | 11,148 | - |
| Corporation tax payable | | 655 | 675 | - | - |
| Other taxation and social security | | 34 | 2,454 | - | - |
| Other creditors | | 560,707 | 677,471 | 29,573 | 29,573 |
| | | <u>1,165,450</u> | <u>1,563,909</u> | <u>40,721</u> | <u>552,073</u> |

12 Creditors: amounts falling due after more than one year

| | Notes | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|-------------------|-------|--------------------|-----------|----------------------|-----------|
| Convertible loans | 14 | 300,000 | - | 300,000 | - |
| Other creditors | | 610,578 | - | 610,578 | - |
| | | <u>910,578</u> | <u>-</u> | <u>910,578</u> | <u>-</u> |

13 Loans and overdrafts

| | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|------------------------|--------------------|-----------|----------------------|-----------|
| Other loans | 610,578 | - | 610,578 | - |
| | <u>610,578</u> | <u>-</u> | <u>610,578</u> | <u>-</u> |
| Payable after one year | 610,578 | - | 610,578 | - |
| | <u>610,578</u> | <u>-</u> | <u>610,578</u> | <u>-</u> |

The long-term loans are secured by fixed charges over the intellectual property rights.

Included within other loans is a loan of £610,578 with 0% APR interest for the first 12 months and 2% APR interest plus Barclays base rate from time to time. This is repayable within 3 months notice after the first 12 months.

Helperby Therapeutics Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

14 Convertible loan notes

| | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|---|--------------------|-----------|----------------------|-----------|
| Liability component of convertible loan notes | 300,000 | 522,500 | 300,000 | 522,500 |

New loan notes worth £300,000, with 0% APR interest for the first 36 months and 2% APR plus Barclays base rate from time to time, were issued on 25 September 2019. They are repayable either by cash or equity conversion on the date 36 months from the beginning of the agreement.

The loan notes, worth £522,500 disclosed in 2018 were issued on 17 January 2018 at a nominal amount of £500,000, and were convertible into £545,000 worth of shares in one or a combination of the group. The loan notes were fully repaid on the 31 July 2019.

The net proceeds received from the issue of the convertible loan notes has been split between the financial liability element and an equity component, representing the fair value of the embedded option to convert the financial liability into equity.

The liability component was measured at amortised cost, and the difference between the carrying amount of the liability at the date of issue and the amount reported in the Balance Sheet represents the effective interest rate less interest paid to that date.

The effective rate of interest is 9%.

The equity component of the convertible loan notes has been credited to the equity reserve.

15 Share-based payment transactions

| Group and company | Number of share options | | Weighted average exercise price | |
|---------------------------------|-------------------------|----------------|---------------------------------|-----------|
| | 2019 Number | 2018 Number | 2019 £ | 2018 £ |
| Outstanding at 1 January 2019 | 147,872 | 147,872 | 30.68 | 30.68 |
| Expired | (6,000) | - | 29.30 | - |
| Outstanding at 31 December 2019 | 141,872 | 147,872 | 31.09 | 30.68 |
| Exercisable at 31 December 2019 | 141,872 | - | 31.09 | - |

Helperby Therapeutics Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

15 Share-based payment transactions

(Continued)

The fair value of the share options has been calculated using the Black-Scholes model. The assumptions used in the calculation of the fair value of the share options outstanding during the year are as follows:

| | | | |
|----------------------------------|---------|---------|---------|
| Exercise Price | £24.60 | £29.30 | £39.85 |
| Share Price at the date of grant | £7.38 | £8.79 | £11.96 |
| Expected Volatility | 50% | 50% | 50% |
| Expected Life | 5 years | 5 years | 5 years |

The weighted average price in respect of the options subsisting at the year end was £31.09 (2018 - £30.68) per share with a weighted average life of 3.2 years (2018 - 3.81 years).

No share based payment charges arises from the share option scheme during the year (2018 - nil), as all options have already vested.

16 Share capital

| | Group and company | |
|---------------------------------------|-------------------|----------------|
| | 2019 | 2018 |
| | £ | £ |
| Ordinary share capital | | |
| Issued and not fully paid | | |
| 2,068,893 Ordinary Shares of 10p each | 206,889 | 206,889 |
| 500 Ordinary "D" shares of 10p each | 50 | 50 |
| | <u>206,939</u> | <u>206,939</u> |

The ordinary shares have full dividend and voting rights.

The 'D' shares shall be converted into ordinary shares automatically and immediately prior to a public offering on a recognised stock exchange or following the receipt by the holders of the 'D' shares of the written consent of a simple majority of the ordinary shareholders. The number of ordinary shares that the holders of the 'D' shares receive after conversion shall be calculated by determining the number they will need to hold in order to be the holders of 4% of the entire share capital of the company after conversion.

The called up share capital not fully paid totals £996 (2018 - £996). The called up share capital fully paid totals £205,943 (2018 - £205,943).

Shares issued during the year

During the year, the company issued nil (2018 - 50,588) ordinary shares of 10p for a total consideration of nil (2018 - £2,015,932) to provide additional working capital for the group.

Shares to be issued

Share capital to be issued relates to £522,333 (2018 - £522,333) of services rendered and for which payment is in the form of equity at a conversion rate of £29.30 per new ordinary share. This will result in the issue of 17,827 (2018 - 17,827) ordinary shares of 10p, with a share premium of £520,550 (2018 - £520,550).

Helperby Therapeutics Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

17 Related party transactions

| | Transactions with related parties | | Amounts owed to related parties | |
|--|-----------------------------------|-------------------|---------------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £ | £ | £ | £ |
| Group | | | | |
| Entities with control, joint control or significant influence over the group | (170,890) | (34,148) | 16,112 | - |
| Company director | - | (33,750) | - | 3,750 |
| Company director and shareholder | 300,000 | - | 700,000 | 400,000 |
| Mountjoy Ltd | 610,548 | - | 610,578 | - |
| Key management personnel | - | (18,000) | 49,500 | 49,500 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

In addition to the above a director was owed £7,312 (2018: £23,476) of business expenditure as at the year end.

18 Controlling party

In the opinion of the directors, there is no ultimate controlling party.

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