
**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 November 2021

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 Third Quarter 2021 Financial Results and Recent Business Highlights

On November 9, 2021, 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 and nine month periods ended September 30, 2021 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 and nine month periods ended September 30, 2021 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 and nine month periods ended September 30, 2021.

The statements contained in this “Achilles Therapeutics Reports Third Quarter 2021 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	<u>Press Release of Achilles Therapeutics plc dated November 9, 2021.</u>
99.2	<u>Unaudited Condensed Consolidated Financial Statements of Achilles Therapeutics plc for the three and nine month periods ended September 30, 2021.</u>
99.3	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations of Achilles Therapeutics plc for the three and nine month periods ended September 30, 2021.</u>

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: November 9, 2021

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



Achilles Therapeutics Reports Third Quarter 2021 Financial Results and Recent Business Highlights

- Oral Presentation at European Society for Gene and Cell Therapy (ESGCT) demonstrated ability to generate potent anti-cancer cell therapy candidates in multiple solid tumor types -
- Society for Immunotherapy of Cancer (SITC) abstracts highlight the ability to detect, quantify and track patient-specific cNeT and generate increased cNeT doses from VELOS™ Process 2 manufacturing -
- Conference call and webcast scheduled for Friday, November 12, 2021 at 8:30am ET to review SITC presentations and provide a corporate update -

London, UK 09 November 2021 – 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 third quarter ended September 30, 2021, and recent business highlights.

“We have continued to make good progress during the third quarter and will share an update from the first eight patients across our CHIRON (non-small cell lung cancer, or NSCLC) and THETIS (melanoma) studies at the upcoming SITC meeting. Our unique ability to accurately quantify the tumor reactive component of each product and to track clonal neoantigen reactive T cells (cNeT) in the patients post-dosing is possible through the detailed genomic analysis of the tumor and prospective clonal neoantigen targeting afforded by our proprietary bioinformatics platform. We believe this best-in-class analytical capability will be critical for the successful development of TIL-based therapies,” said **Dr Iraj Ali, Chief Executive Officer of Achilles**. “At SITC, we will also share details of our VELOS™ Process 2 manufacturing, which is able to routinely generate significantly higher doses of cNeT than our current Process 1. We will present further GMP scale data from VELOS Process 2 at the upcoming ESMO Immuno-Oncology Congress taking place December 8-11, 2021.”

Business Highlights

- Two abstracts for the SITC 36th Annual Meeting were published today - Poster 543, underscoring the ability to sensitively detect, quantify and track patient-specific cNeT during manufacture and post dosing, and Poster 193, highlighting our ability to generate increased doses of reactive cNeT from VELOS Process 2
 - Delivered an oral presentation at the 2021 European Society for Gene and Cell Therapy (ESGCT) Congress entitled, “Multicentre, prospective research protocol for development of a clonal neoantigen-reactive T cell therapy pipeline across multiple tumour types” highlighting the Company’s Material Acquisition Platform (MAP) and supporting the potential use of cNeT in a broad range of solid tumor indications
 - Granted US patent US 11,098,121 and European patent EP3347039B covering a method of identifying cancer patients that are likely to respond to a checkpoint inhibitor (CPI) by determining the total number of clonal neoantigens or the ratio of clonal to sub-clonal neoantigens in patients’ cancer cells
 - Enrolled the first patient in the United States at the Moffitt Cancer Center in the Phase I/IIa CHIRON clinical trial
 - In-licensed from Secarna Pharmaceuticals GmbH & Co antisense oligonucleotide technology and intellectual property for the *ex vivo* manufacture of a T cell pharmaceutical product
-

Financial Highlights

- **Cash and cash equivalents:** Cash and cash equivalents were \$281.9 million as of September 30, 2021, as compared to \$177.8 million as of December 31, 2020. The Company anticipates that its cash and cash equivalents are sufficient to fund its planned operations into the second half of 2023, including full funding of the ongoing Phase I/IIa CHIRON and THETIS clinical trials
- **Research and development (R&D) expenses:** R&D expenses were \$10.7 million for the third quarter ended September 30, 2021, an increase of \$5.4 million compared to \$5.3 million for the third quarter ended September 30, 2020. R&D expenses were \$30.4 million for the nine months ended September 30, 2021, an increase of \$16.7 million compared to \$13.7 million for the nine months ended September 30, 2020. 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 \$5.0 million for the third quarter ended September 30, 2021, an increase of \$2.0 million compared to \$3.0 million for the third quarter ended September 30, 2020. G&A expenses were \$15.3 million for the nine months ended September 30, 2021, an increase of \$8.2 million compared to the \$7.1 million for the nine months ended September 30, 2020. 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 third quarter ended September 30, 2021 was \$12.9 million or \$0.34 per share compared to \$8.2 million or \$7.50 per share for the third quarter ended September 30, 2020. Net loss for the nine months ended September 30, 2021 was \$42.9 million or \$1.69 per share compared to \$20.3 million or \$21.16 per share for the nine months ended September 30, 2020. The decrease in loss per share is due in part to the increased number of shares following the conversion and issuance of shares from the IPO

Upcoming Events

Achilles will present at the following medical and investor conferences in November and December 2021. Additional details will be available in the [Events & Presentations](#) section of the Company's website:

- Society for Immunotherapy of Cancer (SITC) 36th Annual Meeting: November 10 – 14, 2021
- Piper Sandler Annual Healthcare Conference: November 29 – December 2, 2021
- ESMO Immuno-Oncology Congress 2021: December 8 – 11, 2021

In addition, the Company will host a live webcast and conference call on Friday, November 12, 2021 at 8:30am ET / 1:30pm UK to review the SITC presentations and provide a corporate update. The live webcast can be accessed in the [Events & Presentations](#) section of the Company's website. The conference call dial-in numbers for investors and analysts are (833) 732-1204 (toll free within the USA), 0800 0288438 (toll free within the United Kingdom) or (720) 405-2169 (outside the USA) with the access code 4795875.

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 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.

Further information:

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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)

	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 281,875	\$ 177,849
Prepaid expenses and other current assets	16,401	9,948
Total current assets	<u>298,276</u>	<u>187,797</u>
Non-current assets:		
Property and equipment, net	16,378	13,369
Operating lease right of use assets	11,938	14,740
Deferred tax assets	4	4
Restricted cash	33	—
Other assets	3,370	3,008
Total non-current assets	<u>31,723</u>	<u>31,121</u>
TOTAL ASSETS	<u><u>\$ 329,999</u></u>	<u><u>\$ 218,918</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,460	\$ 6,314
Income taxes payable	36	7
Accrued expenses and other liabilities	8,472	6,590
Operating lease liabilities-current	4,398	3,712
Total current liabilities	<u>15,366</u>	<u>16,623</u>
Non-current liabilities:		
Operating lease liabilities-non-current	8,881	12,271
Other long-term liability	643	652
Total non-current liabilities	<u>9,524</u>	<u>12,923</u>
Total liabilities	<u>24,890</u>	<u>29,546</u>
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Ordinary shares, £0.001 par value; 40,603,489 and 4,389,920 shares authorized, issued and outstanding at September 30, 2021 and December 31, 2020, respectively	54	6
Deferred shares, £92,451.851 par value, one share authorized, issued and outstanding at September 30, 2021; Deferred shares, £0.001 par value; 30,521 shares issued and outstanding December 31, 2020	128	—
Convertible preferred shares, £0.001 par value; no shares authorized, issued and outstanding as of September 30, 2021; 104,854,673 shares authorized, issued and outstanding at December 31, 2020	—	134
Additional paid in capital	400,058	234,922
Accumulated other comprehensive income	5,750	12,322
Accumulated deficit	(100,881)	(58,012)
Total shareholders' equity	<u>305,109</u>	<u>189,372</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 329,999</u></u>	<u><u>\$ 218,918</u></u>

ACHILLES THERAPEUTICS PLC

Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

(in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
OPERATING EXPENSES:				
Research and development	\$ 10,697	\$ 5,291	\$ 30,417	\$ 13,668
General and administrative	5,041	3,009	15,318	7,140
Total operating expenses	15,738	8,300	45,735	20,808
Loss from operations	(15,738)	(8,300)	(45,735)	(20,808)
OTHER INCOME, NET:				
Other income	2,806	90	2,907	529
Total other income, net	2,806	90	2,907	529
Loss before provision for income taxes	(12,932)	(8,210)	(42,828)	(20,279)
Provision for income taxes	(16)	—	(41)	—
Net loss	(12,948)	(8,210)	(42,869)	(20,279)
Other comprehensive income:				
Foreign exchange translation adjustment	(7,710)	3,501	(6,572)	(3,088)
Comprehensive loss	\$ (20,658)	\$ (4,709)	\$ (49,441)	\$ (23,367)
Net loss per share attributable to ordinary shareholders—basic and diluted	\$ (0.34)	\$ (7.50)	\$ (1.69)	\$ (21.16)
Weighted average ordinary shares outstanding— basic and diluted	38,261,480	1,094,543	25,329,672	958,373

INDEX TO FINANCIAL STATEMENTS

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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)

	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 281,875	\$ 177,849
Prepaid expenses and other current assets	16,401	9,948
Total current assets	298,276	187,797
Non-current assets:		
Property and equipment, net	16,378	13,369
Operating lease right of use assets	11,938	14,740
Deferred tax assets	4	4
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Convertible preferred shares, £0.001 par value; no shares authorized, issued and outstanding as of September 30, 2021; 104,854,673 shares authorized, issued and outstanding at December 31, 2020	—	134
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 329,999	\$ 218,918

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
OPERATING EXPENSES:				
Research and development	\$ 10,697	\$ 5,291	\$ 30,417	\$ 13,668
General and administrative	5,041	3,009	15,318	7,140
Total operating expenses	15,738	8,300	45,735	20,808
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Other income	2,806	90	2,907	529
Total other income, net	2,806	90	2,907	529
Loss before provision for income taxes	(12,932)	(8,210)	(42,828)	(20,279)
Provision for income taxes	(16)	—	(41)	—
Net loss	(12,948)	(8,210)	(42,869)	(20,279)
Other comprehensive income:				
Foreign exchange translation adjustment	(7,710)	3,501	(6,572)	(3,088)
Comprehensive loss	\$ (20,658)	\$ (4,709)	\$ (49,441)	\$ (23,367)
Net loss per share attributable to ordinary shareholders—basic and diluted	\$ (0.34)	\$ (7.50)	\$ (1.69)	\$ (21.16)
Weighted average ordinary shares outstanding—basic and diluted	38,261,480	1,094,543	25,329,672	958,373

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						Ordinary \$0.001 par value		Deferred shares		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total
	Series A \$0.001 par value		Series B \$0.001 par value		Series C \$0.001 par value		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
Effect of corporate reorganization including conversion of preferred share to ordinary share	(28,250,000)	(36)	(52,192,070)	(66)	(24,412,603)	(32)	26,481,831	34	(109,057)	128	(28)	—	—	—
Issuance of ordinary shares in initial public offering, net of issuance costs of \$2,726	—	—	—	—	—	—	9,750,000	14	—	—	160,550	—	—	160,564
Share-based compensation Expense	—	—	—	—	—	—	—	—	—	—	1,438	—	—	1,438
Unrealized gain/(loss) on foreign currency translation	—	—	—	—	—	—	—	—	—	—	—	(925)	—	(925)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(16,156)	(16,156)
Balance at June 30, 2021	—	\$ —	—	\$ —	—	\$ —	40,603,489	\$ 54	1	\$ 128	\$ 398,265	\$ 13,460	\$ (87,933)	\$ 323,974
Discount of issuance costs of initial public offering	—	—	—	—	—	—	—	—	—	—	60	—	—	60
Share-based compensation Expense	—	—	—	—	—	—	—	—	—	—	1,733	—	—	1,733
Unrealized gain/(loss) on foreign currency translation	—	—	—	—	—	—	—	—	—	—	—	(7,710)	—	(7,710)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(12,948)	(12,948)
Balance at September 30, 2021	—	\$ —	—	\$ —	—	\$ —	40,603,489	\$ 54	1	\$ 128	\$ 400,058	\$ 5,750	\$ (100,881)	\$ 305,109

ACHILLES THERAPEUTICS PLC

Condensed Consolidated Statements of Shareholders' Equity

(unaudited)

(in thousands, except share amounts)

	Convertible preferred shares						Ordinary \$0.001 par value		Deferred shares		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total
	Series A \$0.001 par value		Series B \$0.001 par value		Series C \$0.001 par value									
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2019	28,250,000	\$ 36	34,794,714	\$ 43	—	\$ —	2,534,207	\$ 3	991,865	\$ 1	\$ 117,969	\$ 8,109	\$ (24,813)	\$ 101,348
Issuance of ordinary shares	—	—	—	—	—	—	10,363	—	—	—	—	—	—	—
Conversion of ordinary shares into deferred shares	—	—	—	—	—	—	(7,976)	—	31,568	—	—	—	—	—
Share-based compensation expense	—	—	—	—	—	—	—	—	—	—	338	—	—	338
Unrealized gain/(loss) on foreign currency translation	—	—	—	—	—	—	—	—	—	—	—	(6,510)	—	(6,510)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(5,214)	(5,214)
Balance at March 31, 2020	28,250,000	\$ 36	34,794,714	\$ 43	—	\$ —	2,536,594	\$ 3	1,023,433	\$ 1	\$ 118,307	\$ 1,599	\$ (30,027)	\$ 89,962
Share-based compensation expense	—	—	—	—	—	—	—	—	—	—	326	—	—	326
Unrealized gain/(loss) on foreign currency translation	—	—	—	—	—	—	—	—	—	—	—	(79)	—	(79)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(6,855)	(6,855)
Balance at June 30, 2020	28,250,000	\$ 36	34,794,714	\$ 43	—	\$ —	2,536,594	\$ 3	1,023,433	\$ 1	\$ 118,633	\$ 1,520	\$ (36,882)	\$ 83,354
Issuance of ordinary shares	—	—	—	—	—	—	170,552	—	—	—	—	—	—	—
Conversion of ordinary shares into deferred shares	—	—	—	—	—	—	(7,521)	—	29,770	—	—	—	—	—
Share-based compensation expense	—	—	—	—	—	—	—	—	—	—	490	—	—	490
Unrealized gain/(loss) on foreign currency translation	—	—	—	—	—	—	—	—	—	—	—	3,501	—	3,501
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(8,210)	(8,210)
Balance at September 30, 2020	28,250,000	\$ 36	34,794,714	\$ 43	—	\$ —	2,699,625	\$ 3	1,053,203	\$ 1	\$ 119,123	\$ 5,021	\$ (45,092)	\$ 79,135

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

ACHILLES THERAPEUTICS PLC

Condensed Consolidated Statements of Cash Flows

(unaudited)

(in thousands)

	Nine Months Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (42,869)	\$ (20,279)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	2,451	373
Changes in right of use assets and operating lease liabilities, net	119	761
Non-cash share-based compensation	4,554	1,154
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	(7,805)	(206)
Non-cash loss on foreign currency remeasurement	4	
Accounts payable	(3,874)	371
Income taxes payable	29	—
Accrued expenses and other liabilities	2,811	2,263
Other assets	(416)	(1,753)
Other long-term liabilities	—	423
Net cash used in operating activities	(44,996)	(16,893)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(5,632)	(5,867)
Net cash used in investing activities	(5,632)	(5,867)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of ADRs in initial public offering, net of issuance costs	160,755	—
Payment of issuance costs of convertible preferred shares	—	(196)
Net cash provided by (used in) financing activities	160,755	(196)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(6,068)	(3,035)
Net increase (decrease) in cash	104,059	(25,991)
Cash, cash equivalents and restricted cash, beginning of period	177,849	97,594
Cash, cash equivalents and restricted cash, end of period	\$ 281,908	\$ 71,603
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Right of use assets obtained in exchange for new operating lease liabilities	\$ 316	\$ 11,598
Property and equipment purchases in accrued expenses	\$ 415	\$ 282

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

	Nine Months Ended September 30,	
	2021	2020
Cash and cash equivalents	\$ 281,875	\$ 71,603
Restricted cash	33	—
Total cash, cash equivalents and restricted cash	281,908	71,603

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

ACHILLES THERAPEUTICS PLC

Notes to Condensed Consolidated Financial Statements

1. Nature of the business

Achilles Therapeutics plc (formerly Achilles TX Limited), 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) and consummating the corporate reorganization described below. 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 corporate reorganization and initial public offering, or IPO, took place in several steps which were completed on April 6, 2021.

- **Exchange of Achilles Therapeutics UK Limited Shares for Achilles TX Limited Shares:** In December 2020 all shareholders of Achilles Therapeutics UK Limited (except for the holders of deferred shares) exchanged each of the shares held by them for shares of Achilles TX Limited to result in them holding the same number and class of newly issued shares of £1.20 nominal value of Achilles TX Limited and, as a result, Achilles TX Limited became the sole shareholder of Achilles Therapeutics UK Limited.
- **Reduction of the share capital of Achilles TX Limited:** Achilles TX Limited reduced its share capital by way of a reduction of the nominal value of each share in the capital of Achilles TX Limited from £1.20 to £0.001 in order to satisfy the net asset test requirement in section 92 of the Companies Act 2006 for re-registration as a public limited company and to create distributable reserves.
- **Re-registration of Achilles TX Limited as Achilles Therapeutics plc:** In February 2021, Achilles TX Limited was re-registered as a public limited company pursuant to section 92 of the U.K. Companies Act 2006 and renamed Achilles Therapeutics plc. The Company adopted new Articles of Association appropriate for a public limited company.

As a result of the above Achilles TX Limited is the successor to Achilles Therapeutics UK Limited (the “Predecessor”) and the financial information for the period prior to the incorporation of Achilles TX Limited represents that of the Predecessor.

On April 6, 2021, the Company completed the IPO. In the IPO, the Company sold an aggregate of 9,750,000 ADSs representing the same number of ordinary shares, at a public offering price of \$18.00 per ADS. Net proceeds were \$160.6 million, after deducting underwriting discounts and commissions and other offering expenses. Upon IPO, the Company adopted new articles suitable for a listed public limited company.

On April 6, 2021, the Company effected a one-for-0.2526 (rounded to four decimal places) reverse share split of its issued and outstanding ordinary shares except for N ordinary shares and a proportional adjustment to the existing conversion ratios for each class of the Company’s convertible preferred shares, and a one-for-0.1792 (rounded to four decimal places) reverse share split of its issued and outstanding N ordinary shares. Accordingly, all share and per share amounts for all periods presented in the condensed consolidated financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect this reverse share split and adjustment of the preferred share conversion ratios. Two shareholders elected to receive a number of Class A non-voting ordinary shares rather than their full entitlement of ordinary shares following the reverse share split. As part of this reverse share split, a single deferred share with a nominal value of £92,451.851 in the capital of the Company was created.

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 \$100.9 million as of September 30, 2021. 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 September 30, 2021, the Company had cash and cash equivalents of \$281.9 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, 2020 in the Registration Statement filed with the Securities and Exchange Commission (the "SEC") on March 31, 2021. There have been no material changes to the significant accounting policies during the nine months ended September 30, 2021 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, 2020, 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 September 30, 2021, the results of its operations and comprehensive loss for the three and nine months ended September 30, 2021 and 2020, its statements of shareholders' equity for the three and nine months ended September 30, 2021 and 2020 and its statements of cash flows for the nine months ended September 30, 2021 and 2020.

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 and nine months ended September 30, 2021 are not necessarily indicative of the results to be expected for the year ended December 31, 2021, any other interim periods, or any future year or period. The balance sheet information as of December 31, 2020, was derived from the audited financial statements included in the Company's Registration Statement filed with the SEC on March 31, 2021. These interim financial statements should be read in conjunction with the audited financial statements as of and for

the year ended December 31, 2020, and the notes thereto, which are included elsewhere in the Company's Registration Statement filed with the SEC on March 31, 2021.

Recent accounting pronouncements

Recently adopted accounting standards

In December 2019, the FASB issued ASU 2019-12, "Income Taxes—Simplifying the Accounting for Income Taxes (Topic 740) ("ASU 2019-12")," which simplifies the accounting for income taxes. The new guidance removes certain exceptions to the general principles in ASC 740 such as recognizing deferred taxes for equity investments, the incremental approach to performing intra-period tax allocation and calculating income taxes in interim periods. The standard also simplifies accounting for income taxes under U.S. GAAP by clarifying and amending existing guidance, including the recognition of deferred taxes for goodwill, the allocation of taxes to members of a consolidated group and requiring that an entity reflect the effect of enacted changes in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. This guidance is effective for annual periods beginning after December 15, 2020, and interim periods thereafter; however, early adoption is permitted. The new guidance was adopted on January 1, 2021 and it did not have a material impact on the Company's unaudited condensed consolidated 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 September 30, 2021 (in thousands):

	September 30, 2021		
	Level 1	Level 2	Level 3
Cash equivalents:			
Money market funds	\$ 67,222	\$ —	\$ —
Total	<u>\$ 67,222</u>	<u>\$ —</u>	<u>\$ —</u>

There were no liabilities measured at fair value on a recurring basis as of September 30, 2021. There were no assets or liabilities measured at fair value on a recurring basis as of December 31, 2020.

4. Prepaid expenses and other current assets

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

	September 30, 2021	December 31, 2020
U.K. R&D tax credit	\$ 7,624	\$ 6,214
Prepaid insurance	2,863	21
Prepaid research and development	3,409	751
VAT recoverable	669	1,125
Deferred offering costs	—	1,007
Other current assets	1,836	830
	<u>\$ 16,401</u>	<u>\$ 9,948</u>

5. Property and equipment, net

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

	September 30, 2021	December 31, 2020
Lab equipment	\$ 6,494	\$ 4,644
Leasehold improvements	7,050	6,960
Office equipment and computers	1,490	1,168
Fixtures and fittings	741	706
Assets under construction	4,350	1,275
	20,125	14,753
Less: Accumulated depreciation	(3,747)	(1,384)
	<u>\$ 16,378</u>	<u>\$ 13,369</u>

Depreciation expense was \$2.5 million and \$0.4 million for the nine months ended September 30, 2021 and 2020, respectively. Depreciation expense was \$0.9 million and \$0.2 million for the three months ended September 30, 2021 and 2020, respectively.

6. Accrued expenses and other liabilities

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

	September 30, 2021	December 31, 2020
Compensation and benefits	\$ 2,207	\$ 1,494
External research and development expenses	1,904	2,201
Professional services	131	1,222
Property and equipment	404	303
Facility costs	1,908	868
Other liabilities	1,918	502
	<u>\$ 8,472</u>	<u>\$ 6,590</u>

7. Shareholders' equity

Ordinary shares

As of September 30, 2021 and December 31, 2020, the Company had the following number of ordinary shares with a par value £0.001 (equivalent to \$0.001) issued and outstanding:

	September 30, 2021	December 31, 2020
Ordinary shares	38,987,122	—
Class A non-voting ordinary shares	1,616,367	
B ordinary shares	—	505,108
D ordinary shares	—	155,669
E ordinary shares	—	80,007
F ordinary shares	—	327,084
G ordinary shares	—	194,261
H ordinary shares	—	88,871
I ordinary shares	—	48,391
J ordinary shares	—	262,478
L ordinary shares	—	1,207,670
M ordinary shares	—	811,436
N ordinary shares	—	708,945
Deferred Shares	1	30,521
Total ordinary and deferred shares	<u>40,603,490</u>	<u>4,420,441</u>

As of December 31, 2020, the Company issued various classes of ordinary shares as Employee Shares (See Note 8). Each holder of B ordinary shares was entitled to one vote per B ordinary share and, to receive dividends declared with Investor Majority consent and any such dividend as determined by the board of directors of the Company acting with investor director consent, provided that the preferred shares and the B ordinary shares shall, subject to the 2019 Articles and 2020 Articles, rank equally in all respects for the purpose of any dividend that is declared or paid. All other classes of ordinary shares do not have voting rights. All ordinary shares, including B shares, have a liquidation preference that is junior to Preferred Shares.

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. Please refer to the details in Note 1. Class A non-voting ordinary shares have same rights and privileges as ordinary shares, except for the voting rights.

As of September 30, 2021, the Company has not declared any dividends.

Deferred shares

As of December 31, 2020, deferred shares were a unit of equity in the Company. Deferred shares can be repurchased at any time by the Company for £1.00 for all the deferred shares registered in the name of any holder. Deferred shares have effectively no voting or economic rights attached to them.

On April 6, 2021, all the deferred shares were cancelled. In addition, a single deferred share with a nominal value of £92,451.851 in the capital of the Company was created as part of the Company's reorganization (Note 1). As of September 30, 2021, the Company had one deferred share which could be repurchased at any time by the Company for nil consideration.

Convertible preferred shares

The Company issued series A convertible preferred shares ("Series A"), series A-1 convertible preferred shares ("Series A-1"), series B preferred shares ("Series B") and series C preferred shares ("Series C") (collectively, "Convertible Preferred Shares").

As of December 31, 2020, Convertible Preferred Shares consisted of the following (in thousands, except share data):

	Shares		Liquidation preference	Carrying value
	Authorized	Outstanding		
Series A preferred shares	28,250,000	28,250,000	\$ 36,725	\$ 36,725
Series B preferred shares (note)	52,192,070	52,192,070	124,615	124,312
Series C preferred shares	24,412,603	24,412,603	70,081	69,894
	<u>104,854,673</u>	<u>104,854,673</u>	<u>\$ 231,421</u>	<u>\$ 230,931</u>

Note: The liquidation preference amount of Series B preferred shares as of December 31, 2020 illustrated in the above tables represents the liquidation amount under the initial public offering. The liquidation preference amount of Series B preferred shares will be different under other situations.

On April 6, 2021, all the Convertible Preferred Shares were converted into ordinary shares or Class A non-voting ordinary shares. There are no Convertible Preferred Shares outstanding as of September 30, 2021. The rights, preferences, and privileges of Convertible Preferred Shares were as follows as of December 31, 2020:

Conversion

At the option of the holder, Convertible Preferred Shares are convertible into an equivalent number of B ordinary shares at any time at conversion ratio of 1:1 (subject to appropriate adjustment in the event of any share dividend, share split, combination or other similar recapitalization). All Convertible Preferred Shares will automatically convert into an equivalent number of B ordinary shares upon either: (i) the notice of 60% of Convertible Preferred Shareholders that such conversion shall occur; or (ii) immediately upon an initial public offering in which the per share net public offering is at least 1.15 times £2.1589 (subject to appropriate adjustment in the event of any share dividend, share split, combination or other similar recapitalization) and the net aggregate proceeds of the offering are at least £75 million.

In the event the Company issues additional new securities at a price equal to or less than £1.916 per share, the Company shall, unless and to the extent that the holders of 80% of the Series B preferred shares and Series C preferred shares waived, issue to each holder of Series B preferred shares and Series C preferred shares a number of new Series B preferred shares and Series C preferred shares in accordance with the anti-dilution protections within the articles of association.

In the event the Company issues additional new securities at a price equal to or less than £2.1589 per share but higher than £1.916 per share, the Company shall, unless and to the extent that the holders of 80% of the Series C preferred shares waived, issue to each holder of Series C preferred shares a number of new Series C preferred shares in accordance with the anti-dilution protections within the articles of association.

Dividends

Subject to consent of 60% of holders of the Convertible Preferred Shares, dividends may be paid to the holders of Convertible Preferred Shares and B ordinary shares as determined by the board of directors of the Company. Through September 30, 2021, no dividends have been declared or paid.

Voting rights

The holders of the Convertible Preferred Shares are entitled to vote, together with the holders of B ordinary shares, at all general meetings of the Company and to receive and vote on proposed written resolutions of the Company. The Convertible Preferred Shares shall carry the right to one vote per Convertible Preferred Share held.

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, each holder of the then-outstanding Convertible Preferred Shares will be entitled to an amount equal to 100%, 106% and 100% of the subscription price of Series A preferred shares held, Series B preferred shares held and Series C preferred shares held, respectively. After Convertible Preferred Shares, holders of deferred shares are paid a total of £1.00 for the entire class of deferred shares. Any remaining surplus after liquidation preference to the holders of the Convertible Preferred Shares and deferred shares would then be distributed to the holders of vested ordinary shares (as if they constituted one and the same class) pro rata to the number of vested ordinary shares held.

If the amount each Convertible Preferred Share holder is entitled to by participating in the liquidation event as an ordinary share holder on an as-converted basis (regardless of whether such holder converted its Convertible Preferred Shares to B ordinary shares) is greater than the amount to which the holder is entitled as a Convertible Preferred Share holder, the entitlement of the Convertible Preferred Share holder shall be calculated on an as-converted ordinary share basis and is ranked equal to the rights of ordinary shareholders.

If upon any such liquidation, dissolution, or winding-up, the assets available for distribution to shareholders are insufficient to pay the holders of the Convertible Preferred Shares the full amounts to which they are entitled, the holders of Convertible Preferred Shares shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the Convertible Preferred Shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

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 (see Note 1). 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 twelve months 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 2,572,558 shares as of September 30, 2021, of which 1,922,777 shares remained available for future grant.

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 reserves and authorizes the issuance of up to a total of 467,738 ordinary shares to participating employees. The ESPP provides that the number of shares reserved and available for issuance will automatically increase each January 1, beginning on January 1, 2022 and each January 1 thereafter through January 1, 2022, by the least of (i) 1% of the outstanding number of ordinary shares on the immediately preceding December 31; (ii) 467,738 ordinary shares or (iii) such number of shares as determined by the remuneration committee. The number of shares reserved under the ESPP is subject to change in the event of a share split, share dividend or other change in our capitalization.

The total number of ordinary shares that may be issued under the ESPP was 467,738 shares as of September 30, 2021, of which 467,738 shares remained available for future grant. As of September 30, 2021, the initial purchase period under the ESPP has not yet commenced.

Employee Shares

The Company typically grants incentive shares which vest 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.

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. 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 £92,451.851 in the capital of the Company was created. As of September 30, 2021, the Company had one deferred share which could be repurchased by the Company at any time for nil consideration.

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 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, 2020 through September 30, 2021 is as follows:

	Number of unvested ordinary shares	Weighted average grant date fair value
Unvested ordinary shares as of December 31, 2020	2,837,492	\$ 6.38
Granted	—	—
Vested	(555,129)	4.36
Forfeited	(18,262)	6.85
Unvested ordinary shares as of September 30, 2021	<u>2,264,101</u>	<u>\$ 6.79</u>

As of September 30, 2021, there was \$13.0 million of unrecognized compensation costs related to unvested Employee Shares outstanding, which is expected to be recognized over a weighted-average period of 2.8 years.

Share Options

The following table summarizes the Company's share options activity for the nine months ended September 30, 2021:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2020	240,584	\$ 6.75	4.84	\$ 313
Granted	781,057	\$ 14.65		
Exercised	—	—		
Forfeited	(7,578)	\$ 11.63		
Outstanding as of September 30, 2021	1,014,063	\$ 12.83	8.36	\$ 273
Exercisable as of September 30, 2021	56,971	\$ 6.13	4.04	\$ 95
Unvested as of September 30, 2021	957,092	\$ 12.84	8.61	\$ 178

The weighted average grant-date fair value of share options granted during the nine months ended September 30, 2021 was \$6.05 per share, respectively. There were no share options granted during the three months ended September 30, 2021, the three and nine months ended September 30, 2020.

As of September 30, 2021, there was \$4.6 million of unrecognized compensation cost related to share options outstanding, which is expected to be recognized over a weighted-average period of 3.4 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 and nine months ended September 30, 2021 were as follows:

	Nine Months Ended September 30, 2021
Expected term (in years)	6.05 Years
Expected volatility	72.75%
Expected dividend yield	0.00%
Risk free interest rate	0.98%
Fair value of underlying ordinary shares	\$ 10.47

Share-based Compensation Expense

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Research and development	\$ 857	\$ 181	\$ 2,381	\$ 471
General and administrative	876	309	2,173	683
	<u>\$ 1,733</u>	<u>\$ 490</u>	<u>\$ 4,554</u>	<u>\$ 1,154</u>

9. Leases

As of September 30, 2021, the Company had seven 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, two 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 lab 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 lab 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 lab 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 lab 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 intends 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.

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 and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Lease cost				
Operating lease cost	\$ 1,169	\$ 906	\$ 3,544	\$ 2,002
Variable lease cost	1,425	1,065	3,868	2,249
Short-term lease cost	27	3	45	40
	<u>\$ 2,621</u>	<u>\$ 1,974</u>	<u>\$ 7,457</u>	<u>\$ 4,291</u>

Other information:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows used in operating leases	\$ 3,426	\$ 1,336
Right of use assets obtained in exchange for new operating lease liabilities	\$ 316	\$ 11,598
Weighted average remaining lease term (in years)	3.3 years	3.8 years
Weighted average discount rate	4.86%	4.76%

Pursuant to the terms of the Company's non-cancelable lease agreements in effect at September 30, 2021, the following table summarizes the Company's maturities of operating lease liabilities as of September 30, 2021:

	September 30,	
	2021	
Operating lease liabilities payment		
2021	\$	1,248
2022		4,920
2023		4,310
2024		3,038
Thereafter		814
Total lease payments	\$	14,330
Less: imputed interest		(1,051)
Present value of lease liability	\$	13,279

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"). The Company extended the Vaccine Option from May 2021 to May 2023 with a payment 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 will have the right to acquire ownership of the TRACERx patents upon either: (i) the occurrence of a royalty product for use in the therapeutic field; (ii) CRT shareholders cease to hold any ordinary shares in the Company; (iii) 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 September 30, 2021.

Less than \$0.1 million of expenses were recorded for the three and nine months ended September 30, 2021 related to the CRT License Agreement. No expense was recorded for the three and nine months ended September 30, 2020 related to the CRT License Agreement.

11. Net loss per share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator				
Net loss	\$ (12,948)	\$ (8,210)	\$ (42,869)	\$ (20,279)
Net loss attributable to ordinary shareholders—basic and diluted	\$ (12,948)	\$ (8,210)	\$ (42,869)	\$ (20,279)
Denominator				
Weighted-average number of ordinary shares used in net loss per share—basic and diluted	38,261,480	1,094,543	25,329,672	958,373
Net loss per share—basic and diluted	\$ (0.34)	\$ (7.50)	\$ (1.69)	\$ (21.16)

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 and nine months ended September 30, 2021 because including them would have had an anti-dilutive effect:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Series A preferred shares (as converted to ordinary shares)	—	7,134,644	—	7,134,644
Series B preferred shares (as converted to ordinary shares)	—	8,787,851	—	8,787,851
Unvested ordinary shares	2,264,101	1,445,143	2,264,101	1,445,143
Share options	1,014,063	—	1,014,063	—
Total	3,278,164	17,367,638	3,278,164	17,367,638

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 September 30, 2021 and December 31, 2020 was \$2.3 million and \$4.3 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 June 30, 2021, the lease was 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 September 30, 2021 and December 31, 2020.

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 2020 Articles and 2021 Articles, the Company has indemnification obligations to its officers and directors 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 cover or 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 \$0.5 million and \$1.3 million in contributions in the three and nine months ended September 30, 2021, respectively. The Company paid \$0.3 million and \$0.7 million in contributions in the three and nine months ended September 30, 2020, 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 and nine months ended September 30, 2021.

14. Subsequent events

On October 1, 2021, the Company entered into a non-cancellable operating lease in relation to office and lab premises in Philadelphia, Pennsylvania in the United States for a period of 38 months. The right-of-use asset and lease liability will be recorded on the lease commencement date. 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 on September 30, 2021 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 Condensed 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 October 13, 2021, the Company granted 338,668 share options with a weighted average exercise price of \$13.27 per share.

On October 20, 2021, the Company entered into an agreement ("Secarna Agreement") with Secarna Pharmaceuticals GmbH & Co. KG ("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. As consideration for the Secarna Agreement, the Company agreed to pay Secarna an upfront, one-time fee of €0.3 million (\$0.3 million using a rate of €1.159 at September 30, 2021).

The Company is obligated to pay Secarna development milestone payments up to a maximum aggregate of €6.5 million (\$7.5 million using a rate of €1.159 at September 30, 2021) and one-time commercial milestone payments up to €26 million (\$30.1 million using a rate of €1.159 at September 30, 2021), 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, and with respect to a patent royalty product.

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.

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, 2020 included in our Prospectus filed with the U.S. Securities and Exchange Commission, or the SEC, on March 31, 2021, or Prospectus. 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 \$1.3461 on September 30, 2021. 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 September 30, 2021, 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 \$12.9 million and \$42.9 million for the three and nine months ended September 30, 2021, respectively, and \$8.2 million and \$20.3 million for the three and nine months ended September 30, 2020, respectively. As of September 30, 2021, we had an accumulated deficit of \$100.9 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 transition to operating as a public company following the completion of our IPO.

Furthermore, following the closing of our IPO, we expect to 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 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 September 30, 2021, we had cash and cash equivalents of \$281.9 million. We believe our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements for at least the next 24 months. See “—Liquidity and Capital Resources—Funding Requirements” below.

Impact of the 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 recent 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. The COVID-19 pandemic has delayed 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. 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, we entered into a License Agreement, or the License Agreement, with Cancer Research Technology Limited, or CRT, pursuant to which we obtained access rights to intellectual property and know-how from the TRACERx Study. Under the License Agreement, we are granted an exclusive, sublicensable license to the TRACERx patents and bioinformatic data for use in: (i) the therapeutic field of neoantigen cell therapies and adoptive cell transfer; and (ii) the neoantigen diagnostic field, for use in research and the potential development of products for commercialization. We are further granted, during the vaccine option period, an exclusive license to the TRACERx patents and the bioinformatic data in the private neoantigen therapeutic vaccine field for research and development but not in the development of products for commercial sale, and a non-exclusive license to the same in the public neoantigen therapeutic vaccine field. We also obtained a non-exclusive license to the TRACERx bioinformatic pipeline, patient sequencing and medical data, know-how, and materials.

CRT additionally granted us certain rights to new patent applications filed by the Founding Institutions in respect of inventions resulting from the TRACERx study through February 2023, including automatic exclusive licenses to patent rights relating to non-severable improvements of technology covered by the original TRACERx patents and non-exclusive rights to severable improvements. CRT granted us the right of first negotiation to license certain patent rights generated by our founders outside of the TRACERx study which relate to the licensed technology.

In July 2017, we obtained a non-exclusive license to the LOHHLA patent under the License Agreement. In October 2018, we obtained an exclusive license to the LOHHLA patent under an addendum to the License Agreement. Under the License Agreement, we hold an option to exploit products in the therapeutic vaccine field (the "Vaccine Option"). We extended the Vaccine Option from May 2021 to May 2023 with a payment less than £0.1 million or \$0.1 million.

In May 2018, we entered into an amendment to the License Agreement that created an additional sample period through July 2020 and specified additional 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, we granted CRT 396,125 B ordinary shares and 67,793 C ordinary shares. The C ordinary shares granted to CRT were forfeited and transferred to the deferred shares during the year ended December 31, 2019, as the applicable performance conditions were not met. The B ordinary shares granted to CRT were converted into ordinary shares upon IPO. The Company recorded \$0.3 million of IP research and development expense in 2016. We are obligated to pay CRT milestone success payments up to an aggregate of £6.5 million for therapeutic

products, and milestone success payments up to an aggregate £0.8 million for non-therapeutic products, as well as sub-single digit to low-single digit percentage royalty on net sales of products that utilize the licensed intellectual property, subject to certain customary reductions. The royalty obligations continue on a product-by-product and country-by-country basis until the later of: (i) the date there ceases to be a valid patent claim covering such product in the country in which it is sold; or (ii) with respect to contribution royalty products, ten years from the first commercial sale of the product, and with respect to a patent royalty product, five years from the first commercial sale of the product. On a product-by-product basis, we may also elect to provide other cash consideration at fair market value and forgo the milestone or royalty payment.

Unless terminated earlier, the term of the agreement continues until the later of the expiration of the royalty term in each country and such time as no further milestone payments are due, and upon such termination, the licenses granted shall become fully-paid, royalty-free, irrevocable, and perpetual. We have the right to terminate the license agreement for convenience in its entirety upon 90 days' notice. Each party may terminate the agreement if the other party is in material breach subject to a 90 day remedy period. We will have the right to acquire ownership of the TRACERx patents upon either: (i) the occurrence of a royalty product for use in the therapeutic field; (ii) CRT shareholders cease to hold any ordinary shares in the Company; (iii) we undergo an initial public offering; or (iv) we are acquired by a third party for more than £25.0 million. Upon IPO, we gave notice to CRT to exercise the option to acquire the TRACERx patents with no consideration in accordance with the terms of the License Agreement. The acquisition was not finalized as of September 30, 2021.

Less than \$0.1 million of expenses were recorded for the nine months ended September 30, 2021 related to the CRT License Agreement. No expenses were recorded for the three months ended September 30, 2021 and three and nine months ended September 30, 2020, related to the CRT License Agreement.

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. See “—Income Tax Expenses.”

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 renal, head and neck, 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 to acquire the rights related to TRACERx.

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 and 2020. We claimed the tax credit of 2019 and 2020 which was paid in 2020 and 2021, respectively. We will continue to assess whether it is possible to qualify under the more favorable SME regime for future accounting periods.

Unsurrendered U.K. 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 U.K. taxable profits. After accounting for tax credits receivable, we had accumulated tax losses for carry forward in the U.K. of \$37.1 million as of December 31, 2020. We have recorded an insignificant amount of income tax provisions for the year ended December 31, 2020, 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 September 30, 2021 and 2020

The following table summarizes our results of operations for the three months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		
	2021	2020	Change
Operating expenses:			
Research and development	\$ 10,697	\$ 5,291	\$ 5,406
General and administrative	5,041	3,009	2,032
Total operating expenses	15,738	8,300	7,438
Loss from operations	(15,738)	(8,300)	(7,438)
Other income:			
Other income	2,806	90	2,716
Total other income	2,806	90	2,716
Loss before income taxes	(12,932)	(8,210)	(4,722)
Income tax expense	(16)	—	(16)
Net loss	\$ (12,948)	\$ (8,210)	\$ (4,738)

Research and development expenses

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

	Three Months Ended September 30,		
	2021	2020	Change
Direct research and development expense by program:			
NSCLC	\$ 2,370	\$ 767	\$ 1,603
Melanoma	2,121	392	1,729
Other pre-clinical and technology development cost	1,387	411	976
Unallocated research and development expense:			
Personnel expenses	3,797	2,417	1,380
Other expenses	1,022	1,304	(282)
Total research and development expenses	<u>\$ 10,697</u>	<u>\$ 5,291</u>	<u>\$ 5,406</u>

Research and development expenses were net of research and development tax credit reimbursement of \$3.1 million and \$1.7 million for the three months ended September 30, 2021 and 2020, respectively. The net increase in research and development expenses was \$5.4 million for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The net increase in direct research and development expense was primarily attributable to a net increase of \$1.7 million in our metastatic or recurrent melanoma program specifically in relation to our ongoing Phase I/II THETIS clinical trial, a net increase of \$1.6 million in our NSCLC program specifically in relation to our ongoing Phase I/II CHIRON clinical trial and a net increase \$1.0 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. Our unallocated research and development expense increased by \$1.1 million for the three months ended September 30, 2021, primarily as a result of increased costs of supporting the increased headcount in our research and development functions and their research efforts, partially offset by decreased other costs due to the attribution of more spend to the direct programs during the three months ended September 30, 2021.

General and administrative expenses

The following table summarizes our general and administrative expenses for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		
	2021	2020	Change
Personnel expenses	\$ 2,459	\$ 1,689	\$ 770
Professional services fees	602	602	-
Facilities and other expense	1,980	718	1,262
	<u>\$ 5,041</u>	<u>\$ 3,009</u>	<u>\$ 2,032</u>

General and administrative expenses were \$5.0 million for the three months ended September 30, 2021, compared to \$3.0 million for the three months ended September 30, 2020. The increase of \$2.0 million consisted primarily of an increase of \$1.3 million in facilities and other expenses due to the lease of new office space and increased costs of supporting the expansion of our business, as well as an increase of \$0.8 million in personnel expenses due to an overall increase in headcount and the recognition of additional share-based compensation.

Total other income

Other income, was income of \$2.8 million for the three months ended September 30, 2021, compared to income of \$0.1 million for the three months ended September 30, 2020. The change in other income was due to an increase of \$2.7 million in foreign exchange gains.

Provision for Income Taxes

The provision for income taxes was less than \$0.1 million for the three months ended September 30, 2021, which is related to income tax obligations of our operating company in the U.S., which generates a profit for tax purposes. There is no provision for income taxes for the three months ended September 30, 2020.

Comparison of the Nine months Ended September 30, 2021 and 2020

The following table summarizes our results of operations for the nine months ended September 30, 2021 and 2020 (in thousands):

	Nine Months Ended September 30,		
	2021	2020	Change
Operating expenses:			
Research and development	\$ 30,417	\$ 13,668	\$ 16,749
General and administrative	15,318	7,140	8,178
Total operating expenses	45,735	20,808	24,927
Loss from operations	(45,735)	(20,808)	(24,927)
Other income:			
Other income	2,907	529	2,378
Total other income	2,907	529	2,378
Loss before provision for income taxes	(42,828)	(20,279)	(22,549)
Provision for income taxes	(41)	—	(41)
Net loss	\$ (42,869)	\$ (20,279)	\$ (22,590)

Research and development expenses

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

	Nine Months Ended September 30,		
	2021	2020	Change
Direct research and development expense by program:			
NSCLC	\$ 6,147	\$ 1,854	\$ 4,293
Melanoma	5,576	885	4,691
Other pre-clinical and technology development cost	4,367	2,677	1,690
Unallocated research and development expense:			
Personnel expenses	10,748	4,791	5,957
Other expenses	3,579	3,461	118
Total research and development expenses	\$ 30,417	\$ 13,668	\$ 16,749

Research and development expenses were net of research and development tax credit reimbursement of \$7.8 million and \$3.9 million for the nine months ended September 30, 2021 and 2020, respectively. The net increase in research and development expenses was \$16.7 million for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The net increase in direct research and development expense was primarily attributable to a net increase of \$4.7 million in our metastatic or recurrent melanoma program specifically in relation to our ongoing Phase I/II THETIS clinical trial, a net increase of \$4.3 million in our NSCLC program specifically in relation to our ongoing Phase I/II CHIRON clinical trial, a net increase of \$1.7 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. Our unallocated research and development expense increased by \$6.1 million for the nine months ended September 30, 2021, primarily as a result of increased facility costs due to the lease of new laboratory space and the increased costs of supporting the increased headcount in our research and development functions and their research efforts.

General and administrative expenses

The following table summarizes our general and administrative expenses for the nine months ended September 30, 2021 and 2020 (in thousands):

	Nine Months Ended September 30,		
	2021	2020	Change
Personnel expenses	\$ 7,589	\$ 4,257	\$ 3,332
Professional services fees	2,606	1,483	1,123
Facilities and other expense	5,123	1,400	3,723
	<u>\$ 15,318</u>	<u>\$ 7,140</u>	<u>\$ 8,178</u>

General and administrative expenses were \$15.3 million for the nine months ended September 30, 2021, compared to \$7.1 million for the nine months ended September 30, 2020. The increase of \$8.2 million consisted primarily of an increase of \$3.7 million in facilities and other expenses due to the lease of new office space and increased costs of supporting the expansion of our business, an increase of \$3.3 million in personnel expenses due to an overall increase in headcount and the recognition of additional share-based compensation and an increase of \$1.1 million in legal and professional fees due to activities related to preparations for becoming a public company.

Total other income

Other income, was income of \$2.9 million for the nine months ended September 30, 2021, compared to income of \$0.5 million for the nine months ended September 30, 2020. The increase in other income of \$2.4 million was primarily due to an increase in foreign exchange gains of \$2.2 million.

Provision for Income Taxes

The provision for income taxes was less than \$0.1 million for the nine months ended September 30, 2021, which is related to income tax obligations of our operating company in the U.S., which generates a profit for tax purposes. There is no provision for income taxes for the nine months ended September 30, 2020.

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 June 30, 2021, 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 September 30, 2021, we had cash and cash equivalents of \$281.9 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):

	Nine Months Ended September 30,	
	2021	2020
Net cash used in operating activities	\$ (44,996)	\$ (16,893)
Net cash used in investing activities	(5,632)	(5,867)
Net cash provided by (used in) financing activities	160,755	(196)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(6,068)	(3,035)
Net increase (decrease) in cash	<u>\$ 104,059</u>	<u>\$ (25,991)</u>

Net cash used in operating activities

During the nine months ended September 30, 2021, net cash used in operating activities was \$45.0 million, primarily resulting from our net loss of \$42.9 million, adjusted for share-based compensation of \$4.6 million, depreciation and amortization of \$2.5 million and changes in right of use assets and operating lease liabilities of \$0.1 million. The net loss was also partially adjusted of \$8.9 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, increased accrued expenses incurred in relation to 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 credits, prepaid insurance and prepaid research and development costs. In addition, changes in other assets of \$0.4 million due to the capitalization of cloud-based implementation costs during the nine months ended September 30, 2021 increased cash used.

During the nine months ended September 30, 2020, net cash used in operating activities was \$16.9 million, primarily resulting from our net loss of \$20.3 million, adjusted for share-based compensation of \$1.2 million and depreciation and amortization of \$0.4 million. The net loss was also partially offset by changes in right of use assets and operating lease liabilities of \$0.8 million and \$2.4 million related to changes in components of working capital due to increased accounts payable, accrued research and development expenses incurred on our preclinical trials and increased accrued facility costs in conjunction with the lease of new laboratory and office space. In addition, changes in other long-term liabilities of \$0.4 million due to reinstatement accrual of a leased office and changes in other assets of \$1.8 million due a to rent deposit paid during the nine months ended September 30, 2020 increased cash used.

Net cash used in investing activities

During the nine months ended September 30, 2021 and 2020, net cash used in investing activities was \$5.6 million and \$5.9 million, respectively, primarily driven by purchases of property and equipment related to lab equipment and leasehold improvements.

Net cash provided by (used in) financing activities

During the nine months ended September 30, 2021, net cash provided by financing activities was \$160.8 million, primarily related to the net proceeds from sales of our ADSs through our IPO.

During the nine months ended September 30, 2020, net cash used in financing activities was \$0.2 million, resulting from payment of costs incurred connection with the issuance of our Series B convertible preferred shares.

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 the closing of our IPO, we expect to 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, together with the anticipated proceeds from our IPO, will enable us to fund our operating expenses and capital expenditure requirements for at least the next 24 months. 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 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

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) 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 September 30, 2021, 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 September 30, 2021, we had cash and cash equivalents of \$281.9 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 September 30, 2021, 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 \$2.4 million and \$0.2 million for the nine months ended September 30, 2021 and 2020, 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.