



OKYO PHARMA

**Annual report and Financial Statements  
For the year ended 31 March 2020**

Registration number: 65220

# OKYO Pharma Limited

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# OKYO Pharma Limited

## Management and Administration

Directors	Willy Simon ( <i>Chairman, Executive Director</i> ) Dr Kunwar Shailubhai ( <i>Non-executive Director</i> ) John Brancaccio ( <i>Non-executive Director</i> )
Registered office	Martello Court Admiral Park St. Peter Port Guernsey GY1 3HB
Company Secretary	Orrick, Herrington & Sutcliffe (UK) LLP, 107 Cheapside, London, EC2V 6DN
Broker	Optiva Securities Limited, 49 Berkeley Square, London, W1J 5AZ
Registrar	Computershare Investor Services (Guernsey) Limited 1st Floor Tudor House Le Bordage St Peter Port Guernsey GY1 1DB
Auditor	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
Legal advisors	Orrick, Herrington & Sutcliffe (UK) LLP, 107 Cheapside, London, EC2V 6DN
Depositary	Computershare Investor Services PLC The Pavilions Bridgewater Road Bristol BS13 8AE

# OKYO Pharma Limited

## Strategic report

The Directors present their report and the financial statements for the Company, OKYO Pharma Limited (“OKYO” or the “Company”) and its subsidiary, (together the “Group”) for the year ended 31 March 2020.

### Introduction

OKYO Pharma Limited (LSE: OKYO) is a biopharmaceutical company developing next-generation therapeutics to improve the lives of patients with inflammatory eye diseases and chronic pain. Our goal is to develop first in class drug candidates that prevent the disease instead of controlling it, and we achieve this through our collaboration with pioneer scientists in the field.

### Pre-clinical programmes

The Group focuses on novel GPCR based therapeutics for eye diseases of high unmet need and non-opioid analgesics for chronic pain, where large market potential exists. Specifically, OKYO is developing first-in-class drug candidates for the treatment of dry-eye, uveitis, ocular and chronic pain.

Dry eye is a multifactorial disease caused by an underlying inflammation resulting in the lack of lubrication and moisture in the surface of the eye. Symptoms of dry eye include constant discomfort and irritation accompanied by inflammation of the ocular surface, visual impairment and potential damage to the ocular surface. The disease affects over 35% of the population aged 50+, with women representing approximately two-thirds of those affected. Prevalence of dry eye is expected to increase substantially in the near future due to an aging population and dry eye syndrome represents a major economic burden to public healthcare.

The Group’s therapeutic approach is to develop first-in-class drug candidates that target inflammatory pathways. Using membrane-tethered ligand technology, we developed our lead candidate OKYO-101. Thus far OKYO-101 has decreased dry eye symptoms in mice with no local irritation in rabbits.

Uveitis is the third leading cause of blindness worldwide. The most common type of uveitis is an inflammation of the iris called iritis (anterior uveitis). Uveitis can damage vital eye tissue, leading to permanent vision loss. Uveitis is currently treated with corticosteroid eyedrops and injections that reduce inflammation, however, the long-term use of corticosteroids causes risk of cataract and glaucoma, requiring close monitoring for their potential side effects.

The Group’s focus is to suppress the inflammation associated with the uveitis using our anti-inflammatory lead compound OKYO-101.

Allergic conjunctivitis, often called “pink eye” is an inflammation of conjunctiva, caused by an allergic reaction to pollen, mould, smoke, dust etc. Up to 40% of the global population suffers from allergic conjunctivitis, which is mostly treated with antihistamines and corticosteroids. However, a significant number of patients do not respond to antihistamines that leads to overuse of corticosteroids in these patients.

The Group’s focus is to determine the efficacy of OKYO-101 in diminishing ocular redness, the most common symptoms of allergic conjunctivitis.

Chronic pain is a health crisis due to its high prevalence. More than 20% of adults suffer from chronic pain globally. The use of opioid medications, such as OxyContin®, Percocet®, Vicodin® and Percodan®, is the most common therapy in the management of acute and chronic pain. Misuse and overdose of opioid medication has created a worldwide opioid epidemic.

The Group’s current focus is to develop first-in-class drug candidates as non-opioid analgesics for pain management without side effects and abuse potential associated with the opioid medications.

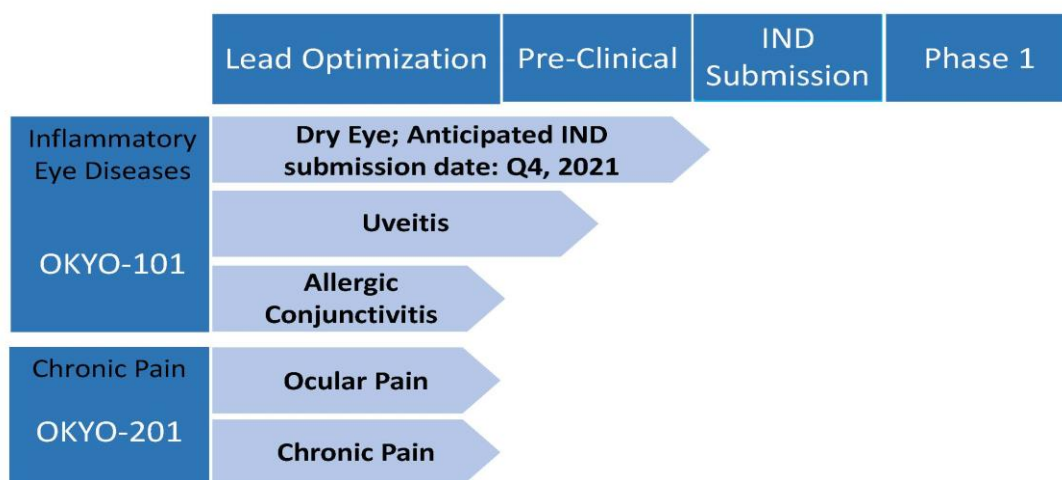
Ocular pain, which is typically treated with topical steroid, is highly prevalent in patients suffering from dry eye, uveitis, glaucoma, intraocular or orbital tumour, trigeminal neuralgias, ocular migraine etc. Damage to the ocular surface (nociceptive pain) or to the somatosensory nervous system (neuropathic pain) due to the underlying pathogenesis of eye disease is the main cause of pain.

The Group’s current focus is to further improve the potency of OKYO-201 and develop novel formulations and delivery methods for the treatment of ocular pain

# OKYO Pharma Limited

## Strategic report

### R&D Pipeline



### Chemerin Project (OKYO-101)

On February 21, 2018, the Group announced that it had identified an opportunity to obtain (via assignment from Panetta Partners Limited, a related party) a license from On Target Therapeutics LLC and a sub-license from Tufts Medical Center Inc. These licenses gave the Group the right to exploit all of the intellectual property relating to patent WO2017014605, being claims in; composition of matter and methodology for treating, inter alia, ocular inflammation, dry eye disease (DED) and ocular neuropathic pain with Chemerin or a fragment of analog thereof and a lipid entity linked to the Chemerin or fragment or analog thereof (the “Chemerin Project”).

DED, also referred to as “Keratoconjunctivitis Sicca”, is one of the most common ophthalmic conditions encountered in clinical practice. DED is a multifactorial disorder caused by the lack of lubrication and moisture, significantly lowering the quality of life of affected individuals. The evidence from over 40 years of scientific literature suggests inflammation as the most common underlying cause of the disease. DED represents a major economic burden in public healthcare. Symptoms of dry eye include constant discomfort and irritation accompanied by visual impairment and potential damage to ocular surface. Increase in the levels of inflammatory cytokines in both conjunctiva and tears is known to cause the chronic inflammation associated with the DED. Therefore, development of new therapeutic agents that target inflammatory pathways is crucial in improving symptoms in DED patients.

The Chemerin receptor (CMKLR1 or ChemR23) is a chemokine like G Protein-Coupled Receptor (GPCR) expressed on select populations of cells including inflammatory mediators as well as epithelial cells. Activation of CMKLR1 has been shown to resolve the inflammation in animal models of asthma. We investigated the effects of OKYO-101, an agonist of CMKLR1, in improving dry eye symptoms using murine dry eye model. We also evaluated ocular tolerance of OKYO-101 following repeated ocular instillation in rabbits followed by clinical ophthalmic observations. Below is the summary of OKYO-101 studies during the last year.

- Preclinical studies have been performed to ensure the binding of Chem-9 and other related peptides to human primary corneal epithelial cell line (ATCC). The binding assays were developed.
- This cell line was used to develop an assay for effect of Chem-9 on cytokine production. Cells were exposed to high osmolarity, conditions similar to that of the dysfunctional tear film found in dry eye disease, and cytokines expression was measured with or without Chem-9. This assay is being fine-tuned now and it will be used further preclinical discovery research.
- This cell line was used to develop a cell line-based receptor binding assay, which would be used for characterization of Chem-9 peptide. Our goal is to determine binding affinity of Chem-9. This assay will also be used to determine sensitivity of Chem-9 to proteolysis with proteases.
- An HPLC assay was developed which will be used for determination of peptide degradation products following storage at different temperatures and relative humidity (4°C, 25°C and 40°C at 50 and 60 RH). This assay will be used for IND-enabling stability studies.
- Peptide manufacturing process has been scaled up to produce larger quantities of Chem-9 for stability study.
- A dose ranging study in rabbits was performed to evaluate the effect of Chem-9 on corneal permeability and to assess the local irritation. Chem-9 was found to be effective in reducing corneal permeability and it shown no sign of local irritation. Potency of Chem-9 in reducing corneal permeability was comparable to cyclosporine (Restasis®; Allergan).

# OKYO Pharma Limited

## Strategic report

- Rabbit Ocular tolerance tests using Chem-9 showed no adverse signs such as inflammation, chemosis or hyperemia and no signs of local irritation.

### Future Strategy

In the coming year, we will explore novel OKYO-101 analogs to strengthen the IP portfolio by synthesising additional peptides. Further, we will explore the use of OKYO-101 analogs for other inflammatory diseases such as Uveitis and Allergic Conjunctivitis in order to expand our portfolio.

### **BAM8 (OKYO-201)**

More than 20% of adults suffer from chronic pain globally. The use of opioid medications, such as OxyContin®, Percocet®, Vicodin® and Percodan®, is the most common therapy in the management of acute and chronic pain. Misuse and overdose of opioid medication has created worldwide epidemic. The economic impact of the opioid crisis costs the US more than \$100 billion per year alone.

MAS-Related G Protein-Coupled Receptors (MRGPR) are expressed mainly in sensory neurons and are involved in the perception of pain. Activation of MRGPR by BAM8 (Bovine adrenal medulla) inhibits pain by modulating Ca<sup>2+</sup> influx. BAM8 has the potential to be developed as a non-opioid analgesic for pain. OKYO recently acquired lipidated cyclised BAM8, a promising candidate for the treatment of neuropathic and inflammatory pain, from Tufts University. Our goal is to further develop this peptide for long-term chronic pain that will provide an alternative to opioid or cannabinoid-based therapy without side effects and abuse potential associated with the current therapy.

### Future Strategy

During the coming year, we will explore and identify novel BAM8 (OKYO-201) analogs to strengthen the IP portfolio by synthesising additional peptides. Further, we will explore the use of OKYO-201 analogs for Ocular Pain, Uveitis associated pain and Neuropathic pain associated with dry eye in order to expand our portfolio. To support the future development of this portfolio, the Group established a Scientific Advisory Board in August 2020 which will be led by Dr A. James Khodabakhsh MD.

### Business Review

During the financial period under review, the Group reported a total comprehensive loss of £1.2 million (31 March 2019: £3.8 million). The loss is detailed in the consolidated statement of comprehensive income on page 29.

The Group expenditure on research and development was £0.4m (2019: £2.2m). The 2019 expenditure included the acquisition of the Chemrein-101 license for £1.9m.

At the end of the year, the Group cash balance stood at £0.2 million (31 March 2019: £0.5 million). A further £ 0.2m in respect of the £0.4m capital raising on 19<sup>th</sup> March 2020, shown in "other receivables" at the year-end, was received shortly post the balance sheet date. The Group successfully raised an additional £3.9m post year end (see below).

### Fund raising

In the period, the Group successfully raised funds to further progress its pre-clinical pipeline.

On 26 April 2019, the Group announced that it had raised £400,000 cash by way of a cash Subscription by Panetta for 36,363,636 Subscription Shares.

On 19 March 2020, the Group announced that it had conditionally placed 112,000,000 new ordinary shares of no-par value in the Company at a placing price of 0.5 pence each to raise £560,000. The placing was split into two tranches with 75,825,130 shares placed in March 2020, and the balance in May 2020. The cash raised for the first tranche was £379,125, of which £179,126 was still receivable at the year end.

On 29 May 2020, the Group announced that it had raised £440,000 through the issue of convertible loan notes ("CLNs"). £50,000 of the CLN's were issued to Panetta Partners Ltd, the ultimate parent company. The CLNs carry an interest rate of 20% compounding and have maximum term of 4 years. The CLNs convert into ordinary shares at a price of 0.4p per share and, if converted, the shares will be issued with a warrant attached at an exercise price of 0.4p (with a maximum life of 5 years from the date of issue of the CLN, regardless of the conversion date).

On 28 July 2020, the Group announced that it had raised £3.5m through the issuance of CLN's. The CLNs carry an interest rate of 2.15% compounding and have maximum term of 4 years. The CLNs convert into ordinary shares at a price of 8.5p per share. Conversion will be subject to shareholder approval and no conversions may take place prior to 28 February 2021.

# OKYO Pharma Limited

## Strategic report

### Key performance indicators

The Board monitors the Key Performance Indicators (KPIs) that it considers appropriate for the industry and stage of development of the Group. The Group is a research and development based biotechnology Group concerned with a number of pre-clinical assets. These assets require sufficient investment to reach defined milestones by which the Group and its investors can judge the chances of ultimate success and thereby the value of the Group. At this stage of Group development significant sources of revenue generation are unlikely and the Group is cash consuming. The Group KPIs are therefore chosen to monitor the progress of the individual scientific programmes, the external market environment for the potential drugs being developed and the cash requirements of the Group.

### Financial KPIs

#### ***Cash consumption***

The cash position of the business is measured on a continual basis with reference both to the general and administrative expenses required to run the Group, and more particularly to the cash required for ongoing research, development and acquisition of the Group's scientific assets. During 2020, the main use of the Group's funds was progressing the animal model trials for Chemerin and BAM8, which was within the budget. The cash consumption, which refers to cash used in operating activities of the Group, during the year was £1m. Management monitors its cash consumption on a monthly basis and a cash projection will be presented at every board meeting.

The Group monitors current and projected cash consumption to ensure that there are sufficient funds available to develop the Group's scientific assets. The Group maintains a virtual operating model resulting in low cash consumption for general and administrative expenses during the period.

### Non-financial KPIs

***Develop appropriate formulation of Chemerin (OKYO-101) for animal studies and conduct stability studies to ensure that the formulation is stable for at least 28- days.***

The Group is working towards this KPI. Additional preclinical IND-enabling studies have been performed and Peptide manufacturing process has been scaled up to produce larger quantities of Chemerin for stability study. A dose ranging study in rabbit was performed to evaluate the effect of Chemerin on corneal permeability and to assess the local irritation. Chemerin was found to be effective in reducing corneal permeability and it shown no sign of local irritation. Rabbit Ocular tolerance tests using Chemerin showed no adverse signs such as inflammation, chemosis or hyperemia and no signs of local irritation.

### Other Considerations

#### ***External (life sciences) market environment***

The Group monitors the life sciences market for a number of factors:

- New developments in drug research and development
- New medical treatment paradigms
- Patent filings by third parties pertinent to the Group's programmes
- Existing and novel drugs in development by third parties
- Healthcare regulation and policy in the major territories
- Private and public financings of life science companies to indicate investor appetite for life science risk

The Group is developing its scientific assets within the European and US territories, but for potential global application. The environment for life science companies was positive throughout the year.

### Principal risks and uncertainties

The Group assesses and monitors the inherent risks in the life sciences industry, as well as other micro and macro-economic factors that may present risk to the Group's progression. The Group also considers Group-specific risks such as research progress, personnel and operational facilities and collaborations.

There are significant risks associated with any life science business. The Board believes that the following risks are the most significant, however, the risks listed do not necessarily comprise all those associated with an investment in the Group. In particular, the Group's performance may be affected by changes in market or economic conditions and in legal, regulatory and / or tax requirements. The risks listed are not set out in any particular order of priority and this is not an exhaustive list of risks.

# OKYO Pharma Limited

## Strategic report

If any of the following risks were to materialise, the Group's business, financial condition, results or future operations could be materially and adversely affected. In such cases, the Group's share price may decline and an investor may lose part or all of their investment.

The Board considers that the principal risks and uncertainties facing the Group may be summarised as follows:

- ***Clinical studies fail to generate encouraging data***

The Group's product candidates have not been evaluated in clinical trials and results in the clinic may not be reproduced in human trials. There is a high degree of failure for product candidates as they progress through clinical trials and clinical trial data may be interpreted in varying ways which may delay, limit or prevent future regulatory approvals.
- ***Ability to scale up the Group***

Growth may place significant demands on the Group's management and resources. The Group expects to experience growth in the number of its employees and the scope of its operations in connection with the continued development and, in due course, the potential commercialisation of its products. This potential growth could place a significant strain on its management and operations, and the Group may have difficulty managing this future potential growth.
- ***Intellectual property risk***

The commercial success of the Group depends on its ability to obtain patent protection for its pharmaceutical discoveries and to preserve the confidentiality of its know-how. There is no guarantee that patent applications will succeed or be broad enough to provide protection for the Group's intellectual property rights and exclude competitors with similar pharmaceutical products. The success of the Group is also dependent on non-infringement of patents, or other intellectual property rights, held by third parties. Competitors and third parties may hold intellectual property rights which the Group may not be able to license upon favourable terms, potentially inhibiting the Group's ability to develop and exploit its own business. Litigation may be necessary to protect the Group's intellectual property, which may result in substantial costs. The Group seeks to reduce this risk by seeking patent attorney advice that patent protection will be available prior to investing in a project, by seeking patent protection where appropriate, and by minimising disclosure to third parties.
- ***Competition risk***

The Group faces significant competition from pharmaceutical companies. The Group has competitors internationally, including major multinational pharmaceutical companies, universities and research institutions. In respect of Chemerin as an indication for the treatment of DED, there are a number of established companies engaged in the development and marketing of preparations addressing the DED market. In addition, there is a wide range of products addressing the DED market currently approved and marketed by a number of large and small pharmaceutical companies.
- ***Funding risk***

The Group continues to consume cash resources. The Group only recently committed to its new business and its chosen product candidates are in the early stages of development and it may be some years until the Group generates revenue, if at all. The Group remains dependent upon securing funding through the injection of capital from share issues. The Group may not be able to generate positive net cash flows in the future or attract such additional funding required at all, or on suitable terms. In such circumstances, the Group's pre-clinical programmes may be delayed or cancelled and the business operations curtailed. The Group seeks to reduce this risk through tight financial control, prioritising programmes which will generate the best returns, and keeping shareholders informed on progress. Post period-end, the Group raised £3.9 million (before expenses) to fund its pre-clinical activities and strengthen its balance sheet.
- ***Dependence on key personnel***

The loss of one or more of its key personnel could have an adverse impact on the business of the Group. Furthermore, it may be particularly difficult for the Group to attract and retain suitably qualified and experienced people, given the competition from other industry participants and the relative size of the Group. The Group has deliberately pursued a lean headcount policy to conserve financial resources. Failure to continue to attract and retain such individuals could adversely affect the Group's ability to conduct and grow its operations effectively. The Group seeks to reduce this risk by recruiting additional personnel and additionally appropriate incentivisation of personnel through participation in long term equity incentive schemes.



# OKYO Pharma Limited

## Strategic report

### Gender of Directors and employees

We recruit individuals who have the skills, experience and integrity needed to perform the roles to make OKYO Pharma Ltd a successful company. We note that there are no women on the board but that we recruit without regard to sex or ethnic origin, appointing and thereafter promoting staff based upon merit.

The profile of the Group's employees at March 31 2020, was as follows:

	March 31, 2020		
	Male	Female	Total
Number of persons who were Directors or officers of the Group	3	-	3
Number of persons who were other employees of the Group	1	-	1
Total Directors and employees at March 31, 2020	4	-	4

The lean staffing structure is supported by the outsourcing of some administrative functions and the use of Clinical Research Organisations.

### Environmental matters

We currently outsource our research, development, testing and manufacturing activities. These activities are subject to various environmental, health and safety laws and regulations, which govern, among other things, the controlled use, handling, release and disposal of and the maintenance of a registry for hazardous materials and biological materials. If we or our partners fail to comply with such laws and regulations, we could be subject to fines or other sanctions.

As with other companies engaged in activities similar to ours, we face a risk of environmental liability inherent in our current and historical activities, including liability relating to releases of or exposure to hazardous or biological materials. Environmental, health and safety laws and regulations are becoming more stringent. We may be required to incur substantial expenses in connection with future environmental compliance or remediation activities, in which case, our production and development efforts may be interrupted or delayed.

### Greenhouse gas emissions

We are a Group with a small number of employees. We have serviced offices and we currently outsource our research, development, testing and manufacturing activities. As a result we do not emit greenhouse gases from our own activities, nor do we purchase electricity, heat or steam for our own use. (Scope 1 and scope 2 disclosures).

However, we are aware that our activities do have an impact on GHG emissions through the work of our partners and our activities such as business travel. (Scope 3 disclosures). We have discussed with our partners the impact of our operations on emissions but they have not been able to provide the information for us to provide a meaningful analysis.

**Willy Simon**  
Chairman

14 August 2020

Martello Court, Admiral Park, St Peter Port, Guernsey, GY1 3HB

# OKYO Pharma Limited

## Director's report

The Directors present their report and the financial statements for the Company, OKYO Pharma Limited ("OKYO" or the "Company") and its subsidiary, together the "Group" for the year ended 31 March 2020.

### Principal activity

The Group's focus is to develop drugs for inflammatory dry eye diseases and chronic pain by targeting G protein-coupled receptors (GPCRs). GPCRs is the largest family of membrane proteins involved in many biological processes. Targeting GPCR is proven to be an innovative approach for treatment of a wide range of conditions including cardiovascular disease, cancer and diabetes. Approximately 1/3 of all Food and Drug Administration (FDA) approved drugs target members of this family.

### Results and transfers to reserves

The results and transfers to reserves for the period are set out on pages 29 to 55.

The Group made a total comprehensive loss for the period after taxation of £1,210,745 (31 March 2019: loss £3,759,619).

### Dividend

No dividends were declared or paid in the year (2019: £nil).

### Directors

The Directors who served during the period and to date are:

Willy Simon	Executive Chairman
Dr Kunwar Shailubhai	Non-Executive director
Leopoldo Zambelletti	Non-Executive director (resigned December 18, 2019)
Gregor MacRae	Non-Executive director (appointed December 18, 2019, resigned June 9, 2020)
John Brancaccio	Non-Executive director (appointed June 9, 2020)

### Significant shareholdings

No director has an interest of 3% or more of the ordinary share capital of the company at 31<sup>st</sup> March 2020.

The following shareholders hold an interest of 3% or more in the Company:

	No of Shares	% Holding
Panetta Partners Ltd	348,458,027	51.81%
Quilter PLC	119,770,088	22.85%
Veneto Seed Ventures Ltd	40,000,000	5.95%

### Resignations

#### *Non-Executive Directors*

On 19 December 2019, the Group announced the resignation of Mr Leopoldo Zambelletti as a non-executive director. The Group simultaneously announced the appointment of Mr Gregor MacRae as a non-executive director.

On 9 June, 2020, the Group announced the resignation of Mr Gregor MacRae as a non-executive director and the appointment of a new non-executive director, Mr John Brancaccio.

# OKYO Pharma Limited

## Director's report

### Staff policy

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability. Applications for employment by disabled persons are given full and fair consideration having regard to their particular aptitudes and abilities. Where existing employees become disabled, it is the Group's policy, wherever possible, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

### Corporate governance

The Group has implemented a corporate governance structure which is fit for purpose for this stage of the Group's lifecycle. This includes a 3-member boards, with two independent Non-Executive Directors and an executive team of the Finance Director and the Senior Director of Research & Development. The Board has established the corporate governance values of the Group and has overall responsibility for setting the Group's strategic aims, defining the business plan and strategy and managing the financial and operational resources of the Group. The role of the Board is to provide strategic leadership to the Group within a framework of sensible and effective controls, which enables risk to be assessed and managed. The Board sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives, and reviews executives' performance. The Board make certain that its obligations to its shareholders and others are understood and met.

The Board will hold board meetings periodically as issues arise that require the Board's attention. Willy Simon, in addition to acting as Chairman, in conjunction with the Executive team is charged with the day-to-day responsibility for the implementation of the Group's strategy. The Executive team is supported by the wider team and external service providers as required. The Board intends to comply, so far as it is practicable, with certain Main Principles of the UK Corporate Governance Code. On joining the standard segment of the official list, the company adopted the Corporate Governance Code.

The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Corporate Governance Code.

The Group is subject to the UK City Code on Takeovers and Mergers (the "Takeover Code") as it is incorporated in Guernsey. The Takeover Code obliges a person or persons acquiring at least 30 per cent of voting rights in a Group to which the Takeover Code applies to make an offer to acquire the rest of the voting rights.

The Board has three separate committees as follows:

### Audit Committee

The Audit Committee of the Board comprises of John Brancaccio and Willy Simon. It is chaired by Mr Brancaccio, and is responsible for:

- i. Monitoring the quality of internal controls and ensuring the financial performance of the Group is properly measured and reported on;
- ii. consideration of the Directors' risk assessment and suggesting items for discussion at the full Board;
- iii. receipt and review of reports from the Group's management and auditors relating to the interim and annual accounts, including a review of accounting policies, accounting treatment and disclosures in the financial reports;
- iv. consideration of the accounting and internal control systems in use throughout the Company and its subsidiaries; and
- v. overseeing the Group's relationship with external auditors, including making recommendations to the Board as to the appointment or re-appointment of the external auditors, reviewing their terms of engagement, and monitoring the external auditors' independence, objectivity and effectiveness.

The audit committee meets not less than twice in each financial year and has unrestricted access to the Group's auditors.

### Risk and Disclosure Committee

The Risk and Disclosure Committee will operate as part of the Audit Committee and will review the operational risks that the business faces and monitor and report upon the Company's obligations under the Disclosure Guidance and Transparency Rules regarding continuous disclosure.

# OKYO Pharma Limited

## Director’s report

### Nomination Committee

The Nomination Committee of the Board comprises of Willy Simon and John Brancaccio. It is chaired by Willy Simon, and is responsible for:

- i. Reviewing succession plans for Directors;
- ii. drawing up selection criteria and appointment procedures for Directors;
- iii. recommending nominees for election to our board of Directors and its corresponding committees;
- iv. assessing the functioning of individual members of our board of Directors and executive officers and reporting the results of such assessment to the board of Directors; and
- v. developing corporate governance guidelines.

### Remuneration Committee

The Remuneration Committee of the Board comprises of Willy Simon and John Brancaccio. It is chaired by Willy Simon, and is responsible for:

- i. The review of the performance of the executive Directors;
- ii. recommendations to the Board on matters relating to the remuneration and terms of service of the executive Directors; and
- iii. recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time.

In making their recommendations the Remuneration Committee will have due regard to the interests of the Shareholders and the performance of the Group.

### Requirements of the Listing Rules

The following table provides references to where the information required by the Listing Rule 9.8.4R is disclosed.

Listing Rule requirement	
Details of any long-term incentive schemes as required by LR 9.4.3R	Directors’ remuneration report page 16
Details of any arrangements under which a Director of the Group has waived or agreed to waive any emoluments from the Group or any subsidiary undertaking. Where a director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review.	No such waivers

### Directors indemnity

The Group’s Articles of Association provide, subject to the provisions of Companies (Guernsey) Law 2008, an indemnity for Directors and officers of the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Group.

Appropriate Directors and officer’s liability insurance cover is in place in respect of all Group Directors.

# OKYO Pharma Limited

## Director's report

### Stakeholder engagement

The Board seeks to understand and consider the views of the Group's key stakeholders in Board discussions and decision making.

Key Stakeholders and concerns	Board Considerations	Key Outcomes
<p><b>Employees</b></p> <p>Our present and future employees are key for the future success of the business.</p>	<p>Executive Directors update the Board with details of employee changes, concerns and recruitment prospects. An open, collaborative working environment with attractive remuneration packages aligns employees' with shareholders' goals.</p>	<p>Staff turnover has been very low.</p>
<p><b>Shareholders</b></p> <p>Our shareholders have been highly supportive. We are actively encouraging retention of their investment whilst trying to secure new Shareholders and funding.</p>	<p>The Board is in regular communication with its Shareholders via press releases, Annual and Interim Report.</p>	<p>The Group meets periodically with its Shareholders. Summary of these events are below:</p> <ul style="list-style-type: none"> <li>• AGM, 2 March 2020</li> <li>• Regular RNS announcements</li> </ul>
<p><b>Business Partners</b></p> <p>We have worked closely with our suppliers to set up new commercial and development agreements.</p>	<p>The Board is aware of the importance of maintaining good relationships with key suppliers while safeguarding the Group's assets. It receives regular updates on main supply agreements.</p>	<p>New supplier agreements above a material threshold need to be approved by at least two Directors. Research contracts generally include milestones and milestone related payments.</p>
<p><b>Research and Development Community</b></p> <p>The Group seeks to interact with the research and development community.</p>	<p>The Board seeks to support as many interactions with research and development community as possible through regular meetings and continuous collaborations.</p>	<p>Interaction with the research and development community.</p>
<p><b>Environment</b></p> <p>The Group is conscious of the need to protect the environment.</p>	<p>OKYO Pharma's operations are relatively low in their impact on the environment.</p>	<p>During the year, employees reduced their travel wherever reasonably practical, using virtual and telephone conferencing facilities instead.</p>
<p><b>Reputation</b></p> <p>Maintaining a strong reputation and acting within laws and regulations impacts the Group's relationships with all stakeholder</p>	<p>Policies and procedures approved by the Board are concentrated on maintaining the strong reputation of the Group within its employees, Shareholders, suppliers, regulators and other key stakeholders.</p>	<p>OKYO Pharma continuously monitors and assesses all regulatory developments to ensure that any issues are being addressed in decision making.</p>

### Relationship with Shareholders

The Group endeavours to maintain a two-way communication between both institutional and private investors, this is to resolve any queries as quickly as possible and to meet and understand the needs and expectations of the shareholders. The Chairman regularly updates the Group's major shareholders on the financial and operational performance as well as the Group's future strategies. The Chairman ensures their views are communicated with the Board. The Board recognises it is accountable to shareholders and ensures that their views are taken into account in agreeing the Group's strategy and other operational matters.

The Board recognises the importance of annual AGMs, as this is an opportunity to meet private investors, the Directors are available to address any issues immediately following the AGM. If the voting at the AGM is not as the Board expected, the Directors will engage with these shareholders to understand and address their concerns. The company secretary is the first point of contact for such matters.

The Group's website provides financial information as well as historical news releases and matters relating to corporate governance. Annual and interim results are communicated by regulatory news services as are ad hoc operational and regulatory releases.

In addition to recognising the importance of the Group's relationship with the shareholders, the Board acknowledges the significance of its employees and consistently evolves to align with their well-being.

# OKYO Pharma Limited

## Director's report

### Internal control and risk management

The Directors are responsible for the Group's internal control and reviewing its effectiveness. The Directors confirm that the Board has acknowledged this responsibility. The Directors confirm that there is an ongoing process for reviewing internal controls and effectiveness as well as identifying, evaluating, and managing the significant risks facing the Group and its subsidiaries. This process has been in place from 1 January 2017 and continues to be in place, the internal controls are reviewed on a regular basis.

The Group's system of internal control is designed to provide the Directors with reasonable assurance that the Group's assets are safeguarded, that transactions are authorised and properly recorded, and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.

The key elements of the internal control system in operation are:

- The Board meets regularly with an agenda of matters reserved for their decision and has put in place an organisational structure with clear lines of responsibility defined and with appropriate delegation of authority. The Board receives periodic updates from both the Audit and Remuneration Committees.
- The Management team is responsible for the identification and evaluation of significant risks and for the design, implementation and monitoring of appropriate internal controls, including, but not limited to, financial and computer systems, business operations, and compliance.
- Management regularly reports to the Board on the key risks inherent in the business and on the way in which these risks are managed.
- There are established procedures for planning, approving, and monitoring large expenditures, including capital expenditures, as well as processes for monitoring the Group's financial performance.
- A comprehensive forecasting process is completed prior to each board meeting, which is reviewed and approved by the Board. Detailed management accounts are produced on a monthly basis, with all significant variances investigated promptly. The management accounts are reviewed and commented on a monthly basis by the management team.
- The Group maintains appropriate insurance cover, including in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on an annual basis.

### Whistle-blowing

The Group has formal arrangements in place to facilitate "whistle-blowing" by employees. If a complaint is made, the content is sent anonymously by email to the Group's Compliance Officer, so that appropriate action can be taken.

### Employment

The Group endeavours to appoint employees with appropriate skills, knowledge and experience for the roles they undertake and thereafter to develop, incentivise and retain staff. The Board recognises its legal responsibility to ensure the well-being, safety and welfare of the Group's employees and maintain a safe and healthy working environment for them and our visitors. If an employee has a concern about unsafe conditions or tasks, they are encouraged to report their concerns immediately to their manager.

### Diversity Policy

The Group is fully committed to the elimination of unlawful and unfair discrimination and values the differences that a diverse workforce brings to the organisation. The Group endeavours to not discriminate because of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (which includes colour, nationality and ethnic or national origins), religion or belief, sex or sexual orientation. The Group will undertake an annual review of its policies and procedures to establish its position about compliance and best practice and monitor and promote a healthy corporate culture.

### COVID-19

We remain cognisant of the potential impact of coronavirus (COVID-19) on our operations and have taken the steps necessary to maintain the integrity of the Group's assets and the health and wellbeing of our employees. We believe that COVID-19 will not have a material impact on the capability of our research partners ability to commence the next stage of our pre-clinical pipeline. Although it remains unclear at this stage what the medium and long term impact will be on the wider economy and how this will affect the Group, the Group is well financed, resilient and well positioned to weather any financial downturn occurring as a result of the outbreak. Indeed, the Group has raised additional funds post the year end.

# OKYO Pharma Limited

## Director's report

### Disclosure of information to auditor

So far as the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware, and they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

### Auditor

Mazars LLP have indicated their willingness to continue in office as auditor for another year. In accordance with section 257 of the Companies (Guernsey) Law 2008, a resolution proposing that Mazars LLP be reappointed as auditors of the Group will be put to the Annual General Meeting.

### Future developments

The Strategic Report on pages 3 to 8 provides a summary of future developments of the Group.

### Research and development activities

The research and development activities of the Group are described in Strategic Report on pages 3 to 8.

### Post balance sheet events

Events after the year end are outlined in note 23 to the financial statements.

### Financial instruments

The use of financial instruments is considered by the Board and the exposure of the Group to price, credit, liquidity and cash flow risks are considered. Details of the risks and mitigation can be found in the Strategic Report on pages 3 to 8, and at note 2 to the financial statements.

### Going concern

As stated in Note 2, the Board has considered the Group's ability to continue as a going concern.

The directors have prepared financial forecasts to estimate the likely cash requirements of the Group over the next twelve months, given its stage of development and lack of recurring revenues. In preparing these financial forecasts, the directors have made certain assumptions with regards to the timing and amount of future expenditure over which they have control.

After due consideration of these forecasts and current cash resources, the directors consider that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future (being a period of at least twelve months from the date of this report), and for this reason, the financial statements have been prepared on a going concern basis.

By order of the Board

*Willy Simon*  
Director  
14 August 2020

Martello Court  
Admiral Park  
St. Peter Port  
Guernsey  
GY1 3HB

# OKYO Pharma Limited

## Directors' Remuneration report

### Letter from the Chair of the Remuneration Committee

Dear Shareholders,

On behalf of the Remuneration Committee, I am pleased to present our Directors' Remuneration Report for the year ended March 31, 2020 which will be subject to an advisory vote under a resolution to be proposed at the 2020 Annual General Meeting ("AGM"). Shareholders approved the Remuneration Policy at the 2019 AGM.

I hope that you will be supportive of our remuneration approach and will vote in favour of the Directors' Remuneration Report.

Key activities and decisions in the year ended March 31 2020:

The Board decided that no amendments were to be made to executive and non-executive compensation, so no remuneration committee meetings were required during the year.

The Group has made progress during the financial year in the pre-clinical development on Chemerin and BAM8.

Yours faithfully,

**Willy Simon**  
**Chair of the Remuneration Committee**  
**14 August, 2020**



# OKYO Pharma Limited

## Directors' Remuneration report

### Single total figure of remuneration of each Director

The Directors received the following remuneration for the years ended 31 March 2020 and 31 March 2019:

Year ended March 31 2020	Base Salary £'000	Share-based payment <sup>(3)</sup> £'000	2020 Total £'000
<b>Executive</b>			
Willy Simon	32	3	35
<b>Non - Executive</b>			
Kunwar Shailubhai	31	24	55
Leopoldo Zambelletti <sup>(1)</sup>	27	5	32
Gregor MacRae <sup>(2)</sup>	6	-	6
<b>Total</b>	<b>96</b>	<b>32</b>	<b>128</b>

Year ended March 31 2019 £'000	Base Salary £'000	Share-based payment <sup>(3)</sup> £'000	2019 Total £'000
<b>Executive</b>			
Willy Simon	32	3	35
<b>Non - Executive</b>			
Kunwar Shailubhai	30	28	58
Leopoldo Zambelletti	37	6	43
<b>Total</b>	<b>99</b>	<b>37</b>	<b>136</b>

(1) Resigned 18<sup>th</sup> December 2019.

(2) Resigned 9<sup>th</sup> June 2020

(3) Share based payments represent the fair value of options that vested during the years ended March 31 2019 and March 31 2020.

A £510 payment was made towards a pension plan for our executive and non- executive Directors.

### Statement of Directors' shareholding and share interests

The table below details the total number of shares owned (including their beneficial interests), the total number of share options held and the number of share options vested but not yet exercised as at March 31 2020:

Year ended March 31 2020	Shares	Options – not yet vested	Options – vested not yet exercised	Total (Shares and options)
<b>Executive</b>				
Willy Simon	307,100	1,000,000	1,000,000	2,307,100
<b>Non - Executive</b>				
Kunwar Shailubhai	-	8,250,000	8,250,000	16,500,000
Leopoldo Zambelletti	-	1,750,000	1,750,000	3,500,000
Gregor MacRae	-	-	-	-
<b>Total</b>	<b>307,100</b>	<b>11,000,000</b>	<b>11,000,000</b>	<b>22,307,100</b>

# OKYO Pharma Limited

## Directors' Remuneration report

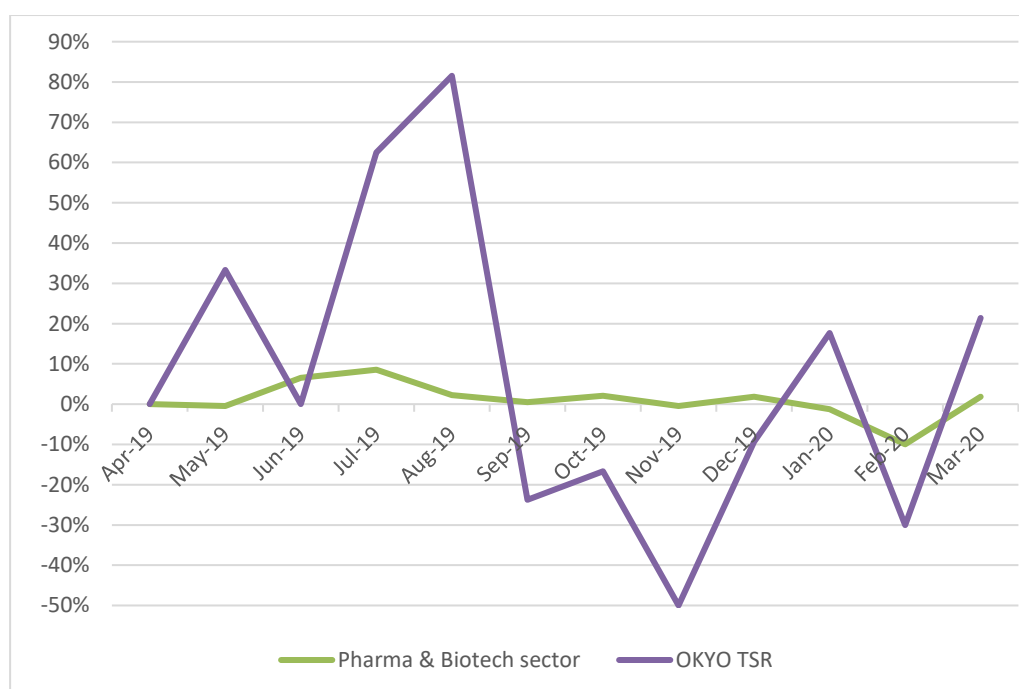
The interests of the Directors in the Company's share options are as follows:

Director	Granted	Date of grant	Price per share £	Vesting Criteria	Expiry Date
Willy Simon	2,000,000	6 July 2018	0.045	25 per cent. Will vest on each anniversary of appointment.	6 July 2025
Kunwar Shailubhai	16,500,000	6 July 2018	0.045	25 per cent. Will vest on each anniversary of appointment.	6 July 2025
Leopoldo Zambelletti	3,500,000	6 July 2018	0.045	25 per cent. Will vest on each anniversary of appointment.	6 July 2025

### Total Shareholder Return

The graph below shows the Company's performance, measured by total shareholder return, of the Company compared to the FTSE All share pharmaceuticals and Biotechnology index for the year ended March 31, 2020.

Total Shareholder Return  
(Source: Investing.com)



### Payments to past Directors (audited)

In the period there were no payments to past Directors.

### Payments for loss of office (audited).

No payments were made to Directors for loss of office in the period.

# OKYO Pharma Limited

## Directors' Remuneration report

### Structure and role of Remuneration Committee

The Remuneration Committee of the Board comprises of Willy Simon and John Brancaccio. It is chaired by Willy Simon, and is responsible for:

- i. The review of the performance of the executive Directors;
- ii. recommendations to the Board on matters relating to the remuneration and terms of service of the executive Directors; and
- iii. recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time.

In making their recommendations the Remuneration Committee will have due regard to the interests of the Shareholders and the performance of the Company.

### Directors' remuneration policy

The Company's policy is to maintain levels of remuneration sufficient to attract, motivate and retain senior executives of the highest calibre who can deliver growth in shareholder value. Executive Directors' remuneration currently consists of basic salary and benefits. An annual bonus, and long-term incentives will be introduced in line with the Company's expansion. The Company will seek to strike an appropriate balance between fixed and performance-related reward so that the total remuneration package is structured to align a significant proportion to the achievement of performance targets, reinforcing a clear link between pay and performance. The performance targets for staff, senior executives and the Executive Directors will be aligned to the key drivers of the business strategy, thereby creating a strong alignment of interest between staff, Executive Directors and shareholders.

The Remuneration Committee will continue to review the Company's remuneration policy and make amendments, as and when necessary, to ensure it remains fit for purpose and continues to drive high levels of executive performance and remains both affordable and competitive in the market.

The policy, as outlined below, is to obtain shareholder approval at the 2019 AGM. Upon approval, the company will continue to put forward the remuneration policy to be approved every three years, however the company will update it when necessary and will be sent for approval before the three-year approval.

### Policy Table

#### Element of reward - Base Salary

<b>Purpose and Link to Strategy</b>	To provide fixed remuneration to <ul style="list-style-type: none"> <li>▪ help recruit and retain key individuals;</li> <li>▪ reflect the individual's experience, role and contribution within the Company.</li> </ul>
<b>Operation</b>	The Remuneration Committee considers a number of factors when setting salaries, including: <ul style="list-style-type: none"> <li>▪ scope and complexity of the role</li> <li>▪ the skills and experience of the individual</li> <li>▪ salary levels for similar roles within the industry</li> <li>▪ pay elsewhere in the Company</li> </ul> Salaries are reviewed, but not necessarily increased, annually.
<b>Performance conditions</b>	None.
<b>Maximum opportunity</b>	Salary increases are normally made with reference to the average increase for the wider Company. The Board retains discretion to make higher increases in certain circumstances, for example, following an increase in the scope and/or responsibility of the role or the development of the individual in the role or by benchmarking.

# OKYO Pharma Limited

## Directors' Remuneration report

### Element of reward- Other benefits

<b>Purpose and Link to Strategy</b>	To provide a basic benefits package.
<b>Operation</b>	The Company provides Executive Directors with medical insurance for themselves and their family.
<b>Performance conditions</b>	None.
<b>Maximum opportunity</b>	Maximum opportunity will be whatever it costs to provide the benefit.

### Element of reward - Annual Bonus

<b>Purpose and Link to Strategy</b>	To incentivise and reward the achievement of annual financial, operational and individual objectives which are key to the delivery of the Company's short-term strategy.
<b>Operation</b>	<ul style="list-style-type: none"> <li>• Executive Directors and staff are eligible to participate in a discretionary bonus plan.</li> <li>• The Remuneration Committee will determine on an annual basis the level of deferral, if any, of the bonus payment into Company shares.</li> <li>• Maximum bonus levels and the proportion payable for on target performance are considered in the light of market bonus levels for similar roles among the industry sector.</li> <li>• Bonuses are not pensionable.</li> <li>• The Remuneration Committee sets targets which require appropriate levels of performance, considering internal and external expectations of performance.</li> <li>• As soon as practicable after the year-end, the Remuneration Committee meets to review performance against objectives and determines payout levels.</li> <li>• From 2019 in terms of bonus targets a balanced scorecard approach will be operated which focuses on a mixture of strategic, operational, financial and non-financial metrics.</li> </ul>
<b>Performance conditions</b>	<ul style="list-style-type: none"> <li>• At least 50% of the award will be assessed against Company metrics including operational, financial and non-financial performance. The remainder of the award will be based on performance against individual objectives.</li> <li>• A scale between 0% and 100% of the maximum award is paid dependent on the level of performance.</li> </ul>
<b>Maximum opportunity</b>	The maximum potential bonus entitlement for Executive Directors under the plan will be equal to 50% of the base salary.

# OKYO Pharma Limited

## Directors' Remuneration report

### Element of reward - Long Term Incentive Plan (LTIP)

<b>Purpose and Link to Strategy</b>	<ul style="list-style-type: none"> <li>To incentivise and reward the creation of long-term shareholder value.</li> <li>To align the interests of the Executive Directors with those of shareholders.</li> </ul>
<b>Operation</b>	<p>Under the terms of the non-tax advantaged share option plan (the "Share Option Plan"), the Remuneration Committee may issue options over shares up to 15% of the issued share capital of the Company from time to time. Directors and employees are eligible for awards.</p> <ul style="list-style-type: none"> <li>The exercise of options may be subject to the satisfaction of such performance conditions, if any, as may be specified and subsequently varied and/or waived by the Remuneration Committee.</li> <li>The Remuneration Committee determines on an annual basis, and from time to time as needed (i.e., new employee or promotion), the type of awards to be granted to executives and other employees under the plan.</li> </ul>
<b>Performance conditions</b>	<p>Vesting of the awards is dependent on financial, operational and/or share price measures, as set by the Remuneration Committee, which are aligned with the long-term strategic objectives of the Company. The relevant performance conditions will be set by the Remuneration Committee on the award of each grant but will include a mixture of strategic, operational, financial and non-financial metrics.</p>

#### **Notes on Table**

The Remuneration Committee may make minor amendments to the Policy set out above for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation without obtaining shareholder approval for that amendment. Any major changes will be put to a shareholder vote at the next AGM or an EGM.

The Policy will be subject to a binding Shareholder vote at the 2019 AGM and, if approved, would be expected to remain in force until the AGM in 2022 with no requirement to vote again on the Policy in the intervening years provided that no changes are proposed.

#### **Policy on payment for loss of office**

In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. Notice periods are set at up to a maximum of twelve months by either party.

The Company considers a variety of factors when considering leaving arrangements for an Executive Director, including individual and business performance, the obligation for the Director to mitigate loss (for example by gaining new employment) and other relevant circumstances (e.g. ill health).

If the Executive Director's employment is terminated by the Company, the Executive Director may receive a time pro-rated bonus to the period worked subject to performance in that period, subject to the Remuneration Committee's discretion.

# OKYO Pharma Limited

## Directors' Remuneration report

The treatment of outstanding share awards is governed by the relevant share plan rules. The following table summarises the leaver provisions of share plans under which Executive Directors may currently hold awards.

Leaving Event	Time period	Conditions
Injury, disability, ill-health, redundancy	Option may be exercised within 3 months of leaving.	Exercise and time vesting provisions per the option certificate.  Board can waive if satisfied that such waiver is not rewarding failure.
Death	Option may be exercised by personal representatives within 12 months of death.	Exercise and time vesting provisions per the option certificate.  Board can waive if satisfied that such waiver is not rewarding failure.
Resignation or any other reason not mentioned above.	Lapse of option unless  Board exercises discretion to allow exercise of option in which case within 3 months of leaving/notice.	If allowed to exercise;  Exercise and time vesting provisions per the option certificate.  Board can waive if satisfied that such waiver is not rewarding failure.

# OKYO Pharma Limited

## Statement of Director's responsibilities

The Directors are responsible for preparing the Annual Report and 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 they are required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company, and of its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures; disclosed and explained in the financial statements;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

The Directors who hold office at the date of approval of this Directors' Report confirm that so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware, and that each Director has taken all the steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Responsibility statement of the Directors in respect of the annual financial report**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

*Willy Simon*  
Chairman  
14 August 2020

# OKYO Pharma Limited

## Auditors report

### Independent Auditor's Report to the members of OKYO Pharma Limited

#### Opinion

We have audited the financial statements of OKYO Pharma Limited (the 'Parent Company') and its subsidiary (the 'Group') for the year ended 31 March 2020 which comprise the Consolidated Statement of Comprehensive Income; the Consolidated and Company Statements Of Financial Position; the Consolidated and Company Statements Of Changes In Equity; the Consolidated and 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.

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 March 2020 and of the Group'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 (Guernsey) Law 2008; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

#### Basis for opinion

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

#### Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which sets out the Directors' view on the Group and Parent Company's requirement to secure sufficient investment to fund their pre-clinical activity. As stated in Note 2, these events or conditions, along with the other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

#### Explanation of material uncertainty

As detailed in Note 2 and the Strategic Report, the Group and Parent Company are in the early stages of development and further funding will be required within the foreseeable future to continue their development programmes and ongoing business operations. As the Directors have reasonable expectation that the Group and Parent Company will raise the additional funding, they have prepared the financial statements on a going concern basis. However, until the Group and Parent Company secures sufficient investment to fund their clinical trials and ongoing working capital requirements, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern.



# OKYO Pharma Limited

## Auditors report

### What audit procedures we performed

In forming our conclusion that there is a material uncertainty related to going concern, we evaluated the Directors’ going concern assessment as follows:

- We obtained and reviewed management’s forecasts (including a cash burn analysis) for a period no less than 18 months from the date of signing the financial statements. Accordingly, our analysis covered the period August 2020 through January 2022;
- We discussed with management the basis for the forecasts and reviewed management’s assumptions used within the cash burn analysis. We obtained further support for assumptions where deemed necessary;
- We performed a sensitivity analysis on management’s forecasts;
- We reviewed all post year-end Board Meeting minutes and Regulatory News Service (RNS) announcements via the London Stock Exchange (LSE) website for the purposes of monitoring post year-end fundraising activities, progress of clinical trials, and other noteworthy events and occurrences that could impact our going concern conclusion;
- We have considered the post year-end fund raisings;
- We have discussed and challenged management on their assessment of the potential impact of COVID-19; and
- We reviewed the disclosures with respect to going concern in the financial statements to ensure they are fair and balanced.

### Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, 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.

In addition to the matter described in the “Material uncertainty related to going concern” section of our report, we summarise below the Key Audit Matters we addressed in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our audit responded to the Key Audit Matter
<p><b>Valuation and accounting of options and warrants (Parent Company)</b></p> <p>The Group’s accounting policy in respect of options, warrants and share-based payments are set out in the accounting policy notes on page 39 and 40.</p> <p>The Parent Company operates share-based payments arrangements to remunerate directors and employees in the form of share options. It also issues options in lieu of fees to key suppliers and collaborators. Additionally, warrants were granted in July 2018 as a part of the acquisition of the Chemerin project to the underlying scientific founders who will continue to be involved with the project as consideration. These options were treat as share-based payments under IFRS 2. Subsequently, additional warrants were granted as incentives attached to the shares issued during the year ended 31 March 2020. These warrants are exercisable over a five year period. The issue of these warrants were treated as transactions between the Company and some of its shareholders in their capacity as owners.</p>	<p><b>Our response</b></p> <p>Our audit procedures over options and warrants included but were not restricted to:</p> <ul style="list-style-type: none"> <li>• We obtained management’s valuation of options and warrants based on an appropriate model and reviewed for completeness and accuracy of information used;</li> <li>• We reviewed the options and warrants calculations, and validated the inputs to the model;</li> <li>• We performed an assessment of the reasonableness of the assumptions and appropriateness of the model used;</li> <li>• We obtained and reviewed the option and warrant agreements for all current year issuances and determined whether or not they were to be accounted for under the relevant accounting standards;</li> <li>• We reviewed Regulatory News Service (RNS) announcements per the London</li> </ul>

# OKYO Pharma Limited

## Auditors report

<p>Due to the complexity in the calculation and judgement involved in underlying assumptions for the valuation of share options and warrants, there is a risk that these instruments are not accounted for correctly.</p>	<p>Stock Exchange website for purposes of concluding the completeness and accuracy of current year equity instrument issuances and/or other equity related transactions; and</p> <ul style="list-style-type: none"> <li>We reviewed the disclosure in the financial statements to ensure disclosure is sufficient and appropriate.</li> </ul> <p><b>Our observations</b></p> <p>Our audit identified errors in the accounting for warrants and share options in the year ended 31 March 2020. Management concurred with our findings and appropriate adjustments were made in the financial statements.</p> <p>Following the above adjustment, we are able to conclude that warrants and share options were all appropriately accounted for under the relevant accounting standards.</p>
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### Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Group and Parent Company materiality</b>	<b>Group - £63,095 Parent Company - £63,095</b>
<b>How we determined materiality</b> In determining our materiality, we considered financial metrics which we believed to be relevant. We believe that the benchmark of losses is most appropriate for both Group and Parent Company as the users of the accounts were likely to be most concerned with expenditure on research and development and the consequential annual and accumulated losses of the Group and Parent Company and the Group and Parent Company's ability to continue as a going concern.	
<b>Rationale for benchmark applied</b> Having considered factors such as the Group and Parent Company's main market listing on the London Stock Exchange, we determined materiality at 5.0% of Group and Parent Company's losses for the year.	
<b>Performance materiality – Group and Parent Company</b> We performed our audit procedures using a lower level of materiality – termed 'performance materiality' – which is set to reduce to an appropriate level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Having considered factors such as the Group's control environment, we set performance materiality at 70% of overall materiality.	Group - £44,167 Parent Company - £44,167
<b>Reporting threshold – Group and Parent Company</b> We agreed with the Audit Committee that we would report to that committee all identified corrected and uncorrected audit differences in excess of this level, together with differences below that level that, in our view, warranted reporting on qualitative grounds.	Group - £1,893 Parent Company £1,893
<b>Component performance materiality</b> All components have been audited by the group engagement team. Materiality is allocated to components based on size and risk. We performed our audit of the only subsidiary of the Group (OKYO Pharma Inc.) based on the allocated materiality which is below group performance materiality.	£21,376

# OKYO Pharma Limited

## Auditors report

### **An overview of the scope of our audit, including extent to which the audit was considered capable of detecting irregularities, including fraud**

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the Directors made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the Group and Parent Company, the structure of the Group and the Parent Company and the industry in which it operates. We considered the risk of acts by the Group and Parent Company which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies (Guernsey) Law 2008. We tailored the scope of our group audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the Parent Company and group's accounting processes and controls and its environment and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- at planning stage, we gained an understanding of the legal and regulatory framework applicable to the Group and Parent Company, the structure of the group, the industry in which it operates and considered the risk of acts by the Group and Parent Company which were contrary to the applicable laws and regulations;
- we discussed with the directors the policies and procedures in place regarding compliance with laws and regulations; we discussed amongst the engagement team the identified laws and regulations, and remained alert to any indications of non-compliance; and
- during the audit, we focused on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the directors (as required by auditing standards), from inspection of the Parent Company's and Group's regulatory and legal correspondence and review of minutes of directors' meetings in the year.

Our procedures in relation to fraud included but were not limited to:

- inquiries of management whether they have knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team regarding risk of fraud such as opportunities for fraudulent manipulation of financial statements, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions; and
- addressing the risk of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

Our tests included, but were not limited to, obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by irregularities including fraud or error, review of minutes of directors' meetings in the year and enquiries of management. As a result of our procedures, we did not identify any Key Audit Matters relating to irregularities, including fraud.

As a result of our procedures, we did not identify any "Key Audit Matters" relating to irregularities. The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key Audit Matters" within this report.

Our Group audit scope included an audit of the Group and Parent Company financial statements of Okyo Pharma Limited. Based on our risk assessment, all entities within the group were subject to full scope audit and was performed by the group audit team.

At the Parent Company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

# OKYO Pharma Limited

## Auditors report

### Other information

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

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

We have nothing to report in this regard.

### Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent Company and its 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 (Guernsey) Law 2008 requires us to report to you if, in our opinion:

- the Parent Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

### Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

# OKYO Pharma Limited

## Auditors report

### Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of Directors with effect from 1 April 2018 to audit the financial statements for the year ended 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 March 2019 to 2020.

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.

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

### Use of the audit report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law 2008. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Robert Neate  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditors  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

14 August 2020

# OKYO Pharma Limited

## Consolidated statement of comprehensive income

for the year ended 31 March 2020

	Notes	Year ended 31 March 2020 £	Year ended 31 March 2019 (restated) £
<b>Continuing operations</b>			
<b>Income</b>		-	-
<b>Operating expenses</b>			
Research		(407,478)	(2,333,765)
Operating expenses		(799,503)	(1,146,612)
<b>Total operating loss</b>	5	<b>(1,206,981)</b>	(3,480,377)
Finance expense	10	(911)	-
Finance income	10	37,850	-
Impairment	19	(104,342)	(278,347)
<b>Loss before income tax</b>		<b>(1,274,384)</b>	(3,758,724)
Taxation	9	60,000	-
<b>Loss for the year</b>		<b>(1,214,384)</b>	(3,758,724)
Other comprehensive income/(loss) - foreign currency translation		3,639	(895)
<b>Total comprehensive loss for the period</b>		<b>(1,210,745)</b>	(3,759,619)
Basic and diluted loss per share	20	<b>(0.00)</b>	(0.01)

The notes on pages 36 to 55 form an integral part of these financial statements.

The Directors consider that all results derive from continuing activities.

# OKYO Pharma Limited

## Consolidated statement of financial position

As at 31 March 2020

	Notes	At 31 March 2020 £	At 31 March 2019 £ (Restated)
Property, plant, and equipment	12	512	847
Right of use asset	21	24,278	-
<b>Total non-current assets</b>		<b>24,790</b>	<b>847</b>
Cash and cash equivalents		189,941	481,153
Trade and other receivables	13	191,120	100,581
Related party receivable	19	17,092	-
Taxation receivable	9	60,000	-
<b>Total current assets</b>		<b>458,153</b>	<b>581,734</b>
<b>Total assets</b>		<b>482,943</b>	<b>582,581</b>
<b>Equity</b>			
Share premium	11	67,518,700	68,403,220
Share options reserve	16	68,233	38,744
Warrants reserve	16	1,721,625	24,281
Foreign currency translation reserve		2,744	(895)
Retained deficit		(69,424,317)	(68,209,933)
<b>Shareholders' equity</b>		<b>(113,015)</b>	<b>255,417</b>
Lease liability non-current	21	21,454	-
<b>Total non-current liabilities</b>		<b>21,454</b>	<b>-</b>
Trade and other payables	14	535,000	321,691
Related party payable	19	35,398	5,473
Lease Liability current	21	4,106	-
<b>Total current liabilities</b>		<b>574,504</b>	<b>327,164</b>
<b>Total current and non-current liabilities</b>		<b>595,958</b>	<b>327,164</b>
<b>Total equity and liabilities</b>		<b>482,943</b>	<b>582,581</b>

The notes on pages 36 to 55 form an integral part of these financial statements

These financial statements were approved by the board of Directors on 14 August 2020 and were signed on their behalf by:

**Willy Simon**

Director

# OKYO Pharma Limited

## Company statement of financial position

for the year ended 31 March 2020

	Notes	At 31 March 2020 £	At 31 March 2019 £
Property, plant and equipment	12	512	847
Investment in subsidiary	15	-	139,649
<b>Total non-current assets</b>		<b>512</b>	<b>140,496</b>
Cash and cash equivalents		162,277	479,118
Trade and other receivables	13	190,784	100,262
Related party receivable	19	17,092	-
Taxation receivable	9	60,000	-
<b>Total current assets</b>		<b>430,153</b>	<b>579,380</b>
<b>Total assets</b>		<b>430,665</b>	<b>719,876</b>
<b>Equity</b>			
Share premium	11	67,518,700	68,403,220
Share options reserves	16	68,233	38,744
Warrants reserve	16	1,721,625	24,281
Retained deficit		(69,430,027)	(68,058,104)
<b>Shareholders' equity</b>		<b>(121,469)</b>	<b>408,141</b>
<b>Current Liabilities</b>			
Trade and other payables	14	516,736	306,262
Related party payable	19	35,398	5,473
<b>Total liabilities</b>		<b>552,134</b>	<b>311,735</b>
<b>Total equity and liabilities</b>		<b>430,665</b>	<b>719,876</b>

The Company reported a loss for the financial year ended 31 March 2020 of £1,371,923 (2019: £3,606,895).

These financial statements were approved by the board of Directors on 14 August 2020 and were signed on their behalf by:

**Willy Simon**

Director



# OKYO Pharma Limited

## Consolidated statement of changes in equity

for the year ended 31 March 2020

	Notes	Share premium £	Share options reserve £	Warrants reserve £	Translation reserve £ Restated	Retained deficit £ Restated	Total shareholders' equity £
<b>Balance at 1 April 2019</b>		<b>68,403,220</b>	<b>38,744</b>	<b>24,281</b>	<b>(895)</b>	<b>(68,209,933)</b>	<b>255,417</b>
<b>Total comprehensive loss for the period</b>							
Loss for the period		-	-	-	-	(1,214,384)	(1,214,384)
Exchange differences on translating foreign operations		-	-	-	3,639	-	3,639
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Shares issued	11	779,126	-	-	-	-	779,126
Options charge	16	-	29,489	-	-	-	29,489
Warrants charge	16	(1,663,646)	-	1,697,344	-	-	33,698
<b>Balance at 31 March 2020</b>		<b>67,518,700</b>	<b>68,233</b>	<b>1,721,625</b>	<b>2,744</b>	<b>(69,424,317)</b>	<b>(113,015)</b>
<b>Balance at 1 April 2018</b>		<b>66,368,028</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(64,451,209)</b>	<b>1,916,819</b>
<b>Total comprehensive loss for the period</b>							
Loss for the period		-	-	-	-	(3,758,724)	(3,758,724)
Exchange differences on translating foreign operations		-	-	-	(895)	-	(895)
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Shares issued	11	2,035,192	-	-	-	-	2,035,192
Options charge	16	-	38,744	-	-	-	38,744
Warrants charge	16	-	-	24,281	-	-	24,281
<b>Balance at 31 March 2019</b>		<b>68,403,220</b>	<b>38,744</b>	<b>24,281</b>	<b>(895)</b>	<b>(68,209,933)</b>	<b>255,417</b>

# OKYO Pharma Limited

## Company statement of changes in equity

for the year ended 31 March 2020

	Notes	Share premium £	Share options reserve £	Share warrants reserve £	Retained deficit £	Total shareholders' equity £
<b>Balance at 1 April 2019</b>		<b>68,403,220</b>	<b>38,744</b>	<b>24,281</b>	<b>(68,058,104)</b>	<b>408,141</b>
<b>Total comprehensive loss for the period</b>						
Loss for the period		-	-	-	(1,371,923)	(1,371,923)
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Shares issued	11	779,126	-	-	-	779,126
Options charge	16	-	29,489	-	-	29,489
Warrants charge	16	(1,663,646)	-	1,697,344	-	33,698
<b>Balance at 31 March 2020</b>		<b>67,518,700</b>	<b>68,233</b>	<b>1,721,625</b>	<b>(69,430,027)</b>	<b>(121,469)</b>
<b>Balance at 1 April 2018</b>		<b>66,368,028</b>	-	-	<b>(64,451,209)</b>	<b>1,916,819</b>
<b>Total comprehensive loss for the period</b>						
Loss for the period		-	-	-	(3,606,895)	(3,606,895)
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Shares issued	11	2,035,192	-	-	-	2,035,192
Options charge	16	-	38,744	-	-	38,744
Warrants charge	16	-	-	24,281	-	24,281
<b>Balance at 31 March 2019</b>		<b>68,403,220</b>	<b>38,744</b>	<b>24,281</b>	<b>(68,058,104)</b>	<b>408,141</b>

# OKYO Pharma Limited

## Consolidated statement of cash flows

for the year ended 31 March 2020

	Notes	Year ended 31 March 2020 £	Year ended 31 March 2019 £
<b>Cash flows from operating activities</b>			
Loss for the year before taxation		<b>(1,274,384)</b>	(3,758,724)
<i>Adjusted for non-cash and non-operating items:</i>			
Shares issued in lieu of fees		-	2,035,192
Share options charge	16	<b>29,489</b>	38,744
Warrants charge	16	<b>33,698</b>	24,281
Depreciation of property, plant, and equipment	12	<b>335</b>	167
Depreciation of right-of-use asset	21	<b>4,367</b>	-
Loss on foreign exchange		<b>10,944</b>	(895)
Net (increase) in related party receivables		<b>(17,093)</b>	-
Net increase in related party payables		<b>29,925</b>	-
Net (increase) in other receivables		<b>(96,101)</b>	(100,547)
Net increase in trade and other payables		<b>213,310</b>	236,105
<b>Cash used in operating activities</b>		<b>(1,065,510)</b>	(1,525,677)
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		-	(1,014)
<b>Cash used in investing activities</b>		-	(1,014)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares		<b>779,126</b>	-
Repayment of leasing liabilities		<b>(4,828)</b>	-
<b>Cash generated from financing activities</b>		<b>774,298</b>	-
<b>Decrease in cash and cash equivalents</b>		<b>(291,212)</b>	(1,526,691)
Cash and cash equivalents at beginning of period		<b>481,153</b>	2,007,844
<b>Cash and cash equivalents at end of period</b>		<b>189,941</b>	481,153

# OKYO Pharma Limited

## Company statement of cash flows

for the year ended 31 March 2020

	Notes	Year ended 31 March 2020 £	Year ended 31 March 2019 £
<b>Cash flows from operating activities</b>			
Loss for the year before taxation		<b>(1,431,923)</b>	(3,606,895)
<i>Adjusted for non-cash and non-operating items:</i>			
Shares issued in lieu of fees		-	2,035,192
Share options charge	16	<b>29,489</b>	38,744
Warrants charge	16	<b>33,698</b>	24,281
Depreciation	12	<b>335</b>	167
Loss on foreign exchange		<b>17,387</b>	-
Impairment of investment in subsidiaries		<b>128,102</b>	-
Net (increase) in related party receivables		<b>(17,092)</b>	-
Net increase in related party payables		<b>29,925</b>	-
Net (increase) in other receivables		<b>(96,363)</b>	(100,228)
Net increase in trade and other payables		<b>210,475</b>	220,676
<b>Cash used in operating activities</b>		<b>(1,095,967)</b>	(1,388,063)
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		-	(1,014)
Capital contribution to subsidiary		-	(139,649)
<b>Cash used in investing activities</b>		-	(140,663)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares		<b>779,126</b>	-
<b>Cash generated from financing activities</b>		<b>779,126</b>	-
Decrease in cash and cash equivalents		<b>(316,841)</b>	(1,528,726)
Cash and cash equivalents at beginning of period		<b>479,118</b>	2,007,844
Cash and cash equivalents at end of period		<b>162,277</b>	479,118

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

### 1. Reporting Entity

OKYO Pharma Limited (the "Company" or "OKYO") is a company domiciled in Guernsey and listed on the standard market of the London Stock Exchange (LON:OKYO).

The Company is developing next-generation therapeutics to improve the lives of patients with inflammatory eye diseases and chronic pain. Our goal is to develop first in class drug candidates that prevent the disease instead of controlling it, and we achieve this through our collaboration with pioneer scientists in the field.

The ultimate parent of the group is Planwise Group Limited, incorporated in the British Virgin Islands.

### 2. ACCOUNTING POLICIES

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

#### Basis of preparation

The consolidated financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies (Guernsey) Law 2008 as applicable to companies reporting under IFRS. These accounts have been prepared under the historical cost convention.

#### Basis of measurement

##### *Functional and Presentation Currency*

The financial statements of the Group and Company are presented in Pound Sterling (£) which is the Parent Company's functional currency. All financial information presented in Pound Sterling has been rounded to the nearest pound.

In preparing these financial statements, the significant judgements made by management in applying the Group and Company's accounting policies and the key accounting estimates are accruals and the non-recognition of a deferred tax asset. The deferred tax asset has not been recognised as the Directors do not expect profits to be made for the foreseeable future.

#### Going Concern

The Group and Company incurred losses during the year and has net liabilities at the year end.

As discussed in the Strategic Report, the Group and Company is in the early stages of developing its business focusing on drug candidates for the treatment of dry-eye, uveitis, ocular and chronic pain. The Directors expect the Group and Company to incur further losses and to require significant capital expenditure in continuing towards the clinical stage for these candidates. The Group and Company has successfully secured additional investment funds to date.

The Directors have prepared cash flow projections that include the costs associated with the pre-clinical operations and the additional investment to fund those operations. These projections identify that the Directors need to raise further funds beyond March 2020 in order to fund pre-clinical activities and ongoing business operations. Based on the recent fund-raising and progress made on animal studies for our novel technology, the Directors are confident that sufficient funds will be forthcoming and accordingly they have prepared these financial statements on a going concern basis.

However, until and unless the Group and Company secures sufficient investment to fund their pre-clinical activity, there is a material uncertainty about the Group and Company's ability to continue as a going concern, and therefore about the applicability of the going concern basis of preparation. The financial statements do not include the adjustments that would be required if the going concern basis of preparation was considered inappropriate.

The Directors do not believe that COVID-19 and Brexit will have an impact on the Group and Company's ability to raise funds.

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

### Basis of consolidation

Subsidiary undertakings are all entities over which the Group exercises control. The Group has control when it can demonstrate all of the following: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's return.

The existence and effect of both current voting rights and potential voting rights that are currently exercisable or convertible are considered when assessing whether control of an entity is exercised. Subsidiaries are consolidated from the date at which the Group obtains control and are de-consolidated from the date at which control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated upon consolidation. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board. The Board allocates resources to and assess the performance of the segments. The Board considers there to be only one operating segment being the research and development of biotechnological and pharmaceutical products.

### Taxation

The tax credit for the year represents the total of current taxation and deferred taxation. The credit in respect of current taxation is based on the estimated taxable loss for the year. Taxable profit or loss for the year is based on the profit or loss as shown in the statement of comprehensive income, as adjusted for items of income or expenditure which are not deductible or chargeable for tax purposes. The current tax asset for the year is calculated using tax rates which have either been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and expected to apply when the related deferred tax is realised, or the deferred liability is settled. Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

### Foreign currency translation

Foreign currency transactions are translated using the rate of exchange applicable at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation at the year end of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

On consolidation, the assets and liabilities of foreign subsidiaries are translated into Pound Sterling at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign subsidiary, the component of other comprehensive income relating to that particular foreign subsidiary is recognised in profit or loss.

### License fees

Payments related to the acquisition of rights to a product or technology are capitalised as intangible assets if it is probable that future economic benefits from the asset will flow to the entity and the cost of the asset can be reliably measured.

Payments made which provide the right to perform research are carefully evaluated to determine whether such payments are to fund research or acquire an asset. Licence fees expenses are recognised as incurred.

### Research and development

All on-going research and development expenditure is currently expensed in the period in which it is incurred. Due to the regulatory environment inherent in the development of the Group's products, the criteria for development costs to be recognised as an asset, as set out in IAS 38 'Intangible Assets', are not met until a product has been granted regulatory approval and it is probable that future economic benefit will flow to the Group. The Group currently has no qualifying expenditure.

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

### Financial instruments

The Group classifies a financial instrument, or its component parts, as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

The Group evaluates the terms of the financial instrument to determine whether it contains an asset, a liability or an equity component. Such components shall be classified separately as financial assets, financial liabilities or equity instruments.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets, initial recognition and measurement and subsequent measurement

The measurement of financial assets depends on their classification. Financial assets such as receivables and deposits are subsequently measured at amortised cost using the effective interest method, less loss allowance. The Group does not hold any financial assets at fair value through profit or loss or fair value through other comprehensive income.

(b) Financial liabilities, initial recognition and measurement and subsequent measurement

All financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group's financial liabilities include trade and other payables.

### Impairment

#### **Impairment of financial assets measured at amortised cost**

At each reporting date the Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost.

In establishing the appropriate amount of loss allowance to be recognised, the Group applies either the general approach or the simplified approach, depending on the nature of the underlying group of financial assets.

#### **General approach**

The general approach is applied to the impairment assessment of refundable lease deposits and other refundable lease contributions, restricted cash and cash and cash equivalents.

Under the general approach the Group recognises a loss allowance for a financial asset at an amount equal to the 12-month expected credit losses, unless the credit risk on the financial asset has increased significantly since initial recognition, in which case a loss allowance is recognised at an amount equal to the lifetime expected credit losses.

#### **Simplified approach**

The simplified approach is applied to the impairment assessment of trade receivables.

Under the simplified approach the Group always recognises a loss allowance for a financial asset at an amount equal to the lifetime expected credit losses.

#### **Impairment of non financial assets**

- i) Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.
- ii) Non-financial assets are impaired when its carrying amount exceed its recoverable amount. The recoverable amount is measured as the higher of fair value less cost of disposal and value in use. The value in use is calculated as being net projected cash flows based on financial forecasts discounted back to present value.

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

### Investments

Investments are held as non-current assets and comprise investments in subsidiary undertakings and are stated at cost less provision for any impairment.

### Share capital

Ordinary shares of the Company are classified as equity.

### Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in profit or loss.

#### (ii) Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current period and the comparative period are as follows.

Fixtures and fittings **5 years**

IT and equipment **3 years**

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Depreciation is allocated to the operating expenses line of the statement of comprehensive income.

### Leases

IFRS 16 Leases was issued in January 2016 and was implemented by the Group from 1 April 2019. The Standard replaces IAS 17 and requires lease liabilities and 'right of use' assets to be recognised on the balance sheet for almost all leases. The adoption methodology of IFRS 16 is the cumulative catch-up method, and the impact of adoption was to recognise a right of use asset of £28,645 and a lease liability of £28,645 on 1 April 2019. Please see Note 4 for further detail.

### Fair Value Measurement

Management have assessed the categorisation of the fair value measurements using the IFRS 13 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows;

Level 1 - valued using quoted prices in active markets for identical assets

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1;

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data.

### Share based payments

The calculation of the fair value of equity-settled share based awards and the resulting charge to the statement of comprehensive income requires assumptions to be made regarding future events and market conditions. These assumptions include the future volatility of the Company's share price. These assumptions are then applied to a recognised valuation model in order to calculate the fair value of the awards.



# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

Where employees, Directors or advisers are rewarded using share based payments, the fair value of the employees', Directors' or advisers' services are determined by reference to the fair value of the share options/warrants awarded. Their value is appraised at the date of grant and excludes the impact of any nonmarket vesting conditions (for example, profitability and sales growth targets). Warrants issued in association with the issue of Convertible Loan Notes or private placements are also considered as share based payments and a share based payment charge is calculated for these too.

In accordance with IFRS 2, a charge is made to the statement of comprehensive income for all share-based payments including share options based upon the fair value of the instrument used. A corresponding credit is made to a share based payment reserve - options, in the case of options/warrants awarded to employees, Directors, advisers and other consultants.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options/warrants expected to vest. Non market vesting conditions are included in assumptions about the number of options / warrants that are expected to become exercisable.

Estimates are subsequently revised, if there is any indication that the number of share options/warrants expected to vest differs from previous estimates. No adjustment is made to the expense or share issue cost recognised in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options/warrants, the proceeds received are allocated to share capital with any excess being recorded as share premium.

Where share options are cancelled, this is treated as an acceleration of the vesting period of the options. The amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately within the Statement of comprehensive income.

All goods and services received in exchange for the grant of any share based payment are measured at their fair value.

### Warrants

Warrants issued by the Group to investors as part of a share subscription are compound financial instruments where the warrant meets the definition of a financial liability.

The financial liability component is initially measured at fair value in the Consolidated Statement of Financial Position. Equity is measured at the residual between the subscription price for the entire instrument and the liability component. The financial liability component is remeasured depending on its classification. Equity is not remeasured.

### New and Revised Standards

#### **Standards in effect in 2019**

IFRS 16 'Leases' has come into effect from 1 January 2019 and has been adopted by the Group. The impact of the adoption of the leasing standard is disclosed in Note 4 below.

#### **IFRS in issue but not applied in the current financial statements**

The Directors do not expect that the adoption of new IFRS Standards, Interpretations and Amendments that have been issued but are not yet effective will have a material impact on the financial statements of the Group in the future.

In addition, IFRS 2 *Share-based Payment: classification and measurement of share-based payment transactions* is an additional standard that will impact the Group, management are still in the process of assessing its impact, if any.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Group's activities and which have not therefore been adopted in preparing these financial statements.

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial information in accordance with generally accepted accounting practice, in the case of the Group being International Financial Reporting Standards as adopted by the European Union, requires the Directors to make estimates and judgements that affect the reported amount of assets, liabilities, income and expenditure and the disclosures made in the financial statements. Such estimates and judgements must be continually evaluated based on historical experience and other factors, including expectations of future events.

When entering into agreements with third parties which provide the rights to conduct research into specific biological processes the Group accounts for these agreements as an expense if the agreements are 'milestone' in nature and relate to the Group's own research and development costs. Such agreements involve periodic payments and are evaluated as representing payments made to fund research.

The other critical accounting estimates and judgements made in the preparation of the financial statements were fair value estimates used in the calculation of share based payments and warrants which have been detailed above in note 2, accounting policies, and note 16, share based payments, to the accounts. A critical accounting estimate and judgement has been made in the impairment of the loan to West African Mineral Ltd (WAML), see note 19.

The Group has also made a judgement regarding going concern on the impact of COVID-19 and Brexit during the preparation of the financial statements and considered it to not be significant.

### 4. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

#### IFRS 16 Leases

The group has adopted IFRS 16 retrospectively from 1 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.34%.

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use assets and corresponding lease liabilities at the lease commencement date, except for short term leases and leases of low value. For these leases, the lease payments are recognised as an operating expense on a straight-line basis over the term of term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred. The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are from the commencement date depreciated over the shorter period of lease term and useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities, e.g. revised discount rate, change in the lease term or change in future lease payments resulting from a change in an index.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate determined by the Group's borrowing rate.

	2019 £
Operating lease commitments disclosed under IAS17 as at 31 March 2019	31,988
Remaining lease commitments discounted using the Group's incremental borrowing rate as at the date of initial application	28,645
Lease Liability recognised as at 1 April 2019	28,645
Of which:	
Current lease liabilities	3,806
Non-current lease liabilities	24,839

The associated right-of-use assets for all leases were measured at the amount equal to the lease liability.

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

The recognised right-of-use assets relate to the following types of assets:

	31 March 2020	1 April 2019
	£	£
Properties	24,278	28,645
Total right-of-use assets	24,278	28,645

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate of 3.34% to a portfolio of leases with reasonably similar characteristics;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

### Impairment loss classification – Prior period adjustment

During the year, the Group reviewed its accounting classification for its expenses regarding West African Mineral Ltd (WAML). See Note 19 for more information. These costs were determined to be an impairment loss and not a Research and Development expense, so a reclassification was made of £278,347.

### Translation reserve classification – Prior period adjustment

During the year, the Group reviewed its accounting classification for its prior period translation expenses and reclassified £895 from operating expenses to a translation reserve.

## 5. OPERATING LOSS

Operating loss is stated after charging:

<b>Group</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
	£	£
Research and development costs	407,478	2,196,624
FX Gains and losses	10,944	12,123
Depreciation	4,702	167
	<u>413,124</u>	<u>2,208,914</u>

## 6. SEGMENTAL REPORTING

During the year under review management identified the Group's only operating segment as the research and development of biotechnological and pharmaceutical products. This one segment is monitored and strategic decisions are made based upon it and other non-financial data collated from industry intelligence. The form of financial reporting reported to the Board is consistent with those presented in the annual financial statements.

## 7. EMPLOYEES

<u>Group</u>	<b>2020</b>	<b>2019</b>
Staff costs comprised:	£	£
Directors' salaries	96,031	99,034
Wages and salaries	180,379	186,329
Social security costs	54,063	37,864
	<u>330,473</u>	<u>323,227</u>

The average monthly number of employees, including Directors, employed by the Group during the year was:

Research and development	1	1
Corporate and administration	3	4
	<u>4</u>	<u>5</u>

<u>Company</u>	<b>2020</b>	<b>2019</b>
Staff costs comprised:	£	£
Directors' salaries	96,031	81,707
Wages and salaries	180,379	88,934
Social security costs	54,063	18,539
	<u>330,473</u>	<u>189,180</u>

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

The Group and Company made £2,182 (2019: £1,652) of payments to a defined contribution pension schemes on behalf of Directors or employees.

### 8. REMUNERATION OF KEY MANAGEMENT PERSONNEL

Directors of the Group and Company received the following remuneration during the period:

	Directors fees recognised during the period		Share based payment expenses recognised during the period		Outstanding at the end of the period	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£	£	£	£	£	£
Willy Simon	32,000	32,000	2,921	3,369	-	-
Dr Kunwar Shailubhai	30,685	30,041	24,097	27,795	-	-
Leopoldo Zambeletti (resigned December 18, 2019)	27,500	36,962	5,112	5,896	20,000	-
Gregor MacRae (appointed December 18, 2019)	5,846	-	-	-	-	-
	<u>96,031</u>	<u>99,003</u>	<u>32,130</u>	<u>37,061</u>	<u>20,000</u>	<u>-</u>

The following share options were granted to Directors in the year:

Director	2020 Number of options	2019 Number of options
W. Simon	-	2,000,000
L Zambeletti	-	3,500,000
K Shailubhai	-	16,500,000
	<u>-</u>	<u>22,000,000</u>

The key management personnel of the Group are considered to be represented by the Directors and officers of the Company.

No director has yet benefitted from any increase in the value of share capital since issuance of the options and no director exercised share options in the year.

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

### 9. TAXATION

	2020 £	2019 £
<u>Group</u>		
Current year tax (credit)	-	-
Adjustments in respect of prior periods	(60,000)	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total tax (credit) for period	(60,000)	-

The tax charge for the year is different from the standard rate of corporation tax in the United Kingdom of 19%. The difference can be reconciled as follows:

Loss before taxation	(1,274,384)	(3,758,724)
Loss charged at standard rate of corporation tax 19%	(242,133)	(714,158)
Tax losses arising in the year not recognised	267,519	652,163
Expenses not deductible for taxation	114	36,270
Tax increase from effect of capital allowances and depreciation	64	(161)
Research and Development tax claim	-	-
Adjustments to tax charge in respect of previous periods	(60,000)	-
Consolidation adjustment in relation to foreign exchange movements	(25,564)	-
Loans written off	-	52,886
	(60,000)	-

No deferred tax asset has been recognised in respect of trading losses carried forward because of uncertainty as to when these losses will be recoverable.

The Group has tax losses of £3,477,761 (2019: £3,091,598) to carry forward for use against future profits.

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

### 10. FINANCE INCOME AND COSTS

<u>Group</u>	2020	2019
	£	£
<u>Finance Income</u>		
Finance income interest received on loan	37,850	-
Total finance income	<u>37,850</u>	-
<u>Finance Expenses</u>		
Interest expense on lease liabilities	(911)	-
Total finance expenses	<u>(911)</u>	-
Net finance expense recognised in Statement of Comprehensive Income	<u>36,939</u>	-

### 11. CAPITAL AND RESERVES

#### Capital Management

The Group manages its capital to maximise the return to the shareholders through the optimisation of equity. The capital structure of the Group at 31 March 2020 consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained deficit as disclosed.

The Group manages its capital structure and makes adjustments to it, in light of economic conditions and the strategy approved by shareholders. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares and release the Company's share premium account. No changes were made in the objectives, policies or processes during the year ended 31 March 2020 and 31 March 2019.

#### Share capital and premium

The Company is authorised to issue an unlimited number of nil par value shares of a single class. The Company may issue fractional shares and a fractional share shall have the corresponding fractional rights, obligations and liabilities of a whole share of the same class or series of shares. Shares may be issued in one or more series of shares as the Directors may by resolution determine from time to time.

Each share in the Company confers upon the shareholder:

- the right to one vote at a meeting of the shareholders or on any resolution of shareholders;
- the right to an equal share in any dividend paid by the Company; and
- the right to an equal share in the distribution of the surplus assets of the Company on its liquidation.

The Company may by resolution of the Directors redeem, purchase or otherwise acquire all or any of the shares in the Company subject to regulations set out in the Company's Articles of Incorporation.

#### Authorised

The Company is authorised to issue an unlimited number of nil par value shares of a single class.

	<b>Shares Number</b>	<b>Share capital £</b>	<b>Share premium £</b>
Issued ordinary shares of US\$0.00 each			
At 31 March 2019 (audited)	524,108,283	-	68,403,220
Shares issued - private placement	112,188,766	-	779,126
Warrant charge for warrants issued in conjunction with private placement	-	-	(1,663,646)
<b>At 31 March 2020</b>	<b>636,297,049</b>	<b>-</b>	<b>67,518,700</b>

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

### Issuance of ordinary shares

In May 2019, 36,363,636 ordinary shares were issued at an issue price of 1.1p per ordinary share by way of a placing of ordinary shares to raise finance.

In March 2020, 75,825,130 ordinary shares were issued at an issue price of 1.1p per ordinary share by way of a further placing of ordinary shares to raise finance.

### **Share options reserve**

These reserves comprise the cumulative share-based payment charge on outstanding options in issue as at 31 March 2020.

### **Warrants reserve**

These reserves comprise the cumulative share-based payment charge on outstanding warrants in issue as at 31 March 2020.

### **Dividends**

The Directors paid no dividend during the year to 31 March 2020 and 31 March 2019.

## **12. PROPERTY, PLANT AND EQUIPMENT**

Details of the Group and Company's property, plant and equipment are as follows:

### Group and Company

	<b>IT equipment</b>	<b>Total</b>
	£	£
<b>Cost</b>		
At 1 April 2019	1,014	1,014
Additions	-	-
Disposals	-	-
At 31 March 2020	<u>1,014</u>	<u>1,014</u>
<b>Depreciation</b>		
At 1 April 2019	167	167
Charge in year	335	335
At 31 March 2020	<u>502</u>	<u>502</u>
Net book value as at 31 March 2020	<u><u>512</u></u>	<u><u>512</u></u>
<b>Cost</b>		
At 1 April 2018	-	-
Additions	1,014	1,014
Disposals	-	-
At 31 March 2019	<u>1,014</u>	<u>1,014</u>
<b>Depreciation</b>		
At 1 April 2018	-	-
Charge in year	167	167
At 31 March 2019	<u>167</u>	<u>167</u>
Net book value as at 31 March 2019	<u><u>847</u></u>	<u><u>847</u></u>

All property, plant and equipment is located in the UK.

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

### 13. TRADE AND OTHER RECEIVABLES

	31 March 2020	31 March 2019
	£	£
<u>Group</u>		
Other receivables	179,461	4,223
VAT receivable	6,536	81,241
Prepayments	5,123	15,117
	<hr/>	<hr/>
	<b>191,120</b>	<b>100,581</b>

There are no differences between the carrying amount and fair value of any of the trade and other receivables above.

	31 March 2020	31 March 2019
	£	£
<u>Company</u>		
Other receivables	179,125	3,904
VAT receivable	6,536	81,241
Prepayments	5,123	15,117
	<hr/>	<hr/>
	<b>190,784</b>	<b>100,262</b>

Other receivables for the Group and Company includes £179,125 of placing proceeds that were received after 31 March 2020.

### 14. TRADE AND OTHER PAYABLES

	31 March 2020	31 March 2019
	£	£
<u>Group</u>		
Trade payables	479,970	292,694
Accruals	32,474	14,280
Other creditors	22,556	14,717
	<hr/>	<hr/>
	<b>535,000</b>	<b>321,691</b>
<u>Company</u>	31 March 2020	31 March 2019
	£	£
Trade payables	462,600	293,067
Accruals	32,474	-
Other creditors	21,662	13,195
	<hr/>	<hr/>
	<b>516,736</b>	<b>306,262</b>



# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

### 15. INVESTMENT IN SUBSIDIARIES

<u>Company</u>	<b>Capital Contribution</b>
	<b>£</b>
<b>Cost</b>	
At 1 April 2019	139,629
Additions	246,352
Transfer pricing recharge	(257,879)
At 31 March 2020	<b>128,102</b>
<b>Impairment</b>	
Charge in year	(128,102)
At 31 March 2020	<b>(128,102)</b>
Net book value as at 31 March 2020	<b>-</b>
<b>Cost</b>	
At 1 April 2018	-
Additions	139,629
Disposals	-
At 31 March 2019	<b>139,629</b>
<b>Impairment</b>	
Charge in year	-
At 31 March 2019	-
Net book value as at 31 March 2019	<b>139,629</b>

The capital contribution represents the funding of operations of the subsidiaries by the parent, with the Company acting as the Group's holding company. The parent has 20 shares in the group's undertakings.

During the year, the Company entered into a transfer pricing agreement with its subsidiary whereby all costs incurred by the subsidiary were recharged back to the Company who paid a 10% mark up.

The Company's interest in subsidiary undertakings is as follows:

<b>Name</b>	<b>Principal activity</b>	<b>Registered Address</b>	<b>Percentage shareholding</b>	<b>Country of incorporation</b>
OKYO Pharma US Inc	Clinical stage biotechnology company	108 West 13 <sup>th</sup> Street, Wilmington Delaware 19801	100%	USA

OKYO Pharma US Inc was incorporated on 2 July 2018. This entity was set up to house the Company's US operations.

During the year, the Company undertook an impairment review of its investments in subsidiaries. The Company has been funding its subsidiary operations from funds raised by the Company for the development of its project portfolio. The subsidiary's activities have all been to support the Company in achieving its goals for progression of the project portfolio. The funding provided to the subsidiaries to date has been recognised in the Company as investment in its subsidiaries, and the Company does not expect the amounts to be repaid. The IP relating to the project portfolio belongs to the Company and hence any future benefits will also belong to the Company. It is highly unlikely that these benefits will be distributed to the subsidiaries. The Company therefore determined that the investment should be impaired.

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

### 16. SHARE OPTIONS AND WARRANTS

#### Group and Company

#### Options

The Company operates share-based payment arrangements to remunerate Directors and key employees in the form of a share option scheme. It also issues options in lieu of fees to key suppliers and collaborators. The exercise price of the option is normally equal to the market price of an ordinary share in the Company at the date of grant.

	2020		2019	
	Options	Weighted Average exercise price (pence)	Options	Weighted Average exercise price (pence)
Outstanding at 1 April	23,000,000	4.5	-	-
Granted	-	-	23,000,000	4.5
Forfeited	(3,500,000)	(4.5)	-	-
Cancelled	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at 31 March	19,500,000	4.5	23,000,000	4.5
Exercisable at 31 March	4,875,000	4.5	-	-

No options were exercised during the period ended 31 March 2020 and 31 March 2019.

The total outstanding fair value charge of the share option instruments is deemed to be approximately £24,299 (2019: £62,250). A share based payment charge for the year of £29,489 (2019: £38,744) has been expensed in the statement of comprehensive income.

The Directors have used the Black-Scholes option pricing model to estimate the fair value of most of the options applying the assumptions below.

Historical volatility relies in part on the historical volatility of a group of peer companies that management believes is generally comparable to the Company.

The Company has not paid any dividends on share capital since its inception and does not anticipate paying dividends on its share capital in the foreseeable future.

The Company has estimated a forfeiture rate of zero.

#### 6 July 2018

Grant date share price	1.5p
Exercise share price	4.5p
Vesting periods	25% each year
Risk free rate	0.71%
Expected volatility	65.5%
Option life	5 years

#### Warrants

As part of the acquisition of the Chemerin project, the underlying scientific founders of the Chemerin Project, who will continue to be involved in the development of the Chemerin Project, received 35,000,000 warrants as consideration. The warrants are exercisable at a price of 4.5 pence each and are split into four distinct tranches and each tranche becomes exercisable upon satisfaction of a specific developmental milestone. The warrants are exercisable until 17 July 2023.

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

In May 2019, warrants were granted over 36,363,636 shares at an exercise price of 1.35p per share in connection with a private placement. The warrants are exercisable until 19 May 2024.

In March 2020, warrants were granted over 40,000,000 shares at an exercise price of 0.55p per share in connection with a private placement. The warrants are exercisable until 23 March 2025.

In March 2020, warrants were granted over 35,825,130 shares at an exercise price of 0.55p per share in connection with a private placement. The warrants are exercisable until 28 May 2025.

	2020		2019	
	Warrants	Weighted Average exercise price (pence)	Warrants	Weighted Average exercise price (pence)
Outstanding at 1 April	35,000,000	4.5	35,000,000	4.5
Granted	112,188,766	0.8	-	-
Forfeited	-	-	-	-
Cancelled	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at 31 March	147,188,766	1.5	35,000,000	4.5
Exercisable at 31 March	-	-	-	-

The Directors have estimated the fair value of the warrants in services provided using the Black-Scholes valuation model based on the assumptions below.

	24 March 2020	20 May 2019	6 July 2018
Grant date share price	1.8p	2p	1.5p
Exercise share price	0.5p	1.35p	4.5p
Vesting periods	25% each year	25% each year	25% each year
Risk free rate	0.22%	0.77%	0.71%
Expected volatility	82.4%	71.6%	65.5%
Option life	5 years	5 years	5 years

The remaining fair value of the warrant instruments is deemed to be approximately £95,709 (2019: £129,407). For the consideration warrants, the charge has been expensed over the vesting period. For all other warrants, the charge has been expensed over the service period. A share-based payment charge for the year of £33,698 (2019: £24,281) has been expensed in the statement of comprehensive income.

### 17. FINANCIAL INSTRUMENTS

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. The Directors regularly review and agree policies for managing each of these risks which are summarised below.

#### Market risk

Market risk encompasses three types of risk, being foreign currency exchange risk, interest risk and other price risk. The Group policies for managing interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below. The Directors do not consider the Group's exposure to price risk to be significant. The Group's risk management is coordinated by the Directors and focuses on actively

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

securing the Group's short to medium term cash flows by minimising the exposure to financial markets. The Group does not engage in the trading of financial assets for speculative purposes.

### Credit risk

Credit risk is managed on a Group basis. Credit risk arises principally from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposure to customers including committed transactions and outstanding receivables. The Group reviews its banking arrangements carefully to minimise such risks and currently has no customers and therefore this risk is viewed as minimal. Management monitor loans between members of the Group as part of their internal reporting and assess outstanding receivables for ability to be repaid.

### Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The Group ordinarily finances its activities through cash generated from by private and public offerings of equity and debt securities.

The table below summarises the maturity profile of the Group and Company's financial liabilities based on contractual undiscounted payments:

Group	2020		
	Less than 3 months	3 to 12 months	Total
£			
Trade and other payables	114,257	388,249	502,506
Related party payables	4,670	30,728	35,398
	<u>118,927</u>	<u>418,977</u>	<u>537,904</u>

Company	2020		
	Less than 3 months	3 to 12 months	Total
£			
Trade and other payables	98,232	386,030	484,262
Related party payables	4,670	30,728	35,398
	<u>102,902</u>	<u>416,758</u>	<u>519,660</u>

Due to the nature of the Group, it is difficult to forecast financial liabilities greater than 12 months out as said liabilities are subject to change based upon a multitude of variables.

### Foreign currency risks

The Group operates internationally although the majority of its operations are based in the United Kingdom and the majority of assets and liabilities denominated in Pound Sterling. It therefore is exposed to foreign exchange risk arising from exposure to various currencies primarily the Euro and US Dollar.

The Group monitors currency exchange rates and makes judgments as to whether to enter into currency hedging contracts. Currently no such hedging contracts are in place.

### Sensitivity analysis

A reasonably possible strengthening (weakening) of the Pound Sterling against all other currencies at 31 March would have affected the measurement of the financial instruments denominated in a foreign currency and affected equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant.

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

£

30 March 2020	Profit or loss and equity	
	Strengthening	Weakening
USD (5% movement)	3,091	(3,416)

### Interest rate risk

The Group has limited exposure to interest-rate risk arising from its bank deposits. These deposit accounts are held at variable interest rates based on Allied Irish Bank base rate.

The Directors do not consider the impact of possible interest rate changes based on current market conditions to be material to the net result for the year or the equity position at the year-end for either the year ended 31 March 2020 or 31 March 2019.

### 18. CAPITAL RISK MANAGEMENT

For the purpose of the Group's capital management, capital includes called up share capital, share premium, share based payments for options, share based payments for warrants and all other equity reserves attributable to the equity holders of the parent as reflected in the statement of financial position.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maximise shareholder value through the optimisation of the debt and equity balance.

The Group adjusts its capital structure in light of changes in economic conditions and expected business demands on capital. In order to maintain or adjust its capital structure, the Group considers whether or not to pay dividends and adjusts the amount of any dividend payments to shareholders. The Group may also return capital to shareholders or issue additional shares.

### 19. RELATED PARTY TRANSACTIONS

All related party transactions occurred on an arm's length basis and in the normal course of operations.

#### West African Minerals Limited ("WAML")

WAML is a related party of the Company as it shares a common director, Willy Simon. In 2018, the Company disposed of its Cameroon operations by way of an in specie distribution of all of its shares in Ferrum Resources Limited (renamed West African Minerals Limited) to shareholders. As part of this transaction, the Group had agreed to a deed of release with WAML whereby it agreed to write off \$17,056,070 of loans in exchange for shares in WAML to be distributed as part of the in-specie distribution. A remaining amount of \$3,400,000 is still outstanding from WAML, however, after careful consideration of the operations of WAML and its subsidiaries, the Company decided to impair this receivable down to £nil in 2018 as it does not expect to recover any of this outstanding debt. In addition to the \$3,400,000 outstanding was a working capital loan advance of \$600,000.

During the year ended March 31, 2020, the Group had funded £104,342 (2019: £278,347) towards this \$600,000 loan facility and as at the year-end approximately \$10,000 was still payable under this facility. The amounts funded in the year have been immediately written off as the Group has no reasonable expectation of recovering the contractual cash flows of the loan in its entirety.

#### Tiziana Life Sciences PLC

Tiziana Life Sciences PLC is a related party as it shares common Directors and officers. The Company share premises and other resources with Tiziana Life Sciences PLC and there is a shared services agreement in place between Company and Tiziana Life Sciences PLC. As at 31<sup>st</sup> March 2020, the Company had incurred £92,622 (2019: £98,436) worth of costs in relation to his agreement and at 31<sup>st</sup> March 2020, £35,398 (2019: £5,473) was due to Tiziana Life Sciences PLC.

The Company has also extended a short-term loan facility of £400k to Tiziana Life Sciences PLC with interest payable of 20% per annum, as Tiziana Life Sciences PLC failed to repay the amount owed by the repayment date. In respect of this loan, £17,092 was due as of March 31, 2020.

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## Notes to the consolidated financial statements

for the year ended 31 March 2020

### Panetta Partners Limited

Panetta Partners Limited is a related party as it is a shareholder of the Company and also a vendor. The Company has entered into a Deed of Assignment with Panetta Partners whereby the Company has the licence and sub-licence of certain research and development assets in relation to the Chemerin product, assigned to it.

### 20. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

	2020	2019
<b>(Loss) attributable to equity holders of the Group (£)</b>	<b>(1,214,384)</b>	<b>(3,758,724)</b>
<b>Weighted average number of ordinary shares in issue</b>	<b>595,474,039</b>	<b>513,900,867</b>
<b>Basic loss per share (pence per share)</b>	<b><u>(0.00)</u></b>	<b><u>(0.01)</u></b>

As the Group is reporting a loss from continuing operations for the year then, in accordance with IAS 33, the share options are not considered dilutive because the exercise of the share options would have an anti-dilutive effect. The basic and diluted earnings per share as presented on the face of the Comprehensive statement of income are therefore identical. All earnings per share figures presented above arise from continuing and total operations and therefore no earnings per share for discontinued operations are presented.

### 21. LEASES

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see Note 4. The following policies apply subsequent to the date of initial application, 1 April 2019.

The Group has leases for its offices. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group has one short-term leases or leases of low value assets. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 12). All the right-of-use assets are located in the USA.

<b>Right-of-use assets</b>	<b>31 March 2020</b>
	<b>£</b>
At 1 April 2019	28,645
Additions	-
Depreciation	<u>(4,367)</u>
	<u>24,278</u>

# OKYO Pharma Limited

## Notes to the consolidated financial statements

for the year ended 31 March 2020

<b>Lease Liabilities</b>	<b>31 March 2020</b>
	£
At 1 April 2019	28,645
Additions	-
Interest expense	912
Lease payments	(4,827)
Foreign exchange movements	830
	<u>25,560</u>

Lease liabilities are presented in the statement of financial position as follows:

	<b>31 March 2020</b>	<b>1 April 2019</b>
	£	£
Current	4,106	3,806
Non-current	21,454	24,839
	<u>25,560</u>	<u>28,645</u>

The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at 31 March 2020 were as follows:

	<b>Minimum lease payment due</b>				<b>Total</b>
	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Over 5 years</b>	
<b>31 March 2020</b>					
Lease payments	4,885	9,770	13,434	-	28,089
Finance charges	(779)	(1,143)	(607)	-	(2,529)
Net present values	<u>4,106</u>	<u>8,627</u>	<u>12,827</u>	<u>-</u>	<u>25,560</u>

The total net cash outflow for leases in the year to 31 March 2020 was £4,827.

## 22. COMMITMENTS AND CONTINGENCIES

The Group's main financial commitments relate to the contractual payments in respect of its licensing agreements. Due to the uncertain nature of scientific research and development and the length of time required to reach commercialisation of the products of this research and development, pre-clinical, clinical and commercial milestone obligations are not detailed until there is a reasonable certainty that the obligation will become payable. Contractual commitments are detailed where amounts are known and certain.

- BAM8 – The Group are committed to paying an annual license maintenance fee until the first commercial sale. The annual license maintenance fee is \$15,000 until May 2021, and \$10,000 thereafter.

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## Notes to the consolidated financial statements

*for the year ended 31 March 2020*

### 23. POST BALANCE SHEET EVENTS

On 28 May 2020, the Company announced that further to the announcement made on 23 March 2020, the Company had placed a further 36,269,253 new ordinary shares of no par value in the Company at the placing price of 0.5 pence each to raise £181,346 (before expenses). The Placing Shares were issued with warrants attached on a one-for-one basis, exercisable at a price of 0.55 pence for a period of five years, until 19 May 2024.

On 29 May 2020, the Company announced that it has raised £440,000 through the issue of convertible loan notes ("CLNs"), the proceeds of which will be used for working capital purposes. The CLNs carry an interest rate of 20% compounding and have maximum term of 4 years. The CLNs convert into ordinary shares at a price of 0.4p per share and, if converted, the shares will be issued with a warrant attached at an exercise price of 0.4p (with a maximum life of 5 years from the date of issue of the CLN, regardless of the conversion date). Conversion will be subject to shareholder approval. The CLNs were placed privately with strategic investors.

On 10 June 2020, the Company announced that John Brancaccio had been appointed as a non-executive director of the company with immediate effect. Gregor MacRae simultaneously stood down as a director of the Company with immediate effect.

On 28 July 2020, the Company announced that it had raised £3.5m through the issuance of CLN's. The CLNs carry an interest rate of 2.15% compounding and have maximum term of 4 years. The CLNs convert into ordinary shares at a price of 8.5p per share. Conversion will be subject to shareholder approval and no conversions may take place prior to 28 February 2021.

On 7 August 2020, the Group announced that it was establishing a Scientific Advisory Board to be led by Dr A. James Khodabakhsh MD. His appointment was effective immediately, with the remit to bring together a small group of leaders-in-the-field to review and inform the Company's plans to progress its lead product candidate, Chemerin, to an IND in the indication of dry-eye disease. Dr. James Khodabakhsh specializes in complex surgeries of the eye and is one of the most sought-after surgeons in Los Angeles and is the Medical Director at the Beverly Hills Institute of Ophthalmology.