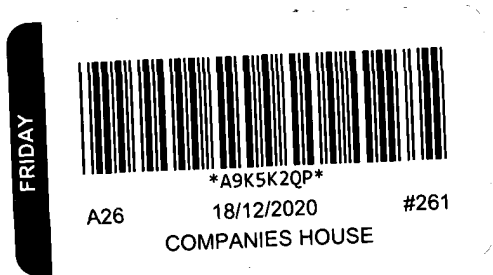


REGISTERED NUMBER: 05414023 (England and Wales)

**Strategic Report, Report of the Directors and
Unaudited Financial Statements for the Year Ended 31 December 2019
for
Modern Biosciences Limited**



Modern Biosciences Limited (Registered number: 05414023)

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for the year ended 31 December 2019

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Modern Biosciences Limited

Company Information
for the year ended 31 December 2019

DIRECTORS:	IP2IPO Services Limited Dr S C Williams
SECRETARY:	Pinsent Masons Secretarial Limited
REGISTERED OFFICE:	The Walbrook Building 25 Walbrook London EC4N 8AF
REGISTERED NUMBER:	05414023 (England and Wales)

Modern Biosciences Limited (Registered number: 05414023)

Strategic Report

for the year ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

RESULTS AND PERFORMANCE

Modern Biosciences Ltd ("Modern Biosciences" or the "Company") is a drug development company. Its business model is focussed on the development of MBS2320, a novel drug for the treatment of rheumatoid arthritis (RA) and related autoimmune conditions.

The statement of comprehensive income is set out on page 5 and shows the loss for the year.

Total research and development expenses of £2,011,968 (2018: £3,008,416) were incurred. This is almost entirely attributable to the spend on MBS2320.

No interim dividend was paid during the year (2018: £nil) and the directors do not propose a final dividend for the year ended 31 December 2019 (2018: £nil).

BUSINESS ENVIRONMENT

The overall economic backdrop has a significant bearing on the Company's ability to pursue its strategic objectives. In the shorter term, financial market volatility and investor risk appetite impacts access to capital for the development of spin-out companies which in turn can affect the likelihood of achieving exits and can influence the periodic valuations of holdings in portfolio companies. Over the longer-term, Government spending on fundamental R&D as well as policy support towards the commercialisation of IP are key areas affecting the Company's business model.

In this context, these are uncertain times both economically and politically, particularly following events including the UK's vote to leave the European Union and the economic policy changes made, and under consideration, in the US. Global economic activity, however, has been strengthening with the International Monetary Fund forecasting a global growth rate for 2018 of 3.9%. The forecast for strong growth is a result of upward revisions to the EU and for many parts of Asia, though it also includes downward revisions for both the US and UK.

Within the pharmaceutical industry, pressure on pricing and reimbursement from governments and payers has increased the need to fill pipelines with innovative new drugs that can command premium pricing. Thus, the appetite for licensing and acquiring early-stage drug-development assets by the pharmaceutical industry from smaller biotechnology companies remains healthy, and a strong global balance sheet amongst the top-20 pharmaceutical companies has allowed for a significant pace and size of deal-doing.

STRATEGY

The directors remain focussed on the company's lead development drug, MBS2320, and assuring its success in early clinical studies. In 2014, the Group signed an Option and Licence Agreement with Janssen Biotech Inc (JBI), a division of Johnson & Johnson, thus securing funding for early clinical development of MBS2320, as well as potential downstream revenues in the form of development-related milestones and royalties on any eventual sales. MBS2320 recently completed testing in a Phase 2a study in rheumatoid arthritis. The study met the primary objective of the study, which was to demonstrate acceptable safety and tolerability of the drug. In addition, evidence of clinical benefit was seen in efficacy parameters (or 'endpoints').

Following the results of this study, JBI had 3 months to decide if it wished to exercise its option to licence the programme. During the course of this 3 months, JBI informed the Company that it would not exercise its option; hence the Agreement terminated on November 8th. The company will now continue its own development of the drug using investment from its majority shareholder, Istesso Limited, and/or seek a new development partnership with a different pharmaceutical company.

KEY PERFORMANCE INDICATORS

Given the nature of the business, the Company's directors are of the opinion that analysis using financial KPIs is not necessary for an understanding of the development, performance or position of the business.

Modern Biosciences Limited (Registered number: 05414023)

Strategic Report

for the year ended 31 December 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to the undertaking of early-stage development programmes, protection of intellectual property and retention of key personnel.

The directors manage these risks in a variety of ways including confidentiality agreements, industry specific insurance arrangements (including clinical trial insurance where considered appropriate), employee share schemes and utilising the expertise of highly experienced officers, employees, consultants and service providers.

FUTURE OUTLOOK

The directors will aim to continue to maximise the development potential and value of MBS2320, whether through its own development efforts or in conjunction with a different pharmaceutical company.

ON BEHALF OF THE BOARD:

Sam Williams

Sam Williams (Dec 15, 2020 09:31 GMT)

Dr S C Williams - Director

Dec 15, 2020

Date:

Modern Biosciences Limited (Registered number: 05414023)

Report of the Directors
for the year ended 31 December 2019

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

Modern Biosciences Limited is a drug development company. Further detail is included in the strategic report.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Directors' report should be read in conjunction with the Strategic report on pages 2 to 4 (which is incorporated in this Directors' report by reference), which together, include information about the Company's business, its financial performance during the year, and likely developments in the future.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019 (2018: £nil).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

IP2IPO Services Limited
Dr S C Williams

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the Company made no charitable or political contributions (2018: nil).

GOING CONCERN

The Company has adequate financial resources and as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully and to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements.

QUALIFYING THIRD PARTY INDEMNITY PROVISION

The Company has arranged qualifying third-party indemnity for all of its directors.

BRANCHES

The Company operates from a single location in the UK and consequently has no branches.

CREDITOR PAYMENT POLICY

It is the Company's current policy to establish payment terms with suppliers when agreeing terms of supply, to ensure that suppliers are made aware of the terms of payment, and to adhere to those terms. The Company's average trade payable payment period at 31 December 2019 was 28 days (2018: 34 days).

ON BEHALF OF THE BOARD:

Sam Williams

Sam Williams (Dec 15, 2020 09:31 GMT)

Dr S C Williams - Director

Dec 15, 2020

Date:

Modern Biosciences Limited (Registered number: 05414023)

Statement of Comprehensive Income
for the year ended 31 December 2019

	Notes	2019 £	2018 £
TURNOVER		-	36,998
Administrative expenses		<u>(2,687,270)</u>	<u>(3,499,367)</u>
OPERATING LOSS		(2,687,270)	(3,462,369)
Interest receivable and similar income		<u>1,987</u>	<u>9,083</u>
		(2,685,283)	(3,453,286)
Interest payable and similar expenses	4	<u>(6)</u>	<u>-</u>
LOSS BEFORE TAXATION	5	(2,685,289)	(3,453,286)
Tax on loss	6	<u>102,242</u>	<u>972,042</u>
LOSS FOR THE FINANCIAL YEAR		<u>(2,583,047)</u>	<u>(2,481,244)</u>

The notes form part of these financial statements

Modern Biosciences Limited (Registered number: 05414023)

Statement of Financial Position
31 December 2019

	Notes	2019		2018	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		2,800		14,737
CURRENT ASSETS					
Debtors: amounts falling due within one year	8	1,377,788		1,781,485	
Debtors: amounts falling due after more than one year	8	1,824,754		1,752,874	
Cash at bank		<u>284,793</u>		<u>1,158,440</u>	
		3,487,335		4,692,799	
CREDITORS					
Amounts falling due within one year	9	<u>(1,422,750)</u>		<u>(347,104)</u>	
NET CURRENT ASSETS			<u>2,064,585</u>		<u>4,345,695</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,067,385		4,360,432
CREDITORS					
Amounts falling due after more than one year	10		<u>(8,306,408)</u>		<u>(8,306,408)</u>
NET LIABILITIES			<u>(6,239,023)</u>		<u>(3,945,976)</u>
CAPITAL AND RESERVES					
Called up share capital	13		70,205		70,205
Share premium	14		17,275		17,275
Capital redemption reserve	14		99,033		99,033
Capital reserve	14		64,318		64,318
Retained earnings	14		<u>(6,489,854)</u>		<u>(4,196,807)</u>
SHAREHOLDERS' FUNDS			<u>(6,239,023)</u>		<u>(3,945,976)</u>

The notes form part of these financial statements

Modern Biosciences Limited (Registered number: 05414023)

Statement of Financial Position - continued

31 December 2019

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2019.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2019 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements were approved by the Board of Directors and authorised for issue on ~~Dec 15, 2020~~..... and were signed on its behalf by:

Sam Williams

Sam Williams (Dec 15, 2020 09:31 GMT)

.....
Dr S C Williams - Director

The notes form part of these financial statements

Modern Biosciences Limited (Registered number: 05414023)

Statement of Changes in Equity
for the year ended 31 December 2019

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 January 2018	70,205	(1,586,686)	17,275
Prior year adjustment	-	(128,877)	-
As restated	<u>70,205</u>	<u>(1,715,563)</u>	<u>17,275</u>
Changes in equity			
Total comprehensive loss	-	(2,481,244)	-
Balance at 31 December 2018	<u>70,205</u>	<u>(4,196,807)</u>	<u>17,275</u>
Changes in equity			
Total comprehensive loss	-	(2,583,047)	-
Share based payments charge	-	290,000	-
Balance at 31 December 2019	<u>70,205</u>	<u>(6,489,854)</u>	<u>17,275</u>
	Capital redemption reserve £	Capital reserve £	Total equity £
Balance at 1 January 2018	99,033	64,318	(1,335,855)
Prior year adjustment	-	-	(128,877)
As restated	<u>99,033</u>	<u>64,318</u>	<u>(1,464,732)</u>
Changes in equity			
Total comprehensive loss	-	-	(2,481,244)
Balance at 31 December 2018	<u>99,033</u>	<u>64,318</u>	<u>(3,945,976)</u>
Changes in equity			
Total comprehensive loss	-	-	(2,583,047)
Share based payments charge	-	-	290,000
Balance at 31 December 2019	<u>99,033</u>	<u>64,318</u>	<u>(6,239,023)</u>

The notes form part of these financial statements

Modern Biosciences Limited (Registered number: 05414023)

Notes to the Financial Statements for the year ended 31 December 2019

1. STATUTORY INFORMATION

Modern Biosciences Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 issued subsequently and which are effectively immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures: a Cash Flow Statement and related notes; disclosures in respect of capital management; the effects of new but not yet effective IFRSs; and disclosures of transactions with a management entity that provides key management personnel services to the Company.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The preparation of financial statements in compliance with generally accepted accounting principles requires the use of estimates and assumptions that affect the amount reported of assets and liabilities at the balance sheet date and the amounts reported as revenue and expenditure of the reporting period.

Going concern

The Company's cash position at 31 December 2019 was £284,793 (2018: £1,158,440).

The operations of the Company are structured to focus on developing the most promising commercialisation opportunities whilst maintaining a controlled overhead base. Detailed financial forecasts for the Company, primarily comprising cash flows for the 12-month period post signing of the accounts, have been prepared. On the basis of these forecasts the directors have concluded that the going concern basis of preparation remains appropriate. The financial statements do not include any adjustments that would result if the going concern basis of preparation were no longer appropriate.

Significant accounting estimates and judgements

The directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer equipment - between 20% and 33% on cost

Modern Biosciences Limited (Registered number: 05414023)

Notes to the Financial Statements - continued *for the year ended 31 December 2019*

2. ACCOUNTING POLICIES - continued

Financial assets

In respect of regular way purchases or sales, the Company uses trade date accounting to recognise or derecognise financial assets. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or the Company has transferred substantially all risks and rewards of ownership.

The Company classifies its financial assets into one of the categories listed below, depending on the purpose for which the asset was acquired. None of the Company's financial assets are categorised as fair value through profit or loss, held for trading or held to maturity.

Loans and receivables

These assets are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise principally through the payment of expenses on behalf of other group companies and value added tax on expenses not yet recovered from HM Revenue & Customs. Loans and receivables are carried at cost less provision for impairment.

Financial liabilities

Financial liabilities are comprised of trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

Interest-free loans, which are not repayable on demand, are initially recognised at fair value and subsequently measured at amortised cost. The difference between fair value on initial recognition and proceeds received is recognised as income or a capital contribution, dependent upon the parties to the loan. This difference is recognised as imputed interest through the income statement using the effective interest method.

The fair value on initial recognition is determined as the net present value of future cash flows discounted at a market interest rate.

Unless otherwise indicated, the carrying amounts of the Company's financial liabilities are a reasonable approximation to their fair value.

Deferred tax

Full provision is made for deferred tax on all temporary differences resulting from the carrying value of an asset or liability and its tax base. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability settled. Deferred tax assets are recognised to the extent that it is probable that the deferred tax asset will be recovered in the future.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Share capital

Financial instruments issued by the Company are treated as equity if the holders have only a residual interest in the Company's assets after deducting all liabilities. The objective of the Company is to manage capital so as to provide shareholders with above average returns through capital growth over the medium to long term. The Company considers its capital to comprise its share capital, share premium and retained earnings. The Company is not subject to any externally imposed capital requirements.

Modern Biosciences Limited (Registered number: 05414023)

Notes to the Financial Statements - continued
for the year ended 31 December 2019

2. ACCOUNTING POLICIES - continued

Changes in accounting policies

(i) New standards, interpretations and amendments effective from 1 January 2018

The following new standards have been applied in these financial statements:

IFRS 16 Leases:

IFRS 16 Leases was issued on 13 January 2016 and replaces IAS 17 Leases. IFRS 16 requires all operating leases in excess of one year, where the Company is the lessee, to be included on the Company's statement of financial position, and recognised as a right-of-use ("ROU") asset and a related lease liability representing the obligation to make lease payments. The ROU asset will be amortised on a straight-line basis with the lease liability being amortised using the effective interest method. Optional exemptions are available under IFRS 16 for short-term leases (lease terms less than 12 months) and for small-value leases. Based on the preliminary assessment, the Company expects its existing operating lease arrangements as a lessee to be recognised as ROU assets with corresponding lease liabilities under the new standard. The Company has assessed the potential impact on its consolidated financial statements resulting from the application of IFRS 16 and does not foresee any material effect when the Standard is applied. Early adoption is permitted if IFRS 15 Revenue from Contracts with customers has been applied but IFRS 16 has an effective date of 1 January 2019 with the year ending 31 December 2019 being the first annual financial statements to which the standard applies.

(ii) New standards, interpretations and amendments not yet effective

No new standards, interpretations and amendments not yet effective are expected to have a material effect on the Company's future financial statements.

3. EMPLOYEES AND DIRECTORS

	2019	2018
	£	£
Wages and salaries	295,801	263,838
Social security costs	22,208	34,225
Other pension costs	<u>13,856</u>	<u>16,891</u>
	<u>331,865</u>	<u>314,954</u>

The average number of employees during the year was as follows:

	2019	2018
Administrative and Directors	<u>2</u>	<u>2</u>

	2019	2018
	£	£
Directors' remuneration	-	30,601
Directors' pension contributions to money purchase schemes	-	2,665
Share based payments charge (see note 17)	<u>290,000</u>	<u>-</u>

4. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Loan	<u>6</u>	<u>-</u>

Modern Biosciences Limited (Registered number: 05414023)

Notes to the Financial Statements - continued
for the year ended 31 December 2019

5. LOSS BEFORE TAXATION

The loss before taxation is stated after charging/(crediting):

	2019	2018
	£	£
Share based payments charge	290,000	-
Depreciation - owned assets	11,937	15,583
Auditors' remuneration	-	3,453
Foreign exchange differences	<u>4,605</u>	<u>(1,854)</u>

6. TAXATION

Analysis of tax income

	2019	2018
	£	£
Corporation tax:		
Current year tax	(501,031)	(795,526)
Prior year adjustment	(46,690)	-
Deferred tax	<u>445,479</u>	<u>(176,516)</u>
Total tax income in statement of comprehensive income	<u>(102,242)</u>	<u>(972,042)</u>

Factors affecting the tax expense

The tax assessed for the year is higher (2018 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2019	2018
	£	£
Loss before income tax	<u>(2,685,289)</u>	<u>(3,453,286)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	(510,205)	(656,124)
Effects of:		
Expenses not deductible for tax purposes	55,136	16,549
Adjustments to tax charge in respect of previous periods	(36,532)	41,065
Tax rate changes	17,855	25,598
Deferred tax not recognised	587,090	-
Effect of R & D relief	<u>(215,586)</u>	<u>(399,130)</u>
Tax income	<u>(102,242)</u>	<u>(972,042)</u>

Modern Biosciences Limited (Registered number: 05414023)

Notes to the Financial Statements - continued
for the year ended 31 December 2019

7. TANGIBLE FIXED ASSETS

	Computer equipment £
COST	
At 1 January 2019 and 31 December 2019	<u>99,095</u>
DEPRECIATION	
At 1 January 2019	84,358
Charge for year	<u>11,937</u>
At 31 December 2019	<u>96,295</u>
NET BOOK VALUE	
At 31 December 2019	<u>2,800</u>
At 31 December 2018	<u>14,737</u>

8. DEBTORS

	2019 £	2018 £
Amounts falling due within one year:		
Other debtors	67,598	106,391
Tax	1,251,586	1,187,412
VAT	58,604	42,203
Deferred tax asset	-	445,479
	<u>1,377,788</u>	<u>1,781,485</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>1,824,754</u>	<u>1,752,874</u>
Aggregate amounts	<u>3,202,542</u>	<u>3,534,359</u>

Modern Biosciences Limited (Registered number: 05414023)

Notes to the Financial Statements - continued
for the year ended 31 December 2019

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Trade creditors	179,115	295,715
Social security and other taxes	7,084	11,455
Other creditors	1,160,371	12,882
Accruals and deferred income	<u>76,180</u>	<u>27,052</u>
	<u>1,422,750</u>	<u>347,104</u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019	2018
	£	£
Amounts owed to group undertakings	<u>8,306,408</u>	<u>8,306,408</u>

11. CATEGORISATION OF FINANCIAL INSTRUMENTS

	Loans and receivables £	Total £
Financial assets		
At 31 December 2019		
Trade and other receivables	1,892,351	1,892,351
Cash and cash equivalents	<u>284,793</u>	<u>284,793</u>
	<u>2,177,144</u>	<u>2,177,144</u>
At 31 December 2018		
Trade and other receivables	1,859,266	1,859,266
Cash and cash equivalents	<u>1,158,440</u>	<u>1,158,440</u>
	<u>3,017,706</u>	<u>3,017,706</u>

All financial liabilities are categorised as other financial liabilities and recognised at amortised cost.

12. DEFERRED TAX ASSET

	£
Balance at 1 January 2019	(445,479)
Current year charge	435,321
Prior year adjustment	<u>10,158</u>
Balance at 31 December 2019	<u>-</u>

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2019	2018
Number:	Class:	Nominal value:	£	£
70,204,880	Ordinary	0.1p	<u>70,205</u>	<u>70,205</u>

Modern Biosciences Limited (Registered number: 05414023)

Notes to the Financial Statements - continued
for the year ended 31 December 2019

14. RESERVES

	Retained earnings £	Share premium £	Capital redemption reserve £	Capital reserve £	Totals £
At 1 January 2019	(4,196,807)	17,275	99,033	64,318	(4,016,181)
Deficit for the year	(2,583,047)				(2,583,047)
Share based payment charge	<u>290,000</u>				<u>290,000</u>
At 31 December 2019	<u>(6,489,854)</u>	<u>17,275</u>	<u>99,033</u>	<u>64,318</u>	<u>(6,309,228)</u>

15. RELATED PARTY TRANSACTIONS

The Company receives business support services from IP2IPO Limited, a subsidiary company of IP Group plc, which is a significant shareholder in the Company's parent company Istesso Limited. No amounts were invoiced or are outstanding at balance sheet date for these services during the year (2018: £nil).

The Company has received an £8.3m loan from IP Group plc.

As part of the provision of ongoing financial support to a number of its subsidiaries, the Company has permitted those subsidiaries to recharge the Company for their research related expenditure in the year. An analysis of the amounts recharged is as follows:

	2019 £	2018 £
PIMCO 2664 Limited	<u>-</u>	<u>3,951</u>

With the exception of the above, the Company has not sold to, or purchased from, any related party in the year. The amounts owed by group undertakings arose through the settlement of expenses by the Company which were incurred by another group undertaking. This amount is repayable on demand and does not bear interest. Its book value is considered to be its fair value at the balance sheet date.

The directors consider the key management of the Company to solely comprise the board of directors whose aggregate remuneration is that disclosed in note 3 to the financial statements. Details of the Company's subsidiary undertakings at 31 December 2019 are as follows:

	Place of incorporation (or registration) and operation	Place of ownership interest and voting power held %
PIMCO 2664 Limited*	England and Wales	100
Modern Biosciences Nominees Limited*	England and Wales	100
MBS Secretarial Limited*	England and Wales	100
MBS Director Limited*	England and Wales	100

All the above companies marked with a * are dormant.

16. IMMEDIATE AND ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent company and the ultimate controlling party is Istesso Limited. Copies of the ultimate parent company's financial statements may be obtained from its registered address.

Modern Biosciences Limited (Registered number: 05414023)

Notes to the Financial Statements - continued
for the year ended 31 December 2019

17. SHARE BASED PAYMENTS

In 2019, the Company began to incentivise employees with EMI options through its Share Option Scheme.

Istesso Limited Share Option Scheme (“the Scheme”)

The EMI options allow an employee to exercise the option to purchase a specified class of Istesso Limited shares, at a specified price. The EMI options are subject to time-based vesting over three years (1/3 after year one, 1/3 after year two and 1/3 after year three) provided that the value of Istesso Limited’s ordinary shares increases by 10% per year over the three-year period.

An analysis of movements in the EMI ordinary share options outstanding is as follows:

	Number of options 2019	Weighted -average exercise price 2019	Number of options 2018	Weighted -average exercise price 2018
At 1 January	—	—	—	—
EMI options granted during the year	1,126,126	250,000	—	—
Exercised during the year	—	—	—	—
Lapsed during the year	(2,979)	(661)	—	—
At 31 December	1,123,147	249,339	—	—
Exercisable at 31 December	—	—	—	—

The options outstanding at 31 December 2019 had an exercise price of £0.222 (2018: £nil) and a remaining contractual life of 9.6 years (2018: 0 years).

An analysis of movements in the EMI growth share options outstanding is as follows:

	Number of options 2019	Weighted -average exercise price 2019	Number of options 2018	Weighted -average exercise price 2018
At 1 January	—	—	—	—
EMI options granted during the year	183,399	183	—	—
Exercised during the year	—	—	—	—
Lapsed during the year	—	—	—	—
At 31 December	183,399	183	—	—
Exercisable at 31 December	—	—	—	—

The options outstanding at 31 December 2019 had an exercise price of £0.001 (2018: £nil) and a remaining contractual life of 9.5 years (2018: 0 years).

The fair value of EMI ordinary share options notionally awarded during the year was calculated using Monte Carlo pricing models with the following key assumptions:

	2019	2018
Share price at date of award	£1.11	—
Exercise price	£0.222	—
Fair value at grant date	£0.51	—
Expected volatility	36%	—
Expected life (years)	3.0	—
Expected dividend yield	0%	—
Risk-free interest rate	0.7%	—

Modern Biosciences Limited (Registered number: 05414023)

Notes to the Financial Statements - continued
for the year ended 31 December 2019

17. SHARE BASED PAYMENTS - continued

The fair value of EMI growth share options notionally awarded during the year was calculated using Monte Carlo pricing models with the following key assumptions:

	2019	2018
Share price at date of award	£1.11	—
Exercise price	£0.001	—
Fair value at grant date	£0.56	—
Expected volatility	36%	—
Expected life (years)	3.0	—
Expected dividend yield	0%	—
Risk-free interest rate	0.6%	—

18. EVENTS AFTER THE REPORTING PERIOD

At present, the Directors do not envisage the Covid-19 pandemic will result in a significant adverse impact for the Company, however given that the outcome of the Covid-19 pandemic is uncertain we acknowledge that a definitive assessment of its impact cannot be made at this time.