UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of May 2023

Commission File Number: 001-40299

Achilles Therapeutics plc
(Exact name of registrant as specified in its charter)

245 Hammersmith Road
London W6 8PW
United Kingdom
Tel: +44 (0)20 8154 4600
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

Achilles Therapeutics Reports First Quarter 2023 Financial Results and Recent Business Highlights

On May 10, 2023, Achilles Therapeutics plc ("Achilles" or the "Company") issued a press release, a copy of which is furnished as Exhibit 99.1 to this Current Report on Form 6-K, reporting its financial results for the three month period ended March 31, 2023 and providing an update on recent business highlights. Furnished (i) as Exhibit 99.2 to this Current Report on Form 6-K are the Company's unaudited consolidated financial statements for the three month period ended March 31, 2023 and (ii) as Exhibit 99.3 to this Current Report on Form 6-K is the Management's Discussion and Analysis of Financial Condition and Results of Operations for the three month period ended March 31, 2023.

The statements contained in this "Achilles Therapeutics Reports First Quarter 2023 Financial Results and Recent Business Highlights" section of this Current Report on Form 6-K and the information contained in Exhibits 99.1 and 99.2 shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not incorporated by reference into any of the Company's filings under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, except as shall be expressly set forth by specific reference in any such filing.

INDEX TO EXHIBITS

Number	Description
99.1	Press Release of Achilles Therapeutics plc dated May 10, 2023.
99.2	Unaudited Condensed Consolidated Financial Statements of Achilles Therapeutics plc for the three month period ended March 31, 2023.
99.3	Management's Discussion and Analysis of Financial Condition and Results of Operations of Achilles Therapeutics plc for the three month period ended March 31, 2023.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACHILLES THERAPEUTICS PLC

Date: May 10, 2023

By: /s/ Robert Coutts
Robert Coutts
Chief Financial Officer

Achilles Therapeutics Reports First Quarter 2023 Financial Results and Recent Business Highlights

- Phase I/IIa clinical trials in NSCLC and melanoma progressing with additional clinical and translational science data expected in the fourth quarter of 2023 -

- Strong cash position of $158.5 million supports operations into mid-2025 -

London, UK 10 May 2023 – Achilles Therapeutics plc (NASDAQ: ACHL), a clinical-stage biopharmaceutical company developing AI-powered precision T cell therapies targeting clonal neoantigens to treat solid tumors, today announced its financial results for the first quarter ended March 31, 2023, and recent business highlights.

"We continue to make progress in our ongoing Phase I/IIa clinical trials evaluating our clonal neoantigen-reactive T cell (cNeT) therapy for the treatment of advanced NSCLC (CHIRON) and metastatic malignant melanoma (THETIS). Additionally, we continue to further develop PELEUS™, our patented AI-driven bioinformatics platform, that uses multi-region sequencing analysis to provide what we believe is the best method to accurately identify clonal neoantigens," said **Dr Iraj Ali, Chief Executive Officer of Achilles Therapeutics.** "We are excited about the new AI immunogenicity prediction capability of the PELEUS™ platform and are very pleased with the recent grants of a US patent and MHRA Innovation Passport. We look forward to sharing more about the PELEUS™ platform at an upcoming scientific meeting and reporting additional clinical and translational science data in the fourth quarter of this year, which builds on the encouraging clinical results observed so far."

Business Highlights

- Announced that the new neoantigen immunogenicity prediction application of the PELEUS™ platform can uniquely identify the most potent clonal neoantigens for personalized cancer therapies, supporting potential implementation into the Company's ongoing TIL-based clinical programs in advanced non-small cell lung cancer (NSCLC) and melanoma, and into other modalities including clonal neoantigen cancer vaccines
- US patent number 11,634,773 granted covering the treatment of patients with an immunotherapy targeting neoantigens based on tumor HLA status
- Innovation Passport granted for the treatment of NSCLC under the Innovative Licensing and Access Pathway (ILAP) by the Medicines and Healthcare products Regulatory Agency (MHRA), the regulatory body of the United Kingdom (UK), which aims to accelerate time to market and facilitate patient access to medicines in the UK for

life-threatening or seriously debilitating conditions by providing the opportunity for enhanced regulatory and other stakeholder input during development

Financial Highlights

- **Cash and cash equivalents:** Cash and cash equivalents were $158.5 million as of March 31, 2023, as compared to $173.3 million as of December 31, 2022. The Company anticipates that its cash and cash equivalents are sufficient to fund its planned operations into the middle of 2025.
- **Research and development (R&D) expenses:** R&D expenses were $13.9 million for the first quarter ended March 31, 2023, an increase of $0.9 million compared to $13.0 million for the first quarter ended March 31, 2022. The increase was primarily driven by increased activity related to our ongoing clinical trials, as well as spend associated with expansion of our manufacturing capacity and enhancements to PELEUS™ and VELOS™.
- **General and administrative (G&A) expenses:** G&A expenses were $4.7 million for the first quarter ended March 31, 2023, a decrease of $1.3 million compared to $6.0 million for the first quarter ended March 31, 2022. This decrease was primarily driven by lower personnel costs.
- **Net loss:** Net loss for the first quarter ended March 31, 2023 was $17.5 million or $0.44 per share compared to $17.4 million or $0.45 per share for the first quarter ended March 31, 2022.

2023 Focus

- **Clinical Data:** Report clinical and translational science data from 15 to 20 additional patients treated with cNeT monotherapy in NSCLC and melanoma, and with a cNeT/anti-PD-1 checkpoint inhibitor combination in melanoma, in the fourth quarter of the year
- **Translational Science:** Leverage the Company's world-class translational science platform to define the cNeT product features associated with clinical responses
- **Clinical Activity**: Drive the potential for additional confirmed responses in CHIRON and THETIS patients by delivering higher cNeT doses and improved product design
- **Manufacturing Development:** Continue VELOS™ and PELEUS™ development to optimize cNeT dose and functionality

About Achilles Therapeutics

Achilles is a clinical-stage biopharmaceutical company developing AI-Powered precision T cell therapies targeting clonal neoantigens: protein markers unique to the individual that are expressed on the surface of every cancer cell. The Company has two ongoing Phase I/IIa trials, the CHIRON trial in patients with advanced non-small cell lung cancer (NSCLC) and the THETIS trial in patients with recurrent or metastatic melanoma. Achilles uses DNA sequencing data from each patient, together with its proprietary PELEUS™ bioinformatics platform, to identify clonal neoantigens specific to that patient, and then develop precision T cell-based product candidates specifically targeting those clonal neoantigens.

About Innovation Passport and ILAP

ILAP was launched by the MHRA in January 2021 with an aim to accelerate the development of and facilitate patient access to medicines. The Innovation Passport is granted by the UK's ILAP Steering Group, which consists of representatives from MHRA, the National Institute for Health and Care Excellence (NICE), the Scottish Medicines Consortium (SMC), the All Wales Therapeutics and Toxicology Centre (AWTTC) and the National Health Service (NHS) England. It is the first step in the ILAP process and awarded to companies developing therapies with the potential to offer significant benefit to patients who have conditions that are life-threatening or seriously debilitating. Additional information is available on the UK government website.

Forward Looking Statements

This press release contains express or implied forward-looking statements that are based on our management's belief and assumptions and on information currently available to our management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events or our future operational or financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The forward-looking statements in this press release represent our views as of the date of this press release. We anticipate that subsequent events and developments will cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. You should therefore not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this press release.

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ACHILLES THERAPEUTICS PLC
Condensed Consolidated Balance Sheets (Unaudited)
(in thousands, except share and per share amounts)
(expressed in U.S. Dollars, unless otherwise stated)

	March 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 158,460	$ 173,338
Prepaid expenses and other current assets	26,802	23,242
Total current assets	185,262	196,580
Non-current assets:		
Property and equipment, net	11,800	12,399
Operating lease right of use assets	7,216	8,081
Deferred tax assets	185	251
Restricted cash	33	33
Other assets	3,139	3,014
Total non-current assets	22,373	23,778
TOTAL ASSETS	$ 207,635	$ 220,358
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,650	$ 5,187
Income taxes payable	304	326
Accrued expenses and other liabilities	5,955	8,292
Operating lease liabilities-current	4,038	4,188
Total current liabilities	17,947	17,993
Non-current liabilities:		
Operating lease liabilities-non-current	3,563	4,388
Other long-term liability	954	933
Total non-current liabilities	4,517	5,321
Total liabilities	22,464	23,314
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Ordinary shares, £0.001 par value; 40,938,453 and 40,932,727 shares authorized, issued and outstanding at March 31, 2023 and December 31, 2022, respectively	54	54
Deferred shares, £92,451.851 par value, one share authorized, issued and outstanding at March 31, 2023 and December 31, 2022	128	128
Additional paid in capital	410,500	408,844
Accumulated other comprehensive loss	(17,718)	(21,695)
Accumulated deficit	(207,793)	(190,287)
Total shareholders' equity	185,171	197,044
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 207,635	$ 220,358

ACHILLES THERAPEUTICS PLC
Consolidated Statements of Operations and Comprehensive Loss (Unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2023	**2022**
OPERATING EXPENSES:		
Research and development	$ 13,868	$ 13,014
General and administrative	4,685	5,955
Total operating expenses	18,553	18,969
Loss from operations	(18,553)	(18,969)
OTHER INCOME, NET:		
Other income (expense)	1,091	1,629
Total other income, net	1,091	1,629
Loss before provision for income taxes	(17,462)	(17,340)
Provision for income taxes	(44)	(15)
Net loss	(17,506)	(17,355)
Other comprehensive income:		
Foreign exchange translation adjustment	3,977	(7,677)
Comprehensive loss	$ (13,529)	$ (25,032)
Net loss per share attributable to ordinary shareholders—basic and diluted	$ (0.44)	$ (0.45)
Weighted average ordinary shares outstanding—basic and diluted	39,732,186	38,891,822

Exhibit 99.2

INDEX TO FINANCIAL STATEMENTS

ACHILLES THERAPEUTICS PLC

Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except share and per share amounts)

(expressed in U.S. Dollars, unless otherwise stated)

	March 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 158,460	$ 173,338
Prepaid expenses and other current assets	26,802	23,242
Total current assets	185,262	196,580
Non-current assets:		
Property and equipment, net	11,800	12,399
Operating lease right of use assets	7,216	8,081
Deferred tax assets	185	251
Restricted cash	33	33
Other assets	3,139	3,014
Total non-current assets	22,373	23,778
TOTAL ASSETS	$ 207,635	$ 220,358
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,650	$ 5,187
Income taxes payable	304	326
Accrued expenses and other liabilities	5,955	8,292
Operating lease liabilities-current	4,038	4,188
Total current liabilities	17,947	17,993
Non-current liabilities:		
Operating lease liabilities-non-current	3,563	4,388
Other long-term liability	954	933
Total non-current liabilities	4,517	5,321
Total liabilities	22,464	23,314
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Ordinary shares, £0.001 par value; 40,938,453 and 40,932,727 shares authorized, issued and outstanding at March 31, 2023 and December 31, 2022, respectively	54	54
Deferred shares, £92,451.851 par value, one share authorized, issued and outstanding at March 31, 2023 and December 31, 2022	128	128
Additional paid in capital	410,500	408,844
Accumulated other comprehensive loss	(17,718)	(21,695)
Accumulated deficit	(207,793)	(190,287)
Total shareholders' equity	185,171	197,044
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 207,635	$ 220,358

The accompanying notes are an integral part of these financial statements.

ACHILLES THERAPEUTICS PLC

Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2023	**2022**
OPERATING EXPENSES:		
Research and development	$ 13,868	$ 13,014
General and administrative	4,685	5,955
Total operating expenses	18,553	18,969
Loss from operations	(18,553)	(18,969)
OTHER INCOME, NET:		
Other income (expense)	1,091	1,629
Total other income, net	1,091	1,629
Loss before provision for income taxes	(17,462)	(17,340)
Provision for income taxes	(44)	(15)
Net loss	(17,506)	(17,355)
Other comprehensive income:		
Foreign exchange translation adjustment	3,977	(7,677)
Comprehensive loss	$ (13,529)	$ (25,032)
Net loss per share attributable to ordinary shareholders—basic and diluted	$ (0.44)	$ (0.45)
Weighted average ordinary shares outstanding—basic and diluted	39,732,186	38,891,822

The accompanying notes are an integral part of these financial statements.

ACHILLES THERAPEUTICS PLC

Condensed Consolidated Statements of Shareholders' Equity

(unaudited)

(in thousands, except share amounts)

	Ordinary $0.001 par value		Deferred shares		Additional paid-in	Accumulated other comprehensive	Accumulated	
	Shares	Amount	Shares	Amount	capital	income (loss)	deficit	Total
Balance at December 31, 2022	40,932,727	$ 54	1	$ 128	$ 408,844	$ (21,695)	$ (190,287)	$ 197,044
Issuance of ordinary shares under employee share purchase plan	5,726	—	—	—	4	—	—	4
Share-based compensation expense	—	—	—	—	1,652	—	—	1,652
Unrealized gain on foreign currency translation	—	—	—	—	—	3,977	—	3,977
Net loss	—	—	—	—	—	—	(17,506)	(17,506)
Balance at March 31, 2023	40,938,453	$ 54	1	$ 128	$ 410,500	$ (17,718)	$ (207,793)	$ 185,171

	Ordinary $0.001 par value		Deferred shares		Additional paid-in	Accumulated other comprehensive	Accumulated	
	Shares	Amount	Shares	Amount	capital	income (loss)	deficit	Total
Balance at December 31, 2021	40,603,489	$ 54	1	$ 128	$ 401,821	$ 6,636	$ (119,111)	$ 289,528
Issuance of ordinary shares	150,738	—		—	—	—	—	-
Share-based compensation Expense	—	—	—	—	1,959	—	—	1,959
Unrealized loss on foreign currency translation	—	—	—	—	—	(7,677)	—	(7,677)
Net loss	—	—	—	—	—	—	(17,355)	(17,355)
Balance at March 31, 2022	40,754,227	$ 54	1	$ 128	$ 403,780	$ (1,041)	$ (136,466)	$ 266,455

The accompanying notes are an integral part of these financial statements.

ACHILLES THERAPEUTICS PLC

Condensed Consolidated Statements of Cash Flows

(unaudited)

(in thousands)

	Three Months Ended March 31,	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (17,506)	$ (17,355)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	1,108	1,053
Changes in right of use assets and operating lease liabilities, net	(122)	(370)
Loss on impairment	16	—
Gain on disposal of property and equipment	—	(11)
Non-cash (gain) loss on foreign currency remeasurement	(3)	5
Non-cash share-based compensation	1,652	1,959
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	(2,997)	(4,052)
Accounts payable	2,421	423
Income taxes payable	(22)	15
Accrued expenses and other liabilities	(2,392)	(2,070)
Deferred tax assets	65	—
Other assets	(73)	(232)
Net cash used in operating activities	(17,853)	(20,635)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(454)	(1,862)
Net cash used in investing activities	(454)	(1,862)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of shares under the employee share purchase plan	1	—
Net cash used in financing activities	1	—
Effect of exchange rate changes on cash, cash equivalents and restricted cash	3,428	(6,891)
Net decrease in cash, cash equivalents and restricted cash	(14,878)	(29,388)
Cash, cash equivalents and restricted cash, beginning of period	173,371	266,352
Cash, cash equivalents and restricted cash, end of period	$ 158,493	$ 236,964
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Right of use assets obtained in exchange for new operating lease liabilities	$ 32	$ 1,354
Property and equipment purchases in accrued expenses	$ 472	$ 1,006
Deferred offering costs included in accrued expenses	$ —	$ 230

The following table provides a reconciliation of the cash, cash equivalents and restricted cash balances as of each of the periods, shown above:

	Three Months Ended March 31,	
	2023	**2022**
Cash and cash equivalents	$ 158,460	$ 236,931
Restricted cash	33	33
Total cash, cash equivalents and restricted cash	158,493	236,964

The accompanying notes are an integral part of these financial statements.

1. Nature of the business

Achilles Therapeutics plc (formerly Achilles TX Limited) and subsidiaries, or the Company, is a biopharmaceutical company developing AI-powered precision T cell therapies targeting clonal neoantigens to treat solid tumors. The Company is focused on advancing immuno-oncology therapeutics by exploiting its pioneering work in the field of tumor evolution and clonal neoantigens.

The Company is a public limited company originally incorporated pursuant to the laws of England and Wales in November 2020 as a private limited company named Achilles TX Limited, with nominal assets and liabilities, for the purposes of becoming the ultimate holding company for Achilles Therapeutics UK Limited (formerly Achilles Therapeutics Limited). Achilles Therapeutics UK Limited was incorporated in May 2016 under the laws of England and Wales and its registered office and principal place of business is currently 245 Hammersmith Road, London W6 8PW. Achilles TX Limited and Achilles Therapeutics Holdings Limited (a wholly owned direct subsidiary of Achilles TX Limited formed in November 2020 for the purpose of becoming the direct holding company of Achilles Therapeutics UK Limited and Achilles Therapeutics US, Inc.) have not conducted any operations prior to the corporate reorganization other than activities incidental to their formation.

The Company has devoted its efforts principally to research and development since formation. The Company has not yet completed product development, filed for or obtained regulatory approvals for any products, nor verified the market acceptance and demand for such products. As a result, the Company is subject to risks that are common to emerging companies in the biotech industry, including the uncertainties of the product discovery and development process, dependence on key individuals, development of the same or similar technological innovations by the Company's competitors, protection of proprietary technology, compliance with government regulations and approval requirements, the Company's ability to access capital and uncertainty of market acceptance of products.

Going concern

The Company has historically been loss making and anticipates that it will continue to incur losses for the foreseeable future and had an accumulated deficit of $207.8 million as of March 31, 2023. The Company has funded these losses principally through the issuance of ordinary and preferred shares. The Company expects to continue to incur operating losses and negative cash outflows until such time as it generates a level of revenue that is sufficient to support its cost structure.

The spread of the coronavirus has impacted the global economy and has impacted the Company's operations, including the interruption of preclinical and clinical trial activities and potential interruption to supply chains. The Company has maintained operations at its GMP manufacturing and research and development sites through the coronavirus pandemic to date. The Company continues to assess the impact the coronavirus may have on its ability to advance the development of drug candidates or to raise financing to support the development of drug candidates, but no assurances can be given that this analysis will enable it to avoid part or all of any impact from the spread of the coronavirus or its consequences, including downturns in business sentiment generally or in its sector in particular. Further, disruption of global financial markets and a recession or market correction, including as a result of the coronavirus, the ongoing military conflict between Russia and Ukraine and the related sanctions imposed against Russia, and other global macroeconomic factors such as inflation, increases in commodity prices, energy and fuel prices, credit and capital markets instability and supply chain interruptions could reduce our ability to access capital, which could, in the future, negatively affect our business and the value of our common shares.

As of March 31, 2023, the Company had cash and cash equivalents of $158.5 million. The Directors have reviewed the financial projections of the Company for the 12 months subsequent to the date of issuance of these financial statements including consideration of severe but plausible scenarios that may affect the Company in that period. These show that the Company will be able to pay (or otherwise discharge) its debts as they fall due immediately following the date of signing of this Balance Sheet and for the period considered by the forecast.

Accordingly, the financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and settlement of liabilities and commitments as they fall due in the ordinary course of business for at least 12 months from the date of issuance of the financial statements.

2. Summary of significant accounting policies

The Company's significant accounting policies are described in Note 2, Summary of Significant Accounting Policies, to the financial statements for the year ended December 31, 2022 in the Form 20-F filed with the Securities and Exchange Commission, or the "SEC", on March 7, 2023. There have been no material changes to the significant accounting policies during the three months ended March 31, 2023, except as described below.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America or U.S. GAAP.

The unaudited condensed consolidated interim financial statements have been prepared on the same basis as the audited annual consolidated financial statements as of and for the year ended December 31, 2022, and, in the opinion of management, reflect all adjustments, consisting of normal recurring adjustments, necessary for the fair statement of the Company's financial position as of March 31, 2023, the results of its operations and comprehensive loss for the three months ended March 31, 2023, its statements of shareholders' equity for the three months ended March 31, 2023 and 2022 and its statements of cash flows for the three months ended March 31, 2023 and 2022.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted from these interim financial statements. However, these interim financial statements include all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of management, necessary to fairly state the results of the interim period. The results for the three months ended March 31, 2023 are not necessarily indicative of the results to be expected for the year ended December 31, 2023, any other interim periods, or any future year or period. The balance sheet information as of December 31, 2022, was derived from the audited financial statements included in the Company's Form 20-F filed with the SEC on March 7, 2023. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2022, and the notes thereto, which are included elsewhere in the Company's Form 20-F filed with the SEC on March 7, 2023.

3. Fair Value of Financial Instruments

The following tables show assets measured at fair value on a recurring basis as of March 31, 2023 and December 31, 2022 (in thousands):

	March 31, 2023		
	Level 1	**Level 2**	**Level 3**
Cash equivalents:			
Money market funds	$ 65,738	$ —	$ —
Total	$ 65,738	$ —	$ —

	December 31, 2022		
	Level 1	**Level 2**	**Level 3**
Cash equivalents:			
Money market funds	$ 51,901	$ —	$ —
Total	$ 51,901	$ —	$ —

There were no liabilities measured at fair value on a recurring basis as of March 31, 2023 and December 31, 2022.

4. Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	March 31, 2023	December 31, 2022
U.K. R&D tax credit	$ 19,296	$ 15,232
Prepaid research and development	3,362	3,473
Prepaid insurance	350	1,151
VAT recoverable	777	771
Other current assets	3,017	2,615
	$ 26,802	$ 23,242

5. Property and equipment, net

Property and equipment, net consisted of the following (in thousands):

	March 31, 2023	December 31, 2022
Lab equipment	$ 9,211	$ 8,707
Leasehold improvements	9,119	8,929
Office equipment and computers	1,610	1,577
Fixtures and fittings	1,062	1,040
Assets under construction	-	-
	21,002	20,253
Less: Accumulated depreciation	(9,202)	(7,854)
	$ 11,800	$ 12,399

Depreciation expense was $1.1 million and $1.1 million for the three months ended March 31, 2023 and 2022, respectively. For the year ended December 31, 2022, the Company recognized an impairment loss of $6.7 million in assets under construction primarily related to costs associated with the detailed design of a flexible GMP modular facility in west London. Due to challenging economic and market conditions, the Company has mothballed the construction of the facility and project.

6. Accrued expenses and other liabilities

Accrued expenses and other liabilities consisted of the following (in thousands):

	March 31, 2023	December 31, 2022
Compensation and benefits	$ 1,361	$ 2,972
External research and development expenses	2,188	2,188
Facility costs	326	910
Professional services	653	795
Property and equipment	142	217
Other liabilities	1,285	1,210
	$ 5,955	$ 8,292

7. Shareholders' equity

Ordinary shares

As of March 31, 2023 and December 31, 2022, the Company had the following number of ordinary shares with a par value £0.001 (equivalent to $0.001) issued and outstanding:

	March 31, 2023	December 31, 2022
Ordinary shares	39,322,086	39,316,360
Class A non-voting ordinary shares	1,616,367	1,616,367
Deferred Shares	1	1
Total ordinary and deferred shares	40,938,454	40,932,728

On the completion of the initial public offering, or "IPO", on April 6, 2021, all the Employee Shares, Convertible Preferred Shares (see below) and B ordinary shares were converted into ordinary shares or Class A non-voting ordinary shares. Class A non-voting ordinary shares have the same rights and privileges as ordinary shares, except for the voting rights.

As of March 31, 2023, the Company has not declared any dividends.

***Deferred* shares**

On April 6, 2021, all the deferred shares were cancelled. In addition, a single deferred share with a nominal value of £92,451.85 in the capital of the Company was created as part of the Company's reorganization. As of March 31, 2023, the Company had one deferred share which could be repurchased at any time by the Company for nil consideration.

8. Share-based compensation

2020 Share Omnibus Plan

Under the Company's shareholder and subscription agreements, which were effective until the date of IPO, the Company was authorized to grant equity awards to individuals including a director of and/or a person who is employed by or who directly or indirectly provides consultancy services to the Company, in the form of D, E, F, G, H, I, J, K, L, M and N ordinary shares, collectively referred to as Employee Shares and share options. All Employee Shares converted into ordinary shares in accordance with the reverse share split implemented on IPO. The share options were granted pursuant to the terms of the 2020 Share Omnibus Plan, or the 2020 Plan.

Upon and following closing of the IPO, no further equity awards were granted under the 2020 Plan. To the extent outstanding options granted under the 2020 Plan are cancelled, forfeited or otherwise terminated without being exercised and would otherwise have been returned to the share reserve under the 2020 Plan, the number of shares underlying such awards will be available for future grant under the Company's 2021 Omnibus Plan (see below). In anticipation of IPO, the holders of Employee Shares and the Company entered into individual vesting agreements, or Vesting Agreements, which apply the same terms to vesting of Employee Shares as applied prior to IPO under the Company's pre-IPO Articles of Association, except that following the IPO Employee Shares that would pre-IPO have converted to deferred shares, will be transferred back to the Company and cancelled within three years of an employee leaving the Company.

2021 Share Omnibus Plan

In March 2021, the Company's board of directors adopted, and the Company's shareholders approved, the 2021 Share Omnibus Plan, or the 2021 Plan, which became effective upon the effectiveness of the Company's Registration Statement on Form F-1 in connection with the IPO. The 2021 Plan allows the remuneration committee to make equity-based and cash-based incentive awards to our officers, employees, directors and other key persons (including consultants).

The Company committee initially reserved 2,572,558 of its ordinary shares for the issuance of awards under the 2021 Plan. The 2021 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each January 1, beginning on January 1, 2022, by 4% of the outstanding number of ordinary shares on the immediately preceding December 31, or such lesser number of shares as determined by our remuneration committee. This number is subject

to adjustment in the event of a sub-division, consolidation, share dividend or other change in our capitalization. The total number of ordinary shares that may be issued under the 2021 Plan was 5,834,006 shares as of March 31, 2023, of which 1,065,151 shares remained available for future grant after taking into account options granted and adding back forfeitures in the period.

2021 Employee Share Purchase Plan

The Company's 2021 Employee Share Purchase Plan, or ESPP, was adopted by the Board in March 2021 and approved by shareholders in March 2021 and became effective upon the effectiveness of the Company's Registration Statement on Form F-1 in connection with the IPO. The ESPP initially reserved and authorized the issuance of up to a total of 467,738 ordinary shares to participating employees. The ESPP provides that the number of shares reserved and available for issuance will automatically increase each January 1, beginning on January 1, 2022 and each January 1 thereafter through January 1, 2022, by the least of: (i) 1% of the outstanding number of ordinary shares on the immediately preceding December 31; (ii) 467,738 ordinary shares or (iii) such number of shares as determined by the remuneration committee. The number of shares reserved under the ESPP is subject to change in the event of a share split, share dividend or other change in our capitalization. The purpose of the ESPP is to: (i) provide U.S. employees the opportunity to purchase ordinary shares or ADSs at 85% of the fair market value of the ADSs on the offering date or the exercise date, whichever is lower, and (ii) provide UK-based employees with ordinary shares or ADSs under the SIP Plan as further discussed below.

The total number of ordinary shares that may be issued under the ESPP was 877,065 shares as of March 31, 2023. The initial purchase period under the ESPP commenced in February 2022. The Company estimated the fair value of the option component of the ESPP at the date of grant using a Black-Scholes valuation model. During the three months ended March 31, 2023, the compensation expense from ESPP shares was less than $0.1 million.

2021 Share Incentive Plan

The Achilles Therapeutics plc Share Incentive Plan, or SIP Plan is a sub plan of the ESPP. This SIP Plan is an HMRC approved Plan for UK tax-paying employees. Under the SIP Plan, eligible employees can receive "Free Shares" within HMRC guidelines, purchase ordinary shares from the market, or Partnership Shares, as well as receive "Matching Shares" which are issued without any consideration payment in connection with an acquisition of Partnership Shares (collectively referred to as "SIP Shares"). For any award of Matching Shares, the renumeration committee must specify the ratio of Matching Shares to Partnership Shares. Under HMRC rules, the ratio determined by the renumeration committee must not exceed two Matching Shares for every Partnership Share.

There is no minimum service condition on the Partnership Shares, and the participants can sell/transfer the shares after their acquisition from the market. There is a minimum service condition for the Free and Matching Shares that requires the participants to provide continuing service for at least 36 months from the date of grant. If the participants are no longer with the Company or its subsidiaries before the completion of 36 months' service (with the relevant date determined as the last day of employment), the Free and Matching Shares generally will be 100% forfeited and available for future issuance.

During the three months ended March 31, 2023, 27,638 shares were issued under the ESPP, including SIP shares. This reduced the number of shares reserved and available to grant under the ESPP to 540,477 shares available to grant as of March 31, 2023.

Employee Shares and SIP Shares

Prior to the IPO, the Company typically granted shares which vested over a four-year service period with 25% of the award vesting on the first anniversary of the vesting commencement date, and the balance vesting periodically over the remaining three years.

Post IPO, the Company typically grants SIP Shares under the SIP Plan. SIP Shares effectively vest in full on the third anniversary of the service commencement date.

Unvested Employee Shares are forfeited upon the termination of employment or service relationship in accordance with the process set out in the Articles of the Company prior to IPO, and in accordance with the process set out in the Vesting Agreements post-IPO and 2020 Plan, or in the case of the SIP Plan, SIP shares in accordance with the rules of the SIP Plan. Before IPO, the forfeited shares were converted into deferred shares, with a repurchase right for a nominal amount in favor of the Company. As of December 31, 2020, the Company repurchased 1,509,384 deferred shares for consideration of £0.01 to each holder for all of the deferred shares held by that holder. As part of the Company's reorganization, 109,058 outstanding

deferred shares in existence immediately before the IPO were cancelled upon the IPO, and a single deferred share with a nominal value of £92,451.851 in the capital of the Company was created. As of March 31, 2023, the Company had one deferred share which could be repurchased by the Company at any time for nil consideration. SIP shares forfeited under the rules of the SIP Plan are made available under the ESPP for future issuances. In accordance with the relevant Vesting Agreements, in 2022 we cancelled 6,036 shares that were held by employees who left employment with the Company since the IPO.

The Company measures all share-based awards using the fair value on the date of grant and recognizes compensation expense for those awards over the requisite service period, which is generally the vesting period of the respective award. The Company has granted Employee Shares to employees and non-employees with service-based conditions and SIP Shares to employees with service-based conditions, and in both cases records expense for these awards using the straight-line method.

A summary of the changes in the Company's unvested ordinary shares from December 31, 2022 through March 31, 2023 are as follows:

	Number of unvested ordinary shares	Weighted average grant date fair value
Unvested ordinary shares as of December 31, 2022	1,294,803	$ 4.89
Granted	21,180	1.49
Vested	(167,578)	5.85
Forfeited	(10,867)	2,90
Unvested ordinary shares as of March 31, 2023	1,137,538	$ 5.84

As of March 31, 2023, there was $5.2 million of unrecognized compensation cost related to unvested Employee Shares outstanding, which is expected to be recognized over a weighted-average period of 1.6 years.

Share Options

The following table summarizes the Company's share options activity for the three months ended March 31, 2023:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2022	2,993,641	$ 6.18	8.51	$ 150
Granted	2,142,600	$ 1.19		
Exercised	—			
Forfeited	(2,844)	$ 9.50		
Outstanding as of March 31, 2023	5,133,397	$ 4.18	8.92	$ 160
Exercisable as of March 31, 2023	993,161	$ 8.38	7.57	
Unvested as of March 31, 2023	4,139,976	$ 3.18	9.25	$ 160

The weighted average grant-date fair value of share options granted during the three months ended March 31, 2023 was $0.80 per share, respectively.

As of March 31, 2023, there was $6.8 million of unrecognized compensation cost related to share options outstanding, which is expected to be recognized over a weighted-average period of 2.8 years.

Share Option Valuation

The weighted-average assumptions used in the Black-Scholes option pricing model to determine the fair value of the share options granted to employees during the three months ended March 31, 2023 and 2022, respectively, were as follows:

	Three Months Ended March 31,	
	2023	**2022**
Expected term (in years)	$ 6.08	$ 6.07
Expected volatility	72.49%	69.30%
Expected dividend yield	0.00%	0.00%
Risk free interest rate	3.47%	1.69%
Fair value of underlying ordinary shares	$ 1.19	$ 3.40

Share-based Compensation Expense

Share-based compensation expense recorded is as follows (in thousands):

	Three Months Ended March 31,	
	2023	**2022**
Research and development	$ 885	$ 1,039
General and administrative	767	920
	$ 1,652	$ 1,959

9. Leases

As of March 31, 2023, the Company had ten operating leases of real property for office and laboratory use, for which the Company recorded right-of-use assets and lease liabilities as of the ASU 2016-02 effective date or lease commencement date, if later. In addition, three of the Company's leases met the short-term exception, having lease terms of 12 months or less, and are therefore not recorded on the Company's balance sheet. The Company's leases do not include purchase options. Where the Company's leases contain options to extend the lease term, the extended lease term is only included in the measurement of the lease when it is reasonably certain to remain in the lease beyond the non-cancelable term. The Company's leases contain variable lease costs, which pertain to common area maintenance and other operating charges, that are expensed as incurred.

Summary of lease costs recognized under ASU 2016-02

The following table contains a summary of the lease costs recognized under ASU 2016-02 and other information pertaining to the Company's operating leases for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	**2022**
Lease cost		
Operating lease cost	$ 1,139	$ 1,198
Variable lease cost	1,336	1,143
Short-term lease cost	73	75
	$ 2,548	$ 2,416
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in operating leases	$ 1,260	$ 1,268
Right of use assets obtained in exchange for new operating lease liabilities	$ 32	$ 1,354
Weighted average remaining lease term (in years)	2.1	2.9
Weighted average discount rate	5.17%	4.77%

Pursuant to the terms of the Company's non-cancelable lease agreements in effect at March 31, 2023, the following table summarizes the Company's maturities of operating lease liabilities as of March 31, 2023:

	March 31, 2023
Operating lease liabilities payment	
2023	$ 3,352
2024	3,402
2025	1,265
Total lease payments	$ 8,019
Less: imputed interest	(418)
Present value of lease liability	$ 7,601

10. License agreements

CRT license

In May 2016, the Company entered into a License Agreement, or the License Agreement, with Cancer Research Technology Limited, or CRT, pursuant to which the Company obtained access rights to intellectual property and know-how from the TRACERx Study. Under the License Agreement, the Company is granted an exclusive, sublicensable license to the TRACERx patents and bioinformatic data for use in: (i) the therapeutic field of neoantigen cell therapies and adoptive cell transfer; and (ii) the neoantigen diagnostic field, for use in research and the potential development of products for commercialization. The Company is further granted, during the vaccine option period, an exclusive license to the TRACERx patents and the bioinformatic data in the private neoantigen therapeutic vaccine field for research and development but not in the development of products for commercial sale, and a non-exclusive license to the same in the public neoantigen therapeutic vaccine field. The Company also obtained a non-exclusive license to the TRACERx bioinformatic pipeline, patient sequencing and medical data, know-how, and materials.

CRT additionally granted the Company certain rights to new patent applications filed by the Founding Institutions in respect of inventions resulting from the TRACERx study through February 2023, including automatic exclusive licenses to patent rights relating to non-severable improvements of technology covered by the original TRACERx patents and non-exclusive rights to severable improvements.

In July 2017, the Company obtained a non-exclusive license to the LOHHLA patent under the License Agreement. In October 2018, the Company obtained an exclusive license to the LOHHLA patent under an addendum to the License Agreement. Under the License Agreement, the Company holds an option to exploit products in the therapeutic vaccine field (the "Vaccine Option"). In March 2021, the Company extended the Vaccine Option from May 2021 to May 2023 with a payment of less than £0.1 million or $0.1 million. On May 4, 2023, the Company exercised the Vaccine Option. No payment was due to CRT for the Company to exercise the Vaccine Option.

Upon execution of the License Agreement the Company granted CRT 396,125 B ordinary shares and 67,793 C ordinary shares. The C ordinary shares granted to CRT were forfeited and transferred to the deferred shares during the year ended December 31, 2019, as the applicable performance conditions were not met. The B ordinary shares granted to CRT were converted into ordinary shares upon the IPO. The Company recorded $0.3 million of IP research and development expense in 2016. The Company is obligated to pay CRT milestone success payments up to an aggregate of £6.5 million for therapeutic products, and milestone success payments up to an aggregate £0.8 million for non-therapeutic products, as well as sub-single digit to low-single digit percentage royalty on net sales of products that utilize the licensed intellectual property, subject to certain customary reductions. The royalty obligations continue on a product-by-product and country-by-country basis until the later of: (i) the date there ceases to be a valid patent claim covering such product in the country in which it is sold; or (ii) with respect to contribution royalty products, ten years from the first commercial sale of the product, and with respect to a patent royalty product, five years from the first commercial sale of the product. On a product-by-product basis, the Company may also elect to provide other cash consideration at fair market value and forgo the milestone or royalty payment.

Unless terminated earlier, the term of the agreement continues until the later of the expiration of the royalty term in each country and such time as no further milestone payments are due, and upon such termination, the licenses granted shall become fully-paid, royalty-free, irrevocable, and perpetual. The Company has the right to terminate the license agreement for convenience in its entirety upon 90 days' notice. Each party may terminate the agreement if the other party is in material breach subject to a 90 day remedy period. The Company has the right to acquire ownership of the TRACERx patents upon either: (i) the

occurrence of a royalty product for use in the therapeutic field; (ii) CRT shareholders cease to hold any ordinary shares in the Company; (iii) the Company undergoes an initial public offering; or (iv) the Company is acquired by a third party for more than £25.0 million. Upon its IPO, the Company gave notice to CRT to exercise the option to acquire the TRACERx patents with no consideration in accordance with the terms of the License Agreement. The acquisition was not finalized as of March 31, 2023.

Less than $0.1 million of expenses were recorded for the three months ended March 31, 2023 and 2022, respectively, related to the CRT License Agreement.

11. Net loss per share

Basic and diluted net loss per share attributable to ordinary shareholders was calculated as follows (in thousands, except share and per share amounts):

	Three Months Ended March 31,	
	2023	**2022**
Numerator		
Net loss	$ (17,506)	$ (17,355)
Net loss attributable to ordinary shareholders—basic and diluted	$ (17,506)	$ (17,355)
Denominator		
Weighted-average number of ordinary shares used in net loss per share—basic and diluted	39,732,186	38,891,822
Net loss per share—basic and diluted	$ (0.44)	$ (0.45)

The Company's potentially dilutive securities, which include warrants to purchase ordinary shares, unvested Employee Shares and Convertible Preferred Shares, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted-average number of ordinary shares outstanding used to calculate both basic and diluted net loss per share attributable to ordinary shareholders is the same. The Company excluded the following potential ordinary shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to ordinary shareholders for the three months ended March 31, 2023 and 2022 because including them would have had an anti-dilutive effect:

	Three Months Ended March 31,	
	2023	**2022**
Unvested ordinary shares	1,137,538	1,788,642
Share options	5,133,397	2,784,681
Total	6,270,935	4,573,323

12. Commitments and contingencies

Commitment with suppliers

The Company entered into several agreements with vendors that contain non-cancellable software arrangements and minimum purchase commitments for laboratory materials and consumables for the purpose of research and development activities as well as clinical development. The unused purchase commitment as of March 31, 2023 and December 31, 2022 was $3.0 million and $3.8 million, respectively.

Legal proceedings

From time to time, the Company may be a party to litigation or subject to claims incident to the ordinary course of business. The Company was not a party to any litigation and did not have contingency reserves established for any liabilities as of March 31, 2023 and December 31, 2022.

Indemnification agreements

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnification. The Company's exposure under these agreements is unknown because

it involves claims that may be made against the Company in the future. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations.

In accordance with the indemnification agreements entered into with relevant individuals in accordance with the Company's Articles of Association, the Company has indemnification obligations to its directors, officers and members of senior management for certain events or occurrences, subject to certain limits, while they are serving at the Company's request in such capacity. There have been no claims to date, and the Company has director and officer insurance that may enable it to recover a portion of any amounts paid for future potential claims.

13. Employee benefit plans

In the United Kingdom, the Company makes contributions to private defined contribution pension schemes on behalf of its employees. The contributions to this scheme are expensed to the statement of operations as they fall due. The Company paid $0.7 million and $0.6 million in contributions in the three months ended March 31, 2023 and 2022, respectively.

In the United States, the Company established a defined contribution savings plan under Section 401(k) of the Internal Revenue Code. This plan covers substantially all U.S. employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. The Company paid less than $0.1 million in contributions in the three months ended March 31, 2023 and 2022, respectively.

14.Subsequent events

The Company has completed an evaluation of all subsequent events through May 10, 2023, the date on which the financial statements were issued, to ensure that these financial statements include appropriate disclosure of events both recognized in these financial statements as of March 31, 2023, and events which occurred subsequently but were not recognized in these financial statements. There have been no subsequent events at the date of issue of this balance sheet.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and the related notes appearing elsewhere in this Report of Foreign Private Issuer on Form 6-K, or Report, and our audited consolidated financial statements and related footnotes for the year ended December 31, 2022 included in our Form 20-F filed with the U.S. Securities and Exchange Commission, or the SEC, on March 7, 2023, or Annual Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks, uncertainties and assumptions. Factors that might cause future results to differ materially from those projected in the forward-looking statements include, but are not limited to, those set forth under the caption "Risk Factors" in our Prospectus, as supplemented by our subsequent filings with the SEC.

We maintain our books and records in pounds sterling, our results are subsequently converted to U.S. dollars and we prepare our consolidated financial statements in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, as issued by the Financial Accounting Standards Board, or FASB. All references in this Report to "$" are to U.S. dollars and all references to "£" are to pounds sterling. Unless otherwise indicated, certain U.S. dollar amounts contained in this Report have been translated into pounds sterling at the rate of £1.00 to $1.2368 on March 31, 2023. These translations should not be considered representations that any such amounts have been, could have been or could be converted into pounds sterling at that or any other exchange rate as of that or any other date.

We have made rounding adjustments to some of the figures included in this Report. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

Overview

We are a clinical immuno-oncology biopharmaceutical stage company developing AI-powered precision T cell therapies to treat multiple types of solid tumors. We are focused on advancing cancer therapies through our pioneering work in the field of tumor evolution and our belief that clonal neoantigens represent the most specific class of cancer cell targets. Our platform enables us to identify mutations formed early in the development of a cancer that give rise to antigens that are expressed by all of a patient's cancer cells but are absent from healthy tissue. We refer to this novel class of solid tumor targets as clonal neoantigens. To identify clonal neoantigens in a patient, we have developed a proprietary AI-powered platform called PELEUS. This platform employs advanced computational methods with AI and machine learning and is validated on real world patient tumor genetic data derived from our exclusive license to data from the TRACERx study, which aims to analyze tumor samples from more than 840 non-small cell lung cancer, or NSCLC, patients. Once we have identified the clonal neoantigens, our proprietary manufacturing process, VELOS, uses the patient's T cells and blood-derived dendritic cells to create a clonal neoantigen-reactive T cell therapy, or cNeT, that specifically targets multiple clonal neoantigens to eradicate the tumor.

Since our inception in 2016, we have devoted substantially all of our resources to conducting research activities and clinical trials, organizing and staffing our company, business planning, raising capital and establishing our intellectual property portfolio. We have initially focused on two solid tumor types: advanced NSCLC and metastatic or recurrent melanoma as well as expanding into a range of additional indications. We do not have any products approved for sale and have not generated any revenue from product sales. We have principally raised capital through the issuance and sale of our convertible preferred shares to outside investors and sales of ADSs through our IPO. Through March 31, 2023, we had received net cash proceeds of $230.9 million from investors in our preferred shares financings and $160.6 million from sales of ADS through our IPO.

We have incurred significant operating losses since inception. We incurred total net losses of $17.5 million and $17.4 million for the three months ended March 31, 2023 and 2022, respectively. As of March 31, 2023, we had an accumulated deficit of $207.8 million. These losses have resulted primarily from costs incurred in connection with

research and development activities and general and administrative costs associated with our operations. We expect that our expenditure will increase substantially in connection with our ongoing activities, particularly as we:

• continue to develop our pipeline of discovery programs and conduct research and clinical activities for our existing programs for advanced NSCLC, metastatic or recurrent melanoma and other solid tumors;
• continue to innovate, improve and develop our technology platform, including continuing to develop and improve our PELEUS AI-powered platform and VELOS manufacturing process and to evaluate new approaches to our manufacturing process;
• expand our MAP network to increase our network of clinical sites;
• advance the development of our current programs, additional follow-on indications and any future product candidates into additional solid tumor indications;
• maintain, expand and protect our intellectual property portfolio;
• seek marketing approvals and complete any post-marketing studies, if required, for any of our product candidates that successfully complete clinical trials, if any;
• acquire or in-license additional product candidates and technologies;
• expand our infrastructure and facilities to accommodate our growing employee base and ongoing development activity;
• continue to improve our manufacturing process to create a fully closed end-to-end manufacturing process;
•expand our manufacturing infrastructure and facilities to support the manufacture of larger quantities of our product candidates for clinical development and potential commercialization globally;
• establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval; and
• add operational, financial and management information systems and personnel, including personnel to support our research and development programs, any future commercialization efforts and our operations as a public company.

We will not generate revenue from product sales unless and until we successfully complete clinical development and obtain regulatory approval for ATL001 or any future product candidates. If we obtain regulatory approval for ATL001 or any product candidates, we expect to incur significant expenses related to developing our commercialization capability to support product sales, marketing and distribution. As a result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through the sale of equity, debt financings or other capital sources, including potential collaborations with other companies or other strategic transactions. Our inability to raise capital as and when needed could have a negative impact on our financial condition and ability to pursue our business strategies. There can be no assurances, however, that the current operating plan will be achieved or that additional funding will be available on terms acceptable to us, or at all.

As of March 31, 2023, we had cash and cash equivalents of $158.5 million. We believe our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements into the middle of 2025. See "—Liquidity and Capital Resources—Funding Requirements" below.

Impacts of Coronavirus and Market Conditions on Our Business

We have been actively monitoring the coronavirus pandemic situation and its impact globally. We believe our financial results for the three months ended March 31, 2023 and 2022 were not significantly impacted by the outbreak of the coronavirus. We believe our hybrid and remote working arrangements have had limited impact on our ability to maintain internal operations during the three months ended March 31, 2023 and 2022. Further, disruption of global financial markets and a recession or market correction, including as a result of the coronavirus pandemic, the ongoing military conflict between Russia and Ukraine and the related sanctions imposed against Russia, and other global macroeconomic factors such as inflation, increases in commodity prices, energy and fuel prices, credit and capital markets instability and supply chain interruptions could reduce our ability to access capital, which could, in the future, negatively affect our business and the value of our common shares.

CRT license

In May 2016, we entered into the CRT Agreement with CRT pursuant to which we obtained access rights to intellectual property and know-how from the TRACERx Study. Under the CRT Agreement, we are granted an

exclusive, sublicensable license to the TRACERx patents and bioinformatic data for use in: (i) the therapeutic field of neoantigen cell therapies and adoptive cell transfer; and (ii) the neoantigen diagnostic field, for use in research and the potential development of products for commercialization. We are further granted, during the vaccine option period, an exclusive license to the TRACERx patents and the bioinformatic data in the private neoantigen therapeutic vaccine field for research and development but not in the development of products for commercial sale, and a non-exclusive license to the same in the public neoantigen therapeutic vaccine field. We also obtained a non-exclusive license to the TRACERx bioinformatic pipeline, patient sequencing and medical data, know-how, and materials.

CRT additionally granted us certain rights to new patent applications filed by the Founding Institutions in respect of inventions resulting from the TRACERx study through February 2023, including automatic exclusive licenses to patent rights relating to non-severable improvements of technology covered by the original TRACERx patents and non-exclusive rights to severable improvements.

In July 2017, we obtained a non-exclusive license to the LOHHLA patent under the CRT Agreement. In October 2018, we obtained an exclusive license to the LOHHLA patent under an addendum to the CRT Agreement.

Under the CRT Agreement, we hold an option to exploit products in the therapeutic vaccine field (the "Vaccine Option"). In March 2021, we extended the Vaccine Option from May 2021 to May 2023 with a payment of less than £0.1 million or $0.1 million. On May 4, 2023, the Company exercised the Vaccine Option. No payment was due to CRT for the Company to exercise the Vaccine Option.

Upon execution of the CRT Agreement, we granted CRT 396,125 B ordinary shares and 67,793 C ordinary shares. The C ordinary shares granted to CRT were forfeited and transferred to the deferred shares during the year ended December 31, 2019, as the applicable performance conditions were not met. The B ordinary shares granted to CRT were converted into ordinary shares upon our IPO. We recorded $0.3 million of IP research and development expense in 2016. We are obligated to pay CRT milestone success payments up to an aggregate of £6.5 million for therapeutic products, and milestone success payments up to an aggregate £0.8 million for non-therapeutic products, as well as sub-single digit to low-single digit percentage royalty on net sales of products that utilize the licensed intellectual property, subject to certain customary reductions. The royalty obligations continue on a product-by-product and country-by-country basis until the later of: (i) the date there ceases to be a valid patent claim covering such product in the country in which it is sold; or (ii) with respect to contribution royalty products, ten years from the first commercial sale of the product, and with respect to a patent royalty product, five years from the first commercial sale of the product. On a product-by-product basis, we may also elect to provide other cash consideration at fair market value and forgo the milestone or royalty payment.

Unless terminated earlier, the term of the agreement continues until the later of the expiration of the royalty term in each country and such time as no further milestone payments are due, and upon such termination, the licenses granted shall become fully-paid, royalty-free, irrevocable, and perpetual. We have the right to terminate the license agreement for convenience in its entirety upon 90 days' notice. Each party may terminate the agreement if the other party is in material breach subject to a 90 day remedy period. We have the right to acquire ownership of the TRACERx patents upon either: (i) the occurrence of a royalty product for use in the therapeutic field; (ii) CRT shareholders cease to hold any ordinary shares in the Company; (iii) we undergo an initial public offering; or (iv) we are acquired by a third party for more than £25.0 million. Upon our IPO, we gave notice to CRT to exercise the option to acquire the TRACERx patents with no consideration in accordance with the terms of the CRT Agreement. The acquisition was not finalized as of March 31, 2023.

Components of Our Results of Operations

Revenue

To date, we have not generated any revenue from product sales and do not expect to generate any revenue from the sale of products in the foreseeable future. If our development efforts for ATL001 or any of our future candidates are successful and result in regulatory approval, we may generate revenue in the future from product sales.

Operating Expenses

Research and Development Expenses

Research and development expenses consist primarily of costs incurred in connection with the research and development of ATL001 for our current programs, additional follow-on indications and enhancement of our existing technology platform. Research and development expenses consist of:

• expenses incurred under agreements with CROs, as well as investigative sites and consultants that conduct our clinical trials, research activities and other scientific development services;
• manufacturing scale-up expenses and the cost of acquiring and manufacturing clinical trial materials;
•expenses to acquire technologies to be used in research and development;
• employee-related expenses, including salaries, related benefits, travel and share-based compensation expense for employees engaged in research and development functions;
• costs of outside consultants, including their fees, share-based compensation and related travel expenses;•the costs of laboratory supplies and acquiring, developing and manufacturing clinical trial materials;
• costs related to compliance with regulatory requirements;
• facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs; and
• upfront, milestone and management fees for maintaining licenses under our third-party licensing agreements.

We expense research and development costs as incurred. We recognize external development costs based on an evaluation of the progress to completion of specific tasks using information provided to us by our service providers. As a result, our research and development expenses may vary substantially from period to period based on the timing of our research and development activities. Payments for these activities are based on the terms of the individual agreements, which may differ from the pattern of costs incurred, and are reflected in our financial statements as a prepaid expense or accrued research and development expenses.

U.K. research and development tax credits are recorded as an offset to research and development expense.

Our direct research and development expenses are tracked on an indication-by-indication basis and consist primarily of external costs, such as fees paid to outside consultants, CROs and central laboratories in connection with our research activities, process development, manufacturing and clinical development activities. License fees and other costs incurred after a product candidate has been selected that are directly related to a product candidate are included in direct research and development expenses for that program. License fees and other costs incurred prior to designating a product candidate are included in other program expense. We do not allocate employee costs, costs associated with our discovery efforts, laboratory supplies, and facilities, including depreciation or other indirect costs, to specific programs because these costs are deployed across multiple programs and, as such, are not separately classified. We use internal resources primarily to oversee the research and development as well as to manage our research activities, process development, manufacturing and clinical development activities. These employees work across multiple programs and, therefore, we do not track their costs by program.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials and related product manufacturing expenses. As a result, we expect that our research and development expenses will continue to increase over the next several years as we: (i) expedite the clinical development and obtain marketing approval for ATL001 for advanced NSCLC and metastatic or recurrent melanoma; (ii) initiate additional clinical trials for ATL001 or any future product candidates, (iii) improve the efficiency and scalability of our manufacturing processes and supply chain including enhancing the capability of our PELEUS AI-powered platform for selecting clonal neoantigens; and (iv) build our in-house process development, analytical and manufacturing capabilities and continue to discover and develop additional product candidates, increase personnel costs and prepare for regulatory filings related to ATL001 and any future product candidates. We also expect to incur additional expenses related to milestone payments, royalty payments and maintenance fees payable to third parties with whom we have entered into license agreements.

The successful development and commercialization of ATL001 or any of our future product candidates is highly uncertain. This is due to the numerous risks and uncertainties associated with development and commercialization, including the following:

• completing research activities for the development of ATL001 and identifying new cNeT product candidates;
• establishing an appropriate safety profile with IND- and CTA-enabling studies;
• successful patient enrollment in, and the initiation and completion of, clinical trials;
• the timing, receipt and terms of any marketing approvals from applicable regulatory authorities and reimbursement and market access from third-party payors;
• our ability to establish commercial manufacturing capabilities and maintain suitable arrangements with third-party manufacturers for ATL001 and any future product candidates;
• obtaining, maintaining, defending and enforcing patent claims and other intellectual property rights;
• defending against third-party infringement, misappropriation or other violation of intellectual property rights claims;
• significant and changing government regulation;
• establishing and maintaining temperature controlled product logistics;
• launching commercial sales of ATL001 and any future product candidates, if and when approved, whether alone or in collaboration with others; and
• maintaining a continued acceptable safety profile of the product candidates following approval.

A change in the outcome of any of these variables with respect to the development of ATL001 and any future product candidates in development could mean a significant change in the costs and timing associated with the development of these product candidates. For example, if the FDA, EMA or another regulatory authority were to delay our planned start of clinical trials or require us to conduct clinical trials or other testing beyond those that we currently expect, or if we experience significant delays in enrollment in any of our planned clinical trials, we could be required to commit significant additional financial resources and time on the completion of clinical development of that product candidate.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related benefits, share-based compensation expense, travel and other expenses incurred by personnel in executive, finance and administrative functions. These expenses include professional fees for legal, including patent costs, consulting, accounting and audit services. We anticipate that our general and administrative expenses will increase in the future as we increase our headcount to support our continued research activities and development of ATL001 and any future product candidates.

We also anticipate we will continue to incur increased accounting, audit, legal, regulatory, compliance, director and officer insurance costs as well as investor and public relations expenses associated with being a public company. Additionally, if and when we believe a regulatory approval of a product candidate appears likely, we anticipate an increase in payroll and expense as a result of our preparation for commercial operations, especially as it relates to the sales and marketing of our product candidate.

Other Income (Expense), Net

Interest Income

Interest income consists primarily of interest earned on our cash and cash equivalents.

Other Expense

Foreign currency transactions in currencies different from the functional currency of our entity are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange differences resulting from the settlement of such transactions and from the translation at period-end exchange rates in foreign currencies are recorded in other income (expense), net in the statement of operations and comprehensive loss. As such, our other income (expense), net may be impacted by future changes in exchange rates. See "—Quantitative and Qualitative Disclosures About Market Risks" for further discussion.

Income Taxes

We are subject to corporate taxation in the United States and the United Kingdom. Due to the nature of our business, we have generated losses since inception and have therefore not paid UK corporation tax. As a company that carries out extensive research and development activities, we seek to benefit from one of two UK R&D tax credit cash rebate regimes: Small and Medium Enterprise, or SME, Program and the Research and Development Expenditure Credit, or RDEC, Program. Qualifying expenditures largely comprise employment costs for research staff, consumables and certain internal overhead costs incurred as part of research projects for which we do not receive income.

Based on criteria established by His Majesty's Revenue and Customs, or HMRC, a portion of expenditures being carried in relation to our pipeline R&D, clinical trials management and manufacturing development activities were eligible for the SME Program for the years ended December 31, 2020, 2021 and 2022. We claimed the tax credit in 2019, 2020 and 2021 which were paid in 2020, 2021 and 2022, respectively. We have claimed a tax credit for 2022, which we expect will be paid to us in 2023 from HMRC. We will continue to assess whether it is possible to qualify under the more favorable SME regime for future accounting periods. The United Kingdom Government's Autumn Statement on November 17, 2022 announced proposed reductions in the level of credits offered under the SME Program to take effect from April 2023. Subsequently, on March 15, 2023, in the United Kingdom's Spring Statement, it was announced that from April 1, 2023, an increased rate of relief for loss-making R&D intensive SMEs would be introduced under which eligible companies will be able to claim a payable credit of 14.5% for qualifying expenditure through the existing SME Program. In addition, the UK Government is considering the potential replacement of the SME Program and RDEC Program with a single program, operating similarly to the RDEC Program, which may, inter alia, change the present treatment of sub-contracted R&D work from April 1, 2024 and introduce different thresholds and caps on expenditure and relief. If enacted, the new program would be expected to have effect for expenditure incurred from April 2024 onwards, and could have a material impact on the quantum of R&D relief that we are eligible to claim. Draft legislation on a merged scheme will be published for technical consultation in summer 2023.

Unsurrendered UK losses may be carried forward indefinitely to be offset against future taxable profits, subject to numerous utilization criteria and restrictions. The amount that can be offset each year is limited to £5.0 million plus an incremental 50% of UK taxable profits. After accounting for tax credits receivable, we had accumulated tax losses for carry forward in the UK of $140.5 million as of December 31, 2022. We have recorded an insignificant amount of income tax provisions for the three months ended March 31, 2023, which relate to income tax obligations of our operating company in the U.S., which generates a profit for tax purposes.

Benefit from research and development, or R&D, tax credit, is received in the UK and recorded as an offset to research and development expenses. The UK R&D tax credit, as described above, is fully refundable to us and is not dependent on current or future taxable income. As a result, we have recorded the entire benefit from the UK R&D tax credit as a benefit which is included in our net loss before income tax and accordingly, not reflected as part of the income tax provision. If, in the future, any UK R&D tax credits generated are needed to offset a corporate income tax liability in the UK, that portion would be recorded as a benefit within the income tax provision and any refundable portion not dependent on taxable income would continue to be recorded as an offset to research and development expenses.

In the event we generate revenues in the future, we may benefit from the UK "patent box" regime that allows profits attributable to revenues from patents or patented products to be taxed at an effective rate of 10%.

Value Added Tax, or VAT, is broadly charged on all taxable supplies of goods and services by VAT-registered businesses. Under current rates as determined for VAT purposes, the VAT on goods or services supplied is added to all sales invoices and is payable to HMRC. Similarly, VAT paid on purchase invoices is generally reclaimable from HMRC.

Results of Operations

Comparison of the three months ended March 31, 2023 and 2022

The following table summarizes our results of operations for the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,		
	2023	2022	Change
Operating expenses:			
Research and development	$ 13,868	$ 13,014	$ 854
General and administrative	4,685	5,955	(1,270)
Total operating expenses	18,553	18,969	- 416
Loss from operations	(18,553)	(18,969)	416
Other income:			
Other income (expense)	1,091	1,629	(538)
Total other income	1,091	1,629	(538)
Loss before income taxes	(17,462)	(17,340)	(122)
Income tax expense	(44)	(15)	(29)
Net loss	$ (17,506)	$ (17,355)	$ (151)

Research and development expenses

The table below summarizes our research and development expenses incurred by program (in thousands):

	Three Months Ended March 31,		
	2023	2022	Change
Direct research and development expense by program:			
NSCLC	$ 3,095	$ 2,480	$ 615
Melanoma	2,822	2,086	736
Other pre-clinical and technology development cost	1,033	1,775	(742)
Unallocated research and development expense:			
Personnel expenses	4,136	4,803	(667)
Other expenses	2,782	1,870	912
Total research and development expenses	$ 13,868	$ 13,014	$ 854

Research and development expenses were net of research and development tax credit reimbursement of $3.7 million and $3.6 million for the three months ended March 31, 2023 and 2022, respectively. The net increase in research and development expenses was $0.9 million for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The net increase in direct research and development expense was primarily attributable to a net increase of $0.7 million in our metastatic or recurrent melanoma program specifically in relation to our ongoing Phase I/II THETIS clinical trial and a net increase of $0.6 million in our NSCLC program specifically in relation to our ongoing Phase I/II CHIRON clinical trial. This was partially offset by a decrease of $0.7 million in other pre-clinical and technology development cost primarily related to lower IND enabling activities for new follow-on indications, offset by spend associated with expansion of our manufacturing capacity and enhancements to PELEUS, our bioinformatics platform, and our VELOS manufacturing process. The increase in unallocated research and development other expenses of $0.9 million is primarily related to a shift in utilizing a greater proportion of our facilities for R&D purposes. This was partially offset by decreased unallocated research and development personnel expenses of $0.7 million due to lower headcount.

General and administrative expenses

The following table summarizes our general and administrative expenses for the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,		
	2023	2022	Change
Personnel expenses	$ 2,477	$ 3,325	$ (848)
Professional services fees	694	583	111
Facilities and other expense	1,514	2,047	(533)
	$ 4,685	$ 5,955	$ (1,270)

General and administrative expenses were $4.7 million for the three months ended March 31, 2023, compared to $6.0 million for the three months ended March 31, 2022. The decrease of $1.3 million consisted primarily of a decrease of $0.9 million on lower headcount and a decrease of $0.5 million in facilities and other expenses due to increased costs in the three months ended March 31, 2022 related to supporting the expansion of our business, as well as a shift in utilizing a greater proportion of our facilities for R&D purposes.

Total other income

Other income was $1.1 million and $1.6 million for the three months ended March 31, 2023 and 2022, respectively. The decrease in other income of $0.5 million was primarily due to a decrease in foreign exchange gains of $1.7 million, partially offset by an increase in interest income of $1.1 million.

Provision for Income Taxes

The provision for income taxes was less than $0.1 million for the three months ended March 31, 2023 and March 31, 2022, respectively, which is related to income tax obligations of our operating company in the U.S., which generates a profit for tax purposes.

Liquidity and Capital Resources

Since our inception, we have not generated any revenue from product sales or any other sources and have incurred significant net losses in each period and on an aggregate basis. We have not yet commercialized any product candidates and we do not expect to generate revenue from sales of any product candidates for several years, if at all. We have funded our operations to date primarily with proceeds from the sale of preferred shares and ordinary shares. Through March 31, 2023, we had received net cash proceeds of $230.9 million from investors in our preferred shares financings and $160.6 million net proceeds from the sales of ADSs through our IPO after deducting underwriting discounts and commissions and other offering expenses. As of March 31, 2023, we had cash and cash equivalents of $158.5 million.

We currently have no ongoing material financing commitments, such as lines of credit or guarantees, that are expected to affect our liquidity over the next five years, other than our manufacturing and lease obligations described below.

Cash Flows

The following table summarizes our cash flows for each of the periods presented (in thousands):

	Three Months Ended March 31,	
	2023	2022
Net cash used in operating activities	$ (17,853)	$ (20,635)
Net cash used in investing activities	(454)	(1,862)
Net cash used in financing activities	1	—
Effect of exchange rate changes on cash, cash equivalents and restricted cash	3,428	(6,891)
Net decrease in cash, cash equivalents and restricted cash	$ (14,878)	$ (29,388)

Net cash used in operating activities

During the three months ended March 31, 2023, net cash used in operating activities was $17.9 million, primarily resulting from our net loss of $17.5 million, adjusted for non-cash share-based compensation of $1.7 million, depreciation and amortization of $1.1 million and changes in right of use assets and operating lease liabilities of $0.1 million. Cash used in operating activities was also impacted by $3.0 million related to changes in components of working capital due to: (i) increased prepaid expenses and other current assets in conjunction with accrued U.K. R&D tax credits; (ii) increased accounts payable for payment of vendors' invoices; and (iii) decreased accrued research and development expenses.

During the three months ended March 31, 2022, net cash used in operating activities was $20.6 million, primarily resulting from our net loss of $17.4 million, adjusted for non-cash share-based compensation of $2.0 million, depreciation and amortization of $1.1 million and changes in right of use assets and operating lease liabilities of $0.4 million. Cash used in operating activities was also impacted by $5.7 million related to changes in components of working capital due to: (i) increased prepaid expenses and other current assets in conjunction with accrued U.K. R&D tax credits and prepaid research and development costs; (ii) decreased accrued research and development and decreased accrued expenses; and (iii) increased accounts payable for payment of vendors' invoices.

Net cash used in investing activities

During the three months ended March 31, 2023 and 2022, net cash used in investing activities was $0.5 million and $1.9 million, respectively, primarily driven by purchases of property and equipment related to lab equipment and leasehold improvements.

Net cash used in financing activities

During the three months ended March 31, 2023, net cash provided by financing activities was less than $0.1 million related to the issuance of shares under the employee share purchase plan. There were no financing activities during the three months ended March 31, 2022.

Funding Requirements

We expect our expenses to increase in connection with our ongoing activities, particularly as we advance the research activities, manufacturing and clinical trials of product candidates. In addition, following our IPO, we incur additional costs associated with operating as a public company, including legal, accounting, investor relations and other expenses that we did not incur as a private company.

With increased focus on the ongoing Phase I/IIa CHIRON and THETIS clinical trials and de-prioritization of non-core activities, we believe that our cash and cash equivalents will enable us to fund our operating expenses and capital

expenditure requirements into the middle of 2025. We have based these estimates on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect. As we progress with our development programs and the regulatory review process, we expect to incur significant expenses related to product manufacturing, pre-commercial activities and commercialization.

Because of the numerous risks and uncertainties associated with research, development and commercialization of product candidates and programs, we are unable to estimate the exact amount of our working capital requirements. Our future funding requirements will depend on and could increase significantly as a result of many factors, including:

• the initiation, progress, timing, costs and results of our pipeline discovery programs and clinical activities for our existing programs for advanced NSCLC and metastatic or recurrent melanoma, and any additional product candidates or follow-on indications that we may develop or pursue;
• the cost to establish, maintain, expand, enforce and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with licensing, preparing, filing, prosecuting, defending and enforcing any patents or other intellectual property rights;
• our ability to enroll clinical trials in a timely manner and to quickly resolve any delays or clinical holds that may be imposed on our development programs;
• timing delays with respect to development of our current and any future product candidates, including as a result of the COVID-19 pandemic;
• the costs of expanding or increasing manufacturing infrastructure and facilities to capacity to support the manufacture of larger quantities of our product candidates for clinical development and potential commercialization globally;
• the costs of expanding our facilities to accommodate our future growth in personnel;
• the costs, timing and outcome of potential future commercialization activities, including manufacturing, marketing, sales and distribution for our product candidates for which we receive marketing approval;
• the extent to which we acquire technologies;
• the sales price and availability of adequate third-party coverage and reimbursement for our product candidates, if and when approved;
• the availability and scope of the UK SME R&D tax credit; and
• the costs of operating as a public company.

Until such time, if ever, that we can generate product revenue sufficient to achieve profitability, we expect to finance our cash needs through equity offerings, debt financings, government or other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity, current ownership interests will be diluted. If we raise additional funds through government or third-party funding, collaboration agreements, strategic alliances, licensing arrangements or marketing and distribution arrangements, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we are unable to raise additional funds when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market products or product candidates that we would otherwise prefer to develop and market ourselves.

Emerging Growth Company and Smaller Reporting Company Status

In April 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an “emerging growth company” may take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Therefore, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected to avail ourselves of this extended transition period and, as a result, we may adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-public companies instead of the dates required for other public companies. However, the Company may choose to early adopt these standards.

In addition, as an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include:

- reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure;
- an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act; and
- an exemption from new or revised financial accounting standards until they would apply to private companies and from compliance with any new requirements adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotation.

We may take advantage of these exemptions for up to the last day of the fiscal year ending after the fifth anniversary of our IPO or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company on the date that is the earliest of: (i) the last day of the fiscal year in which we have total annual gross revenues of $1.235 billion or more; (ii) December 31, 2026, which is the last day of our fiscal year following the fifth anniversary of the date of the completion of our IPO; (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC. We may choose to take advantage of some but not all of these exemptions.

Off-balance sheet arrangements

As of March 31, 2023, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K, such as the use of unconsolidated subsidiaries, structured finance, special purpose entities or variable interest entities.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business, which are principally limited to interest rate fluctuations and foreign currency exchange rate fluctuations. We maintain significant amounts of cash and cash equivalents that are in excess of federally insured limits in various currencies, placed with one or more financial institutions for varying periods according to expected liquidity requirements.

Interest rate sensitivity

As of March 31, 2023, we had cash and cash equivalents of $158.5 million. Our exposure to interest rate sensitivity is impacted by changes in the underlying U.K. and U.S. bank interest rates. Our surplus cash has been invested in interest-bearing savings accounts and money market funds from time to time. We have not entered into investments for trading or speculative purposes. Due to the conservative nature of our investment portfolio, which is predicated on capital preservation of investments with short-term maturities, we do not believe an immediate one percentage point change in interest rates would have a material effect on the fair market value of our portfolio, and therefore we do not expect our operating results or cash flows to be significantly affected by changes in market interest rates.

As of March 31, 2023, we had no debt outstanding and are therefore not subject to interest rate risk related to debt.

Foreign Currency Exchange Risk

We maintain our financial statements in our functional currency, which is pound sterling. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Non-monetary assets and liabilities denominated in foreign

currencies are translated into the functional currency at the exchange rates prevailing at the date of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income (loss) for the respective periods. We recorded foreign currency losses of $0.5 million for the three months ended March 31, 2023 and foreign exchange gains of $1.2 million for three months ended March 31, 2022, respectively. With our functional currency being British Pounds Sterling, our results are exposed to fluctuations to this and the U.S. dollar. Exchange gains or losses arising from foreign currency transactions are included in other income (expense), net in the statement of comprehensive loss.

For financial reporting purposes our financial statements have been presented in U.S. dollars, the reporting currency. The financial statements of entities are translated from their functional currency into the reporting currency as follows: assets and liabilities are translated at the exchange rates at the balance sheet dates, revenue and expenses are translated at the average exchange rates and shareholders' equity is translated based on historical exchange rates. Translation adjustments are not included in determining net loss but are included as a foreign exchange adjustment to other comprehensive loss, a component of shareholders' equity.

We do not currently engage in currency hedging activities in order to reduce our currency exposure, but we may begin to do so in the future. Instruments that may be used to hedge future risks may include foreign currency forward and swap contracts. These instruments may be used to selectively manage risks, but there can be no assurance that we will be fully protected against material foreign currency fluctuations.