COMPANY NUMBER: 08401609

Hemogenyx Pharmaceuticals plc

Annual Report & Financial Statements for the Year Ended 31 December 2018

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Company Information

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Professor Sir Marc Feldmann (Chairman)
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Peter Redmond (Non-Executive Director)

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Chairman's Statement

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

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

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

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

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

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

The Company made two key appointments during the year. I was appointed Chairman of the Board in April 2018; my biography may be found on page 9. Prior to that, in March 2018, H. Michael Shepard, Ph.D., a pioneer in modern cancer research, was appointed to the Scientific Advisory Board.

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

CDX Antibodies

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

In February 2018 the Company announced that its CDX antibody was found to be capable of targeting the blood cancer AML *in vitro*. Since then, the Company has established a new *in vivo* model of human

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

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

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

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

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

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

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

The consequences of these developments in the CDX project are extensive. Hemogenyx expects that it may no longer need to spend money and use staff resources to make its own antibodies, because the

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

preferred strategy now is to work with its partner which has already made a suitable antibody. With the availability of a new patented combination therapy strategy, the Directors believe it is likely that this or potentially other biopharmaceutical companies will decide to in-license CDX.

Advanced Hematopoietic Chimeras

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

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

Subsidiary established to focus on AHC development

To take full advantage of opportunities presented by AHC, the Company has established a wholly owned subsidiary, Immugenyx, LLC ("Immugenyx"), which is dedicated to the development and commercialisation of AHC as an *in vivo* platform for disease modelling and drug development and testing. In addition, Immugenyx itself is leveraging the useful distinguishing properties of AHC to discover and develop novel treatments for autoimmune diseases.

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

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

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

During the period under review, the Company also announced that Immugenyx had entered into a collaboration agreement with Orgenesis, Inc. ("Orgenesis") to further develop and commercialise AHC. Orgenesis is advancing to Immugenyx a convertible note of not less than US$1,000,000 that can be converted into shares of Immugenyx at a price per share based on a pre-money valuation of

US$8,000,000 with an option to increase the convertible note by up to an additional US$1,000,000. This collaboration represents additional validation of the potential value of the AHC platform. The Directors believe that the participation of Orgenesis in the business development and commercialisation of AHC may significantly expand and speed up the platform's adoption as a standard tool for drug discovery, testing, and disease modelling by a wide variety of pharmaceutical and biotechnology companies around the world as well as providing access to Orgenesis' marketing resources.

The research collaboration with Rockefeller University, which focuses on auto-immune disease modelling to develop new treatments for diseases such as Lupus, is still in its early stages and continues to progress in line with the Company's expectations.

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

Hu-PHEC Products

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

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

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

Post Period End Updates

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

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

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

The Company, leveraging its collaboration with Janssen Pharmaceuticals (a Johnson & Johnson pharmaceutical company), has initiated a programme of discovery and development of a suite of novel treatments for Systemic Lupus Erythematosus (SLE or Lupus). The Company is developing a cell-based

approach to treat Lupus. In parallel, it is engaged in seeking novel druggable targets using its proprietary discovery platform that combines an AHC-based human Lupus model and single cell sequencing.

Financial Results

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

Scientific Advisory Board & Board Update

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

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

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

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

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

Conclusion

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

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

Outlook

Our two main planned products are on track and should, if fully developed and brought into use, reduce the dangers of patient conditioning procedures and create a new form of blood stem cell transplantation.

This new treatment paradigm has the potential to significantly improve the long-term success of bone marrow transplants and to extend the lives of patients diagnosed with serious blood diseases. In addition, in AHC the Company has a product that is already generating collaboration fees and which diversifies the Company's activities and lowers business risk. It also has the potential to further expand the application of the Company's CDX antibodies as a treatment for relapsed and/or refractory AML as well as using clones of its CDX antibodies in combination with other treatments for AML that are in clinical development.

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

Prof Sir Marc Feldmann AC, FRS
MB BS, PhD, FRCP, FRCPath, FAA, F Med Sci
Chairman

29 April 2019

Board of Directors and Senior Management

Professor Sir Marc Feldmann – Non-Executive Director & Chairman – appointed 9 April 2018

Professor Sir Marc Feldmann is a pre-eminent medically trained immunologist at the University of Oxford where he was Head of the Kennedy Institute of Rheumatology until 2014 and now Emeritus Professor. He trained in medicine at Melbourne University and then earned a Ph.D. in Immunology at the Walter & Eliza Hall Institute with Sir Gus Nossal, before working in London at the Imperial Cancer Research Fund. Sir Marc's main research interests are immunoregulation, understanding mechanisms of autoimmunity and the role of cytokines in disease, and working out how to fill unmet medical needs.

His work in London led to the generation of a new hypothesis for the mechanism of autoimmunity, linking upregulated antigen presentation and cytokine expression. Testing this hypothesis led to the discovery, with colleague Sir Ravinder Maini, of the pivotal role of TNFα (Tumour Necrosis Factor alpha) in the pathogenesis of rheumatoid arthritis. This major discovery has revolutionised therapy not only of rheumatoid arthritis but other chronic inflammatory diseases (e.g. inflammatory bowel disease, psoriasis, and ankylosing spondylitis), and helped change the perception of monoclonal antibodies from niche products to mainstream therapeutics. Anti-TNF therapeutics are the current leading drug class with 2016 sales exceeding US$36 billion.

This has led to much scientific recognition, for example election to the Royal Society and Academy of Medical Sciences in London, the National Academy of Sciences USA and the Australian Academy of Science, and multiple major International prizes: including the Crafoord Prize of the Royal Swedish Academy of Sciences, the Albert Lasker Clinical Research Award (NY), the Ernst Schering Prize, the Paul Janssen Award for Biomedical Research, and the Canada-Gairdner Award. He was also the first recipient in biology or medicine of the EU/European Patent Office Inventor of the Year Award in the Lifetime Achievement category. In addition, Sir Marc has advised more than 20 of the largest pharmaceutical and biotech companies in the world and has mentored some of the most successful scientists, many of whom have become senior figures in the commercial pharmaceutical world. Sir Marc was knighted in the 2010 Queen's Birthday Honours, and was honoured in Australia with the knighthood equivalent, the Companion of the Order of Australia.

Sir Marc has been at the forefront of promoting effective scientific-medical-pharmaceutical interactions. He has built up a huge network of friends and collaborators who meet regularly in Oxford and who will help Hemogenyx to grow and enter clinical trials.

Dr Vladislav Sandler – Chief Executive Officer – appointed 4 October 2017

Dr Vladislav Sandler is the Co-Founder and CEO of Hemogenyx and a research Assistant Professor at the State University of New York (SUNY) Downstate. Dr Sandler is a widely published stem cell scientist with decades of experience in scientific research. In particular, Dr Sandler has extensive experience developing novel methods of direct reprogramming of somatic cells into functional and engraftable hematopoietic stem cells, as well as developing novel sources of pluri- and multi-potent cells.

Dr Sandler has conducted his research in Russia, Israel, Canada and the United States, including at the Children's Hospital at Harvard Medical School, the Salk Institute for Biological Sciences, Harvard University and Albert Einstein College of Medicine, among others. He also led a team of scientists at Advanced Cell Technologies, Inc. and was most recently on the faculty of Weill Cornell Medical College. While at Cornell, Dr Sandler made the significant discovery that the cells that give rise to blood stem cells during mammalian development continue to exist after birth, and he developed the method of

isolation of these cells from humans. As a result of this important work, Dr Sandler was awarded the inaugural Daedalus Fund Award for Innovation at Cornell. He went on to found Hemogenyx in order to further pursue this significant scientific discovery and his dedication to the translation of science into clinical practice.

Dr Sandler has published numerous peer-reviewed papers and has received a number of awards and fellowships for his scientific research. Dr Sandler received his PhD from the University of British Columbia. He is a member of the International Society for Stem Cell Research.

Alexis Sandler – Non-Executive Director – appointed 4 October 2017

Alexis M. Sandler is the co-founder of Hemogenyx, for which she has served as the Chief Operating Officer. Ms Sandler is an attorney specialising in intellectual property, with almost 15 years of experience representing a range companies and institutions. Ms Sandler is especially skilled at handling diverse interests in day-to-day matters of organisations, multi-party agreements and long-term strategic planning.

Ms Sandler began her legal practice in Los Angeles at Hogan & Hartson LLP (now Hogan Lovells), where she specialised in entertainment and media law and intellectual property. She then worked for several years at Katten Muchin Rosenman LLP representing studios, production companies, television networks and other major media companies in all aspects of entertainment, media and intellectual property law. For three years, Ms Sandler worked as the Director of Business and Legal Affairs for a division of the Fox Entertainment Group, during which time she was named one of Southern California's Best Young Lawyers by Los Angeles magazine. While at Fox, Ms Sandler successfully negotiated hundreds of major distribution agreements, in addition to advising the company on important corporate and other legal matters. Ms Sandler went on to become the General Counsel at a Smithsonian affiliate museum in New York City. Ms Sandler is currently the Associate General Counsel for a major New York City cultural institution. She also serves as the Secretary of the Board of Directors for MoMA PS1, the contemporary art space.

Ms Sandler received her AB from Harvard University and her JD from the UCLA School of Law and is a member of the State Bar of New York and the State Bar of California.

Peter Redmond – Non- Executive Director – appointed 29 July 2015

Peter Redmond is a corporate financier with some 30 years' experience in corporate finance and venture capital. He has acted on and assisted a wide range of companies to attain a listing over many years, on the Unlisted Securities Market, the Full List and AIM, whether by IPO or in many cases via reversals, across a wide range of sectors, ranging from technology through financial services to natural resources and, in recent years has done so as a director of the companies concerned. He has been active over many years in corporate rescues and reconstructions on AIM and in reverse transactions into a range of investing companies. He was a founder director of Cleeve Capital plc (now Satellite Solutions plc) and Mithril Capital plc (now BeHeard Group plc), both of which were admitted to the Standard List of the London Stock Exchange, and took a leading role in the reconstruction and refinancing of AIM-quoted Kennedy Investments plc and 3Legs Resources plc (now SalvaRx plc). Peter is Chairman of AIM-quoted Pires Investments plc and of URA Holdings plc.

Directors' Strategic Report for the year ended 31 December 2018

The Directors present their Strategic Report of Hemogenyx Pharmaceuticals plc for the year ended 31 December 2018.

Introduction

This Strategic Report comprises a number of sections, namely: the Group's objectives, the Group's strategy and business model, a review of the Group's business using key performance indicators, and the principal risks and uncertainties facing the business.

Objectives

The Group's objective is to develop breakthrough therapies for the treatment of blood diseases. Its aim is to change the way in which bone marrow/hematopoietic stem cell transplants are performed and to improve their efficacy.

Strategy and Business Model

The Group's long-term strategy is to create a suite of products to address current problems associated with bone marrow, or hematopoietic stem cell, transplants. The latter represents an important part of the solution to treating blood-related diseases, with the opportunity to improve outcomes through reduced blood stem cell transplant rejection and relapse, and if successful potentially provides long-term cures for these diseases.

The Group's business model aims to advance its therapies through clinical proof-of-concept, taking them towards a final stage of development. A goal is the licensing of one or more of its therapies to partners in return for potential upfront payments, research funding support, success milestone and royalty payments.

Operational Review and Outlook

The operational review and outlook are set out in the Chairman's Statement.

Financial Review

The Group incurred a loss for the year to 31 December 2018 of £1,477,532 (31 December 2017 – loss of £2,361,599).

In the year to 31 December 2018 the loss mainly arose from operational expenses pursuing the Group's objectives listed above as well as salaries, consulting and professional fees, and general administration expenses. These expenses have been met from the proceeds of the issue of shares. The Group received other income of £91,357 (2017 - £101,138) from a collaboration with a partner.

Cash flow and cash position

Cash used in operations totalled £1,352,727 (31 December 2017: £452,979).

As at 31 December 2018, the Group had a cash balance of £1,762,428 (31 December 2017: £1,876,655).

Key Performance Indicators

The Directors have identified the KPIs below that they feel are the most vital measurements for the Group to monitor given its current stage of development. KPIs are monitored on an annual basis to ensure that the remain the most important and relevant measure of performance and progress.

Cash management

The Group strengthened its cash position in Q4 2018, entering into two convertible loan facilities for a maximum of US$2,000,000 each. As at 31 December 2018 a total of US$1,500,000 (£1,175,915) of the total facilities available had been drawn down. The cash position at 31 December 2018 was £1,762,428 (31 December 2017: £1,876,655).

The Group carefully plans expenditure with rolling cash flow forecasts and tight financial control. The Group takes a collaborative cost sharing approach with business partners and avoids long-term commitments as far as possible.

Intellectual property

The Group will focus on developing a new conditioning treatment and cell therapy product for HSC/BM transplantation. The Group, or its licensors, has applied for patents to protect its proprietary technology and future products, which are in varying stages of development.

The success of the Group will depend largely on the Group's ability to implement successful drug development programmes, obtain the required regulatory approvals (in various territories), protect and exploit its own intellectual property and know-how, and the intellectual property and know-how licensed to it, and to generate a cash flow in accordance with the strategy of the Group. Intellectual property is protected by the Group through taking a pro-active approach to filing patents over its products and technologies, as well as the diligent maintenance and protection of such patents and licenses.

The Group patent portfolio currently includes:

CDX bi-specific antibodies

The provisional patent application relating to CDX bi-specific antibodies is an application filed by Hemogenyx LLC in the USA on 4 April 2016 ("CDX Patent"). The invention summarised in the patent application is a method of eliminating hematopoietic stem cells/hematopoietic progenitors ("HSC"/"HP") in a patient using bi-specific antibodies specifically binding to a protein predominantly expressed on the surface of HSC/HP and to a protein uniquely expressed on a surface of immune cells. The bound bi-specific antibodies redirect immune cells to eliminate HSC/HP. The invention relates to the required conditioning of a patient prior to a BM/HSC transplant. In this respect, the invention serves two main purposes:

- it provides adequate immunosuppression of the patient and clears sufficient niche space in the bone marrow for the transplant of HSC. This allows transplanted cells to engraft in the recipient; and
- it could potentially help to eradicate the source of malignancy.

The provisional patent application is converted to a PCT application and broadened to cover the composition of matter (in this case, novel sequences of antibodies). On April 4 2017, a PCT (Patent Cooperation Treaty) application was filed by Hemogenyx which includes additional claims that extend

the CDX Patent set out in the provisional patent application. These claims protect specific sequences of several high-quality clones discovered and validated by the Group. The claim extension transforms the original "method" provisional patent application into a "composition of matter" PCT application.

The Group is planning to file additional composition of matter patent applications in relation to the CDX antibodies product.

Hu-PHEC cell therapy

The patent relating to Hu-PHEC is an application filed by Cornell University ("Cornell Patent") in several jurisdictions on 13 November 2014. The invention summarised a method of isolation and identification of post-natal hemogenic endothelial cells, as well as the provision of substantially purified populations of post-natal hemogenic endothelial cells, compositions of post-natal endothelial cells and methods to utilise post-natal hemogenic endothelial cells to regenerate the hematopoietic system in a patient.

Advanced Hematopoietic Chimeras

The provisional patent application relating to the Group's proprietary humanised mouse model, the Advanced Hematopoietic Chimera, is an application filed by Dr Sandler and Dr Rita Simone in the USA on 20 February 2018 ("AHC Patent"). The invention summarised in the patent application is mice whose hematopoietic system is at least 40% humanised and methods for preparing the same. The patent was assigned to the Group's subsidiary Immugenyx LLC on 24 May 2018.

Product development

The Group develops therapies to transform bone marrow and blood stem cell transplant procedures. These therapies aim to replace the need for existing methods of preparation of patients for transplantation, such as chemotherapy and radiation treatments, and at the same time address the problem of finding matching stem cell donors whilst reducing the risk of blood stem cell rejection after transplantation.

The Group's two key products, CDX antibodies and Hu-PHEC cell therapy, are currently in preclinical development. In addition, the Group's AHC product is currently the subject of three collaborations with other pharmaceutical companies to evaluate AHCs' effectiveness as platforms for disease modelling and drug discovery.

The Directors monitor product development through pre-clinical results. The CDX product has been successfully evaluated in the Group's proprietary humanised mouse model, achieving its proof of concept. Furthermore, we have achieved a notable demonstration of CDX's activity versus AML cells cultured *in vitro*. If successful, the Company may be able to use the CDX product to eliminate R/R AML in patients who qualify for bone marrow transplantation. The Company is also investigating the possibility of using its CDX antibodies in combination with other treatments for AML to increase their effectiveness.

Diversity

Hemogenyx is committed to workplace diversity which includes but is not limited to gender, age, ethnicity and cultural background.

Hemogenyx's Diversity Policy defines initiatives which assist the Company in maintaining and improving the diversity of its workforce. The table below highlights the proportion of women engaged by the Group:

	Men	Women
Organisation as a whole	7	4
Executive management team	2	1
Board	3	1

Board of Advisors

The Group engages the services of a Board of Advisors who are highly experienced in both the clinical development of treatments and regulatory processes to commercialisation.

Dr Alexander Tarakhovsky M.D., Ph.D.
SCIENTIFIC ADVISOR

- Professor and Head of Laboratories at The Rockefeller University
- An expert and recognised thought leader in immunology and epigenetics

Dr H. Michael Shepard, Ph.D.
SCIENTIFIC ADVISOR

- Led the discovery and development of many successful cancer treatments including Herceptin/trastuzumab - annual sales exceed $6.5 billion worldwide
- Received Harvard Medical School's prestigious Warren Alpert Prize in recognition of contributions to the field of cancer treatment research
- Founded NewBiotics, Inc., acquired by Kiadis Pharma
- Founded BioLogix, acquired by Symphogen

Dr Koen van Besien M.D.
CLINICAL ADVISOR

- Professor of Medicine and Director of the Stem Cell Transplant Program at NYP-Weill Cornell College of Medicine
- Developed novel methods of transplantation for those patients who lack matching donors
- >200 publications in peer reviewed journals
- Editor in Chief of the journal Leukemia and Lymphoma

Dr Mark Pykett V.M.D., Ph.D.
BUSINESS ADVISOR

- President and CEO of Agilis Biopharmaceuticals
- 20+ years' experience in the pharma industry
- Former CEO of Navidea Biopharmaceuticals
- Former President & COO of Alseres Pharmaceuticals

Dr Jules Mitchel
CLINICAL DEVELOPMENT ADVISOR

- President of Target Health Inc., a CRO
- Established a broad base pharma experience including three NDA submissions, many FDA discussions
- Expertise in Pharmacokinetics

Corporate Responsibility

We have defined the scope of our Group's responsible business practices as falling within the following key focus areas:

- Health and Safety – ensuring the safety and well-being of our staff
- Environment – managing our environmental impact areas of waste, energy and water
- Employees – supporting our people to develop and flourish within the business
- Community – positive interaction with the communities in which we operate
- Ethical Standards – operating to the highest ethical standards

We remain committed to ensuring these activities become embedded in how we operate and contribute towards the success of our business. This includes not only identifying and managing business risk but exploring opportunities to add value to the business.

Greenhouse Gas Emissions

Given the nature of its activities, there is limited scope for the Group to have a major impact on environmental matters. Nevertheless, the Directors are mindful of their responsibilities in this regard and strive to seek opportunities where improvements may be made; these are generally concentrated in areas of energy conservation, recycling and waste control.

Principal Risks and Uncertainties

The Group operates in an uncertain environment and is subject to a number of risk factors. The Directors have carried out a robust assessment of the principal risks facing the Group, including those that threaten its business model, future performance, solvency or liquidity. They consider the following risk factors are of particular relevance to the Group's activities and to any investment in the Group. It should be noted that the list is not exhaustive and that other risk factors not presently known or currently deemed immaterial mayapply.

The risk factors are summarised below:

Risks relating to the Group's business strategy

The Group's business is relatively undeveloped

The operations of Hemogenyx are at a relatively early stage and, to date, no commercial sales of its products have been made. The ability of the Group to achieve commercialisation is dependent on a number of factors, many of which are outside of the Group's control. Examples of factors outside of the Group's control are the impact of Brexit, capital market conditions, FDA approval and competition.

Business strategy of the Group

The development of clinical products for new medical treatments is inherently uncertain, with high failure rates in clinical studies for both early and late stage development products and such clinical studies can be expensive, time-consuming and complicated and there is no certainty as to the outcome of such studies. Even once clinical studies have been successfully carried out, later phase trials may not successfully replicate or improve on such outcomes.

Staffing and key personnel

The Group is reliant on a number of the key personnel, in particular Dr Vladislav Sandler who is the founder of Hemogenyx (refer to Corporate Governance Report for further detail). Whilst the Group has endeavoured to ensure that it has contractual arrangements which include non-compete restrictions in place with such persons to lessen the risk of them ceasing to be involved with the Group, in the event that the Group was to lose the services of such individuals, its results could be adversely affected.

Costs of commercialisation

The ability of the Group to bring its products to first commercial sale will be dependent in part on the overall costs of manufacturing and the costs involved could be significant and there is no guarantee that the sale prices achievable for its products will be viable and sustainable.

Clinical studies and timelines risk

Hemogenyx is currently progressing its CDX and Hu-PHEC product candidates through preclinical development. Although encouraging results have been achieved so far, there can be no certainty that these results can be reproduced in clinical trials. The monies raised in the Placing and the Subscription, as well as the Orgenesis convertible loan made to Hemogenyx-Cell SPRL, are intended to support those preclinical development activities.

The development of clinical products for new medical treatments is inherently uncertain, with high failure rates in clinical studies for both early- and late-stage development products. Furthermore, such clinical studies (Phase 1, Phase 2a/2b, Phase 3) are typically expensive, complex, can take considerable time to complete and have uncertain outcomes.

Furthermore, as a result of adverse, undesirable, unintended or inconclusive results from any testing or clinical trials (which have yet to be designed), the future progress, planning and potential treatment outcome of the products and clinical programmes may be affected and may potentially prevent or limit the commercial use of one, many or all of the Company's products. In addition, later phase clinical trials may fail to show the desired safety and efficacy obtained in earlier studies, and a successful completion of one stage of clinical development of an investigational clinical product does not ensure that subsequent stages of clinical development will be successful.

Failure can occur at any stage of clinical development and, as a result, enforced delays to the clinical development plan could delay or prevent commercialisation of the Company's product candidates. Various factors associated with the potential failure or delay in completing a clinical programme include, but are not limited to:

- Delays in securing clinical investigators or clinical study sites;
- Delays in securing any regulatory authority, hospital ethics committee, or institutional review board approval or approvals necessary to commence a clinical study;
- Delays or failure to recruit a sufficient number of clinical study participants in accordance with the clinical study protocol;
- Difficulty or inability to monitor subjects adequately during or after treatment;
- Inability to replicate in Phase 3 controlled studies any safety and efficacy data obtained from controlled Phase 2a/2b clinical studies;
- Difficulty or inability to secure clinical investigator compliance to follow the approved clinical study protocol; and
- Unexpected adverse events or any other safety or related issues.

Research and development risk

The Group operates in the biotechnology and bio-pharmaceutical development sectors and carries out complex scientific research. If the research or preclinical testing or clinical trials of any of Hemogenyx's product candidates fail, meaning that these candidates will not be licensed or marketed, this would result in a complete absence of revenue from these failed candidates. Positive results from preclinical and early clinical studies do not guarantee positive results from clinical trials required to permit application for regulatory approval. Furthermore, the Group may discontinue the development of candidates if results are not positive or unlikely to further its progress towards a meaningful outcome or collaboration.

Intellectual property (IP) infringement

The Group may be subject to future litigation concerning its own IP and the IP of others. Adverse judgements in relation to its IP would likely have negative outcomes for its results of operations.

Intellectual property (IP) control

The Group is partially reliant on an exclusive, world-wide licence of a patent from Cornell University for its Hu-PHEC line of business. The exclusivity and exploitable territory for this licence depend on the Group meeting various developmental milestones.

Environmental and other regulatory requirements

The event of a breach with any environmental or regulatory requirements may give rise to reputational, financial or other sanctions against the Group, and therefore the Board considers these risks seriously and designs, maintains and reviews its policies and processes so as to mitigate or avoid these risks. Whilst the Board has a good record of compliance, there is no assurance that the Group's activities will always be compliant.

Financing

The Group's ability to develop its product through to commercial sale will depend upon the Group's ability to obtain financing primarily through a further raising of new equity capital. Although the Group has been successful in raising new equity capital, there can be no guarantee that it will be able to do so in the future. The Group may not be successful in procuring the requisite funds on terms which are acceptable to it (or at all) and, if such funding is unavailable, would raise questions over its ability to further develop its products through to commercialisation. Further, Shareholders' holdings of Ordinary Shares may be materially diluted if debt financing is not available.

Market conditions

Market conditions, including general economic conditions and their effect on exchange rates, interest rates and inflations rates, may impact the ultimate value of the Group regardless of its operating performance. The Group also faces competition from other organisations, some of which may have greater resources or be more established in a particular territory. The Board considers and reviews all market conditions to try and mitigate any risks that may arise from these.

Political and country risk – EU referendum

The Company is quoted in the United Kingdom (UK) and operates in the UK and European Union (EU), in addition to other territories. As a result of the Referendum, the Company may be subject to the impact of the UK leaving the EU. As a result, given the ongoing uncertainty surrounding the situation, the Company is monitoring matters and seeking advice as to how to mitigate the risks arising.

Approved by the Board on 29 April 2019

Dr Vladislav Sandler
CEO

Directors' Report for the year ended 31 December 2018

The Directors present their report with the audited financial statements of the Group for the year ended 31 December 2018.

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 two distinct and complementary products include an immunotherapy product for patient conditioning-the CDX bi-specific antibody-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, 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 is in the course of establishing additional operations in Liège, Belgium.

Results and Dividends

The Consolidated Statement of Comprehensive Loss set out on page 43 shows a loss for the year amounting to £1,477,532 (2017: loss of £2,361,599). The Directors do not propose a dividend in respect of the year ended 31 December 2018 (31 December 2017: 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
Lawrence Pemble	4 October 2017	5 November 2018
Adrian Beeston	29 July 2015	9 April 2018
Alexis Sandler	4 October 2017	-
Peter Redmond	29 July 2015	-

The Directors of the Company who held office at 31 December 2018 had the following beneficial interests in the Ordinary shares of the Company at 31 December 2018 according to the register of directors' interests:

Director	At 31 December 2018	At 31 December 2017
Professor Sir Marc Feldmann	-	-
Peter Redmond*	5,040,714	5,040,714
Dr Vladislav Sandler	40,451,210	40,451,210
Dr Robin Campbell	1,142,857	1,142,857
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, there have been no changes to the Directors' beneficial interest in the Ordinary shares of the Company as disclosed in the table above.

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 19 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
Lawrence Pemble				
4 Oct 2017	3,560,429	-	(890,107)	2,670,322
	3,560,429	-	(890,107)	2,670,322
Professor Sir Marc Feldmann				
9 Apr 2018	5,340,643	18,002,568	(5,340,643)	18,002,568
	5,340,643	18,002,568	(5,340,643)	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 2018, the total number of issued Ordinary Shares with voting rights in the Company was 360,176,186. 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	20.8
Vladislav Sandler	40,451,210	11.2
Craig Auringer	31,407,913	8.7
Samantha Bauer	27,996,487	7.7
Optiva Securities Limited*	18,506,211	5.1
HSBC Client Holdings Nominee (UK) Limited	18,360,404	5.1
Alliance Trust Savings Nominees Ltd	16,692,863	4.6
43 North LLC	11,371,429	3.2

* 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 17 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 23 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 and is disclosed on pages 25-30.

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 business review. In addition, note 24 to the financial statements discloses the Company's capital risk management policy and note 2 details out further considerations made by the Directors in respect of going concern.

The Directors, having made due and careful enquiry, are of the opinion that the Company has adequate working capital 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 (2017: £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, whose names and functions are listed on page 1, 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 29 April 2019

Dr Vladislav Sandler
CEO

Governance Report

Introduction

The Company recognises the importance of, and is committed to, high standards of Corporate Governance. The Company has voluntarily applied the main and supporting principles set out in the UK Code of Corporate Governance published by the Financial Reporting Council in 2016 ("the Code"). The Code has been followed to the extent practicable for a company of its size and nature. The Code can be found at frc.org.uk/our-work/publications/Corporate-Governance. The ways in which the Company has applied the Code are explained below:

- The Code requires that a smaller company should have at least two Independent Non-Executive Directors. As at 31 December 2018 the Board consisted of an Executive Director and four Non-Executive Directors (currently: three). The Non-Executive Directors are interested in either ordinary shares in the Company, options over ordinary shares in the Company, or both, and cannot therefore be considered fully independent under the Code. The remuneration of the Non-Executive Directors includes options and this is contrary to D.1.3 of the Code, and thus the Company is not in full compliance. However, the Directors consider the present structure and arrangements to be adequate given the size and stage of development of the Company, and all are considered to be independent in character and judgement.
- Directors appointed by the Board are subject to election by shareholders at the Annual General Meeting of the Company following their appointment and thereafter are subject to re- election in accordance with the Company's articles of association. The terms and conditions of appointment of Non-Executive Directors will be made available upon written request.

The Board has voluntarily adopted a code for Directors' dealings based on the Model Code contained in the Listing Rules of the UK Listing Authority that was previously in force. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the code by the Directors. Compliance with the code is being undertaken on a voluntary basis and the FCA will not have the authority to (and will not) monitor the Company's voluntary compliance with it, nor to impose sanctions in respect of any failure by the Company to so comply. In addition, the Company will take all proper and reasonable steps to ensure compliance by the Founders with the Code for dealings in the Ordinary Shares.

The Company is small with a modest resource base. The Company has a clear mandate to optimise the allocation of limited resources to support its development plans. As such, the Company strives to maintain a balance between conservation of limited resources and maintaining robust corporate governance practices. As the Company evolves, the Board is committed to enhancing the Company's corporate governance policies and practices deemed appropriate for the size and maturity of the organisation.

Set out below are the Company's corporate governance practices for the year ended 31 December 2018.

Committees

The Company has established audit, remuneration and nomination committees.

Audit Committee

The Audit Committee has responsibility for, among other things, the monitoring of the integrity of the financial statements of the Company and its Enlarged Group and the involvement of the Group's auditors in that process. It focuses in particular on compliance with accounting policies and ensuring that an effective system of external audit and financial control is maintained, including considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors and advising on the appointment of external auditors. The ultimate responsibility for reviewing and approving the annual

report and accounts and the half-yearly reports remains with the Board. The Audit Committee will meet at least three times a year at the appropriate times in the financial reporting and audit cycle.

The members of the Audit Committee are Peter Redmond, who acts as chairman of the committee, and Professor Sir Marc Feldmann.

The Group's external auditor is PKF Littlejohn LLP who has served as external auditor for four years. The role of external auditor last went to tender in 2015. The Audit Committee closely monitors the level of audit and non-audit services that they provide to the Company and Group.

Having assessed the performance, objectivity and independence of the auditors, the Committee will be recommending the reappointment of PKF Littlejohn LLP as auditors to the Company at the 2019 Annual General Meeting.

During the year to 31 December 2018 the Audit Committee considered the following key issues in relation to the Financial Statements:

Issue	Action
• Accounting policies	The Committee reviewed and discussed the significant accounting policies with management and the external auditor and reached the conclusion that each policy was appropriate to the Group.
• Carrying value of investment in Hemogenyx LLC	The Committee reviewed the impairment assessment report prepared by management and agreed that given the reasonable expectation that the Group will achieve its milestone targets over the next 18 months that no impairment to the value of the investment in Hemogenyx LLC was required as at 31 December 2018.
• Going concern review	The Committee considered the ability of the Group to operate as a Going Concern considering cash flow forecast for the next 12 months and milestone achievements. It was determined by the Committee that it was reasonable to expect that the Group has or will have access to sufficient funding in order to achieve its 12-month milestone targets and that it was appropriate for the Financial Statements to be prepared on a going concern basis.
• Review of audit and non-audit services and fees	The external auditor is not engaged by the Group to carry out any non-audit work in respect of which it might, in the future, be required to express an audit opinion. The Committee reviewed the fees charged for the provision of audit and non-audit services and determined that they were in line with fees charged to companies of similar size and stage of development. The Committee considered and was satisfied the external auditor's assessment of its own independence.

Remuneration Committee

The remuneration committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The committee also makes recommendations to the Board on proposals for the granting of share awards and other equity incentives pursuant to any share award scheme or equity incentive scheme in operation from time to time. The Remuneration Committee will meet at least twice a year.

The members of the Remuneration Committee are Peter Redmond, who acts as chairman of the committee, and Alexis Sandler.

Nomination Committee

The Nomination Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board, the Board committees and the chairmanship of the Board committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary, taking into account the skills and expertise that will be needed on the Board in the future. The Nomination Committee will meet at least once a year.

The members of the Nomination Committee are Peter Redmond, who acts as chairman of the committee, Professor Sir Marc Feldmann, and Alexis Sandler.

Leadership

The Company is headed by an effective Board which is collectively responsible for the long-term success of the Company.

The role of the Board: the Board sets the Company's strategy, ensuring that the necessary resources are in place to achieve the agreed strategic priorities, and reviews management and financial performance. It is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. To achieve this, the Board directs and monitors the Company's affairs within a framework of controls which enable risk to be assessed and managed effectively. The Board also has responsibility for setting the Company's core values and standards of business conduct and for ensuring that these, together with the Company's obligations to its stakeholders, are widely understood throughout the Company. The Board has a formal schedule of matters reserved which is provided later in this report.

Board Meetings: the core activities of the Board are carried out in scheduled meetings of the Board. These meetings are timed to link to key events in the Company's corporate calendar and regular reviews of the business are conducted. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings. During the year, the Board met on 8 occasions.

Outside the scheduled meetings of the Board, the Directors maintain frequent contact with each other to discuss any issues of concern they may have relating to the Company or their areas of responsibility, and to keep them fully briefed on the Company's operations.

Matters reserved specifically for the Board: the Board has a formal schedule of matters reserved that can only be decided by the Board. The key matters reserved are the consideration and approval of:

- The Company's overall strategy;
- Financial statements and dividend policy;

- Management structure including succession planning, appointments and remuneration; material acquisitions and disposal, material contracts, major capital expenditure projects and budgets;
- Capital structure, debt and equity financing and other matters;
- Risk management and internal controls;
- The Company's corporate governance and compliance arrangements; and
- Corporate policies

Summary of the Board's work in the year: during the year, the Board considered all relevant matters within its remit, but focused in particular on the development and risk diversification of the Company.

Attendance at meetings

	Number held and entitled to attend	Number attended
Dr Vladislav Sandler	8	7
Professor Sir Marc Feldmann	5	4
Dr Robin Campbell[1]	8	8
Lawrence Pemble[2]	7	7
Adrian Beeston[3]	3	3
Alexis Sandler	8	7
Peter Redmond	8	7

1 Until resignation on 5 January 2019

2 Until resignation on 4 November 2018

3 Until resignation on 9 April 2018

The Board is pleased with the high level of attendance and participation of Directors at Board and committee meetings.

The Chairman sets the Board Agenda and ensures adequate time for discussion.

Non-Executive Directors: the Non-Executive Directors bring a broad range of business and commercial experience to the Company and have a particular responsibility to challenge independently and constructively the performance of the Executive management (where appointed) and to monitor the performance of the management team in the delivery of the agreed objectives and targets.

All directors with the exception of the CEO and Professor Sir Marc Feldmann were appointed for an initial term of 12 months. These terms were extended by mutual agreement after satisfactory performance and re-election by shareholders.

Other governance matters: all of the Directors are aware that independent professional advice is available to each Director in order to properly discharge their duties as a Director. In addition, each Director and Board committee has access to the advice of the Company Secretary.

The Company Secretary: the Company Secretary is Andrew Wright. He is responsible for the Board complying with UK procedures.

Effectiveness

For the period under review the Board comprised a Chief Executive Officer, a Non-Executive Chairman, and two independent Non-Executive Directors. Biographical details of the Board members are set out on pages 9-10 of this report.

The Directors are of the view that the Board and its committees consist of Directors with an appropriate balance of skills, experience, independence and diverse backgrounds to enable them to discharge their duties and responsibilities effectively.

Independence: the Non-Executive Directors bring a broad range of business and commercial experience to the Company. The Board considers each of the Non-Executive Directors to be independent in character and judgement.

Appointments: the Board is responsible for reviewing and the structure, size and composition of the Board and making recommendations to the board with regards to any required changes.

Commitments: all Directors have disclosed any significant commitments to the Board and confirmed that they have sufficient time to discharge their duties.

Induction: all new Directors received an induction as soon as practical on joining the Board.

Conflict of interest: a Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Company. The Board had satisfied itself that there is no compromise to the independence of those Directors who have appointments on the Boards of, or relationships with, companies outside the Company. The Board requires Directors to declare all appointments and other situations which could result in a possible conflict of interest.

Board performance and evaluation: Hemogenyx Pharmaceuticals plc has a policy of appraising Board performance annually. Having reviewed various approaches to Board appraisal, it has concluded that for a Company of its current scale, an internal process in which all Board members submit answers to a questionnaire that considers the functionality of the Board and its committees is most appropriate at this stage.

Accountability

The Board is committed to providing shareholders with a clear assessment of the Company's position and prospects. This is achieved through this report and as required other periodic financial and trading statements.

Going concern: the Company's business activities, together with factors likely to affect its future operations, financial position, and liquidity position are set out in the Chairman's Statement and the principle risks and uncertainties sections of the Strategic Report. In addition, the notes to financial statements discloses the Company's financial risk management practices with respect to its capital structure, liquidity risk, interest rate risk, credit risk, and other related matters.

The Directors, having made due and careful enquiry, are of the opinion that the Company has adequate working capital to execute its operations and has the ability to access additional financing, if required, over the next 12 months. The Directors, therefore, have made an informed judgement, at the time of approving 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 continued to adopt the going concern basis of accounting in preparing the annual financial statements.

Internal controls: the Board of Directors reviews the effectiveness of the Company's system of internal controls in line with the requirement of the Code. The internal control system is designed to manage the risk of failure to achieve its business objectives. This covers internal financial and operational controls, compliances and risk management. The Company has necessary procedures in place for the year under review and up to the date of approval of the Annual Report and financial statements. The Directors acknowledge their responsibility for the Company's system of internal controls and for reviewing its effectiveness. The Board confirms the need for an ongoing process for identification, evaluation and management of significant risks faced by the Company. The Directors carry out a risk assessment before signing up to any commitments.

Shareholder relations

Communication and dialogue: open and transparent communication with shareholders is given high priority in accordance with regulatory requirements. All Directors are kept aware of changes in major shareholders in the Company and are available to meet with shareholders who have specific interests or concerns. The Company issues its results promptly to individual shareholders and also publishes them on the Company's website. Regular updates to record news in relation to the Company and the status of its research and development programmes are included on the Company's website. Shareholders and other interested parties can subscribe to receive these news updates by email by registering online on the website free of charge.

Annual General Meeting: at every AGM individual shareholders are given the opportunity to put questions to the Chairman and to other members of the Board that may be present. Notice ofthe AGM is sent to shareholders at least 21 working days before the meeting. Details of proxy votes for and against each resolution, together with the votes withheld are announced to the London Stock Exchange and are published on the Company's website as soon as practical after the meeting.

Dr Vladislav Sandler
CEO

Directors' Remuneration Report

The Company has an established remuneration committee. The Committee reviews the scale and structure of the Directors' fees, taking into account the interests of shareholders and the performance of the Company and directors.

The items included in this report are audited unless otherwise stated.

Statement of Hemogenyx Pharmaceutical plc's Policy on Directors' Remuneration by the Chairman of the Remuneration Committee

As Chairman of the Remuneration Committee I am pleased to introduce our Directors' Remuneration Report. One of the Remuneration Committee's aims is to provide clear, transparent remuneration reporting for our shareholders which adheres to the best practice corporate governance principles that are required for listed organisations.

The Directors' Remuneration Policy, which is set out on pages 32 to 36 of this report, will be submitted to shareholders for approval at our Annual General Meeting.

A key focus of the Directors' Remuneration Policy is to align the interests of the Directors to the long-term interests of the shareholders and aims to support a high-performance culture with appropriate reward for superior performance, without creating incentives that will encourage excessive risk taking or unsustainable company performance. This is underpinned through the implementation and operation of incentive plans.

Key Activities of the Remuneration Committee

The key activities of the Remuneration Committee are:

- to determine and agree with the Board the framework or broad policy for the remuneration of the Company's chairman, chief executive, the executive directors, the company secretary and such other members of the executive management as it is designated to consider;
- in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (the "Code") and associated guidance. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- recommend and monitor the level and structure of remuneration for senior management;
- when setting remuneration policy for directors, review and have regard to the remuneration trends across the Company, and review the on-going appropriateness and relevance of the remuneration policy;
- obtain reliable, up-to-date information about remuneration in other companies. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board;
- be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- review the design of all share incentive plans for approval by the Board and shareholders. For

any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, company secretary and other designated senior executives and the performance targets to be used;

- ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised; and
- oversee any major changes in employee benefits structures throughout the Company.

Members

The Remuneration Committee comprises the following independent Non-Executive Directors:

Name	Position	Date of appointment
Peter Redmond	Chairman	5 October 2017
Alexis Sandler	Member	5 October 2017

Remuneration Components

The Company remunerates directors in line with best market practice in the industry in which it operates. The components of Director remuneration that are considered by the Board for the remuneration of directors in future years are likely to consist of:

- Base salaries
- Pension and other benefits
- Annual bonus
- Share Incentive arrangements

The Executive Director has entered into a service agreement with the Company and the Non-Executive Directors have entered into letters of appointment with the Company.

All such contracts impose certain restrictions as regards the use of confidential information and intellectual property and the Executive Director's service contract imposes restrictive covenants which apply following the termination of the agreement.

In addition, Dr Vladislav Sandler has a separate contract with Hemogenyx LLC effective 1 September 2017 appointing him as CEO and Chief Scientific Officer of Hemogenyx LLC for a three-year term and setting out his duties in relation to his day-to-day to work in connection with Hemogenyx's product candidates. Pursuant to this contract, Dr Sandler receives $120,000 per annum and four weeks' holiday a year. Dr Sandler is also subject to certain non-compete and non-interference covenants in the event of its termination (subject to certain limited exceptions). Dr Sandler also has a separate contract with Immugenyx LLC effective 1 January 2019 (following the period in review) appointing him as CEO and Chief Scientific Officer of Immugenyx LLC for a three-year term and setting out his duties in relation to his day-to-day work in connection with Immugenyx's development of its AHC. Pursuant to this contract, Dr Sandler receives $60,000 per annum. This contract has similar non-compete and non-interference covenants in the event of its termination.

Other Matters

The Company does not currently have any annual or long-term incentive schemes or any other scheme interests in place for any of the Directors.

The Company has established a workplace pension scheme but it does not presently have any employees qualifying under the auto-enrolment pension rules who have not opted out of the scheme. It does not currently pay pension amounts in relation to Directors' remuneration. The Company has not paid out any excess retirement benefits to any Directors or past Directors. The Company has not paid any compensation to past Directors.

Recruitment Policy

Base salary levels will take into account market data for the relevant role, internal relativities, their individual experience and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy.

For external and internal appointments, the Board may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Payment for Loss of Office

The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There is no agreement between the Company and its Executive Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid.

The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

Service Agreements and Letters of Appointment

The Executive Director's service agreement had an initial term of twelve months and may subsequently be terminated by the Company or the Executive Director by giving 3 months' notice.

Name	Date of service agreement	Notice period by Company (months)	Notice period by Director (months)
Dr Vladislav Sandler	4 October 2017	3	3

The Non-Executive Directors of the Company do not have service contracts but are appointed by letters of appointment. Each Non-Executive Director's term of office runs for an initial period of one year unless terminated earlier upon written notice or upon their resignations.

The terms of the Non-Executive Directors' appointments are subject to their re-election by the Company's shareholders at any Annual General Meeting at which the Non-Executive Directors stand for re-election.

The details of each Non-Executive Director's current term are set out below:

Name	Date of service agreement	Current term (years)	Notice period by Company (months)	Notice period by Director (months)	Date of resignation
Alexis Sandler	4 October 2017	1	3	3	-
Peter Redmond	4 October 2017	1	3	3	-
Professor Sir Marc Feldmann	9 April 2018	3	3	3	-

Executive Directors' Remuneration

The table below sets out the remuneration received by each Executive Director for the years ended 31 December 2018 and 2017. Dr Vladislav Sandler was the highest paid Director:

Executive Directors	Basic salary 2018 £'000	Pension 2018 £'000	Share based payments 2018 £'000	Other* 2018 £'000	Total 2018 £'000
Dr Vladislav Sandler	94	4	-	-	98
Lawrence Pemble	34	-	18	-	52
Total	138	4	18	-	150

Executive Directors	Basic salary 2017 £'000	Pension 2017 £'000	Share based payments 2017 £'000	Other* 2017 £'000	Total 2017 £'000
Dr Vladislav Sandler	79	-	-	-	79
Lawrence Pemble	10	-	7	-	17
Geoffrey Dart	-	-	-	35	35
Total	89	-	7	35	131

* Mr Dart received a success fee upon completion of the acquisition satisfied by the issue of 1,000,000 shares at an issue price of 3.5 pence.

Non-Executive Directors' Remuneration

The table below sets out the remuneration received by each Non-Executive Director during the years ended 31 December 2018 and 2017:

	Basic salary 2018 £'000	Share based payments 2018 £'000	Other* 2018 £'000	Total 2018 £'000
Dr Robin Campbell	45	19	-	64
Alexis Sandler	9	-	-	9
Peter Redmond	36	-	-	36
Adrian Beeston	3	-	-	3
Professor Sir Marc Feldmann	9	118	-	127
Total	102	137	-	239

	Basic salary 2017 £'000	Share based payments 2017 £'000	Other* 2017 £'000	Total 2017 £'000
Dr Robin Campbell	11	7	-	18
Alexis Sandler	-	-	-	-
Peter Redmond	9	-	35	9
Adrian Beeston	2	-	35	2
Tim Le Druillenec	9	-	-	9
Total	31	7	70	38

* Messrs Redmond and Beeston received a success fee upon completion of the acquisition satisfied by the issue of 1,000,000 shares each at an issue price of 3.5 pence.

Relative importance of spend on pay

The table below illustrates the year-on-year change in total remuneration compared to distributions to shareholders and loss before tax for the financial years ended 31 December 2018 and 2017:

	Distributions to shareholders £	Total employee pay £	Operational cash outflow £
Year ended 31 December 2018	-	747,015	1,352,727
Year ended 31 December 2017	-	246,919	441,368
Percentage change	n/a	202.5%	206.5%

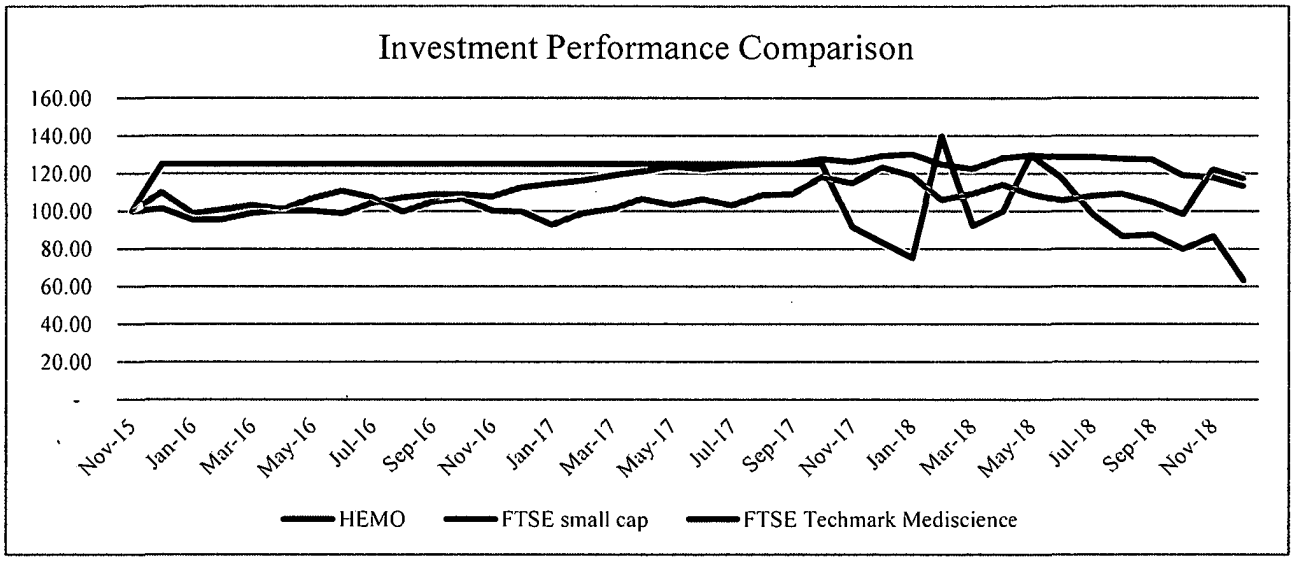
Total employee pay includes wages and salaries, social security costs, healthcare cost, 401K scheme cost and share-based payments for employees in continuing operations. Further details on Employee remuneration are provided in note 8.

Operational cash outflow has been shown in the table above as cash flow monitoring and forecasting is an important consideration for the Remuneration Committee and Board of Directors when determining cash-based remuneration for directors and employees.

Historical share price performance comparison

The table below compares the share price performance (based on a notional investment of £100) of

Hemogenyx Pharmaceuticals plc against the FTSE SmallCap and FTSE Techmark Mediscience for the period November 2015 to December 2018 calculated on a month end spot basis. The FTSE SmallCap has been chosen to provide a wider market comparator constituting companies of an appropriate size and the FTSE Techmark Mediscience chosen due to sector relevance:



Hemogenyx Pharmaceuticals plc was listed in November 2015 (under the name Silver Falcon plc) and therefore no historical share price data exists prior to this period. There was also no data between December 2015 and October 2017 pending completion of a transaction. It is for these reasons that the historical investment performance is not reflective of the current Group.

Consideration of shareholder views

The Board considers shareholder feedback received and guidance from shareholder bodies. This feedback, plus any additional feedback received from time to time, is considered as part of the Company's annual policy on remuneration.

Approved on behalf of the Board of Directors.

P. Redmond

Peter Redmond
Director & Remuneration Committee Chairman

29 April 2019

Independent Auditor's Report to the Members of Hemogenyx Pharmaceuticals plc

Opinion

We have audited the financial statements of Hemogenyx Pharmaceuticals plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Loss, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the group's and parent company's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, 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.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be £31,000 based upon 2% of expenses. We agreed with the Board that all audit differences in excess of £1,550, as well as differences below that threshold that, in our view, warranted reporting.

An overview of the scope of our audit

The Group includes the listed Parent Company and the US based subsidiaries. We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate. Our audit covered 100 % of the Group's loss for the year and 100 % of the Group's net assets.

All entities in the Group were audited by a single engagement team; we did not rely on the work of any component auditors.

As part of our planning we assessed the risk of material misstatement including those that required significant auditor consideration at the component and group level. Procedures were then performed to address the risk identified and, for the most significant assessed risks of material misstatement, the procedures performed are outlined above in the key audit matters section of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Investments in Subsidiary	
Investment - £8m (note 15) **Loan - £1.45m (note 14)** **The investment in Hemogenyx LLC following the reverse acquisition is the only material asset and represents a significant portion of the Parent Company's total assets.**	We undertook several audit procedures which included: • Agreeing the accounting entries from supporting documentation and undertaking a review of the acquisition agreement and the admission document issued to investors during the listing. • Reviewing the directors' assessment of the carrying value and their conclusions thereof. • Our review also included an assessment where we compared the value of the subsidiary's carrying value plus related party receivables against the market capitalisation of the Group as Hemogenyx Pharmaceuticals plc contains all the Group's operations. • We also reviewed board minutes for any indications of changes in investments held by the Parent Company and also agreed ownership documents of all the subsidiaries in the Group.
Carrying Value of Intangible Asset (note 13)	
The carrying value of Intangible Asset recorded in the subsidiary's books of £273k is the other key risk area as these items will ultimately result in the main source of income for Group. **This asset mainly derives from an exclusive licence agreement signed in January 2015, where the Company purchased the patent rights surrounding the two main products it is working on for $347,500. The directors concluded that no impairment was required at this stage and amortisation will commence once the two products are ready for marketing.**	Our audit procedures included: • Confirmation that the cost of intangibles is correctly recorded by agreeing the price to the supporting documentation. • Review of the directors' assessment on the intangible assets carrying value and challenging of the underlying assumptions. • Review of the events after the year end which could indicate that the carrying value of the intangibles is overstated.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the Group and Parent Company 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 the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, which is included in the directors' report, the directors are responsible for the preparation of the Group and Parent Company 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 group and parent company 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.

Other matters which we are required to address

We were appointed by the directors on 19 December 2018 to audit the financial statements for the year ending 31 December 2018. Our total uninterrupted period of engagement is 4 years, covering the periods ending 28 February 2015 to 31 December 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussions with the directors. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our audit team and remained alert to any indications of non-compliance throughout the audit.

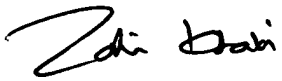
As with any audit, there remained a higher risk of non-detection irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our audit opinion is consistent with the additional report to the audit committee.

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.



Zahir Khaki (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London

29 April 2018

Consolidated Statement of Comprehensive Loss

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

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

COMPANY NUMBER: 08401609

Consolidated Statement of Financial Position

Group

	Note	Year Ended 31 December 2018 £	Year Ended 31 December 2017 £
Assets			
Non-current assets			
Property, plant and equipment	12	**173,943**	191,578
Intangible asset	13	**272,753**	257,525
Total non-current assets		**446,696**	449,103
Current assets			
Trade and other receivables	16	**90,475**	69,784
Cash and cash equivalents		**1,762,428**	1,876,655
Total current assets		**1,852,903**	1,946,439
Total assets		**2,299,599**	**2,395,542**
Equity and Liabilities			
Equity attributable to shareholders			
Paid-in Capital			
Called up share capital	17	**3,601,762**	3,600,514
Share premium	18	**7,340,267**	7,341,056
Other reserves	19	**620,059**	369,147
Reverse asset acquisition reserve	4	**(6,157,894)**	(6,157,894)
Foreign currency translation reserve		**37,047**	(13,984)
Retained Earnings		**(4,482,075)**	(3,006,982)
Total Equity		**959,166**	2,131,857
Liabilities			
Non-current liabilities			
Borrowings	22	**1,172,826**	-
Total non-current liabilities		**1,172,826**	-
Current liabilities			
Trade and other payables	21	**167,607**	263,685
Total Current Liabilities		**167,607**	263,685
Total Liabilities		**1,340,433**	263,685
Total equity and liabilities		**2,299,599**	**2,395,542**

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

This report was approved by the Board and authorised for issue on 29 April 2019 and signed on its behalf by:

Dr Vladislav Sandler
CEO

COMPANY NUMBER: 08401609

Company Statement of Financial Position

Company	Note	Year Ended 31 December 2018 £	Year Ended 31 December 2017 £
Assets			
Non-current assets			
Loan to subsidiaries	14	**1,453,736**	594,435
Investment in subsidiary	15	**8,000,000**	8,000,000
Total non-current assets		**9,453,736**	8,594,435
Current assets			
Trade and other receivables	16	**75,972**	66,013
Cash and cash equivalents		**461,003**	1,748,337
Total current assets		**536,975**	1,814,350
Total assets		**9,990,711**	10,408,785
Equity and Liabilities			
Equity attributable to shareholders			
Paid-in Capital			
Called up share capital	17	**3,601,762**	3,600,514
Share premium	18	**7,340,267**	7,341,056
Other reserves	19	**613,772**	369,147
Retained Earnings		**(1,699,175)**	(1,165,532)
Total Equity		**9,856,626**	10,145,185
Liabilities			
Current liabilities			
Trade and other payables	21	**134,085**	263,600
Total Current Liabilities		**134,085**	263,600
Total Liabilities		**134,085**	263,600
Total equity and liabilities		**9,990,711**	10,408,785

Hemogenyx Pharmaceuticals plc has used the exemption 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 2018 was £536,082 (2017: £558,997).

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

This report was approved by the Board and authorised for issue on 29 April 2019 and signed on its behalf by:

Dr Vladislav Sandler
CEO

Consolidated Statement of Changes in Equity

Group

	Called up Share Capital £	Share Premium £	Other reserves £	Reverse acquisition reserve £	Foreign currency translation reserve £	Retained losses £	Total Equity £
As at 1 January 2017	1,010,849	-	-	-	22,668	(645,383)	388,134
Loss in year	-	-	-	-	-	(2,361,599)	(2,361,599)
Other Comprehensive Income	-	-	-	-	(36,652)	-	(36,652)
Total comprehensive income for the year	-	-	-	-	(36,652)	(2,361,599)	(2,398,251)
Transfer to reverse acquisition reserve	(1,010,849)	-	-	1,010,849	-	-	-
Recognition of Hemogenyx Pharmaceuticals plc equity at reverse acquisition	669,000	841,243	-	831,257	-	-	2,341,500
Issue of shares for acquisition of subsidiary	2,285,714	5,714,286		(8,000,000)	-	-	-
Issue of shares to directors for services	30,000	75,000	-	-	-	-	105,000
Issue of shares - share subscription	571,429	1,428,571	-	-	-	-	2,000,000
Share issue costs		(495,316)	-	-	-	-	(495,316)
Issue of shares for debt settlement	44,371	110,927	-	-	-	-	155,298
Issue of options	-	-	35,492	-	-	-	35,492
Issue of warrants	-	(333,655)	333,655	-	-	-	-
As at 31 December 2017	3,600,514	7,341,056	369,147	(6,157,894)	(13,984)	(3,006,982)	2,131,857
Loss in year	-	-	-	-	-	(1,477,532)	(1,477,532)
Other Comprehensive Income	-	-	-	-	51,031	-	51,031
Total comprehensive income for the year	-	-	-	-	51,031	(1,477,532)	(1,426,501)
Issue of shares – exercise of warrants	1,248	3,745	-	-	-	-	4,993
Embedded derivate on convertible note	-	-	6,287	-	-	-	6,287
Issue of options	-	-	242,530	-	-	-	242,530
Writeback of options lapsed	-	-	(2,439)	-	-	2,439	-
Write-back of warrants exercised	-	(4,534)	4,534	-	-	-	-
As at 31 December 2018	**3,601,762**	**7,340,267**	**620,059**	**(6,157,894)**	**37,047**	**(4,482,075)**	**959,166**

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

Company Statement of Changes in Equity

Company

	Called up Share Capital £	Share Premium £	Other reserves £	Retained earnings/(loss) £	Total Equity £
As at 1 January 2017	669,000	841,243	-	(606,535)	903,708
Loss in year	-	-	-	(558,997)	(558,997)
Other Comprehensive Income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(558,997)	(558,997)
Issue of shares for acquisition of subsidiary	2,285,714	5,714,286	-	-	8,000,000
Issue of shares to directors for services	30,000	75,000	-	-	105,000
Issue of shares - share subscription	571,429	1,428,571	-	-	2,000,000
Share issue costs	-	(495,316)	-	-	(495,316)
Issue of shares for debt settlement	44,371	110,927	-	-	155,298
Issue of options	-	-	35,492	-	35,492
Issue of warrants	-	(333,655)	333,655	-	-
As at 31 December 2017	3,600,514	7,341,056	369,147	(1,165,532)	10,145,185
Loss in year	-	-	-	(536,082)	(536,082)
Other Comprehensive Income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(536,082)	(536,082)
Issue of shares – exercise of warrants	1,248	3,745	-	-	4,993
Issue of options	-	-	242,530	-	242,530
Writeback of options lapsed	-	-	(2,439)	2,439	-
Write-back of warrants exercised	-	(4,534)	4,534	-	-
As at 31 December 2018	**3,601,762**	**7,340,267**	**613,772**	**(1,699,175)**	**9,856,626**

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

Consolidated Statement of Cash Flows

Group	Note	Year Ended 31 December 2018 £	Year Ended 31 December 2017 £
Cash flows generated from operating activities			
Loss before income tax		**(1,477,532)**	(2,361,599)
Depreciation	12	**51,805**	33,614
Other Non-cash items interest/professional fees (shares issued)		**-**	105,000
Interest income		**(4,374)**	(732)
Interest expense		**1,779**	11,473
Reverse Acquisition Expense	4	**-**	1,631,020
Share based payments	19	**242,530**	35,492
Foreign exchange gain		**(49,000)**	-
Working capital changes applicable to pre-acquisition retained earnings		**-**	(1,145)
(Decrease)/increase in trade and other payables		**(98,670)**	7,637
(Increase)/decrease in trade and other receivables		**(19,266)**	86,260
Net cash outflow used in operating activities		**(1,352,728)**	(452,980)
Cash flows generated from financing activities			
Proceeds from issuance of equity securities		**4,993**	2,000,000
Share issue costs		**-**	(383,871)
Proceeds from borrowings	22	**1,175,915**	
Repayment of loans and borrowings	22	**-**	(154,422)
Other current liabilities acquired at acquisition		**-**	(245,000)
Net cash flow generated from financing activities		**1,180,908**	1,216,707
Cash flows generated from investing activities			
Interest income		**4,374**	732
Interest paid		**(6)**	(1,011)
Cash acquired on acquisition	4	**-**	1,098,640
Purchase of property, plant & equipment		**(24,589)**	(64,257)
Net cash flow generated from investing activities		**(20,221)**	1,034,104
Net (decrease)/increase in cash and cash equivalent		**(192,041)**	1,797,831
Effect of exchange rates on cash		**77,814**	(8,399)
Cash and cash equivalents at the beginning of the period		**1,876,655**	87,223
Cash and cash equivalents at the end of the period		**1,762,428**	1,876,655

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

Company Statement of Cash Flows

Company	Note	Year Ended 31 December 2018 £	Year Ended 31 December 2017 £
Cash flows generated from operating activities			
Loss before income tax		**(536,082)**	(558,997)
Other Non-cash items interest/professional fees (shares issued)		**-**	105,000
Foreign exchange (gain) loss		**(105,350)**	19,176
Interest income		**(1,267)**	(1,166)
Interest expense		**6**	-
Share based payments	19	**242,530**	35,492
(Decrease)/increase in trade and other payables		**(9,960)**	23,459
Decrease in trade and other receivables		**(129,514)**	(64,332)
Net cash outflow used in operating activities		**(539,637)**	(441,368)
Cash flows generated from financing activities			
Proceeds from issuance of equity securities		**4,993**	2,000,000
Share issue costs		**-**	(383,871)
Net cash flow generated from financing activities		**4,993**	1,616,129
Cash flows generated from investing activities			
Interest income		**1,267**	1,166
Interest paid		**(6)**	-
Loan to related parties		**(802,951)**	(473,313)
Net cash flow generated from investing activities		**(801,690)**	(472,147)
Net (Decrease)/increase in cash and cash equivalent		**(1,336,334)**	702,614
Effect of exchange rates on cash		**49,000**	-
Cash and cash equivalents at the beginning of the period		**1,748,337**	1,045,723
Cash and cash equivalents at the end of the period		**461,003**	1,748,337

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

Notes to the Financial Statements

1. General information

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

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

2. Summary of significant accounting policies

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

Basis of preparation

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

Basis of consolidation

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

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

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

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

Research and development expenditure

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed in profit or loss as incurred. Development

activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. No development costs have been capitalised to date.

(ii) Clinical trial expenses

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

(iii) Government grants

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

Intangibles

Research and development

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

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

Intellectual property (IP)

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

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

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

Fixed assets

All property, plant and equipment are stated at historical cost less accumulated depreciation or impairment value. Cost includes the original purchase price and expenditure that is directly attributable to the acquisition of the items to bring the asset to its working condition. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful economic life. Assets held under finance leases, if any, are depreciated over their expected useful economic life on the same basis as owned assets, or where shorter, the lease term. Assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The following rates are used:

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

Impairment of non-financial assets

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

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

Investments

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

Going concern

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

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

Trade and other receivables and payables

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

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

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

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

Foreign currencies

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

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

Foreign currency transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the

settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

Share capital

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

Cash

Cash consists of cash bank deposit balances.

Share based payments

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

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

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

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

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

Taxation

Current tax

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

Deferred tax

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

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

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

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

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

Segmental reporting

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

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

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

IFRS 9, Financial Instruments

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

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

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

Financial Instruments

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

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

Impairment of Financial Assets

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

Interest Bearing Loans and Borrowings

Borrowings are initially recognised at the fair value of consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Where borrowings are provided by shareholders at an interest rate discounted to market rates, the difference on initial fair value is taken to equity as a capital contribution.

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

IFRS 15, Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

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

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

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

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

Warrants to be issued pursuant to IPO

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

Valuation of stock options

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

Intangible assets impairment

When there is an indicator of a significant and permanent reduction in the value of intangible assets, an impairment review is carried out. The impairment analysis is principally based on estimated discounted future cash flows. The determination of the assumptions is subjective and requires the exercise of considerable judgement. Any changes in key assumptions about the outcome of research and development activity, probability of technical and regulatory success, amount and timing of projected future cash flow or changes in market conditions could materially affect whether an impairment exists.

4. Reverse acquisition and LSE listing

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

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

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

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

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

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

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

LLC.

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

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

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

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

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

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

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

The movements on the Reverse acquisition reserve are as follows:

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

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

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

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

5. Segment Information

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

The following tables present expenditure and certain asset information regarding the Group's geographical segments for the year ended 31 December 2018:

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

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

6. Expenses by nature

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

7. Other income

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

8. Employees

	Group Year Ended 31 December 2018 £	Group Year Ended 31 December 2017 £	Company Year Ended 31 December 2018 £	Company Year Ended 31 December 2017 £
Wages and salaries	470,580	269,265	145,142	41,325
Social security	23,279	12,811	-	2,634
Share based payments	242,530	35,492	242,530	35,492
Pension contributions	10,626	1,551	-	-
	747,015	319,119	387,672	79,451

Average number of people (including Executive Directors) employed:

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

9. Auditor's remuneration

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

10. Income tax

	Group Year Ended 31 December 2018 £	Group Year Ended 31 December 2017 £
Current Tax:		
Corporation tax on loss for the year	-	-
New York City Biotech tax credit – prior years	43,751	49,698
Deferred Tax	-	-
Tax on loss on ordinary activities	43,751	49,698
Loss on ordinary activities before tax	**(1,521,283)**	**(2,411,297)**
Analysis of charge in the year:		
Loss on ordinary activities multiplied by weighted average tax rate for the group of 30.46%% (2017: 25.69%)	(463,383)	(619,558)
Disallowed items	99,265	398,630
Timing differences	-	(7,466)
Tax losses carried forward	(364,118)	(228,394)
Current Tax charge	-	-

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

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

11. Earnings per share

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

The weighted average number of shares is adjusted for the impact of the reverse acquisition as follows:
- Prior to the reverse takeover, the number of shares is based on Hemogenyx LLC, adjusted using the share exchange ratio arising on the reverse takeover; and
- From the date of the reverse takeover, the number of shares is based on the Company.

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

12. Property, plant and equipment

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

Carrying amounts	
31 December 2016	175,797
31 December 2017	191,578
31 December 2018	**173,943**

13. Intangible assets

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

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

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

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

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

14. Loan to subsidiary

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

Hemogenyx Pharmaceuticals plc has made cumulative loans to Hemogenyx LLC of US$1,896,915 (£1,453,736) as at 31 December 2018 (Dec 2017 US$802,121; £594,435). The loans are interest free and will be repaid when Hemogenyx LLC's operational cash flow allows. Management has

undertaken an impairment assessment of the loan as at 31 December 2018 and has determined that that there was no impairment required. The interest rate and impairment assessment are reviewed on an annual basis.

15. Investment in subsidiary

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

16. Trade and other receivables

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

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

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

17. Called up share capital

Group	Class A shares Number	Class B shares Number	Ordinary shares Number	£
As at 31 December 2016	13,153,846	8,769,230	-	1,010,849
Transfer of LLC paid up capital to Reverse Acquisition Reserve 4 Oct 2017	(13,153,846)	(8,769,230)	-	(1,010,849)
Issued capital of plc at acquisition 4 Oct 2017	-	-	66,900,000	669,000
Issue of shares for acquisition of subsidiary 4 Oct 2017	-	-	228,571,428	2,285,714
Issue of shares to directors 4 Oct 2017	-	-	3,000,000	30,000
Issue of shares for cash 4 Oct 2017	-	-	57,142,857	571,429
Issue of shares for debt settlement 20 Oct 2017	-	-	4,437,075	44,371
As at 31 December 2017	-	-	360,051,358	3,600,514
Issue of shares for exercise of warrants 29 May 2018	-	-	124,826	1,248
As at 31 December 2018	**-**	**-**	**360,176,184**	**3,601,762**

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

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

18. Share premium

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

19. Other reserves

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

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

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

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

Employee Plan

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

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

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

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

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

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

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

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

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

Non-Employee Plan

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

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

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

A schedule of options granted is below:

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

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

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

[3] Weighted average exercise price

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

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

	Nov-2018 (EMP)	**Apr-2018 (EMP)**	**Jan-2018 (EMP)**	Oct-2017 (EMP)
Expected volatility %	**44.67**	**45.32**	**50.09**	39.56
Risk-free interest rate %	**0.818**	**0.918**	**0.577**	0.472
Expected life of options (years)	**2**	**5**	**2**	2
WAEP - pence	**3.5**	**3.5**	**3.5**	3.5
Expected dividend yield	-	-	-	-
Model used	**Black Scholes**	**Black Scholes**	**Black Scholes**	Black Scholes

Warrants

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

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

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

	(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

20. Capital and reserves

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

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

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

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

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

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

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

21. Trade and other payables

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

22. Borrowings

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

Group & Company	Year Ended 31 December 2018	Year Ended 31 December 2017
Non-current	£	£
Borrowings		
Drawdowns	587,245	-
Interest expense	882	-

Value of embedded derivative transferred to Other Reserves	(6,287)	-
Foreign exchange movement	1,429	-
Balance at 31 December 2018	**583,269**	-
Convertible Notes		
Drawdowns	588,670	-
Interest expense	882	-
Foreign exchange movement	5	-
Balance at 31 December 2018	**589,557**	-
Total Borrowings at 31 December 2018	**1,172,826**	-

A summary of the debt facilities is as follows:

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

On 7 November 2018 the Group entered in to a loan agreement through its wholly owned subsidiary Immugenyx LLC, with Orgenesis Inc., an organisation with which the Group has an existing collaboration agreement. The loan amount was for not less than US$1,000,000 with the proceeds of the loan to be used solely for the development of the cell therapy technology in accordance with the plan of the collaboration agreement. As at reporting date drawdowns totalling US$750,000 (£588,670) had been made. The loan carries an interest rate of 2% and has a term of three years. Orgenesis has the option to convert both principal and accrued interest in to equity in Immugenyx LLC at any time prior to maturity. This loan has been treated in accordance with treated in accordance with the provisions of IAS39.

23. Related party disclosures

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

24. Financial instruments

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

Fair value of financial assets and liabilities

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

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

Fair value hierarchy

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

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

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

Financial risk management objectives and policies

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

- Credit risk
- Liquidity and funding risk
- Market risk

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

	Group Year Ended 31 December 2018	Group Year Ended 31 December 2017	Company Year Ended 31 December 2018	Company Year Ended 31 December 2017
	£	£	£	£
Assets				
Trade and other receivables, except prepayments	64,361	64,784	64,361	61,013
Cash and cash equivalents	1,762,428	1,876,655	461,003	1,748,337
	1,826,789	1,941,439	525,364	1,809,350
Liabilities				
Trade and other payables	(167,607)	(263,685)	(134,085)	(263,600)
Borrowings	(1,172,826)	-	-	-
	(1,340,433)	(263,685)	(134,085)	(263,600)

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

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

a) Credit risk

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

b) Liquidity and funding risk

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

c) Market risk

Interest rate risk

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

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

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

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

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

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

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

Foreign currency risk

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

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

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

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

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

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

Capital risk management

The Group defines capital as the total equity of the Company. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Fair value of financial assets and liabilities

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

25. Commitments

Operating lease

The Group has office leasing commitments.

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

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

Licence

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

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

26. Ultimate controlling party

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

27. Subsequent events

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

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

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

28. Copies of the annual report

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