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 2022

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 2022 Financial Results and Recent Business Highlights

On May 10, 2022, 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, 2022 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, 2022 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, 2022.

The statements contained in this "Achilles Therapeutics Reports First Quarter 2022 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, 2022.
99.2	Unaudited Condensed Consolidated Financial Statements of Achilles Therapeutics plc for the three month period ended March 31, 2022.
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, 2022.

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, 2022

By: /s/ Robert Coutts

Robert Coutts

Chief Financial Officer

Achilles Therapeutics Reports First Quarter 2022 Financial Results and Recent Business Highlights

- Dosed first patient with higher-dose (Process 2) cNeT for advanced NSCLC (CHIRON) and initiated enrollment of cNeT + PD-1 inhibitor combination (THETIS Cohort B) for metastatic malignant melanoma -

- Expanded global manufacturing by increasing capacity in the UK and establishing a US clinical manufacturing partnership -

- Strong cash balance of $237 million supports all planned operations into 2H 2024 -

London, UK 10 May 2022 – Achilles Therapeutics plc (NASDAQ: ACHL), a clinical-stage biopharmaceutical company developing precision T cell therapies to treat solid tumors, today announced its financial results for the first quarter ended March 31, 2022, and recent business highlights.

“We recently dosed the first patient with our higher-dose cNeT therapy in the CHIRON clinical trial for the treatment of advanced non-small cell lung cancer (NSCLC) and began enrollment in Cohort B of the THETIS clinical trial evaluating cNeT in combination with a PD-1 checkpoint inhibitor for the treatment of metastatic malignant melanoma. We expect to report initial higher-dose monotherapy data from both CHIRON and THETIS as well as initial combination data from THETIS Cohort B in the second half of 2022,” said **Dr Iraj Ali, Chief Executive Officer of Achilles Therapeutics**. “We also expanded our global footprint, including increased clinical manufacturing capacity in the United Kingdom and the United States, where we have established a US headquarters in Philadelphia that will house our first US R&D facility, to further support our clinical programs. Overall, our unique approach to targeting clonal neoantigens, differentiated ability to detect, quantify and track our cNeT products, and strong balance sheet continue to position us well to execute across our upcoming value-creating catalysts.”

Business Highlights

- Dosed the first patient with higher-dose (Process 2) cNeT monotherapy in the CHIRON clinical trial for advanced NSCLC.
- Following a positive Independent Data Safety Monitoring Committee review, initiated enrollment of THETIS Cohort B to evaluate cNeT therapy in combination with a PD-1 checkpoint inhibitor for the treatment of metastatic malignant melanoma.
- Strengthened the Board of Directors with the addition of independent member Bernhard Ehmer, MD.

- Expanded global manufacturing by increasing capacity in the United Kingdom with a GMP license obtained for the Cell & Gene Therapy Catapult facility, and entered into a partnership agreement for clinical manufacturing in the United States with the Center for Breakthrough Medicines, a contract development and manufacturing organization in King of Prussia, Pennsylvania.
- Hosted a key opinion leader webcast highlighting important data selected from the 31 posters and presentations on the TRACERx study presented at the 2022 American Association for Cancer Research Annual Meeting.

Financial Highlights

- **Cash and cash equivalents:** Cash and cash equivalents were $236.9 million as of March 31, 2022, as compared to $266.3 million as of December 31, 2021. The Company anticipates that its cash and cash equivalents are sufficient to fund its planned operations into the second half of 2024, including full funding of the ongoing Phase I/IIa CHIRON and THETIS clinical trials.
- **Research and development (R&D) expenses:** R&D expenses were $13.0 million for the first quarter ended March 31, 2022, as compared to $8.9 million for the first quarter ended March 31, 2021. The increase was primarily driven by increased activity related to our ongoing clinical trials and overall R&D.
- **General and administrative (G&A) expenses:** G&A expenses were $6.0 million for the first quarter ended March 31, 2022, as compared to $4.8 million for the first quarter ended March 31, 2021. The increase was primarily driven by fees associated with the Company's public company obligations, and an increase in headcount and related personnel costs.
- **Net loss:** Net loss for the first quarter ended March 31, 2022, was $17.4 million or $0.45 per share compared to $13.8 million, or $8.38 per share for the first quarter ended March 31, 2021.

2022 Milestones and Upcoming Events

- **Higher-dose Monotherapy:** Report initial data from the higher-dose cohort of patients undergoing cNeT monotherapy for the treatment of NSCLC and melanoma in the second half of 2022.
- **cNeT Combination:** Dose first melanoma patient with cNeT in combination with a PD-1 checkpoint inhibitor in Cohort B of the THETIS clinical trial and report initial data in the second half of 2022.
- **Manufacturing:** Begin clinical cNeT production at the Cell & Gene Therapy Catapult facility in the second half of 2022.
- **Tumor Archiving Program:** Initiate program in the second quarter of 2022.

Achilles will present at the following medical and investor conferences in May 2022. Additional details will be available in the Events & Presentations section of the Company's website:

- BofA Securities 2022 Healthcare Conference: May 9-13, 2022
- H.C. Wainwright Global Investment Conference: May 23-26, 2022

About Achilles Therapeutics
Achilles is a clinical-stage biopharmaceutical company developing 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 AI-Powered 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.

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, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 236,931	$ 266,319
Prepaid expenses and other current assets	22,118	18,430
Total current assets	259,049	284,749
Non-current assets:		
Property and equipment, net	18,376	17,743
Operating lease right of use assets	11,070	11,048
Deferred tax assets	26	26
Restricted cash	33	33
Other assets	3,636	3,507
Total non-current assets	33,141	32,357
TOTAL ASSETS	$ 292,190	$ 317,106
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,036	$ 3,722
Income taxes payable	15	—
Accrued expenses and other liabilities	9,131	10,906
Operating lease liabilities-current	4,670	4,482
Total current liabilities	17,852	19,110
Non-current liabilities:		
Operating lease liabilities-non-current	7,212	7,777
Other long-term liability	671	691
Total non-current liabilities	7,883	8,468
Total liabilities	25,735	27,578
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Ordinary shares, £0.001 par value; 40,754,227 and 40,603,489 shares authorized, issued and outstanding at March 31, 2022 and December 31, 2021, respectively	54	54
Deferred shares, £92,451.851 par value, one share authorized, issued and outstanding at March 31, 2022 and December 31, 2021	128	128
Additional paid in capital	403,780	401,821
Accumulated other comprehensive (loss) income	(1,041)	6,636
Accumulated deficit	(136,466)	(119,111)
Total shareholders' equity	266,455	289,528
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 292,190	$ 317,106

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,	
	2022	**2021**
OPERATING EXPENSES:		
Research and development	$ 13,014	$ 8,876
General and administrative	5,955	4,832
Total operating expenses	18,969	13,708
Loss from operations	(18,969)	(13,708)
OTHER INCOME, NET:		
Other income (expense)	1,629	(45)
Total other income, net	1,629	(45)
Loss before provision for income taxes	(17,340)	(13,753)
Provision for income taxes	(15)	(12)
Net loss	(17,355)	(13,765)
Other comprehensive income:		
Foreign exchange translation adjustment	(7,677)	2,063
Comprehensive loss	$ (25,032)	$ (11,702)
Net loss per share attributable to ordinary shareholders—basic and diluted	$ (0.45)	$ (8.38)
Weighted average ordinary shares outstanding—basic and diluted	38,891,822	1,641,938

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, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 236,931	$ 266,319
Prepaid expenses and other current assets	22,118	18,430
Total current assets	259,049	284,749
Non-current assets:		
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Restricted cash	33	33
Other assets	3,636	3,507
Total non-current assets	33,141	32,357
TOTAL ASSETS	$ 292,190	$ 317,106
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,036	$ 3,722
Income taxes payable	15	—
Accrued expenses and other liabilities	9,131	10,906
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Total current liabilities	17,852	19,110
Non-current liabilities:		
Operating lease liabilities-non-current	7,212	7,777
Other long-term liability	671	691
Total non-current liabilities	7,883	8,468
Total liabilities	25,735	27,578
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Ordinary shares, £0.001 par value; 40,754,227 and 40,603,489 shares authorized, issued and outstanding at March 31, 2022 and December 31, 2021, respectively	54	54
Deferred shares, £92,451.851 par value, one share authorized, issued and outstanding at March 31, 2022 and December 31, 2021	128	128
Additional paid in capital	403,780	401,821
Accumulated other comprehensive (loss) income	(1,041)	6,636
Accumulated deficit	(136,466)	(119,111)
Total shareholders' equity	266,455	289,528
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 292,190	$ 317,106

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,	
	2022	**2021**
OPERATING EXPENSES:		
Research and development	$ 13,014	$ 8,876
General and administrative	5,955	4,832
Total operating expenses	18,969	13,708
Loss from operations	(18,969)	(13,708)
OTHER INCOME, NET:		
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Total other income, net	1,629	(45)
Loss before provision for income taxes	(17,340)	(13,753)
Provision for income taxes	(15)	(12)
Net loss	(17,355)	(13,765)
Other comprehensive income:		
Foreign exchange translation adjustment	(7,677)	2,063
Comprehensive loss	$ (25,032)	$ (11,702)
Net loss per share attributable to ordinary shareholders—basic and diluted	$ (0.45)	$ (8.38)
Weighted average ordinary shares outstanding—basic and diluted	38,891,822	1,641,938

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)

	Convertible preferred shares													
	Series A $0.001 par value		Series B $0.001 par value		Series C $0.001 par value		Ordinary $0.001 par value		Deferred shares		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
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 gain/(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

	Convertible preferred shares													
	Series A $0.001 par value		Series B $0.001 par value		Series C $0.001 par value		Ordinary $0.001 par value		Deferred shares		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	28,250,000	$ 36	52,192,070	$ 66	24,412,603	$ 32	4,389,920	$ 6	30,521	$ —	$ 234,922	$ 12,322	$ (58,012)	$ 189,372
Conversion of ordinary shares into deferred shares	—	—	—	—	—	—	(18,262)	—	78,537	—	—	—	—	—
Share-based compensation Expense	—	—	—	—	—	—	—	—	—	—	1,383	—	—	1,383
Unrealized gain/(loss) on foreign currency translation	—	—	—	—	—	—	—	—	—	—	—	2,063	—	2,063
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(13,765)	(13,765)
Balance at March 31, 2021	28,250,000	$ 36	52,192,070	$ 66	24,412,603	$ 32	4,371,658	$ 6	109,058	$ —	$ 236,305	$ 14,385	$ (71,777)	$ 179,053

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,	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (17,355)	$ (13,765)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	1,053	789
Changes in right of use assets and operating lease liabilities, net	(370)	527
Gain on disposal of property and equipment	(11)	—
Non-cash loss on foreign currency remeasurement	5	—
Non-cash share-based compensation	1,959	1,383
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	(4,052)	(2,429)
Accounts payable	423	(4,593)
Income taxes payable	15	12
Accrued expenses and other liabilities	(2,070)	957
Other assets	(232)	(104)
Net cash used in operating activities	(20,635)	(17,223)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,862)	(2,376)
Net cash used in investing activities	(1,862)	(2,376)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of initial public offering costs	—	(914)
Net cash used in financing activities	—	(914)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(6,891)	1,926
Net decrease in cash, cash equivalents and restricted cash	(29,388)	(18,587)
Cash, cash equivalents and restricted cash, beginning of period	266,352	177,849
Cash, cash equivalents and restricted cash, end of period	$ 236,964	$ 159,262
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Right of use assets obtained in exchange for new operating lease liabilities	$ 1,354	$ 239
Property and equipment purchases in accrued expenses	$ 1,006	$ 679
Deferred offering costs included in accrued expenses	$ 230	$ 1,539

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,	
	2022	**2021**
Cash and cash equivalents	$ 236,931	$ 159,262
Restricted cash	33	—
Total cash, cash equivalents and restricted cash	236,964	159,262

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 transformative precision T cell therapies to treat multiple types of 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 $136.5 million as of March 31, 2022. 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 COVID-19 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 2021 to date. The Company continues to assess the impact COVID-19 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 COVID-19 or its consequences, including downturns in business sentiment generally or in its sector in particular.

As of March 31, 2022, the Company had cash and cash equivalents of $236.9 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, 2021 in the Form 20-F filed with the Securities and Exchange

Commission (the "SEC") on March 1, 2022. There have been no material changes to the significant accounting policies during the three months ended March 31, 2022 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, 2021, 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, 2022, the results of its operations and comprehensive loss for the three months ended March 31, 2022, its statements of shareholders' equity for the three months ended March 31, 2022 and 2021 and its statements of cash flows for the three months ended March 31, 2022 and 2021.

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, 2022 are not necessarily indicative of the results to be expected for the year ended December 31, 2022, any other interim periods, or any future year or period. The balance sheet information as of December 31, 2021, was derived from the audited financial statements included in the Company's Form 20-F filed with the SEC on March 1, 2022. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2021, and the notes thereto, which are included elsewhere in the Company's Form 20-F filed with the SEC on March 1, 2022.

Recent accounting pronouncements

In November 2021, the FASB issued ASU 2021-10, "Government Assistance – Topic 832 – Disclosures by Business Entities about Government Assistance," which increases the transparency of government assistance including the disclosure of (1) the types of assistance, (2) an entity's accounting for the assistance, and (3) the effect of the assistance on an entity's financial statements. The amendments in this Update require the following annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy: 1. Information about the nature of the transactions and the related accounting policy used to account for the transactions. 2. The line items on the balance sheet and income statement that are affected by the transactions, and the amounts applicable to each financial statement line item. 3. Significant terms and conditions of the transactions, including commitments and contingencies. ASU 2021-10 is effective for annual periods beginning after December 15, 2021; however, early adoption is permitted. The new guidance was adopted on January 1, 2022 and will be effective for the year ended December 31, 2022. This guidance is not expected to have a material impact on the Company's financial statements and related disclosures.

3. Fair Value of Financial Instruments

The following tables show assets measured at fair value on a recurring basis as of March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022		
	Level 1	**Level 2**	**Level 3**
Cash equivalents:			
Money market funds	$ 26,826	$ —	$ —
Total	$ 26,826	$ —	$ —

	December 31, 2021		
	Level 1	**Level 2**	**Level 3**
Cash equivalents:			
Money market funds	$ 40,224	$ —	$ —
Total	$ 40,224	$ —	$ —

There were no liabilities measured at fair value on a recurring basis as of March 31, 2022 and December 31, 2021.

4. Prepaid expenses and other current assets

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

	March 31, 2022	December 31, 2021
U.K. R&D tax credit	$ 13,731	$ 10,523
Prepaid research and development	3,682	3,608
VAT recoverable	728	650
Prepaid insurance	342	1,525
Deferred offering costs	230	—
Other current assets	3,405	2,124
	$ 22,118	$ 18,430

5. Property and equipment, net

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

	March 31, 2022	December 31, 2021
Lab equipment	$ 7,979	$ 7,505
Leasehold improvements	6,988	7,021
Office equipment and computers	1,604	1,561
Fixtures and fittings	747	757
Assets under construction	6,416	5,351
	23,734	22,195
Less: Accumulated depreciation	(5,358)	(4,452)
	$ 18,376	$ 17,743

Depreciation expense was $1.1 million and $0.8 million for the three months ended March 31, 2022 and 2021, respectively.

6. Accrued expenses and other liabilities

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

	March 31, 2022	December 31, 2021
Compensation and benefits	$ 1,383	$ 2,649
External research and development expenses	2,867	2,985
Facility costs	1,935	2,629
Property and equipment	1,006	712
Professional services	618	663
Other liabilities	1,322	1,268
	$ 9,131	$ 10,906

7. Shareholders' equity

Ordinary shares

As of March 31, 2022 and December 31, 2021, the Company had the following number of ordinary shares with a par value £0.001 (equivalent to $0.001) issued and outstanding:

	March 31, 2022	December 31, 2021
Ordinary shares	39,137,860	38,987,122
Class A non-voting ordinary shares	1,616,367	1,616,367
Deferred Shares	1	1
Total ordinary and deferred shares	40,754,228	40,603,490

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, 2022, 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 December 31, 2021, 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 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 4,196,697 shares as of March 31, 2022, of which 1,776,298 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. On December 17, 2021 the remuneration committee determined that the number of shares reserved and available for issuance under the ESPP would not increase on January 1, 2022. 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 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, for up to 15% of such employee; 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 467,738 shares as of March 31, 2022. 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 quarter ended March 31, 2022, the compensation expense from ESPP shares was immaterial.

2021 Share Incentive Plan

The Achilles Therapeutics Plc Share Incentive Plan (the “SIP Plan”) is a sub plan of the ESPP. This SIP Plan is an HMRC approved Plan for UK paying employees. Under the SIP Plan, eligible employees can receive "Free Shares" within HMRC guidelines, purchase ordinary shares from the market (the "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 Board must specify the ratio of Matching Shares to Partnership Shares. The ratio determined by the Board 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 quarter ended March 31, 2022, 150,738 SIP shares were issued under the ESPP. This further reduced the number of shares reserved and available to grant under the ESPP to 317,000 shares available to grant as of March 31, 2022.

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 Articles of the Company (prior to IPO, and in accordance with 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 with the 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 immediately before the IPO were cancelled upon IPO, and a single deferred share with a nominal value of £92,451.85 in the capital of the Company was created. As of March 31, 2022, 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 to under the ESPP for future issuances.

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, 2021 through March 31, 2022 is as follows:

	Number of unvested ordinary shares	Weighted average grant date fair value
Unvested ordinary shares as of December 31, 2021	1,903,058	$ 6.43
Granted	150,738	3.15
Vested	(265,154)	6.17
Forfeited	—	—
Unvested ordinary shares as of March 31, 2022	1,788,642	$ 6.29

As of March 31, 2022, there was $10.1 million of unrecognized compensation cost related to unvested Employee Shares outstanding, which is expected to be recognized over a weighted-average period of 2.4 years.

Share Options

The following table summarizes the Company's share options activity for the three months ended March 31, 2022:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2021	1,357,847	$ 8.95	8.58	$ 10
Granted	1,437,778	$ 3.40		
Exercised	—	—		
Forfeited	(10,944)	$ 11.97		
Outstanding as of March 31, 2022	2,784,681	$ 7.54	9.12	$ 148
Exercisable as of March 31, 2022	137,853	$ 7.40	4.78	$ —
Unvested as of March 31, 2022	2,646,828	$ 7.57	9.35	$ 148

The weighted average grant-date fair value of share options granted during the three months ended March 31, 2022 was $2.13 per share, respectively.

As of March 31, 2022, there was $7.6 million of unrecognized compensation cost related to share options outstanding, which is expected to be recognized over a weighted-average period of 3.3 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, 2022 and 2021, respectively, were as follows:

	Three Months Ended March 31,	
	2022	2021
Expected term (in years)	6.07 Years	6.07 Years
Expected volatility	69.30%	71.14%
Expected dividend yield	0.00%	0.00%
Risk free interest rate	1.69%	0.62%
Fair value of underlying ordinary shares	$ 3.40	$ 11.57

Share-based Compensation Expense

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

	Three Months Ended March 31,	
	2022	2021
Research and development	$ 1,039	$ 746
General and administrative	920	637
	$ 1,959	$ 1,383

9. Leases

As of March 31, 2022, the Company had eight operating leases of real property for office and laboratory use, for which the Company recorded right-of-use assets and leases liabilities as of the ASU 2016-02 effective date or lease commencement date, if later. In addition, four 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.

Operating leases

On July 8, 2016, the Company entered into a Master Service Agreement with Royal Free London NHS Foundation Trust, which included access rights to the laboratory space at the Royal Free Hospital, Pond Street, London, with a 5-year term. The Master Service Agreement was due to expire on August 31, 2020. On June 1, 2020, the Master Service Agreement was renewed and will expire on August 31, 2023.

On February 1, 2019, the Company entered into six agreements with Stevenage Bioscience Catalyst to lease office and laboratory suites at Gunnels Wood Road, Stevenage, Hertfordshire, which were due to expire on January 31, 2021. In February 2021, the Company renewed six agreements which will expire on July 31, 2022.

On January 10, 2020, the Company entered into a non-cancellable operating lease in relation to office and laboratory premises at Gunnels Wood Road, Stevenage, Hertfordshire for a period of 2 years. The future minimum lease payments committed to in relation to this lease less any landlord incentives to be recognized up to the break total £0.2 million or $0.2 million.

On February 21, 2020, the Company entered into a non-cancellable operating lease in relation to office premises at Hammersmith Road, London for a period of 10 years, with a break clause at 5 years. The future minimum lease payments committed to in relation to this lease less any landlord incentives to be recognized up to the break total £5.4 million or $7.0 million.

On February 28, 2020, the Company entered into a 4-year manufacturing services collaboration agreement for laboratory space access at Gunnels Wood Road, Stevenage, Hertfordshire, with cancellation penalties of up to £2.2 million or $2.7 million should the Company terminate without due cause.

In December 2020, the Company entered into a new lease of a warehouse in west London, United Kingdom for a period of 10 years, with a break clause at 5 years. The Company expects to construct a flexible GMP modular facility to scale up its manufacturing footprint at these premises. The future minimum lease payments to be committed to in relation to this lease up to the break date are £3.8 million or $4.9 million.

In June 2021, the Company entered into a new lease of office premises in London, United Kingdom for a period of 3 years, with a break clause at 2 years. The future minimum lease payments to be committed to in relation to this lease up to the break date are £0.1 million or $0.1 million.

On October 1, 2021, the Company entered into a non-cancellable operating lease in relation to office and laboratory premises in Philadelphia, Pennsylvania in the United States for a period of 38 months. The right-of-use asset and lease liability was recorded on the lease commencement date, which is in January 2022. In connection with this lease, the Company maintains a required minimum balance, currently less than $0.1 million in connection with a letter of credit issued for the benefit of the

landlord for its commercial facility used as a security deposit for the lease. The total amount is classified as Restricted Cash and has been classified as a non-current asset on the Consolidated Balance Sheets. The letter of credit expires on September 30, 2022. However, it automatically extends for additional one-year periods, without written amendment agreement, in each succeeding calendar year, through the lease expiration date.

On March 11, 2022, the Company entered into an agreement to reserve manufacturing capacity with a Contract Manufacturing Organization, or CMO, in Radnor, PA. The Company concluded that this agreement contains embedded leases as two Good Manufacturing Practices, or GMP, suites and office space at the facility are designated for the Company's exclusive use during the term of the agreement. Under the terms of the agreement, the Company was required to pay an upfront $0.5 million project initiation fee and a $0.3 million reservation fee for the use of the manufacturing suite and has no further commitment at this time. The term of the agreement is five years and will auto-renew for one additional year if neither party gives 90 days' advance notice to terminate. The leased space has not yet been placed into service or made available for its intended use and has therefore not commenced as of March 31, 2022. The Company currently expects lease commencement to occur in the second or third quarter of 2022.

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, 2022 and 2021:

	Three Months Ended March 31,	
	2022	**2021**
Lease cost		
Operating lease cost	$ 1,198	$ 1,179
Variable lease cost	1,143	1,271
Short-term lease cost	75	9
	$ 2,416	$ 2,459
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in operating leases	$ 1,268	$ 652
Right of use assets obtained in exchange for new operating lease liabilities	$ 1,354	$ 239
Weighted average remaining lease term (in years)	2.9 Years	3.7 Years
Weighted average discount rate	4.77%	4.85%

Pursuant to the terms of the Company's non-cancelable lease agreements in effect at March 31, 2022, the following table summarizes the Company's maturities of operating lease liabilities as of March 31, 2022:

	March 31, 2022
Operating lease liabilities payment	
2022	$ 3,839
2023	4,575
2024	3,344
2025	923
Total lease payments	$ 12,681
Less: imputed interest	(799)
Present value of lease liability	$ 11,882

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. CRT granted the Company the right of first negotiation to license certain patents rights generated by the Company's founders outside of the TRACERx study which relate to the licensed technology.

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.

In May 2018, the Company entered into an amendment to the License Agreement that created an additional sample period through July 2020 and specified additional patient tumor and blood materials to be subject to the License Agreement related to the immunology side study. The License Agreement was subsequently amended in July 2020, November 2020 and March 2021.

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 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 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, 2022.

Less than $0.1 million of expenses were recorded for the three months ended March 31, 2022 related to the CRT License Agreement. No expenses were recorded for the three months ended March 31, 2021 related to the CRT License Agreement.

Secarna license

On October 20, 2021, the Company entered into an agreement, or Secarna Agreement with Secarna Pharmaceuticals GmbH & Co. KG or Secarna, whereby Secarna granted to the Company a non-exclusive worldwide license under certain patent and other intellectual property rights, to use the Secarna technology in the ex vivo manufacture of a T cell pharmaceutical product.

The Company is obligated to pay Secarna development milestone payments up to a maximum aggregate of €6.5 million ($7.2 million using a rate of €1.111 at March 31, 2022) and one-time commercial milestone payments up to €26 million ($28.9

million using a rate of €1.111 at March 31, 2022), as well as tiered 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 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) ten years from the first commercial sale of the product. For the three months ended March 31, 2022, the Company recorded expenses of less than €0.1 million (less than $0.1 million using an average rate of €1.122 for the three months ended March 31, 2022) related to the Secarna license agreement.

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 60 day remedy period.

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,	
	2022	**2021**
Numerator		
Net loss	$ (17,355)	$ (13,765)
Net loss attributable to ordinary shareholders—basic and diluted	$ (17,355)	$ (13,765)
Denominator		
Weighted-average number of ordinary shares used in net loss per share—basic and diluted	38,891,822	1,641,938
Net loss per share—basic and diluted	$ (0.45)	$ (8.38)

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, 2022 because including them would have had an anti-dilutive effect:

	Three Months Ended March 31,	
	2022	**2021**
Series A preferred shares (as converted to ordinary shares)	—	7,134,644
Series B preferred shares (as converted to ordinary shares)	—	13,181,515
Series C preferred shares (as converted to ordinary shares)	—	6,165,672
Unvested ordinary shares	1,788,642	2,647,713
Share options	2,784,681	364,282
Total	4,573,323	29,493,826

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, 2022 and December 31, 2021 was $3.5 million and $7.4 million, respectively.

In June 2021, the Company entered into an obligation to take on a new lease of lab and office premises in Stevenage, Hertfordshire, United Kingdom for a period of 10 years, with a break clause at 3 and 7 years. The future minimum lease payments to be committed to in relation to this lease up to the break date are £0.6 million or $0.8 million. As of March 31,

2022, the lease has not commenced and no right of use assets and operating lease liabilities were recognized related to that lease agreement.

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, 2022 and December 31, 2021.

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 officers and 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 $0.6 million and $0.4 million in contributions in the three months ended March 31, 2022 and 2021,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, 2022 and 2021, respectively.

14.Subsequent events

The Company has completed an evaluation of all subsequent events through May 10, 2022, 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, 2022, 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, 2021 included in our Form 20-F filed with the U.S. Securities and Exchange Commission, or the SEC, on March 1, 2022, 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 $1.3122 on March 31, 2022. 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 transformative 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 bioinformatic platform called PELEUS. This platform employs sophisticated statistical algorithms trained on the unique 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, 2022, 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 $17.4 million and $13.8 million for the three months ended March 31, 2022 and 2021, respectively. As of March 31, 2022, we had an accumulated deficit of $136.5 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 expense 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 bioinformatic platform and VELOS manufacturing process and to evaluate new approaches to our manufacturing process;
- expand our Material Acquisition Platform, or 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, 2022, we had cash and cash equivalents of $236.9 million. We believe our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements into the second half of 2024. See “—Liquidity and Capital Resources—Funding Requirements” below.

Impact of the On-Going COVID-19 Coronavirus

The development of ATL001 for our current programs and additional follow-on indications as well as any future product candidates could be disrupted and materially adversely affected in the future by a pandemic, epidemic or outbreak of an infectious disease, such as the on-going COVID-19 pandemic. The spread of COVID-19 has impacted the global economy and has impacted our operations, including the interruption of our research activities, clinical trials and our supply chain. Interruption to our supply chain includes interruption of or delays in receiving supplies from the third parties we rely on to, among other things, conduct our manufacturing process. It is primarily due to staffing shortages, production slowdowns or stoppages and disruptions in delivery systems. As a result of the

COVID-19 pandemic, we have experienced delays in enrollment in and dosing of our ongoing Phase I/IIa clinical trial for metastatic or recurrent melanoma and our ongoing Phase I/IIa clinical trial for advanced NSCLC and may continue to do so. The causes of these delays includes government orders and site policies on account of the pandemic, some patients may be unwilling or unable to travel to study sites, enroll in trials, or be unable to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services. These factors could delay our ability to conduct research activities and clinical trials or release clinical trial results, and/or delay our ability to obtain regulatory approval and commercialize ATL001 and any product candidates. Furthermore, COVID-19 could affect our employees or the employees of research sites and service providers on whom we rely as well as those of companies with which we do business, including our suppliers and contract manufacturing organizations, thereby disrupting our business operations. Quarantines and travel restrictions imposed by governments in the jurisdictions in which we and the companies with which we do business operate could materially impact the ability of employees to access research and clinical sites, laboratories, manufacturing sites and offices. We have implemented work-at-home policies and may experience limitations in employee resources. Our increased reliance on personnel working from home may negatively impact productivity, or disrupt, delay, or otherwise adversely impact our business.

We are still assessing our business plans and the impact the COVID-19 pandemic may have on our ability to advance the testing, development and manufacturing of ATL001 and any future product candidates, including as a result of adverse impacts on the research sites, service providers, vendors, or suppliers on whom we rely, or to raise financing to support the development of product candidates. No assurances can be given that this analysis will enable us to avoid part or all of any impact from the spread of COVID-19 or its consequences, including downturns in business sentiment generally or in our sector in particular. We cannot presently predict the scope and severity of any potential business shutdowns or disruptions, but if we or any of the third parties on whom we rely or with whom we conduct business, were to experience shutdowns or other business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and adversely impacted.

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. CRT granted the Company the right of first negotiation to license certain patents rights generated by the Company's founders outside of the TRACERx study which relate to the licensed technology.

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.

In May 2018, the Company entered into an amendment to the License Agreement that created an additional sample period through July 2020 and specified additional patient tumor and blood materials to be subject to the License Agreement related to the immunology side study. The License Agreement was subsequently amended in July 2020, November 2020 and March 2021.

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 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 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, 2022.

Less than $0.1 million of expenses were recorded for the three months ended March 31, 2022 related to the CRT License Agreement. No expenses were recorded for the three months ended March 31, 2021 related to the CRT License Agreement.

Secarna license

On October 20, 2021, the Company entered into an agreement, or Secarna Agreement with Secarna Pharmaceuticals GmbH & Co. KG or Secarna, whereby Secarna granted to the Company a non-exclusive worldwide license under certain patent and other intellectual property rights, to use the Secarna technology in the ex vivo manufacture of a T cell pharmaceutical product.

The Company is obligated to pay Secarna development milestone payments up to a maximum aggregate of €6.5 million ($7.2 million using a rate of €1.111 at March 31, 2022) and one-time commercial milestone payments up to €26 million ($28.9 million using a rate of €1.111 at March 31, 2022), as well as tiered 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 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) ten years from the first commercial sale of the product. For the three months ended March 31, 2022, the Company recorded expenses of less than €0.1 million (less than $0.1 million using an average rate of €1.122 for the three months ended March 31, 2022) related to the Secarna license agreement.

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 60 day remedy period.

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 contract research organizations, or 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, including for the treatment of head and neck, renal, triple negative breast and bladder; (iii) improve the efficiency and scalability of our manufacturing processes and supply chain including enhancing the capability of our PELEUS 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 U.K. corporation tax. As a company that carries out extensive research and development activities, we seek to benefit from one of two U.K. 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 Her 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, 2019, 2020 and 2021. We claimed the tax credit in 2019 and 2020 which were paid in 2020 and 2021, respectively. We anticipate filing a tax credit claim for 2021, which we expect will be paid to us later in 2022 from HMRC. We will continue to assess whether it is possible to qualify under the more favorable SME regime for future accounting periods.

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 $71.0 million as of December 31, 2021. We have recorded an insignificant income tax provision for the quarter ended March 31, 2022, 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 U.K. and recorded as an offset to research and development expenses. The U.K. R&D tax credit, as described below, 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 U.K. 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 U.K. R&D tax credits generated are needed to offset a corporate income tax liability in the U.K., 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 U.K. "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, 2022 and 2021

The following table summarizes our results of operations for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended March 31,		
	2022	2021	Change
Operating expenses:			
Research and development	$ 13,014	$ 8,876	$ 4,138
General and administrative	5,955	4,832	1,123
Total operating expenses	18,969	13,708	5,261
Loss from operations	(18,969)	(13,708)	(5,261)
Other income:			
Other income (expense)	1,629	(45)	1,674
Total other income	1,629	(45)	1,674
Loss before income taxes	(17,340)	(13,753)	(3,587)
Income tax expense	(15)	(12)	(3)
Net loss	$ (17,355)	$ (13,765)	$ (3,590)

Research and development expenses

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

	Three Months Ended March 31,		
	2022	2021	Change
Direct research and development expense by program:			
NSCLC	$ 2,480	$ 1,888	$ 592
Melanoma	2,086	1,552	534
Other pre-clinical and technology development cost	1,775	1,139	636
Unallocated research and development expense:			
Personnel expenses	4,803	3,050	1,753
Other expenses	1,870	1,247	623
Total research and development expenses	$ 13,014	$ 8,876	$ 4,138

Research and development expenses were net of research and development tax credit reimbursement of $3.6 million and $2.2 million for the three months ended March 31, 2022 and 2021, respectively. The net increase in research and development expenses was $4.1 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The net increase in direct research and development expense was primarily attributable to a net increase $0.6 million in IND enabling activities for new follow-on indications as well as continuing research and development into enhancements to PELEUS, our bioinformatics platform, and our VELOS manufacturing process, a net increase of $0.6 million in our NSCLC program specifically in relation to our ongoing Phase I/II CHIRON clinical trial and a net increase of $0.5 million in our metastatic or recurrent melanoma program specifically in relation to our ongoing Phase I/II THETIS clinical trial. Our unallocated research and development expense increased by $2.4 million for the three months ended March 31, 2022, primarily as a result of increased costs of supporting the increased headcount in our research and development functions and their research efforts and increased facility costs due to the lease of new laboratory space.

General and administrative expenses

The following table summarizes our general and administrative expenses for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended March 31,		
	2022	2021	Change
Personnel expenses	$ 3,325	$ 2,785	$ 540
Professional services fees	583	1,186	(603)
Facilities and other expense	2,047	861	1,186
	$ 5,955	$ 4,832	$ 1,123

General and administrative expenses were $6.0 million for the three months ended March 31, 2022, compared to $4.8 million for the three months ended March 31, 2021. The increase of $1.1 million consisted primarily of an increase of $1.2 million in facilities and other expenses due to the lease of new office space and increased costs of supporting the expansion of our business and an increase of $0.5 million in personnel expenses due to an overall increase in headcount and the recognition of additional share-based compensation. This was partially offset by a decrease of $0.6 million for costs incurred in the three months ended March 31, 2021 for legal and professional fees related to becoming a public company.

Total other income

Other income was income of $1.6 million for the three months ended March 31, 2022, compared to an expense of less than of $0.1 million for the three months ended March 31, 2021. The change in other income was primarily due to an increase in foreign exchange gains.

Provision for Income Taxes

The provision for income taxes was less than $0.1 million for the three months ended March 31, 2022 and March 31, 2021, 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, 2022, 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, 2022, we had cash and cash equivalents of $236.9 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,	
	2022	2021
Net cash used in operating activities	$ (20,635)	$ (17,223)
Net cash used in investing activities	(1,862)	(2,376)
Net cash used in financing activities	—	(914)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(6,891)	1,926
Net decrease in cash, cash equivalents and restricted cash	$ (29,388)	$ (18,587)

Net cash used in operating activities

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 incurred in relation to our IPO costs in the three months ended March 31, 2021; and (iii) increased accounts payable for payment of vendors' invoices.

During the three months ended March 31, 2021, net cash used in operating activities was $17.2 million, primarily resulting from our net loss of $13.8 million, adjusted for non-cash share-based compensation of $1.4 million, depreciation and amortization of $0.8 million and changes in right of use assets and operating lease liabilities of $0.5 million. Cash used in operating activities was also impacted by $6.1 million related to changes in components of working capital due to: (i) decreased accounts payable for payment of vendors' invoices; (ii) increased accrued research and development expenses incurred on our IPO costs and increased accrued facility costs in conjunction with lease of new laboratory and office space and (iii) increased prepaid expenses and other current assets in conjunction with accrued U.K. R&D tax credit. In addition, changes in other assets of $0.1 million due to the capitalization of cloud-based implementation costs during the three months ended March 31, 2021 increased cash used.

Net cash used in investing activities

During the three months ended March 31, 2022 and 2021, net cash used in investing activities was $1.9 million and $2.4 million, respectively, primarily driven by purchases of property and equipment related to lab equipment and leasehold improvements.

Net cash used in financing activities

There were no financing activities during the three months ended March 31, 2022. During the three months ended March 31, 2021, net cash used in financing activities was $0.9 million, primarily related to the payment of initial public offering costs.

Funding Requirements

We expect our expenses to increase substantially 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 significant legal, accounting, investor relations and other expenses that we did not incur as a private company.

We believe our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements into the second half of 2024. 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 our 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 expected 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; 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 $1.07 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, 2022, 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.

Recently Issued Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our condensed consolidated financial statements appearing elsewhere in this Report.

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, 2022, we had cash and cash equivalents of $236.9 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, 2022, 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 gains of $1.2 million and foreign currency losses of $0.1 million for three months ended March 31, 2022 and 2021, respectively. 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.