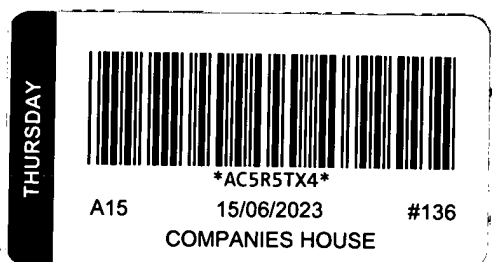


Bicycle

BicycleRD Limited

Annual report and financial statements
for the year ended 31 December 2022

Company No: 06960780



BicycleRD Limited

Annual report and financial statements for the year ended 31 December 2022

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BicycleRD Limited

General information

Directors

Kevin Lee

Mirza Zafar Iskander Qadir

Michael Skynner

Registered office

BicycleRD Limited

Blocks A & B, Portway Building Granta Park

Great Abington

Cambridge

CB21 6GS

Independent auditors

PricewaterhouseCoopers LLP

The Maurice Wilkes Building

St. John's Innovation Park

Cowley Road

Cambridge

CB4 0DS

Bankers

Barclays Bank

9-11 St Andrews Street

Cambridge

CB2 3AA

Solicitors

Cooley (UK) LLP

22 Bishopsgate

London

EC2N 4BQ

BicycleRD Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Principal activities

BicycleRD Limited (the "Company") is a UK biotherapeutics company developing novel bicyclic peptides.

Review of business and future developments

The results for the Company show a loss before taxation for the year ended 31 December 2022 of £1,209k (31 December 2021: £901k) and the Company has net liabilities of £2,490k (31 December 2021: net liabilities: £1,287k).

During the year the Company has continued development of its lead program, BT1718. In September 2020, the first patient was dosed in the Phase IIa expansion portion of the Phase I/IIa trial sponsored by Cancer Research UK and the clinical trial is ongoing. The clinical trial is evaluating BT1718 in patients with Membrane Type 1 matrix metalloproteinase ("MT1-MMP")-positive squamous non-small cell lung cancer and a basket of other MT1-MMP-positive solid tumours. The directors are satisfied that research is progressing satisfactorily.

The collaboration with Oxurion NV continues to progress well. Oxurion is conducting a Phase II clinical trial, consisting of a two-part, randomized, prospective, multi-center study assessing multiple injections of THR-149, a novel Bicycle-based plasma kallikrein inhibitor, in patients with diabetic macular edema. In September 2021, Oxurion announced results from Part A of the clinical trial. Part B of the study is ongoing, which will enrol just over 100 patients. No revenue in respect of this collaboration was recognised in 2022 or 2021. The Company is eligible to receive up to a further €4.5 million upon the achievement of specified research, development, regulatory and commercial events. In addition, the Company is eligible to receive up to €16.5 million upon achievement of certain regulatory milestone payments. To the extent any of the collaboration products covered by the licences granted to Oxurion are commercialized, the Company would be entitled to receive tiered royalty payments of mid-single digits based on a percentage of net sales.

The Company intends to continue with these collaborations in 2023 and beyond.

Covid-19 Pandemic

The Company continues to closely monitor the ongoing COVID-19 pandemic and evolves its business continuity plans and response strategy as necessary.

Brexit

On 23 June 2016, the electorate in the United Kingdom voted in favour of leaving the European Union, commonly referred to as Brexit, and the United Kingdom officially withdrew from the European Union on 31 January 2020. Pursuant to the formal withdrawal arrangements agreed between the United Kingdom and the European Union, the United Kingdom was subject to a transition period until 31 December 2020 or the Transition Period, during which European Union rules continued to apply. A trade and cooperation agreement, or the Trade and Cooperation Agreement, which outlines the future trading relationship between the United Kingdom and the European Union, was agreed upon in December 2020 and formally entered into force on 1 May 2021.

Great Britain is no longer covered by the European Union's procedures for the grant of marketing authorisations, though Northern Ireland will be covered by the centralised authorisation procedure and can be covered under

BicycleRD Limited

Directors' report (continued)

Review of business and future developments (continued)

the decentralised or mutual recognition procedures. A separate marketing authorisation will be required to market drugs in Great Britain. However, for three years from 1 January 2021, the United Kingdom's regulator, the Medicines & Healthcare products Regulatory Agency, or MHRA, may adopt decisions taken by the European Commission on the approval of new marketing authorisations through the centralised procedure, and the MHRA will have regard to marketing authorisations approved in a country in the EEA (although in both cases a marketing authorisation will only be granted if any Great Britain-specific requirements are met). Various national procedures are now available to place a drug on the market in the United Kingdom, Great Britain or Northern Ireland, with the main national procedure having a maximum timeframe of 150 days (excluding time taken to provide any further information or data required). The data exclusivity periods in the United Kingdom are currently in line with those in the European Union, but the Trade and Cooperation Agreement provides that the periods for both data and market exclusivity are to be determined by domestic law, and so there could be divergence in the future.

Orphan designation in Great Britain following Brexit is, unlike in the European Union, not available pre-marketing authorisation. Applications for orphan designation are made at the same time as an application for a marketing authorisation. The criteria to be granted an orphan drug designation are essentially identical to those in the European Union but based on the prevalence of the condition in Great Britain. It is therefore possible that conditions that were or would have been designated as orphan conditions in Great Britain prior to the end of the Transition Period are or would no longer be and that conditions that were not or would not have been designated as orphan conditions in the European Union will be designated as such in Great Britain.

The European Union's regulatory environment for clinical trials has been harmonised as part of the Clinical Trials Regulation, which entered into application on 31 January 2022. It is currently unclear as to what extent the United Kingdom will seek to align its regulations with the European Union.

Environmental matters

The Company's activities have minimal environmental impact as the Company has no employees and no office or laboratory sites. The Company complies with all applicable environmental laws and regulations and currently does not consider it has a significant environmental footprint due to the size and nature of its operations.

Russia and Ukraine conflict

The Company's operations have not been directly affected by the conflict between Russia and Ukraine. It does not have any significant suppliers or ongoing clinical trials based in those nations or any of the neighbouring nations.

Dividends

During the year no dividends were declared or paid (31 December 2021: Nil). The directors do not recommend the payment of any further dividend.

Research and development activities

The Company plans to continue to incur research and development expenditure on its lead program. Total research and development expenditure during the year was £28k (31 December 2021: £31k).

BicycleRD Limited

Directors' report (continued)

Principal risks and uncertainties

Financial

The Company is clinical-stage biopharmaceutical company. The Company has not commercialised any products or generated any revenues from the sale of products, and absent the realisation of sufficient revenues from product sales, may never attain profitability in the future. The Company has a history of significant operating losses and does not expect to generate revenue or profitability that is necessary to finance its operations in the short-term.

The Company relies on the support of its parent company to fund its activities.

Clinical

The Company's product candidates will need to undergo preclinical and clinical trials that are time consuming and expensive and can be subject to extensive delays. If the Company fails to receive positive results in clinical trials of its product candidates, the development timeline and regulatory approval and commercialisation prospects for the most advanced product candidates, and, correspondingly, the Company's business and financial prospects, would be negatively impacted.

Manufacturing

The Company does not own or operate manufacturing facilities for the production of clinical or commercial supplies of the product candidates that it is developing or evaluating and its strategy is to outsource all manufacturing of its product candidates and products to third parties. In order to conduct clinical trials of product candidates, the Company will need to have them manufactured in potentially large quantities. The Company's third-party manufacturers may be unable to successfully increase the manufacturing capacity for any of the Company's product candidates in a timely or cost-effective manner, or at all.

Third parties

For certain product candidates, The Company depends, or will depend, on development and commercialisation collaborators to develop and conduct clinical trials with, obtain regulatory approvals for, and if approved, market and sell product candidates. If such collaborators fail to perform as expected the potential for the Company to generate future revenue from such product candidates would be significantly reduced and the Company's business would be harmed.

The Company relies on third parties, including independent clinical investigators and CROs to conduct and sponsor some of the clinical trials of the Company's product candidates. Any failure by a third party to meet its obligations with respect to the clinical development of the Company's product candidates may delay or impair its ability to obtain regulatory approval for its product candidates.

Commercialisation

The Company is substantially dependent on the success of its development programs which may not successfully complete clinical trials, receive regulatory approval or be successfully commercialised.

BicycleRD Limited

Directors' report (continued)

Principal risks and uncertainties (continued)

Regulation

The Company's product candidates are highly regulated and the regulatory process is lengthy, time-consuming and expensive. The Company may experience significant delays in obtaining regulatory approval or be required to make changes to its clinical programmes or product candidates by regulatory authorities. Even if the Company does receive regulatory approval to market its product candidates, any such approval may be subject to limitations on the indicated uses or patient populations for which the Company may market the product.

Litigation

The use of the Company's product candidates in clinical trials and the sale of any products for which the Company obtains marketing approval expose the Company to the risk of product liability claims from patients, healthcare providers, pharmaceutical companies and others. The Company believes its product liability insurance coverage is sufficient in light of its current commercial and clinical programs; however, the Company may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect the Company against losses due to liability.

Intellectual Property

The Company's ability to compete effectively depends, in part, on its ability to maintain the proprietary nature of its technology and manufacturing processes. The Company relies on research, manufacturing and other know-how, patents, trade secrets, licence agreements and contractual provisions to establish its intellectual property rights and protect its products and product candidates.

Cybersecurity

Cyber-attacks or other failures in telecommunications or information technology systems and deficiency in our, or those of third parties upon which we rely, cybersecurity could result in information theft, data corruption and significant disruption of our business operations. Any cyber-attack or destruction or loss of data could have material effects on the Company's business and prospects. In addition, the Company may suffer reputational harm or face litigation or adverse regulatory action as a result of cyber-attacks or other data security breaches and may incur significant additional expense to respond appropriately to such breaches and to implement further data protection measures.

Employees

The Company's fellow subsidiary, BicycleTx Limited, provides services under a business services agreement to the Company to enable it to carry out its operations. The Company relies on the ongoing involvement of principal members of BicycleTx Limited's executive team and key employees. The loss of the services of one or more of the executive team and key employees might impede the achievement of the Company's research, development and commercialisation objectives. Furthermore, replacing executive officers or other key employees may be difficult and may take extended time because of the limited number of individuals in the Company's industry with the breadth of skills and experience required to develop, gain marketing approval of and commercialise products successfully.

More details of the Company's principal risks and uncertainties are included in the Strategic Report of the Company's parent, Bicycle Therapeutics plc.

BicycleRD Limited

Directors' report (continued)

Post balance sheet events

The directors are not aware of any events that have occurred subsequent to the year-end that may materially impact the results of the financial statements.

Key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

Financial risk management

The directors have considered the disclosure requirements of Schedule 7(6) of S.I. 2008/393, an amendment to the Companies Act 2006, and have concluded that the management of price risk and liquidity risk are not material for the assessment of the assets, liabilities, financial position and loss of the company.

Currency risk

The Company pays for goods and services in a variety of currencies and also holds some cash in foreign currencies. The Company does not use derivatives to manage this risk.

Cash flow

The Company principally finances its operations through payments in respect of its collaboration agreements and funding from its parent company which in turn finances its operations with proceeds from the sale of its ADSs and borrowings pursuant to the debt facility with Hercules. The directors monitor the level of cash on a regular basis and cash is invested in low risk deposits to earn a return whilst enabling the cash to be available to meet the Company's day-to-day needs.

Going concern

The Company's parent, Bicycle Therapeutics plc, has confirmed that it will provide financial support to the Company such that the Company is able to operate as a going concern and to settle its liabilities as they fall due. This financial support will include:

- Not seeking the repayment of amounts advanced to the Company by the Parent and/or other members of the Parent group unless adequate alternative financing has been secured by the Company; and
- Advancing further amounts to the Company as required by the Company.

This undertaking will remain in place for the foreseeable future and will not be withdrawn during a period of at least 12 months from the date of approval of these financial statements.

Further disclosure relating to going concern is included in note 3 to the financial statements.

BicycleRD Limited

Directors' report (continued)

Directors

The directors of the Company who held office during the year and up to the date of signing the financial statements were as follows:

Kevin Lee
Mirza Zafar Iskander Qadir
Michael Skynner

Third party indemnity provision

The Company has arranged third party indemnity for all its directors. The qualifying third-party indemnity was in force during the financial year and also at the date of approval of the financial statements.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

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 company and of the profit or loss of the company 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 United Kingdom Accounting Standards, comprising FRS 102 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 company will continue in business.

The directors are responsible for safeguarding the assets of the 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

BicycleRD Limited

Directors' report (continued)

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 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 company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Board Meeting.

This report and the financial statements on pages 13 to 29 were approved by board of directors on 12 April 2023.

On behalf of the Board



Kevin Lee
Director
24 April 2023

BicycleRD Limited

Independent auditors' report to the members of BicycleRD Limited

Report on the audit of the financial statements

Opinion

In our opinion, BicycleRD Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2022; the statement of comprehensive income and the statement of changes in equity 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 company 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 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 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.

BicycleRD Limited

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 Directors' report, 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.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, 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 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 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.

BicycleRD Limited

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 company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Taxation and Intellectual property and patent legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Income Tax act, Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and the Companies Act 2006. 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 misappropriation of funds, posting of inappropriate accounting entries to manipulate financial results and management's bias in significant accounting estimates. Audit procedures performed by the engagement team included:

- enquiries of management and the entity's General Counsel around actual and potential litigations and claims including known or suspected instances of non-compliance with laws and regulations and fraud;
- verifying minutes of meetings of Board of Directors and its Committees;
- verifying financial statements disclosures and agreeing to supporting documentation to assess that disclosures are in compliance with applicable laws and regulations;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- challenging the assumptions made by management in their significant accounting estimates, in particular in relation to accruals;
- designing audit procedures to incorporate unpredictability in the nature, timing and extent of our testing, and
- evaluation of management's controls designed to prevent and detect irregularities.

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 financial statements are not in agreement with the accounting records and returns.

BicycleRD Limited

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



David Farmer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
24 April 2023

BicycleRD Limited
Registered in England No: 06960780

Statement of comprehensive income

		Year ended 31 December 2022	Year ended 31 December 2021
	Note	£'000	£'000
Revenue	5	—	—
Administrative expenses - other	6	(1,186)	(876)
Total administrative expenses		(1,186)	(876)
Operating loss	6	(1,186)	(876)
Interest receivable and similar income	7	1	—
Interest payable and similar expenses	8	(24)	(25)
Loss before taxation		(1,209)	(901)
Tax on loss	9	6	5
Loss and total comprehensive expense for the financial year		(1,203)	(896)

BicycleRD Limited
Registered in England No: 06960780

Balance sheet

	Note	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Fixed assets			
Intangible assets	10	32	47
		<u>32</u>	<u>47</u>
Current assets			
Debtors	11	2,788	2,583
Cash at bank and in hand		1,405	1,882
		<u>4,193</u>	<u>4,465</u>
Creditors: amounts falling due within one year	12	(6,715)	(5,799)
Net current liabilities		<u>(2,522)</u>	<u>(1,334)</u>
Total assets less current liabilities		<u>(2,490)</u>	<u>(1,287)</u>
Net liabilities		<u>(2,490)</u>	<u>(1,287)</u>
Capital and reserves			
Called up share capital	15	71	71
Accumulated losses	15	(2,561)	(1,358)
Total equity		<u>(2,490)</u>	<u>(1,287)</u>

The financial statements on pages 13 to 29 were approved by the board of directors on 12 April 2023 and signed on its behalf by:



Kevin Lee
 Director
 24 April 2023

The notes on page 16 to 29 are an integral part of the financial statements.

BicycleRD Limited

Statement of changes in equity

	Called up share capital £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 January 2021	71	(462)	(391)
Loss for the year	—	(896)	(896)
Total comprehensive expense for the year	—	(896)	(896)
Balance as at 31 December 2021	71	(1,358)	(1,287)
Loss for the year	—	(1,203)	(1,203)
Total comprehensive expense for the year	—	(1,203)	(1,203)
Balance as at 31 December 2022	71	(2,561)	(2,490)

BicycleRD Limited

Notes to the financial statements

1 General Information

BicycleRD Limited (the “**Company**”) is a UK biotherapeutics company. The company is a private company, limited by shares and incorporated in the United Kingdom and registered in England. Its registered number is 06960780. The address of its registered office is Blocks A & B, Portway Building Granta Park, Great Abington, Cambridge, United Kingdom, CB21 6GS.

2 Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ‘The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland’ (“**FRS 102**”) and the Companies Act 2006 (the “**Companies Act**”).

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently throughout the year, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention. The financial statements are presented in pounds sterling, which is the Company’s functional and presentation currency.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going concern

The Company’s parent, Bicycle Therapeutics plc, has confirmed that it will provide financial support to the Company such that the Company is able to operate as a going concern and to settle its liabilities as they fall due. This financial support will include:

- Not seeking the repayment of amounts advanced to the Company by the Parent and/or other members of the Parent group unless adequate alternative financing has been secured by the Company; and
- Advancing further amounts to the Company as required by the Company.

This undertaking will remain in place for the foreseeable future and will not be withdrawn during a period at least 12 months from the date of approval of these financial statements.

At 31 December 2022, the Company’s parent and subsidiaries together held cash of £280.2m (31 December 2021: £325.0m) and the directors estimate the cash on hand at the date of approval of these financial statements is sufficient to continue funding the Company’s currently active research activities for at least a further twelve months from the date of that approval and that it is therefore appropriate to prepare these financial statements on a going concern basis.

BicycleRD Limited

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions. The Company has taken advantage of the following exemptions in its financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Bicycle Therapeutics plc, includes the company's cash flows in its consolidated financial statements;
- from the financial statement disclosures, required under the FRS102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures;
- from disclosing the Company's key management personnel compensation, as required by FRS 102 paragraph 33.7.

Foreign currency

The financial statements are presented in pound sterling and rounded to thousands.

The company's functional and presentation currency is the pound sterling.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the statement of comprehensive expense.

Revenue

Revenue represents the fair value of amounts received or receivable in respect of collaborative research agreements, licence fees or milestone payments (excluding value added tax). These are recognised as revenue when the specific conditions stipulated in the agreements have been satisfied and the significant risks and rewards of ownership have been transferred to the customer.

Impairment of debtors

The Company makes an estimate of the recoverable value of other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

BicycleRD Limited

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Intangible assets

Intangible assets comprise intellectual property licences and are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, assessed by the directors on a case-by-case basis, as follows:

- Intellectual property licences 5 to 15 years

The assets are reviewed for impairment if there is an indication that the carrying amount may be impaired. Provision is made against the carrying value of such assets when an impairment in value is deemed to have occurred.

Costs associated with maintaining intellectual property and licences acquired primarily in connection with the settlement of litigation are recognised as an expense as incurred. Amortisation is included in other operating expenses in the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less.

Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income account on a straight-line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight line basis over the period of the lease.

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. The Company has no finance leases.

BicycleRD Limited

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Provisions and contingencies

Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resource is remote. Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Interest income

Interest income is recognised using the effective interest rate method.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

BicycleRD Limited

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Taxation (continued)

Income tax credit

The Company benefits from the UK research and development tax credit regime under both the small and medium sized enterprise, or SME, scheme and by claiming a Research and Development Expenditure Credit ("RDEC") in respect of grant funded projects. Under the SME regime, a portion of the Company's group's losses are surrendered for a cash rebate of up to 33.3% of eligible expenditures. Such credits are accounted for within the tax provision in the year in which the expenditures were incurred.

Deferred tax

Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Research and development

Expenditure on research and development to date is written off against the profits in the period which it is incurred.

Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with its parent or with members of the same group that are wholly owned. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset. If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account.

Financial Instruments

The Company has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments.

BicycleRD Limited

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Financial Instruments (continued)

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Basic financial liabilities also include certain other financial instruments where the Company does not have the unconditional right to avoid settling in cash or by delivery of another financial asset, or otherwise settle it in such a way that they would be financial liabilities.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

BicycleRD Limited

Notes to the financial statements (continued)

4 Critical accounting judgements and estimation uncertainty

Cancer Research UK Agreement

The Company concluded that within agreement with Cancer Research UK to sponsor and fund the Phase I/IIa clinical trial of BT1718 the right to obtain a licence to the results of the trial upon the payment of a milestone represents a financial liability and has recorded a liability of £488k as at 31 December 2022 (31 December 2021: £458k). This liability will be extinguished when either the contractual obligation is discharged, cancelled or expires.

The directors do not consider there to be any critical accounting estimates or assumptions that have a significant risk of causing a material adjustment to the financial statements within the next financial year.

5 Revenue

All of the Company's revenue to date has been generated in respect of ongoing research collaborations and was generated in Europe. There was no revenue recognized in 2022 or 2021.

6 Operating loss

Operating loss is stated after charging:

	2022 £'000	2021 £'000
Expenditure on research and development	28	31
Amortisation of intangible assets	15	15
Foreign exchange losses	553	137
<i>Auditors' remuneration</i>		
Audit of these financial statements	—	—

As a result of a group restructuring in 2017, all employees and certain assets and liabilities were transferred to the Company's fellow subsidiary, BicycleTx Limited. The lease for Building 900, Babraham Research Campus, Cambridge, CB22 3AT was assigned to BicycleTx Limited on 12 January 2022. Prior to the assignment, the lease was held by the Company but the benefit and the associated costs are accounted for in BicycleTx Limited.

BicycleTx Limited provides services under a business services agreement to the Company to enable it to carry out its operations. During the year the Company was invoiced £180k (2021: £180k) by BicycleTx Limited.

Auditors' remuneration costs of £30k (2021: £25k) in respect of the audit of the financial statements of the Company for 2022 are included within the financial statements of the Company's fellow subsidiary, BicycleTx Limited and are not recharged.

BicycleRD Limited

Notes to the financial statements (continued)

7 Interest receivable and similar income

	2022 £'000	2021 £'000
Bank interest	<u>1</u>	<u>—</u>

8 Interest payable and similar expenses

	2022 £'000	2021 £'000
Interest on accrued liability	<u>(24)</u>	<u>(25)</u>

This relates to an interest charge of 5% in respect of a liability included in accruals and deferred income.

9 Tax on loss

a) Tax income included in statement of comprehensive income

	2022 £'000	2021 £'000
Current tax	<u>(6)</u>	<u>(5)</u>
Total current tax income	<u>(6)</u>	<u>(5)</u>

b) Reconciliation of tax income

Tax assessed for the year is higher (2021: higher) than the standard rate of corporation in the UK of 19% (2021:19%). The differences are explained below:

	2022 £'000	2021 £'000
Loss before taxation	(1,209)	(901)
Loss before taxation multiplied by the standard rate of tax of 19% (2021: 19%)	(230)	(171)
Effects of:		
Surrender of tax losses for R&D tax credit refund	2	2
Deferred tax not recognised on tax losses	229	173
Fixed asset and other timing differences not recognised	(2)	(3)
Research and development enhanced allowance	(5)	(6)
Total tax for the year	<u>(6)</u>	<u>(5)</u>

BicycleRD Limited

Notes to the financial statements (continued)

9 Tax on loss (continued)

c) Deferred taxation

From 1 April 2023 the corporation tax rate will increase to 25% and its effects are included in these financial statements. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. The Company had potential and actual deferred tax assets at the prevailing rate of 25% (31 December 2021: 25%) as follows:

	2022 £'000	2021 £'000
Tax effect of timing differences because of:		
Fixed asset and other timing differences	17	20
Tax losses carried forward	4,160	3,859
Deferred tax asset (not recognised)	<u>4,177</u>	<u>3,879</u>

Deferred tax assets are not recognised at 31 December 2022 (2021: nil) as there is insufficient evidence that they are recoverable. The deferred tax assets would be recoverable if the Company were to become profitable in the future. There is no expiry date of the deferred tax assets.

10 Intangible assets

	Intellectual property licence £'000
Cost	
At 1 January 2022	239
Additions	—
At 31 December 2022	239
Accumulated amortisation	
At 1 January 2022	192
Charge made in the year	15
At 31 December 2022	207
Net book value	
As at 31 December 2022	32
As at 31 December 2021	47

BicycleRD Limited

Notes to the financial statements (continued)

11 Debtors

	31 December 2022	31 December 2021
	£'000	£'000
Amounts falling due within one year		
Amounts owed by group undertakings	2,782	2,545
Other debtors	—	31
Research and development tax credit	6	7
	2,788	2,583

The amounts owed by group undertakings are unsecured, interest free with no fixed terms of repayment.

12 Creditors: amounts falling due within one year

	31 December 2022	31 December 2021
	£'000	£'000
Trade creditors	3	—
Amounts owed to group undertakings	6,164	5,194
Accruals and deferred income	548	605
	6,715	5,799

The amounts owed to group undertakings are interest free with no fixed terms of repayment.

13 Employee information

There were no persons employed by the Company during the year (2021: nil). The Directors are not remunerated for their roles as Directors of the Company.

BicycleRD Limited

Notes to the financial statements (continued)

14 Financial instruments

The carrying amounts of the Company's financial instruments are as follows:

	31 December 2022 £'000	31 December 2021 £'000
Financial assets measured at amortised cost		
Debtors		
Amounts owed by group undertakings (Note 11)	2,782	2,545
Other debtors (Note 11)	—	31
Cash and cash equivalents	1,405	1,882
	4,187	4,458
Financial liabilities measured at amortised cost		
Creditors		
Trade creditors (Note 12)	3	—
Amounts owed to group undertakings (Note 12)	6,164	5,194
Accruals (Note 12)	548	605
	6,715	5,799

The income, expenses, net gains and net losses attributable the Company's financial instruments are summarised as follows:

	31 December 2022 £'000	31 December 2021 £'000
Income and expense		
Financial assets measured at amortised cost	1	—
Financial liabilities measured at amortised cost	(24)	(25)
	(23)	(25)

The total interest income and interest expense for financial assets and financial liabilities that are not measured at fair value through profit or loss was £1k (31 December 2021: £nil) and £24k (31 December 2021: £25k), respectively.

Cash and cash equivalents, trade and other creditors and trade and other debtors with remaining life of less than one year, the notional amount is deemed to reflect fair value. The Company had no financial instruments subject to interest rate benchmark reform (31 December 2021: £nil).

BicycleRD Limited

Notes to the financial statements (continued)

15 Called up share capital and reserves

	31 December 2022 £'000	31 December 2021 £'000
Issued, allotted, called up and fully paid		
310,816 (31 December 2021: 310,816) Ordinary shares of £0.01 each	3	3
2,800,001 (31 December 2021: 2,800,001) A Ordinary shares of £0.01 each	28	28
3,947,198 (31 December 2021: 3,947,198) B Ordinary shares of £0.01 each	40	40
	71	71

The A Ordinary shares have equal voting and dividend rights as the Ordinary shares, although they carry preferential rights in the event of a sale or liquidation.

The B Ordinary shares have equal voting and dividend rights as the Ordinary and A Ordinary shares, although they carry preferential rights over both in the event of a sale or liquidation.

Nature and purpose of reserves

Accumulated losses

Accumulated losses represent cumulative profits and losses net of dividends and other adjustments.

16 Capital and other commitments

At 31 December 2022, the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 31 December 2022 £'000	Land and buildings 31 December 2021 £'000
Within one year	—	461
Between one and five years	—	1,819
Total	—	2,280

There were no contracted capital commitments at 31 December 2022 (31 December 2021: nil).

Under a Business Services Agreement the costs incurred under these commitments are recharged to the Company's fellow subsidiary BicycleTx Limited

On 12 January 2022 the existing lease for Building 900, Babraham Research Campus, Cambridge CB22 3AT was assigned to BicycleTx Limited.

BicycleRD Limited

Notes to the financial statements (continued)

17 Contingent liabilities

Hercules loan

On 30 September 2020 the Company, its parent company and fellow subsidiaries entered into a loan and security agreement with Hercules Capital, Inc. which provided for aggregate maximum loan of up to \$40.0 million (£33.3 million based on the exchange rate of 1.2103 as of 31 December 2022), consisting of \$15.0 million (£12.4 million), which was drawn down immediately by the parent company. In addition, a further amount of up to \$15.0 million (£12.4 million) was made available from 30 September 2020 to 15 March 2021, and subject to achieving certain performance milestones and satisfying customary conditions, a further loan of \$10.0 million (£8.3 million) available until 15 March 2022. On 10 March 2021 an additional term loan of \$15.0 million (£12.4 million) that had been available to 15 March 2021 was drawn down. In November 2021, certain performance milestones were achieved and the interest only period was extended from 1 May 2023 to 1 February 2024 followed by equal monthly payments of principal and interest up to the scheduled maturity date on 1 October 2024. The loan is guaranteed by substantially all of the Company's assets other than intellectual property.

During 2021, the loan bore interest at an annual rate equal to the greater of (i) 8.85% or (ii) 5.60% plus the Wall Street Journal prime rate. On 15 July 2022, the Company entered into an amendment to the loan and security agreement which, among other things (a) decreased and capped the interest rate to be an annual rate equal to the Wall Street Journal prime rate plus 4.55%, with a minimum annual rate of at least 8.05%, capped at a rate no greater than 9.05%, (b) extended the interest only period to 1 April 2025, (c) extended the maturity date to 1 July 2025, and (d) allows the Company to request additional term loans, subject to satisfaction of customary conditions, in an aggregate amount of up to \$45.0 million (£37.2 million).

Cancer Research UK Agreement

In connection with the agreement with Cancer Research UK to sponsor and fund the Phase I/IIa clinical trial of BT1718, the Company granted Cancer Research UK a licence to its intellectual property in order to design, prepare for, sponsor, and carry out the clinical trial. Upon the completion of the Phase I/IIa clinical trial, the Company has the right to obtain a licence to the results of the trial upon the payment of a milestone, in cash and ordinary shares, with a combined value in the mid six digit amount. If such licence is not acquired, or if it is acquired and the licence is terminated and the Company decides to abandon development of all products that deliver cytotoxic payloads to the MT1 target antigen, the Company will assign or grant an exclusive licence to develop and commercialise the product on a revenue sharing basis (in which case the Company will receive tiered royalties of 70% to 90% of the net revenue depending on the stage of development when the licence is granted). The Cancer Research UK Agreement contains additional future milestone payments upon the achievement of development and regulatory milestones, payable in cash and shares, with an aggregate total value of £39.1 million, as well as royalty payments based on a single digit percentage on net sales of products developed.

The agreement with Cancer Research UK can be terminated by either party upon an insolvency event, material breach of the terms of the contract, or upon a change in control (and the new controlling entity develops, sells or manufactures tobacco products or generates the majority of its profits from tobacco products or is an affiliate of such party). Cancer Research UK may also terminate the arrangement for safety reasons or if it determines that the objectives of the clinical trial will not be met. The Company was obligated to reimburse Cancer Research UK for certain costs if the agreement was terminated by Cancer Research UK prior to the completion of the dose escalation (Phase I) part of the clinical trial for an insolvency event of, or material breach by, the Company or upon termination for safety reasons or if Cancer Research UK determined that the objectives of the clinical trial would not be met, however, these reimbursement obligations expired unexercised upon the

BicycleRD Limited

Notes to the financial statements (continued)

17 Contingent liabilities (continued)

completion of the Phase I portion of the clinical trial in 2020. If the Company is subject to a change in control and the new controlling entity develops, sells or manufactures tobacco products or generates the majority of its profits from tobacco products or is an affiliate of such party prior to the last cycle of treatment under the Phase IIa clinical trial, the Company will reimburse Cancer Research UK in full for all costs paid or committed in connection with the clinical trial and no further licence payments, where applicable, shall be due. In such case, Cancer Research UK will not be obliged to grant a licence to the Company in respect of the results of the clinical trial and the Company will assign or grant an exclusive license to develop and commercialise the product without Cancer Research UK being required to make any payment to the Company.

The Company concluded that the right within the agreement with Cancer Research UK to obtain a licence to the results of the trial upon payment of a milestone represents a financial liability and has recorded a liability of £488k as at 31 December 2022 (31 December 2021: £458k).

As at 31 December 2022, Cancer Research UK had incurred costs of approximately £3.0 million (31 December 2021: £2.5 million). Management does not consider it probable or likely that these costs will be required to be reimbursed to Cancer Research UK and has therefore not recognized any associated liability.

18 Related party transactions

The Company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Bicycle Therapeutics plc group.

19 Controlling Party

The immediate and ultimate parent undertaking is Bicycle Therapeutics plc whose registered address is Blocks A & B, Portway Building Granta Park, Great Abington, Cambridge, United Kingdom, CB21 6GS.

Bicycle Therapeutics plc is the smallest and largest group that prepares consolidated financial statements, copies of which are available at the registered address. The ultimate controlling party is Bicycle Therapeutics plc.

20 Post balance sheet events

The directors are not aware of any events that have occurred subsequent to the year-end that may materially impact the results of the financial statements.