Report of the Directors and

Consolidated Financial Statements

for the Year Ended 31 December 2022

for

F2G Ltd

Contents of the Consolidated Financial Statements for the year ended 31 December 2022

Company Information
for the year ended 31 December 2022

DIRECTORS:	Dr K Mahmood Dr P V J J Vink T Anderson Dr W H L West N Siddiqi Dr S L Gregoire F M Lavino C Soenderby Dr J Anderson (appointed 2 August 2022) Dr N Luneborg (appointed 2 August 2022)
SECRETARIES:	Mrs S L Powell Dr M Birch
REGISTERED OFFICE:	Lankro Way Eccles Manchester M30 0LX
REGISTERED NUMBER:	03578625 (England and Wales)
INDEPENDENT AUDITORS:	PricewaterhouseCoopers LLP 1 Hardman Square Manchester M3 3EB

Report of the Directors
for the year ended 31 December 2022

The directors present their report with the audited consolidated financial statements of F2G Ltd ("F2G", or "the company") and the group for the year ended 31 December 2022.

On 19 March 2018, the company established a subsidiary in Austria, F2G Biotech GmbH and became a parent. On 25 January 2021, the company established a subsidiary in the U.S., F2G Inc. As such these financial statements present the results of the group as a whole for the year ended 31 December 2022 and at this date.

REVIEW OF BUSINESS

During the course of the reporting year, F2G further developed its most advanced drug candidate olorofim (F901318) through key regulatory toxicology studies, clinical healthy volunteer developmental studies, continued its first pivotal patient study (phase 2b study) and finalized preparations for a phase 3 randomized controlled trial, which started to enrol clinical sites in the first quarter of 2022.

F2G's lead compound olorofim, is the first antifungal agent that has been granted Breakthrough Therapy Designation (BTD) by the FDA. BTD is designed to expedite the development and review of drugs that are intended to treat a serious or life-threatening condition and was granted based on preliminary clinical evidence from the pivotal phase 2b patient study indicating that the drug may demonstrate substantial improvement over existing therapies. Also, olorofim was granted orphan drug designation in the US and the EU.

In May 2022, Shionogi & Co., Ltd. ("Shionogi") and F2G entered into a strategic collaboration to develop and commercialize olorofim for invasive fungal infections in Europe and Asia. Under the terms of the agreement, Shionogi will conduct the clinical trials and subsequent registration and commercialization of olorofim for IA in Europe and Asia. F2G has received an upfront payment of $100 million from Shionogi and shares development costs in global studies. F2G will also be eligible to receive additional regulatory and commercial milestones of up to $380 million, as well as double-digit royalties on net sales.

In August 2022, F2G closed a $70 million equity financing with new and existing investors.

In December 2022, F2G announced that the U.S. Food and Drug Administration ("FDA") has accepted for filing its New Drug Application ("NDA") for olorofim for the treatment of invasive fungal infections in patients who have limited or no treatment options.

Being engaged in research and development F2G is exposed to the specific risks of drug development characteristic for the industry (e.g. safety and toxicity, efficacy, delays in recruiting for clinical studies etc) and is addressing all such factors and challenges as may arise in its clinical trials.

F2G operates a flexible business model, building value through the development of a balanced portfolio of antifungal assets, whilst maintaining prudent financial planning and internal controls in order to achieve its scientific milestones.

The directors are pleased to report the group continues to progress the lead antifungal programme as well as other assets.

We would like to thank all staff for their invaluable contribution to the group's progress during the reporting year. This has been crucial in positioning our group for future success. We would also like to thank existing and new investors for their support of our group.

Subsequent events

None to report.

Financial risk management

Financial risk management disclosures can be found in note 18.

DIRECTORS

The directors shown below have held office during the whole year to the date of this report unless otherwise indicated.

Dr K Mahmood
Dr P V J J Vink
T Anderson
Dr W H L West
N Siddiqi
Dr S L Gregoire
F M Lavino
C Soenderby
Dr J Anderson (appointed 2 August 2022)
Dr N Luneborg (appointed 2 August 2022)

Report of the Directors
for the year ended 31 December 2022

DIRECTORS' RESPONSIBILITIES STATEMENT
The directors are responsible for preparing the Report of the Directors and Consolidated Financial Statements and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The group and company have also prepared financial statements in accordance with and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.
Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

DIRECTORS' CONFIRMATIONS
In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

QUALIFYING THIRD PARTY INDEMNITY PROVISION

Qualifying third party indemnity provision for the benefit of one or more directors of the company was in place throughout the financial year and subsequently

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

INDEPENDENT AUDITORS
The auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

DocuSigned by:

Francesco Maria Lavino

Signer Name: Francesco Maria Lavino
Signing Reason: I approve this document
Signing Time: 05-Jul-23 | 19:17 BST
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F M Lavino - Director

Date: 5 July 2023

Independent auditors' report to the members of F2G Ltd

Report on the audit of the financial statements

Opinion

In our opinion, F2G Ltd's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report of the Directors and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statement of Financial Position as at 31 December 2022; the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Changes in Equity, Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate reported results, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Reviewing financial statement disclosures and agreeing to supporting documentation to assess compliance with applicable laws and regulations;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- auditing the risk of management override of controls and considering unusual journal entries and the scope to which management might apply bias in preparing accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Edward Moss

Edward Moss (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
5 July 2023

Consolidated Income Statement
for the year ended 31 December 2022

	Note	2022 £	2021 £
CONTINUING OPERATIONS			
Revenue		81,501,971	-
Research and development costs		(33,018,607)	(33,320,896)
GROSS PROFIT/(LOSS)		48,483,364	(33,320,896)
Other operating income	3	2,552,236	139,639
Administrative expenses		(24,748,202)	(7,282,071)
OPERATING PROFIT/(LOSS)		26,287,398	(40,463,328)
Finance costs	5	(6,952,040)	(6,426,682)
Finance income	5	424	364
PROFIT/(LOSS) BEFORE INCOME TAX	6	19,335,782	(46,889,646)
Income tax	7	(64,677)	5,588,919
PROFIT/(LOSS) FOR THE YEAR		19,271,105	(41,300,727)
Profit/(loss) attributable to:			
Owners of the parent		19,271,105	(41,300,727)

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2022

	2022 £	2021 £
PROFIT/(LOSS) FOR THE YEAR	19,271,105	(41,300,727)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Item that will not be reclassified subsequently to profit or loss:		
Currency translation difference	(4,359)	(159,586)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX	(4,359)	(159,586)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	19,266,746	(41,460,313)
Total comprehensive loss attributable to:		
Owners of the parent	19,266,746	(41,460,313)

The notes form part of these financial statements

Consolidated Statement of Financial Position
31 December 2022

	Note(s)	2022	2021
		£	£
ASSETS			
NON-CURRENT ASSETS			
Owned			
Property, plant and equipment	9	157,203	26,711
Right-of-use			
Property, plant and equipment	9, 17	258,868	241,722
		416,071	268,433
CURRENT ASSETS			
Trade and other receivables	11	3,110,762	223,995
Tax receivable		278,202	5,742,551
Cash and cash equivalents	12	98,851,438	7,818,662
		102,240,402	13,785,208
TOTAL ASSETS		102,656,473	14,053,641
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	16,781,447	16,781,443
Share premium	14	118,350,794	68,798,802
Share Based Payment	14	5,088,704	2,889,798
Capital reserve	14	1,564,580	1,564,580
Convertible Preferred shares	14	15,570,419	14,950,034
Accumulated Losses	14	(128,421,159)	(147,687,905)
TOTAL EQUITY		28,934,785	(42,703,248)
LIABILITIES			
NON-CURRENT LIABILITIES			
Principal and interest on preferred shares	15	32,780,608	21,253,996
Interest bearing loans and borrowings	16	25,910,976	23,291,087
Deferred tax	19	81,984	76,017
		58,773,568	44,621,100
CURRENT LIABILITIES			
Trade and other payables	15	14,512,138	12,024,795
Interest bearing loans and borrowings	16	145,402	80,552
Tax payable		290,580	30,442
		14,948,120	12,135,789
TOTAL LIABILITIES		73,721,688	56,756,889
TOTAL EQUITY AND LIABILITIES		102,656,473	14,053,641

The accounts are prepared in accordance with the provisions applicable to entities subject to the small entities regime

The financial statements on page 6 to page 41 were approved by the Board of Directors and authorised for issue on 3 July 2023 and were signed on its behalf by:

DocuSigned by:

Francesco Maria Lavino

Signer Name: Francesco Maria Lavino
Signing Reason: I approve this document
Signing Time: 05-Jul-23 | 19:18 BST
F M Lavino - Director
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Company Statement of Financial Position
31 December 2022

	Note(s)	2022 £	2021 £
ASSETS			
NON-CURRENT ASSETS			
Owned			
Property, plant and equipment	9	41,345	21,762
Right-of-use			
Property, plant and equipment	9, 17	-	197,703
Investments	10	5,095,398	3,023,415
		5,136,743	3,242,880
CURRENT ASSETS			
Trade and other receivables	11	2,832,218	185,349
Tax receivable		247,981	5,633,680
Cash and cash equivalents	12	94,918,264	2,989,544
		97,998,463	8,808,573
TOTAL ASSETS		103,135,206	12,051,453
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	16,781,447	16,781,443
Share premium	14	118,350,794	68,798,802
Share Based Payment	14	5,088,704	2,889,798
Capital reserve	14	1,564,580	1,564,580
Convertible Preferred shares	14	15,570,419	14,950,034
Accumulated Losses	14	(127,346,519)	(147,778,611)
TOTAL EQUITY		30,009,425	(42,793,954)
LIABILITIES			
NON-CURRENT LIABILITIES			
Principal and interest on preferred shares	15	32,780,608	21,253,996
Interest bearing loans and borrowings	16	-	141,810
		32,780,608	21,395,806
CURRENT LIABILITIES			
Trade and other payables	15	40,345,173	33,383,719
Interest bearing loans and borrowings	16	-	65,882
		40,345,173	33,449,601
TOTAL LIABILITIES		73,125,781	54,845,407
TOTAL EQUITY AND LIABILITIES		103,135,206	12,051,453

The Company's profit for the financial year was £21,561,297 (2021: £41,233,063 loss)

The accounts are prepared in accordance with the provisions applicable to entities subject to the small entities regime

The financial statements on page 6 to 41 were approved by the Board of Directors and authorised for issue on 3 July 2023 and were signed on its behalf by:

DocuSigned by:

Francesco Maria Lavino

Signer Name: Francesco Maria Lavino
Signing Reason: I approve this document
Signing Time: 05-Jul-23 | 19:18 BST
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F M Lavino - Director

Consolidated Statement of Changes in Equity
for the year ended 31 December 2022

	Called up share capital £	Accumulated losses £	Share premium £
Balance at 1 January 2021	16,781,332	(106,227,592)	52,948,279
Changes in equity			
Loss for the year	-	(41,300,727)	-
Other comprehensive income	-	(159,586)	-
Total comprehensive loss	-	(41,460,313)	-
Issue of convertible preferred shares – equity component	111	-	15,850,523
Value of employee services	-	-	-
Total transactions with owners, recognised directly in equity	111	-	15,850,523
Balance at 31 December 2021	16,781,443	(147,687,905)	68,798,802
Changes in equity			
Profit for the year	-	19,271,105	-
Other comprehensive income	-	(4,359)	-
Total comprehensive income	-	19,266,746	-
Issue of convertible preferred shares - equity component	4	-	49,551,992
Value of employee services	-	-	-
Total transactions with owners, recognised directly in equity	4	-	49,551,992
Balance at 31 December 2022	16,781,447	(128,421,159)	118,350,794

	Share Based Payment £	Capital Reserve £	Convertible Preferred shares £	Total Equity £
Balance at 1 January 2021	1,356,084	1,564,580	14,789,435	(18,787,882)
Changes in equity				
Loss for the year	-	-	-	(41,300,727)
Other comprehensive income	-	-	-	(159,586)
Total comprehensive loss	-	-	-	(41,460,313)
Issue of convertible preferred shares – equity component	-	-	160,599	16,011,233
Value of employee services	1,533,714	-	-	1,533,714
Total transactions with owners, recognised directly in equity	1,533,714	-	160,599	17,544,947
Balance at 31 December 2021	2,889,798	1,564,580	14,950,034	(42,703,248)
Changes in equity				
Profit for the year	-	-	-	19,271,105
Other comprehensive income	-	-	-	(4,359)
Total comprehensive income	-	-	-	19,266,746
Issue of convertible preferred shares - equity component	-	-	620,385	50,172,381
Value of employee services	2,198,906	-	-	2,198,906
Total transactions with owners, recognised directly in equity	2,198,906	-	620,385	52,371,287
Balance at 31 December 2022	5,088,704	1,564,580	15,570,419	28,934,785

The notes form part of these financial statements

continued...

Company Statement of Changes in Equity
for the year ended 31 December 2022

	Called up share capital £	Accumulated losses £	Share premium £
Balance at 1 January 2021	16,781,332	(106,545,548)	52,948,279
Changes in equity			
Loss for the year	-	(41,233,063)	-
Total comprehensive loss	-	(41,233,063)	-
Issue of convertible preferred shares – equity component	111	-	15,850,523
Value of employee services	-	-	-
Total transactions with owners, recognised directly in equity	111	-	15,850,523
Balance at 31 December 2021	16,781,443	(147,778,611)	68,798,802
Changes in equity			
Profit for the year	-	20,432,092	-
Total comprehensive income	-	20,432,092	-
Issue of convertible preferred shares - equity component	4	-	49,551,992
Value of employee services	-	-	-
Total transactions with owners, recognised directly in equity	4	-	49,551,992
Balance at 31 December 2022	16,781,447	(127,346,519)	118,350,794

	Share Based Payment £	Capital Reserve £	Convertible Preferred shares £	Total Equity £
Balance at 1 January 2021	1,356,084	1,564,580	14,789,435	(19,105,838)
Changes in equity				
Loss for the year	-	-	-	(41,233,063)
Total comprehensive loss	-	-	-	(41,233,063)
Issue of convertible preferred shares – equity component	-	-	160,599	16,011,233
Value of employee services	1,533,714	-	-	1,533,714
Total transactions with owners, recognised directly in equity	1,533,714	-	160,599	17,544,947
Balance at 31 December 2021	2,889,798	1,564,580	14,950,034	(42,793,954)
Changes in equity				
Profit for the year	-	-	-	20,432,092
Total comprehensive income	-	-	-	20,432,092
Issue of convertible preferred shares - equity component	-	-	620,385	50,172,381
Value of employee services	2,198,906	-	-	2,198,906
Total transactions with owners, recognised directly in equity	2,198,906	-	620,385	52,371,287
Balance at 31 December 2022	5,088,704	1,564,580	15,570,419	30,009,425

The notes form part of these financial statements

continued...

Consolidated Statement of Cash Flows
for the year ended 31 December 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Cash generated by/(used in) operations	1	28,645,793	(31,787,777)
Lease interest paid		(6,594)	(8,655)
Taxation refund		5,665,777	4,062,373
Net cash generated by/(used in) operating activities		34,304,976	(27,734,059)
Cash flows from investing activities			
Purchase of tangible fixed assets		(416,262)	(90,217)
Interest received		424	364
Net cash used in investing activities		(415,838)	(89,853)
Cash flows from financing activities			
New loans in year		267,787	65,614
Payment of lease liabilities		(100,603)	(79,331)
Share issue		54,836,072	12,447,040
Net cash from financing activities		55,003,256	12,433,323
Increase/(decrease) in cash and cash equivalents		88,892,394	(15,390,589)
Cash and cash equivalents at beginning of year	2	7,818,662	23,531,929
Effect of foreign exchange rate changes		2,140,382	(322,678)
Cash and cash equivalents at end of year	2	98,851,438	7,818,662

The notes form part of these financial statements

Notes to the Consolidated Statement of Cash Flows for the year ended 31 December 2022

1. RECONCILIATION OF PROFIT/(LOSS) BEFORE INCOME TAX TO CASH GENERATED BY/(USED IN) OPERATIONS

	2022 £	2021 £
Profit/(loss) before income tax	19,335,782	(46,889,646)
Depreciation charges	136,460	93,522
Disposal of fixed assets	(10,307)	-
Share based payment	2,198,906	1,533,714
Settlement of derivative financial instrument	-	4,104,895
Finance costs	6,952,040	6,426,682
Finance income	(424)	(364)
	28,612,457	(34,731,197)
(Decrease)/increase in trade and other receivables	(2,886,767)	13,717
Increase in trade and other payables	2,487,343	4,326,549
Foreign exchange	432,760	(1,396,846)
Cash generated by/(used in) operations	28,645,793	(31,787,777)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	2022 £	2021 £
Cash and cash equivalents as at 1 January	7,818,662	23,531,929
Cash and cash equivalents as at 31 December	98,851,438	7,818,662

3 NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented

Net debt	2022 £	2021 £
Cash and cash equivalents	98,851,438	7,818,662
Borrowings	(25,793,839)	(23,117,700)
Debt element of preferred shares	(32,780,608)	(21,253,996)
Lease liabilities	(275,326)	(262,717)
	40,001,665	(36,815,751)

Notes to the Consolidated Statement of Cash Flows
for the year ended 31 December 2022 (continued)

3 NET DEBT RECONCILIATION (continued)

	Cash and cash equivalents £	Borrowings	Debt element of preferred shares
Net debt as at1 January 2021	23,531,929	(23,407,433)	(16,973,404)
Financing cash flows	(15,390,589)	-	(540,702)
New leases	-	-	-
Foreign exchange adjustments	(322,678)	1,559,613	-
Interest accrued on preferred shares	-	-	(3,739,890)
Interest expense	-	(1,269,880)	-
Interest payments (presented as operating cash flows)	-	-	-
Net debt as at31 December 2021	7,818,662	(23,117,700)	(21,253,996)
Financing cash flows	93,173,158	-	(4,567,665)
New leases	-	-	-
Expired leases	-	-	-
Conversion of loan notes	-	-	(1,879,238)
Foreign exchange adjustments	(2,140,382)	(1,352,229)	-
Interest accrued on preferred shares	-	-	(5,079,709)
Interest expense	-	(1,323,909)	-
Interest payments (presented as operating cash flows)	-	-	-
Net debt as at31 December 2022	98,851,438	(25,793,838)	(32,780,608)

	Loan notes	Lease liabilities £	Total £
Net debt as at1 January 2021	-	(267,656)	(17,116,564)
Financing cash flows	-	79,331	(15,851,960)
New leases	-	(65,614)	(65,614)
Foreign exchange adjustments	-	-	1,236,935
Interest accrued on preferred shares	-	-	(3,739,890)
Interest expense	-	(8,655)	(1,278,535)
Interest payments (presented as operating cash flows)	-	8,655	8,655
Net debt as at31 December 2021	-	(253,939)	(36,806,973)
Financing cash flows	(14,707,579)	100,603	73,998,517
New leases	-	(267,787)	(267,787)
Expired leases	-	158,584	158,584
Conversion of loan notes	16,490,791	-	14,611,553
Foreign exchange adjustments	(1,241,384)	-	(4,733,995)
Interest accrued on preferred shares	-	-	(5,079,709)
Interest expense	(541,828)	(6,594)	(1,872,331)
Interest payments (presented as operating cash flows)	-	6,594	6,594
Net debt as at31 December 2022	-	(262,539)	40,014,453

Company Statement of Cash Flows
for the year ended 31 December 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Cash generated by/(used in) operations	1	31,634,707	(30,948,023)
Lease interest paid		(6,594)	(8,655)
Taxation refund		5,633,677	3,850,220
Net cash generated by/(used in) operating activities		37,261,790	(27,106,458)
Cash flows from investing activities			
Purchase of tangible fixed assets		(35,582)	(84,740)
Increase in investment in subsidiaries		(2,071,983)	(936,785)
Interest received		115	1
Net cash used in investing activities		(2,107,450)	(1,021,524)
Cash flows from financing activities			
New loans in year		-	65,614
Payment of lease liabilities		(49,108)	(65,615)
Share issue		54,836,072	12,447,040
Net cash from financing activities		54,786,964	12,447,039
Increase/(decrease) in cash and cash equivalents		89,941,304	(15,680,943)
Cash and cash equivalents at beginning of year	2	2,989,544	18,670,487
Effect of foreign exchange rate changes		1,987,416	-
Cash and cash equivalents at end of year	2	94,918,264	2,989,544

continued...

Notes to the Company Statement of Cash Flows
for the year ended 31 December 2022

1. RECONCILIATION OF PROFIT/(LOSS) BEFORE INCOME TAX TO CASH GENERATED BY/(USED IN) OPERATIONS

	2022 £	2021 £
Profit/(loss) before income tax	20,184,122	(46,866,741)
Depreciation charges	65,425	75,562
Disposal of fixed assets	(10,307)	-
Share based payment	2,198,906	1,533,714
Finance costs	5,628,131	5,156,800
Settlement of derivative financial instrument	-	4,104,895
Finance income	(115)	(1)
	28,066,162	(35,995,770)
(Increase)/decrease in trade and other receivables	(2,646,869)	18,235
Increase in trade and other payables	6,961,454	5,029,513
Foreign exchange	(746,040)	-
Cash generated by/(used in) operations	31,634,707	(30,948,023)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	2022 £	2021 £
Cash and cash equivalents as at 1 January	2,989,544	18,670,487
Cash and cash equivalents as at 31 December	94,918,264	2,989,544

3 NET DEBT RECONCILIATION

	2022 £	2021 £
Cash and cash equivalents	94,918,264	2,989,544
Debt element of preferred shares	(32,780,608)	(21,253,996)
Lease liabilities	-	(207,692)
	62,137,656	(18,472,144)

continued...

Notes to the Company Statement of Cash Flows for the year ended 31 December 2022 (continued)

4 NET DEBT RECONCILIATION (continued)

	Cash and cash equivalents £	Debt element of preferred shares	Loan notes
Net debt as at1 January 2021	18,670,487	(16,973,404)	-
Financing cash flows	(15,694,221)	(540,702)	-
New leases	-	-	-
Foreign exchange adjustments	13,278	-	-
Interest accrued on preferred shares	-	(3,739,890)	-
Interest expense	-	-	-
Interest payments (presented as operating cash flows)	-	-	-
Net debt as at31 December 2021	2,989,544	(21,253,996)	-
Financing cash flows	93,874,478	(4,567,665)	(14,707,579)
New leases	-	-	-
Expired leases	-	-	-
Conversion of loan notes	-	(1,879,238)	16,490,791
Foreign exchange adjustments	1,987,416	-	(1,241,384)
Interest accrued on preferred shares	-	(5,079,709)	-
Interest expense	-	-	(541,828)
Interest payments (presented as operating cash flows)	-	-	-
Net debt as at31 December 2022	98,851,438	(32,780,608)	-

	Lease liabilities £	Total £
Net debt as at1 January 2021	(207,693)	1,489,390
Financing cash flows	65,615	(16,169,308)
New leases	(65,614)	(65,614)
Foreign exchange adjustments	-	13,278
Interest accrued on preferred shares	-	(3,739,890)
Interest expense	(8,655)	(8,655)
Interest payments (presented as operating cash flows)	8,655	8,655
Net debt as at31 December 2021	(207,692)	(18,472,144)
Financing cash flows	49,108	74,648,342
New leases	-	-
Expired leases	158,584	158,584
Conversion of loan notes	-	14,611,553
Foreign exchange adjustments	-	746,032
Interest accrued on preferred shares	-	(5,079,709)
Interest expense	(6,594)	(548,422)
Interest payments (presented as operating cash flows)	6,594	6,594
Net debt as at31 December 2022	-	66,070,830

continued...

1. STATUTORY INFORMATION

F2G Ltd ("the company") is a private company limited by shares domiciled and incorporated in the United Kingdom.

The address of the company's registered office and place of business is Lankro Way, Eccles, Manchester, M30 0LX.

The company's principal activity is disclosed in the directors' report.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparation – Group and Company
the financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared under the historical cost convention with the exception of certain financial instruments which are recognised at fair value through profit and loss.

The principal accounting policies, which have been consistently applied except where otherwise stated, are set out below.

Going concern
As of 31 December 2021, the Group had cash of £98,851,438 (2021: £7,818,662). Although in prior years the Group has incurred recurring losses, for the year ended 31 December 2022 the Group incurred a profit of £19,271,105 (2021: £41,300,727 loss). In addition, the Group had accumulated losses of £128.421.159 as of 31 December 2022 (2021: £147,687,905). The net cash flow generated from operating and investing activities was £33,889,138 for the year ended 31 December 2022 (2021: £27,823,912 cash flow used by operating and investing activities). The Group expects to continue to incur significant expenses and operating losses for the foreseeable future. The Group assessed its ability to continue as a going concern and determined that it expects that its cash and cash equivalents as of 31 December 2022, will be sufficient to enable the Group and Company to fund its operating expenses, debt service obligations and capital expenditure requirements into the fourth quarter of 2024.

The Group expects to finance its cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. Management is in ongoing discussions with existing and new investors about a new financing round to fund the group to approval of its lead compound and beyond and expand the development activities to potentially include additional indications. There can be no assurances, however, that additional funding will be available on favourable terms, or at all. If the Group is unable to raise capital or obtain adequate funds when needed or on acceptable terms, the Group may be required to delay, limit, reduce or terminate its research and development programs or any future commercialization efforts or grant rights to develop and market product candidates that the Group would otherwise prefer to develop and market itself. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

continued...

2. ACCOUNTING POLICIES (continued)

Basis of consolidation
Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are deconsolidated from the date control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Property, plant and equipment
Items of property, plant and equipment are initially recorded at cost. Cost represents the cost incurred to bring items to their present location and condition.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, over the useful economic life of that asset as follows:

Laboratory equipment	-	25-33% straight line
Computer equipment	-	33% straight line
Furniture and equipment	-	25-33% straight line
Right-of-use asset – offices	-	5 years straight line

Financial instruments
Financial assets and financial liabilities are recognised in the Statement of Financial Position when the group has become a party to the contractual provisions of the instrument.

Trade and other receivables
Trade and other receivables are initially recorded at fair value and thereafter are measured at amortised cost using the effective interest rate. A loss allowance for expected credit losses is recognised based upon the lifetime expected credit losses in cases where the credit risk on trade and other receivables has increased significantly since initial recognition. In cases where the credit risk has not increased significantly, the group measures the loss allowance at an amount equal to the 12-month expected credit loss. This assessment is performed on a collective basis considering forward-looking information.

Trade payables
Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Equity instruments
Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
Financial liabilities are classified according to the substance of the contractual arrangements entered into. An instrument will be classified as a financial liability when there is a contractual obligation to deliver cash or another financial asset to another enterprise.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

Borrowings
Interest-bearing overdrafts are classified as other liabilities. They are initially recorded at fair value, which represents the fair value of the consideration received, net of any direct transaction costs associated with the relevant borrowings. Borrowings are subsequently stated at amortised cost and finance charges are recognised in the Statement of Comprehensive Income over the term of the instrument using effective rate of interest. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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2. ACCOUNTING POLICIES (continued)

Compound Instruments
The component parts of compound instruments issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Liabilities other than those classified as fair value through profit and loss are initially recorded at fair value net of transaction costs. Transaction costs and other finance costs are amortised to profit and loss over the expected life of the instrument using the effective interest method.

Subsequently, if the expected life of the instrument is revised the carrying value of the instrument is revised to reflect the present value of the future cash flows discounted at the original effective interest rate. Any adjustments to the carrying value are recognised in the Statement of Total Comprehensive Income.

Revenue recognition
Revenue from contracts with customers is recognised consistent with the transfer of promised licences and services to the customer in an amount that reflects the consideration to which the group expects to be entitled in exchange for those licences and services. The Group's major income streams are as follows:

Licence sales
Revenue from the sale of licences is recognised in the profit and loss as revenue with consideration to any future performance obligations on the Group. Future performance obligations are assessed and a proportion of the revenue is deferred if deemed appropriate.

Collaboration income
The Group has a contract whereby the licence holder contributes 50% of certain research and development costs. Income is recognised as other operating income and accrued in the period the costs are incurred by the Group.

Grants
Grants are recognised in profit and loss as other operating income so as to match them with the related expenditure towards which they contribute. Grants received in respect of future accounting periods are included in the balance sheet as deferred income.

Taxation
Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Research and development
All research and development costs, whether funded by third parties under licence and development agreements or not, are included within operating expenses and classified as such. Research and development costs relating to clinical trials are recognised over the period of the clinical trial based on information provided by clinical research organisations. All other expenditure on research and development is recognised as the work is completed.

All ongoing development expenditure is currently expensed in the period in which it is incurred. Due to the regulatory and other uncertainties inherent in the development of the company's programmes, the criteria for development costs to be recognised as an asset, as prescribed by IAS 38, 'Intangible assets', are not met until the product has been submitted for regulatory approval, such approval has been received and it is probable that future economic benefits will flow to the company. The company does not currently have any such internal development costs that qualify for capitalisation as intangible assets.

continued...

2. ACCOUNTING POLICIES (continued)

Foreign currencies
The Group's functional currency is Pound Sterling. Transactions in foreign currencies are translated into the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

On consolidation, the assets and liabilities of foreign operations which have a functional currency other than sterling are translated into sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of these subsidiary undertakings are translated at average rates applicable in the period. All resulting exchange differences are recognised in other comprehensive income and documented in a separate component of equity

Leases
The Group applies IFRS 16 to account for leases. At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities. Depreciation is presented within administrative expenses.

The lease liability is initially measured at the present value of lease payments that were not paid at the commencement date, discounted using the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. If there is a remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded directly in profit or loss if the carrying amount of the right of use asset is zero. The interest charge is presented within finance costs.

The group presents right-of-use assets as part of property, plant & equipment in the balance sheet and the movement during the year is analysed in Note 9.

Short term leases and low value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for short-term lease of assets that have a lease term of 12 months or less or leases of low value assets. These lease payments are expensed on a straight-line basis over the lease term.

Pension costs
The group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the income statement in the period to which they relate.

Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Investment in subsidiary undertakings
Investments in group undertakings are stated at cost, unless their value has been impaired in which case they are valued at the lower of their realisable value or value in use.

continued...

2. ACCOUNTING POLICIES (continued)

Share option plan
The group operates a Share Option Plan. The number of options awarded are determined by the Remuneration Committee having regard to retain key personnel, motivate individuals and reward employees for their contribution to the group's strategic objectives.

The share options are awarded by the company based on a graded, time-based vesting, with a portion (usually 25% of the awarded options) vesting 12 months after the grant date (or a specific date as determined in the option grant agreement), and the remaining options usually vesting on an equal monthly basis over a period of 24 months. Different vesting provisions may be agreed and are subject to approval by the Remuneration Committee. Subject to certain provisions, e.g. change of control, asset sale or IPO, all of the awarded share options shall become vested share options and may be exercised in full. In any event options may not be exercised later than the tenth anniversary of the grant date.

The company uses the graded vesting method. It recognizes the share-based compensation expense over the requisite services period for each separately vesting tranche as though each tranche of the award is, in substance, a separate award. This results in an accelerated recognition of compensation expenses.

The fair value of the options as at the grant date is determined using the Black-Scholes Model. Please refer to Note 21 for details on the assumptions. The fair value of the underlying ordinary shares has been determined by an option pricing model with the assistance of an external valuation expert.

The recognized compensation expense of forfeited options is reversed in profit and loss in the period that the options are forfeited. The proceeds received, net of any attributable costs are credited to share capital (nominal value) and share premium when the options are exercised.

In the company financial statements, the value of share based payments recognised in respect of employees of F2G Biotech GmbH and F2G Inc is recognised as an increase in the cost of investment in the subsidiary.

New standards, amendments and interpretations

New standards and interpretations adopted commencing 1 January 2022
The company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2022:
- Property, plant and equipment: proceeds before intended use – Amendments to IAS 16; and
- Annual improvements to IFRS Standards 2018–2020.

New standards and interpretations not yet adopted
Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transactions.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Critical accounting estimates and areas of judgement
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual events may differ from those estimates.

Estimates and judgements are continually reviewed and are based on historic experience, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Liability associated with preference shares
The Directors prepare estimates of future cash flows arising from preference share liabilities in the form of dividend payments which are discounted to present value in order to determine the split between preference shares presented within liabilities and within equity. If these estimates prove to be incorrect, the split between liabilities and equity may also be incorrect.

continued...

2. ACCOUNTING POLICIES (continued)

Critical judgements

Research and development
Careful judgement is applied by the directors in determining whether the criteria to recognise development costs as an intangible asset have been met. Consideration is given to the technical feasibility and viability of the product, the stage of the product in the development plan, together with establishment of commercial supply agreements. This is continuously monitored by the directors on an on-going basis. To date, no such costs have been capitalised.

Categorisation of preferred shares
Directors make judgements regarding the characteristics of issued preferred shares, separating them into liability and equity components based on the terms of the contract. These judgements include the market rate of debt, without an equity conversion option, and the timing of the conversion of the shares.
Prior to December 2018, the market rate of debt was considered by the directors to be 12%. From the Series F issue of convertible preferred shares in December 2018 onwards, the rate was revised to 20% as more up to date information became available as to the market rate at the date of issue.

Categorisation of leases
In categorising leases as finance leases or operating leases, management make judgements as to whether significant risks and rewards of ownership have transferred to the company as lessee.

continued...

3. OTHER OPERATING INCOME

	2022 £	2021 £
Grant income	29,039	139,639
Collaboration income	2,520,351	-
Other income	2,846	-
	2,552,236	139,639

4. EMPLOYEES AND DIRECTORS

	2022 £	2021 £
Wages and salaries	10,219,698	5,828,466
Social security costs	1,278,984	491,212
Other pension costs	291,088	106,164
Share based payments	2,064,473	205,711
	13,854,243	6,631,553

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

	2022 Number	2021 Number
Research and development	26	22
General and administration	27	10
	53	32

Directors' emoluments	2022 £	2021 £
Aggregate emoluments	524,061	992,652

Directors' emoluments are as follows:

Directors' emoluments	2022 £	2021 £
Aggregate emoluments	511,856	976,662
Pension contributions	12,205	15,990
Total	524,061	992,652

	2022 Number	2021 Number
Number of Directors to whom retirement benefits were accruing under money purchase schemes in respect of qualifying services	-	-
Number of Directors who exercised share options	1	-
Number of Directors in respect of whose qualifying services shares were receivable under incentive schemes	4	3

The emoluments received by the highest paid director in respect of qualifying services totalled £524,061 (2021: £361,999) including pension contributions of £12,205 (2021: £9,225). The highest paid director is not a member of a defined contribution pension scheme nor exercised share options in the year (2021: Nil).

continued...

5. NET FINANCE COSTS

Finance income

	2022 £	2021 £
Deposit account interest	424	364

Finance expense

	2022 £	2021 £
Accrued dividends on preference shares	5,079,709	3,739,890
Interest on bank loan	1,323,909	1,269,880
Interest on convertible loans	541,827	-
Fair value adjustment of derivative financial instruments	-	1,408,257
ROU asset finance costs	6,595	8,655
Total finance expense	6,952,039	6,426,682
Net finance costs	6,951,615	6,426,318

6. LOSS BEFORE INCOME TAX

Group Operating loss, (2021 - loss) of the group, is stated after charging

	2022 £	2021 £
Depreciation of owned fixed assets	24,863	12,887
Depreciation of right-of-use asset	111,597	80,635
Auditors' remuneration		
Audit services	139,193	45,000
Non-audit services	241,400	500,000
Net (gain)/loss on foreign currency translation	1,096,739	(984,390)

continued...

7. INCOME TAX

Analysis of tax expense

	2022 £	2021 £
UK Corporation tax	(247,978)	(5,633,678)
Overseas tax	307,499	25,334
Deferred tax	5,156	19,425
	64,677	(5,588,919)

Factors affecting total tax credit

The tax credit assessed on the loss on ordinary activities for the year is 19% (2021: 19%). The standard rate of corporation tax in the UK is 19% (2021: 19%).

	2022 £	2021 £
Profit/(Loss) on ordinary activities before taxation	19,335,782	(46,889,646)
Profit/(loss) on ordinary activities before taxation by rate of tax 19% (2021: 19%)	3,673,799	(8,909,033)
Effects of:		
Expenses not deductible for tax purposes	1,951,545	1,507,893
Deferred tax not recognised on the difference between depreciation and capital allowances	(755,073)	(47,172)
Fixed asset differences	(2,028)	-
Tax losses not recognised	-	4,655,540
Patent box deduction	(3,921,192)	
Enhanced research and development expenditure	(911,790)	(2,799,030)
Impact of overseas tax rates	24,260	2,883
Total tax	59,521	(5,588,919)

FACTORS THAT MAY EFFECT FUTURE CHARGES

On 3 March 2021 the UK Chancellor announced that the main rate of UK corporation tax would increase to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021.

The company has losses available to carry forward of £97,453,422 (2021: £100,878,750) which will be utilised against future profits. No provision has been made for deferred tax in these financial statements.

	2022 £	2021 £
Excess of depreciation over taxation allowances	99,972	66,697
Tax losses available	24,263,383	19,166,963
	24,363,355	19,233,660

No deferred tax asset has been recognised in respect of these losses due to the uncertainty inherent in forecasting profits for the period of time over which those losses would be recovered.

continued...

8. PROFIT/(LOSS) OF COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £20,432,092 (2021: £41,233,063 loss).

9. PROPERTY, PLANT AND EQUIPMENT

Group

	ROU asset £	Laboratory Equipment £	Furniture and Equipment £	Computer Equipment £	Total £
COST					
At 1 January 2022	466,769	576,104	9,359	108,077	1,160,309
Impact of foreign exchange	1,868	4237	-	4	6,109
Additions	267,787	27488	-	120,989	416,264
Disposals	(395,807)	-	-	-	(395,807)
At 31 December 2022	340,617	607,829	9,359	229,070	1,186,875
DEPRECIATION					
At 1 January 2022	225,047	571,471	6,000	89,358	891,876
Impact of foreign exchange	(7,365)	(2,211)	-	(426)	(10,002)
Charge for the year	111,597	7,695	937	16,231	136,460
Disposals	(247,530)	-	-	-	(247,530)
At 31 December 2022	81,749	576,955	6,937	105,163	770,804
NET BOOK VALUE					
At 31 December 2022	258,868	30,874	2,422	123,907	416,071
COST					
At 1 January 2021	401,752	570,598	5,609	92,430	1,070,389
Impact of foreign exchange	(597)	29	-	271	(297)
Additions	65,614	5,477	3,750	15,376	90,217
At 31 December 2021	466,769	576,104	9,359	108,077	1,160,309
DEPRECIATION					
At 1 January 2021	145,441	568,344	5,609	79,582	798,976
Impact of foreign exchange	(1,029)	99	-	308	(622)
Charge for the year	80,635	3,028	391	9,468	93,522
At 31 December 2021	225,047	571,471	6,000	89,358	891,876
NET BOOK VALUE					
At 31 December 2021	241,722	4,633	3,359	18,719	268,433

continued...

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	ROU asset £	Laboratory Equipment £	Furniture and Equipment £	Computer Equipment £	Total £
COST					
At 1 January 2022	395,807	566,414	9,359	107,129	1,078,709
Additions	-	27,488	-	8,094	35,582
Disposals	(395,807)	-	-	-	(395,807)
At 31 December 2022	-	593,902	9,359	115,223	718,484
DEPRECIATION					
At 1 January 2022	198,104	566,414	6,000	88,726	859,244
Charge for the year	49,426	1,718	937	13,344	65,425
Disposals	(247,530)	-	-	-	(247,530)
At 31 December 2022	-	568,132	6937	102,070	677,139
NET BOOK VALUE					
At 31 December 2022	-	25,770	2,422	13,153	41,345
COST					
At 1 January 2021	330,193	566,414	5,609	91,753	993,969
Additions	65,614	-	3,750	15,376	84,740
At 31 December 2021	395,807	566,414	9,359	107,129	1,078,709
DEPRECIATION					
At 1 January 2021	132,077	566,414	5,609	79,582	783,682
Charge for the year	66,027	-	391	9,144	75,562
At 31 December 2021	198,104	566,414	6,000	88,726	859,244
NET BOOK VALUE					
At 31 December 2021	197,703	-	3,359	18,403	219,465

continued...

10. INVESTMENTS

Company

	Subsidiary Companies £
COST	
At 1 January 2022	3,023,415
Additions	2,071,983
At 31 December 2022	5,095,398
NET BOOK VALUE	
At 31 December 2022	5,095,398
COST	
At 1 January 2021	2,086,630
Additions	936,785
At 31 December 2021	3,023,415
NET BOOK VALUE	
At 31 December 2021	3,023,415

The Company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiary

F2G Biotech GmbH
Registered office: Seilerstätte 17/13, 1010 Vienna, Austria
Nature of business: Research and development on biotechnology
Class of shares: Ordinary
% holding: 100.00

F2G Inc
Registered office: 506 Carnegie Centre Drive, Suite 102, Princeton, NJ 08540, USA
Nature of business: Research and development on biotechnology
Class of shares: Ordinary
% holding: 100.00

During the year the company made non-refundable capital contributions of £184,201 to F2G Inc.

continued...

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Current:				
Other debtors	2,614,693	79,147	2,572,561	73,396
VAT	102,594	3,509	87,172	-
Prepayments	393,475	141,339	172,485	111,953
	3,110,762	223,995	2,832,218	185,349

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Cash in hand	498	718	316	416
Bank accounts	98,850,940	7,817,944	94,917,948	2,989,128
	98,851,438	7,818,662	94,918,264	2,989,544

The bank accounts are with institutions with a long-term credit rating of Aa2 (Moody's).

continued...

13. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid:

	2022 Number	2022 £	2021 Number	2021 £
Ordinary shares of £10 each	1,298,048	12,980,480	1,298,048	12,980,480
Ordinary 'A' shares of £0.000031 each	6,762,611	209	6,628,768	206
B Shares of £1 each	3,797,331	3,797,331	3,797,331	3,797,331
B2 shares of £0.01 each	342,591	3,426	342,591	3,426
Series 1 C shares of £1 each	6,056,618	6,056,618	6,056,618	6,056,618
Series 2 C shares of £1 each	2,567,074	2,567,074	2,567,074	2,567,074
Series D shares of £1 each	2,338,777	2,806,532	2,338,777	2,806,532
Series E shares of £1 each	7,028,713	9,348,188	7,028,713	9,348,188
Series F shares of £0.01 each	34,806,375	19,303,538	34,806,375	19,303,538
Series G shares of £0.01 each	59,884,026	44,783,950	59,867,359	44,771,783
Series H shares of £0.01 each	62,021,874	56,583,263	-	-
	188,904,038	158,230,609	124,731,654	101,635,176

	2022 £	2021 £
Amounts presented in equity:		
1,298,048 Ordinary shares of £10 each	12,980,480	12,980,480
6,762,611 Ordinary 'A' shares of £0.000031 each	209	206
3,797,331 B shares of £1 each	3,797,331	3,797,331
342,591, B2 shares of £0.01 each	3,426	3,426
	16,781,446	16,781,443
Convertible preferred shares		
6,056,618 (2021: 6,056,618) Series 1 C shares of £1 each	4,633,048	4,633,048
2,567,074 (2021: 2,567,074) Series 2 C shares of £1 each	1,930,329	1,930,329
2,338,777 (2021: 2,338,777) Series D shares of £1 each (including premium)	2,276,190	2,276,190
7,028,713 (2021: 7,028,713) Series E share	7,923,880	7,923,880
34,806,375 (2021: 34,806,375) Series F shares of £0.01 each	17,853,960	17,853,960
59,884,026 (2021: 59,867,359) Series G shares of £0.01 each	40,289,065	40,277,254
62,021,874 (2021: nil) Series H shares of £0.01 each	50,136,716	-
	125,043,188	74,894,660
Amounts presented within share premium	(107,908,190)	(58,380,048)
Amounts presented within the capital reserve	(1,564,580)	(1,564,580)
	15,570,418	14,950,032
Share premium		
On ordinary shares	10,449,093	10,418,755
on convertible preference shares	107,901,701	58,380,048
	118,350,794	68,798,803
Amounts presented in Liabilities		
6,056,618 (2021: 6,056,618) Series 1 C shares of £1 each	1,423,570	1,423,570
2,567,074 (2021: 2,567,074) Series 2 C shares of £1 each	636,745	636,745
2,338,777 (2021: 2,338,777) Series D shares of £1 each (including premium)	530,344	530,344
7,028,713 (2021: 7,028,713) Series E share	1,424,308	1,424,308
34,806,375 (2021: 34,806,375) Series F shares of £0.01 each	1,449,578	1,449,578
59,884,026 (2021: 59,867,359) Series G shares of £0.01 each	4,494,884	4,494,529
62,021,874 (2021: nil) Series H shares of £0.01 each	6,446,547	-
	16,405,976	9,959,073
Accrued dividends	16,374,632	11,294,923
Total amounts presented in liabilities (note 15)	32,780,608	21,253,996

continued...

13. CALLED UP SHARE CAPITAL (continued)

Movements in the current year are set out below:

During the year, various option holders exercised their options which resulted in 133,843 A ordinary shares being issued. On the exercise of the options, £3 was shown in share capital and received in cash.

Under a subscription agreement, dated 2 August 2022 between the company, the Managers, the CLN Investors and the New Investors, the New Investors subscribed for 40,736,010 Series H Shares of £0.01 at an issue price of £0.9788 per share. Of the total amount raised of £39,872,407, amounts of £407,360 have been shown as convertible shares within equity, amounts of £34,921,315 credited to share premium and £4,543,731 presented within borrowings. Under the same subscription agreement, the CLN Investors converted their Loan Notes, with a total outstanding loan amount of £16,490,791, consisting of a principal amount of £15,948,963 and accrued interest of £541,828, at a conversion price of £0.7830 per share into 21,061,032 Series H Shares of £0.01. Of the total amount converted, amounts of £210,610 have been shown as convertible shares within equity, amounts of £14,400,943 credited to share premium and £1,879,237 presented within borrowings.

Effective 7 November 2022 several employees and one director subscribed under individual subscription letters between the individual and the company, to a total of 224,832 Series H Shares of £0.01 at an issue price of £0.9788 per share. Of the total amount raised of £220,066, amounts of £2,248 have been shown as convertible shares within equity, amounts of £194,239 credited to share premium and £23,578 presented within borrowings.

These debt/equity components have been calculated using the same methodology as for previous raises, with the following key assumptions:

- Expected conversion date of 31 August 2024 (2021: 30 June 2022);
- Use of a discount rate of 20%, being the rate the company would pay for equivalent debt without the conversion option. This has increased from the 12% used in raises prior to December 2018 as the company then entered into a loan agreement with the European Investment Bank ("EIB") and hence had a more up-to-date benchmark to use.

The fair values of all classes of financial instruments have been calculated using level 2 inputs on the fair value hierarchy.

Other movements in the year included:

Recognition of the financing charge using the effective interest rate method increased borrowings and charged finance expense by £5,773,418 (2021: £3,106,317); and the assumption of the most likely conversion date was revised to 31 August 2024 from 30 June 2022, which decreased borrowings and finance costs by £693,708 (2021: increased by £633,572).

Rights, preferences, restrictions and distributions

All the Series H Shares issued have similar conversion rights to the previous C, D, E, F and G raises which convert on exit via a third-party sale or IPO. The shares carry a fixed cumulative dividend of 8% per annum, accruing quarterly. The dividends payable on the Series H Shares shall be satisfied before the application of payments on the previously issued shares and before the application of any profits to reserve or for any other purpose.

Once all accrued H, G, F, E, D and C share dividends have been paid, further dividends may be distributed amongst the holders of the other shares pari passu across all classes of shares. The profits which the company may determine to distribute in respect of any financial year shall be subject to prior written consent of an investor majority.

All shares in the company carry one vote.

continued...

13. CALLED UP SHARE CAPITAL (continued)

In the event of a liquidation, first the Series H shareholders will receive, ahead of the holder of any other class of shares, an amount equal to the subscription price together with any unpaid Series H accrued dividends. Second, following payment to the holders of the Series H shares, the Series G shareholders will receive, ahead of the holder of any other class of shares, an amount equal to the subscription price together with any unpaid Series G accrued dividends. Third, following payment to the holders of the Series G shares, the Series F shareholders will receive, ahead of the holder of any other class of shares, an amount equal to the subscription price together with any unpaid Series F accrued dividends. Fourth, following payment to the holders of the Series F shares, the holders of the Series E shares will receive an amount equal to 100 per cent of the subscription price together with any unpaid Series E accrued share dividend. Fifth, following payment to the holders of the Series E shares, the holders of the Series D shares will receive an amount equal to 100 per cent of the subscription price together with any unpaid Series D accrued share dividend. Sixth, Series 1 C shares will receive an amount equal to 150 per cent of the subscription price for each Series 1 share held, together with the amount of any unpaid Series 1 C accrued share dividend. Seventh, the Series 2 C share holder will receive an amount equal to 100 per cent of the subscription price together with any unpaid accrued Series 2 C share dividends. Any remainder will be distributed to the holders of the other classes of shares in proportion to the number of shares held.

In the event of an IPO, all of the Series H shares, G shares and Series F shares shall convert into B2 shares and all of the Series E shares, Series D shares and Series C shares shall convert into B shares. B shares and B2 shares shall rank from the date of conversion pari passu in all other respects with the Ordinary shares then in issue.

The deferred shares may be redeemed at any time by the company at a value of £0.01 and carry no rights to vote or to dividends.

The B shares and B2 shares have rights to vote and to receive dividends

14. RESERVES

Group	Accumulated Losses £	Share Premium £	Capital Redemption Reserve £	Convertible Preference Shares £	Share Based Payment Reserve £
As at 1 January 2022	(147,687,905)	68,798,802	1,564,580	14,950,034	2,889,798
Profit for the year	19,271,105				
Convertible preference shares	-	49,551,992	-	620,385	-
Foreign exchange adjustments	(4,359)	-	-	-	-
Value of employee services	-	-	-	-	2,198,906
As at 31 December 2022	(128,421,159)	118,350,794	1,564,580	15,570,419	5,088,704

Group	Accumulated Losses £	Share Premium £	Capital Redemption Reserve £	Convertible Preference Shares £	Share Based Payment Reserve £
As at 1 January 2021	(106,227,592)	52,948,279	1,564,580	14,789,435	1,356,084
Loss for the year	(41,300,727)	-	-	-	-
Convertible preference shares	-	15,850,523	-	160,599	-
Foreign exchange adjustments	(159,586)	-	-	-	-
Value of employee services	-	-	-	-	1,533,714
As at 31 December 2021	(147,687,905)	68,798,802	1,564,580	14,950,034	2,889,798

14. RESERVES (continued)

Company	Accumulated Losses £	Share Premium £	Capital Redemption Reserve £	Convertible Preference Shares £	Share Based Payment Reserve £
As at 1 January 2022	(147,778,611)	68,798,802	1,564,580	14,950,034	2,889,798
Profit for the year	20,432,092	-	-	-	-
Convertible preference shares	-	49,551,992	-	620,385	-
Value of employee services	-	-	-	-	2,198,906
As at 31 December 2022	(127,346,519)	118,350,794	1,564,580	15,570,419	5,088,704

Company	Accumulated Losses £	Share Premium £	Capital Redemption Reserve £	Convertible Preference Shares £	Share Based Payment Reserve £
As at 1 January 2021	(106,545,548)	52,948,279	1,564,580	14,789,435	1,356,084
Loss for the year	(41,233,063)	-	-	-	-
Convertible preference shares	-	15,850,523	-	160,599	-
Value of employee services	-	-	-	-	1,533,714
As at 31 December 2021	(147,778,611)	68,798,802	1,564,580	14,950,034	2,889,798

15. TRADE AND OTHER PAYABLES

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Current liabilities:				
Trade payables	4,328,296	5,550,977	3,261,902	5,470,336
Social security & other taxes	266,370	274,422	94,697	242,938
Accruals & deferred income	9,885,275	6,194,399	8,047,379	5,613,132
Other payables	32,197	4,997	21,624	-
Amounts owed to group undertakings	-	-	28,919,571	22,057,313
	14,512,138	12,024,795	40,345,173	33,383,719

continued...

15. TRADE AND OTHER PAYABLES (continued)

CONVERTIBLE PREFERRED SHARES

The convertible preferred shares, and loan notes recognised in the balance sheet are calculated as follows:

	2022 £	2021 £
As at the start of the year	21,253,996	16,973,404
Conversion/Issue of convertible loan notes	16,490,791	-
Convertible preferred shares issued in year	40,104,639	16,551,824
Equity component	(50,148,528)	(16,011,122)
Change in fair value following change in conversion date	(693,708)	633,573
Liability component on initial recognition in year	5,735,194	1,174,275
Accrued dividends on preference shares	5,773,418	3,106,317
Liability component at end of year	32,780,608	21,253,996

Included within the convertible preference shares issued in the prior year of £16,551,824 were cash proceeds of £12,446,929 and tranche liability settlement of £4,104,895.

16. FINANCIAL LIABILITIES

BORROWINGS

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Current:				
Leases (see note 17)	145,402	80,552	-	65,882
Non-current				
Principal and interest on preferred shares	32,780,608	21,253,996	32,780,608	21,253,996
Leases (see note 17)	117,137	173,387	-	141,810
Bank loan	25,793,839	23,117,700	-	-
	58,691,584	44,545,083	32,780,608	21,395,806

continued...

17. LEASING

Group
Right-of-use assets
Property, plant and equipment – leasehold office buildings

	2022	2021
	£	£
COST		
As at 1st January	466,769	407,752
Effect of foreign exchange	1,868	(6,597)
Additions	267,787	65,614
Disposals	(395,807)	-
As At 31st December	340,617	466,769
DEPRECIATION		
As at 1st January	225,047	145,441
Effect of foreign exchange	(7,365)	(1,029)
Charge for the year	111,597	80,635
Disposals	247,530	-
As At 31st December	81,749	225,047
NET BOOK VALUE	258,868	241,722

Company
Right-of-use assets
Property, plant and equipment – leasehold office buildings

	2022	2021
	£	£
COST		
As at 1st January	395,807	330,193
Additions	-	65,614
Disposals	(395,807)	-
As At 31st December	-	395,807
DEPRECIATION		
As at 1st January	198,104	132,077
Charge for the year	49,426	66,027
Disposals	(247,530)	-
As At 31st December	-	198,104
NET BOOK VALUE	-	197,703

Lease liabilities
Minimum lease payments fall due as follows:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Gross obligations repayable:				
Within 1 year	157,955	94,170	-	74,270
Between 1 and 5 years	135,479	187,893	-	148,539
	293,434	282,063	-	222,809
Finance charges repayable				
Within 1 year	14,392	10,834	-	8,388
Between 1 and 5 years	3,716	8,512	-	6,729
	18,108	19,346	-	15,117
Net obligations repayable				
Within 1 year	143,563	83,336	-	65,882
Between 1 and 5 years	131,763	179,381	-	141,810
	275,326	262,717	-	207,692

18. FINANCIAL INSTRUMENTS

The carrying amount of the Group's financial instruments were as follows:

	2022 £	2021 £
Financial assets		
Measured at amortised cost:		
Trade and other receivables	2,614,693	79,147
Cash and cash equivalents	98,851,438	7,818,662
	101,466,131	7,897,809
Financial liabilities		
Measured at amortised cost:		
Trade and other payables	4,360,454	5,555,974
Borrowings – non-current	58,691,583	44,545,083
Borrowings - current	145,402	80,552
	63,197,439	50,181,609

The carrying amount of the company's financial instruments were as follows:

	2022 £	2021 £
Financial assets		
Measured at amortised cost:		
Trade and other receivables	2,572,561	73,396
Cash and cash equivalents	94,918,264	2,989,544
	97,490,825	3,062,940
Financial liabilities		
Measured at amortised cost:		
Trade and other payables	3,283,526	5,470,336
Amounts owed to group undertakings	28,919,571	22,057,313
Borrowings - non-current	32,780,608	21,395,806
Borrowings - current	-	65,882
	64,983,705	48,989,337

The derivative financial instruments are measured using level 3 inputs.

Financial risk management

The group is currently a privately owned entity and, as such, is not subject to the market risks associated with a public market listing. The company is therefore not subject to availability of capital from the public markets and thus market risk is adequately managed in the view of the management and the Board of Directors.

The group's activities expose it to a variety of other financial risks; the company's financial risk is managed by its Board of Directors and management team. The company focuses on minimising exposure and monitoring cash flows against the development plan.

It is not the group's policy to make use of financial derivatives. The group finances its operations through the issue of share capital to investors and any retained cash from these share issues.

18. FINANCIAL INSTRUMENTS (continued)

Market risk

Olorofim is well placed in the market as it is a novel chemical class and novel mechanism of action antifungal drug. It has the potential to become only the second class of oral antifungal agent available to treat invasive Aspergillosis, the target organism of olorofim.

There are few competitors with the same antifungal profile which makes olorofim stand out. The regulatory environment is also receptive to novel antifungal agents and F2G expects to benefit from this.

The global market for antifungals remains stable at 6 billion USD.

Foreign exchange risk

The group does not take out forward contracts to cover exposure to foreign exchange expenditure as timings are difficult to predict. The company uses funds from the euro account where possible to cover European expenditure, likewise the company uses funds from the dollar account where possible to cover American expenditure.

Following the establishment in 2018 of F2G Biotech GmbH in Austria, the group has a natural hedge against Euro exposure.

Credit risk

The group is exposed to low level credit risk from its financing activities, including deposits with the group's bank, although the credit risk associated with this is limited.

As the group currently has no trade debtors, there is no credit risk in relation to trade receivables.

Liquidity risk

The group seeks to manage its liquidity risk by ensuring sufficient funds are available to meet the requirements of its operational needs and continuance with the long-term development strategy.

The group monitors its cash resources through detailed forecasting in the short. medium and long-term comparing actual cashflows against forecasted expenditure to ensure sufficient liquidity is available to meet those needs.

The group is open to risk from late receipt of funds from investors, grants and R&D Tax Credits impacting on the research programme. The company mitigates this risk by regular contact with investors regarding the needs of the business. to ensure continuance and achievement of the long-term development plan.

Capital management

The group manages its capital to ensure that it will be able to continue with its current research programme whilst maximising the return to shareholders through optimising the debt-equity balance. The capital structure of the group consists of cash and cash equivalents, convertible C, D, E, F, G and H preference shares and equity, attributable to equity holders of the group's issued capital and retained earnings. At the year end the group had balances of cash and cash equivalents of £98,851,439 (2021: £7,818,662) and convertible preference shares of £15,570,419 (2021: £14,950,034).

The group's capital structure is not restricted, in order to maintain or adjust the capital structure, the company may redeem or convert preference shares, or issue new ordinary or new preference share capital.

It is the objective of the group to maintain a strong capital base to support the achievement of the group's research and development objectives whilst protecting the returns to shareholders.

The group does not use ratios or targets for monitoring capital at this stage of the group's development.

19. DEFERRED TAX

	2022 £	2021 £
Group – accelerated capital allowances		
Balance at 1 January	76,017	61,069
Charge to income statement	5,156	19,425
Movement in foreign exchange	811	(4,477)
Balance at 31 December	81,984	76,017

20. SHARE BASED PAYMENTS

In the year ended 31 December 2021 and 2022 the company operated an equity settled share based payment plan as described below. The Group recognised total expenses of £2,064,473 in the year ended 31 December 2022 (2021: £1,533,714) in respect of the plan.

The company operates the 2013 Share Option Plan ("the Plan"), originally approved on 6 June 2013 and later amended as of 8 May 2019, 5 November 2021 and 9 December 2022. The aim of the Plan is to provide employees and consultants of the company with incentives to align their interests with the interests of the company's equity holders. The number of options awarded are determined by the Remuneration Committee having regard to retain key personnel, motivate individuals and reward employees for their contribution to the company's strategic objectives. The EMI (Enterprise Management Incentive) schemes provide tax benefits for employees of UK companies and needs to comply with certain rules. Except for EMI-specific rules, the provisions of the Plan are also valid for any non-EMI options awarded by the company to directors, employees of subsidiaries or consultants.

Details of the maximum total number of Ordinary Shares which may be issued in future periods in respect of awards outstanding during 2021 and 2022 are shown below:

	Number of shares	Weighted average remaining contractual life	Weighted average exercise price
At 1 January 2021	5,479,384	6.48 years	£0.000031
Granted in year	17,025,700		£0.174999
Exercised	(3,568,164)		£0.000031
At 31 December 2021	18,936,920	9.20 years	£0.157340
Granted in year	18,257,947		£0.287357
Forfeited in year	(2,474,532)		£0.056566
Exercised	(133,843)		£0.226699
At 31 December 2022	34,604,492	9.15 years	£0.232902

There have been no other movements within 2022.

The range of exercise prices for the awards outstanding at each year-end were £0.000030824 - £0.32.
The fair value at grant date is independently determined using a Black-Scholes simulation model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share based upon a number of management determined "peer companies", and the risk free interest rate for the term of the option as shown below:

The number of options exercisable and the weighted average exercise price were as follows:

31 December 2020	4,837,018 at £0.000031
31 December 2021	5,291,633 at £0.034175
31 December 2022	12,657,072 at £0.181305

	Exercise price	Expected volatility	Expected life (years)	Risk-free interest rate	Share price at grant date	Fair value per option
11 August 2017	£0.00003	64%	5.5	1.74%	£0.21	£0.21
10 May 2019	£0.00003	68%	5.6	2.26%	£0.35	£0.35
30 April 2021	£0.06	71%	5.5	0.86%	£0.25	£0.21
8 November 2021	£0.30	71%	5.7	1.21%	£0.30	£0.18
24 May 2022	£0.32	72%-73%	5.1-6.0	2.74%-2.76%	£0.32	£0.20-£0.21
9 December 2022	£0.27	73%-74%	5.5-6.3	3.68%-3.70%	£0.27	£0.18-£0.18

Note: For option grants prior to 2022 the fair values per option were determined based on the weighted average of the expected life of all options awarded at the same grant date. For options granted in 2022 the fair values per option were determined on an individual participant grant level.

The Company historically has been a private company and lacks company-specific historical and implied volatility

20. SHARE BASED PAYMENTS (contined)

information of its shares. Therefore, it estimates its expected shares volatility based on the historical volatility of publicly traded peer companies for a term equal to the expected term of the options.

21. OTHER FINANCIAL COMMITMENTS

There is a debenture dated 30 November 2018 in favour of European Investment Bank with fixed and floating charges over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery.

22. RELATED PARTY DISCLOSURES

During the year the company was charged travel expenses of £676 (2021: £nil) by FCPM III Services BV, in respect of travel expenses for N Luneborg, a director of the company. At the end of the year FCPM III Services BV was owed £676 in respect of these expenses (2021: £nil).

During the year the company was charged directors fees of £40,572 (2021: £52,512) by P Vink, a director of the company. At the end of the year P Vink was owed £4,401 in respect of these services (2021: £9,536).

During the year the company was charged directors fees of £12,173 (2021: £6,660) by C Soenderby, a director of the company. At the end of the year C Soenderby was owed £2,127 in respect of these services (2021: £nil).

During the year the company was charged directors fees of £18,200 (2021: £6,660) by S Gregoire, a director of the company. At the end of the year S Gregoire was owed £1,834 in respect of these services (2021: £nil).

The company's subsidiary, F2G Biotech GmbH, charged a service charge of £1,817,250 (2021: £1,244,741). The amount owed to the subsidiary at the year end for these services is £2,046,892 (2021: £1,595,357).
They also charged the Company £1,402,691 (2021: £1,772,281) in relation to the reimbursement of third party services. The amount owed to the subsidiary at the year end for these services is £24,254,094 (2021: £21,174,958).

The company's subsidiary, F2G Inc, charged a service charge of £11,834,411 (2021: £1,405,386). The amount owed to the subsidiary at the year end for these services is £2,618,585 (2021: £882,355).

23. ULTIMATE CONTROLLING PARTY

There was no controlling party throughout the current or previous year. The company is managed on a day-to-day basis by the board of directors.

24. KEY MANAGEMENT

Key management includes the directors and members of senior management. Key management remuneration comprises:

	2022 £	2021 £
Wages and salaries	3,685,687	2,713,012
Social security costs	243,700	186,024
Other pension costs	96,240	61,461
	4,025,627	2,960,496

	2022 Number	2021 Number
Number of key management who exercised share options	1	-
Number of key management in respect of whose qualifying services shares were receivable under incentive schemes	14	10

25. SECURED DEBTS

The group's wholly owned subsidiary currently has a loan from the European Investment Bank which is secured by way of a floating charge over the assets of F2G Ltd. The company also acts as a guarantor for the subsidiary upon default of payments.