Galvani Bioelectronics Limited
(Registered number: 09984862)

Annual Report

For the year ended 31 December 2021

Registered office address:
980 Great West Road
Brentford
Middlesex
TW8 9GS
England

Galvani Bioelectronics Limited
(Registered number: 09984862)

Annual Report

For the year ended 31 December 2021

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Galvani Bioelectronics Limited
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Strategic report for the year ended 31 December 2021

The Directors present their strategic report on Galvani Bioelectronics Limited (the "Company") for the year ended 31 December 2021.

Principal activities and future developments

The Company is a private company limited by shares and is incorporated and domiciled in the UK (England). The address of the registered office is 980 Great West Road, Brentford, Middlesex TW8 9GS.

The Company was formed through a joint venture partnership between GSK Plc and Verily Life Sciences LLC (a subsidiary of Alphabet Inc.). The GSK Group (the "Group") retains a 55% equity interest through their wholly owned subsidiary company, Setfirst Limited, while Verily Life Sciences LLC and Verily Ireland Limited (together "Verily", subsidiaries of Alphabet Inc.) retain a 45% equity interest in the Company.

The Company's objective is to develop bioelectronic medicines – a new class of medicines consisting of miniaturised, implantable devices. In order to achieve this objective, the Company's principal activities are to undertake research, product development and clinical development activities related to bioelectronic medicine, including based on intellectual property rights contributed by both the Group and Verily at the Company formation. The Directors do not envisage any change to the nature of the business in the foreseeable future.

Review of business

The Company made a loss for the financial year of £21,011,000 (2020: loss of £28,538,000). The Directors are of the opinion that the current level of activity and the year end financial position are sustainable, and that the Company remains a going concern due to its net current asset position.

The loss for the year of £21,011,000 will be transferred from reserves (2020: loss for the year of £28,538,000 transferred from reserves).

Principal risks and Company priorities

Bioelectronic medicine has the potential to generate differentiated new therapies in a range of chronic diseases with significant unmet needs. The Company focus 2017 through 2021 has been to reduce the significant biological and technological risks to translating this potential into a clinical-stage product pipeline.

The main biological risks recognised at the Company formation were associated with the novel mechanism of actions pursued and the long-term interplay between implants and the body; these were:

1) the effects seen in small animal disease models do not translate into patient benefits; and
2) the effect will not be maintained over time (e.g. due to physiological or neurological adaptation or deterioration).

To address these risks, a key priority has been to accelerate a first representative programme into the clinic for rapid human neural circuit validation, carefully following the chronic response to and effect of such a treatment. Major achievements in 2021 towards this priority were for the lead programme focused on splenic nerve stimulation for immune-mediated inflammatory disorders, to gain regulatory approval to initiate two early feasibility studies in rheumatoid arthritis - one in the UK and one in the US - and to successfully implant and initiate treatment in the first implanted patient in these studies without safety concerns.

Strategic report for the year ended 31 December 2021 (continued)

Principal risks and Company priorities (continued)

The main technological risks recognised at the Company formation were that:
1) the Company cannot achieve an implant design that allows implantation procedures acceptable to physicians and an overall system that meets usability requirements;
2) the Company cannot achieve a system with modularity to expand into different diseases;
3) the timeline will be longer than planned for the design, development and testing of the full system; and
4) that the Company arrives at a system with unacceptable unit cost and manufacturability requirements.

To address these risks, a major priority for the Company in 2017 through 2020 in collaboration with Verily was the design, development, testing, and regulatory filing of an implant system for which in 2021 regulatory approvals for initiating chronic implant early feasibility studies were received, clinical device supplies were successfully manufactured, and the first system was successfully implanted without and device-related adverse events. Further, a pipeline programme for second nerve target was brought forward into preclinical translational development showing the applicability of the platform established, both in terms of company capabilities and the modular device system. Taken together, this progress has now largely retired the four technological risks above.

Finally, the main commercial risk during the R&D stage has at Company formation been recognised to be that the Company could be unsuccessful in anticipating and adequately incorporating the future patient, physician and customer needs in the designs of devices and the clinical trials. This ranges from what the unmet therapeutic needs will be in the late 2020s when these treatments will get to market to what endpoints will be most important to payers. A final ongoing Company priority is therefore to conduct and incorporate market insight data into and to establish target medicine profiles, which inform long-term clinical development plans. This effort has progressed in 2021 for the lead asset with successful validation through quantitative market research with rheumatologists.

In light of these risks and priorities, and in consideration of the funding commitments from the Group and Verily, the Company chose at the time of Company formation a two-stage trajectory: a first stage focused on establishing a first generation neuromodulation device system, a first clinical demonstration in humans, and delivering a de-risked innovation base for future pipeline; and a second stage focused on the principal risks and priorities of generating registration evidence of clinical efficacy and safety, taking the lead product to regulatory approval for marketing and commercialisation, and building out the pipeline. 2021 saw significant further progress towards the first stage, getting the Company to regulatory approvals for its clinical demonstration studies and having successful first implantation and treatment initiation therein.

Key performance indicators (KPIs) and objectives

Due to the early stage of research and development of products that the Company is currently in, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company's business.

Research and development

The Company is responsible for undertaking research and development ("R&D") activities. The Company has entered into R&D collaboration agreements with Verily, with other Group entities, and with other third parties for the undertaking of these R&D activities.

Strategic report for the year ended 31 December 2021 (continued)

Risks associated with COVID–19

The potential impact of the COVID-19 pandemic on the Group's performance and all its principal risks has been assessed with mitigations plans put in place. For further disclosures detailing how, during the year, the COVID-19 pandemic has impacted the Group can be found on page 54 of the consolidated financial statements of the Group. Copies of the consolidated financial statements can be obtained from the Company Secretary, GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex, TW8 9GS.

Post balance sheet events

In Q1 2022, the shareholders of the Company injected capital of £18,200,000 (Setfirst Limited of £10,010,000, Verily Life Sciences LLC of £6,533,800 and Verily Ireland Limited of £1,656,200) in consideration for shares in the Company.

Section 172 Companies Act 2006 statement

The Company's governance architecture and processes are operated to ensure that all relevant matters are considered by the Board in its principal decision-making, as a means of contributing to the delivery of the Company's long-term priorities.

Disclosures detailing how, during the year, the Directors addressed the matters set out in Section 172(1) (a) to (f) of the Companies Act, can be found in the consolidated financial statements of the Group, of which the Company is a member and no additional considerations are deemed necessary for the Company as the relevant matters are all considered in the Group accounts. Copies of the consolidated financial statements can be obtained from the Company Secretary, GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex, TW8 9GS.

On behalf of the Board

SRWilliams

Subesh Williams
Director
30 June 2022

Galvani Bioelectronics Limited
(Registered number: 09984862)

Directors' report for the year ended 31 December 2021

The Directors present their report on the Company and the audited financial statements of the Company for the year ended 31 December 2021.

Results and dividends

The Company's results for the financial year are shown in the statement of comprehensive income on page 11.

No dividend is proposed to the holders of A or B ordinary shares in respect of the year ended 31 December 2021 (2020: £nil).

Directors

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

Amy Altshul	(appointed on 24 March 2021)
Bradford Hirsch	(appointed on 19 January 2022)
Christopher Corsico	
Jordi Parramon	
Kaigham Gabriel	
Stephen Gillett	(appointed on 21 April 2021)
Subesh Williams	
Andrew Conrad	(resigned on 21 April 2021)
Brian Otis	(resigned on 19 January 2022)
Mohamed Moncef Slaoui	(resigned on 24 March 2021)

No Director had, during the year or at the end of the year, any material interest in any contract of significance to the Company's business.

Directors' indemnity

Each of the Directors who are the employees of the Group benefits from an indemnity given by the Company under its articles of association. This indemnity is in respect of liabilities incurred by the Director in the execution and discharge of their duties.

In addition, each of the Directors who is an individual benefits from an indemnity given by another Group company, GlaxoSmithKline Services Unlimited. This indemnity is in respect of liabilities arising out of third party proceedings to which the Director is a party by virtue of their engagement in the business of the Company.

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report in accordance with applicable law and regulations.

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 101 "Reduced Disclosure Framework", and applicable law). Under company law the 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.

Directors' report for the year ended 31 December 2021 (continued)

Statement of Directors' responsibilities (continued)

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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. The Directors are also 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 following items have been included in the strategic report on pages 1, 2 and 3:

- principal activities and future developments;
- review of business;
- principal risks and Company priorities;
- key performance indicators and objectives;
- research and development;
- risks associated with COVID-19;
- post balance sheet events; and
- section 172 Companies Act 2006 statement.

Disclosure of information to auditor

As far as each of the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and the Directors have taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Going concern

Having assessed the principal risks and other matters, including the potential impact of the COVID-19 pandemic, the Directors are of the opinion that the current level of activity remains sustainable. In relation to the challenges that arise from the COVID-19 pandemic, the considerations have included operational risks to research and development including the availability of research facilities materials. The Directors have taken into account that as part of the Group and the joint venture partnership, the Company has the ability to request support from its shareholders where necessary and can take actions to ensure business continuity through operational channels, as well as the ability to manage variable costs. In addition, the Company receives annual inflows from the Group relief. On the basis of those considerations, the Directors believe that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Directors' report for the year ended 31 December 2021 (continued)

Independent auditor

Deloitte LLP were deemed to be re-appointed as the Company's auditor pursuant to section 487(2) of the Companies Act 2006.

On behalf of the Board

SRWilliams

Subesh Williams
Director
30 June 2022

Galvani Bioelectronics Limited
(Registered number: 09984862)

Independent auditor's report to the members of Galvani Bioelectronics Limited

Report on the audit of the financial statements

Opinion

In our opinion, financial statements of Galvani Bioelectronics Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Galvani Bioelectronics Limited (continued)

Other information (continued)

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

Independent auditor's report to the members of Galvani Bioelectronics Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included General Data Protection requirements, Anti-bribery and corruption policy and the Foreign Corrupt Practices Act.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Galvani Bioelectronics Limited (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

The Company has passed a resolution in accordance with section 506 of the Companies Act that the senior statutory auditor's name should not be stated.

Deloitte LLP
Statutory Auditor
London, United Kingdom
30 June 2022

Galvani Bioelectronics Limited
(Registered number: 09984862)

Statement of comprehensive income for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Research and development expenditure		**(19,332)**	(27,726)
Other operating expenses		**(3,344)**	(3,901)
Operating loss	4	**(22,676)**	(31,627)
Finance income	6	**-**	39
Loss before taxation		**(22,676)**	(31,588)
Taxation	7	**1,665**	3,050
Loss for the year		**(21,011)**	(28,538)

The results disclosed above for both the current year and prior year relate entirely to continuing operations.

The Company has no other comprehensive income during either the current year or prior year and therefore no separate statement to present other comprehensive income has been prepared.

Galvani Bioelectronics Limited
(Registered number: 09984862)

Balance sheet
as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Property, plant and equipment	8	**526**	744
Goodwill	9	**11,937**	11,937
Intangible assets	9	**76,288**	80,271
Investment in subsidiary	10	**803**	803
Deferred tax assets	7	**-**	-
Prepayments and accrued income	12	**5**	6
Total non-current assets		**89,559**	93,761
Current assets			
Trade and other receivables	11	**12,577**	18,733
Corporation tax		**5,302**	6,647
Prepayments and accrued income	12	**7**	5
Total current assets		**17,886**	25,385
Total assets		**107,445**	119,146
Current liabilities			
Trade and other payables	13	**(2,144)**	(12,312)
Accruals and deferred income	14	**(897)**	(559)
Total current liabilities		**(3,041)**	(12,871)
Net current assets		**14,845**	12,514
Total assets less current liabilities		**104,404**	106,275
Non-current liabilities			
Accruals and deferred income	14	**(9,245)**	(6,705)
Total liabilities		**(12,286)**	(19,576)
Net assets		**95,159**	99,570
Equity			
Share capital	15	**3**	3
Share premium	15	**307,878**	291,278
Accumulated losses		**(212,722)**	(191,711)
Shareholders' equity		**95,159**	99,570

The financial statements on pages 11 to 26 were approved by the Board of Directors on 30 June 2022 and signed on its behalf by:

SRWilliams

Subesh Williams
Director

Galvani Bioelectronics Limited
(Registered number: 09984862)

Statement of changes in equity for the year ended 31 December 2021

	Notes	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total £'000
At 1 January 2020		2	285,078	(163,173)	**121,907**
Ordinary shares issued	15	1	6,200	-	**6,201**
Total comprehensive expense for the year		-	-	(28,538)	**(28,538)**
At 31 December 2020		**3**	**291,278**	**(191,711)**	**99,570**
Ordinary shares issued	15	**0**	**16,600**	**-**	**16,600**
Total comprehensive expense for the year		-	-	**(21,011)**	**(21,011)**
At 31 December 2021		**3**	**307,878**	**(212,722)**	**95,159**

During the current year, the shareholders of the Company issued 500 ordinary shares to Setfirst Limited (275 series A shares), Verily Life Science LLC (180 series B shares) and Verily Ireland Limited (45 series B shares).

Notes to the financial statements for the year ended 31 December 2021

1 Presentation of the financial statements

General information

The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom (England). The address of the registered office is 980 Great West Road, Brentford, Middlesex TW8 9GS.

The Company's principal activities are to undertake research, product development and clinical development activities related to bioelectronics medicine, including that based on intellectual property rights contributed by both the Group and Verily at the Company formation.

2 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 applied, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

These financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006.

The financial statements are presented in Pounds Sterling.

Going concern

Having assessed the principal risks and other matters, including the potential impact of the COVID-19 pandemic, the Directors are of the opinion that the current level of activity remains sustainable. In relation to the challenges that arise from the COVID-19 pandemic, the considerations have included operational risks to research and development including the availability of research facilities materials. The Directors have taken into account that as part of the Group and the joint venture partnership, the Company has the ability to request support from its shareholders where necessary and can take actions to ensure business continuity through operational channels, as well as the ability to manage variable costs. In addition, the Company receives annual inflows from the Group relief. On the basis of those considerations, the Directors believe that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101 to requirements set by the International Financial Reporting Standards (IFRS). Therefore these financial statements do not include:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined);

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Disclosure exemptions adopted (continued)

- IFRS 7, 'Financial instruments: disclosures';
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a),114,115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  (i) paragraph 79(a) (iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16, 'Property, plant and equipment';
  (iii) paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period); and
  (iv) paragraph 76 and 79 (d) of IAS 40, 'Investment property'.
- The following paragraphs of IAS 1,'Presentation of financial statements':
  - 10(d), (statement of cash flows),
  - 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or make a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirements for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third balance sheet),
  - 111 (cash flow statement information), and
  - 134 - 136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group; and
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of Assets'.

The financial statements of GSK plc can be obtained as described in note 2(b).

The preparation of financial statements in conformity with FRS 101 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 3.

2 Summary of significant accounting policies (continued)

(b) Consolidation

The Company is a subsidiary of the ultimate parent company and as such has taken advantage of the exemption from preparing group financial statements under section 400 of the Companies Act 2006. GSK plc, a company registered in the United Kingdom (England), is the Company's ultimate parent undertaking and controlling party. The largest and smallest group of undertakings for which group financial statements are prepared and which include the results of the Company, are the consolidated financial statements of GSK plc. Copies of the consolidated financial statements can be obtained from the Company Secretary, GSK plc, 980 Great West Road, Brentford, Middlesex TW8 9GS. The immediate parent undertaking is Setfirst Limited. These financial statements are separate financial statements.

(c) Foreign currency transactions

Foreign currency transactions are booked in the functional currency of the Company at the exchange rate ruling on the date of the transaction. Foreign currency monetary assets and liabilities are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the Statement of comprehensive Income. The functional and presentation currency of the Company is Pounds Sterling.

(d) Expenditure

Expenditure is recognised in respect of services received when supplied in accordance with contractual terms. A provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

(e) Research and development

Research and development expenditure is charged to the statement of comprehensive income in the year in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable. Property, plant and equipment used for research and development are capitalised and depreciated in accordance with the Company's policy.

(f) Finance income

Finance income is recognised on an accrual basis using the effective interest method.

(g) Property, plant and equipment

Property, plant and equipment is stated at the cost of purchase or construction less residual value and provisions for depreciation and impairment. Financing costs are capitalised within the cost of qualifying assets in construction.

Depreciation is calculated to write off the cost of property, plant and equipment, excluding freehold land, using the straight-line basis over their expected useful lives. The normal expected useful lives of the major categories of property, plant and equipment are:

Plant, equipment and vehicles	3 to 20 years

On disposal of the property, plant and equipment, the cost and related accumulated depreciation and impairment are removed from the financial statements and the net amount, less any proceeds, is taken to the statement of comprehensive income.

2 Summary of significant accounting policies (continued)

(h) Goodwill

Goodwill is stated at cost less impairments. Goodwill is deemed to have an indefinite useful life and is tested for impairment at least annually. Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the consideration payable, the excess is recognised on the balance sheet. Subsequently, the excess up to the fair value of the non-monetary assets acquired is recognised in the statement of comprehensive income in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in the Statement of comprehensive Income in the periods which are expected to be benefited.

Company law requires goodwill to be written off over a finite period. Non-amortisation of goodwill, in accordance with International Financial Reporting Standards, is a departure from the requirements of company law for the overriding purpose of giving a true and fair view. If this departure from company law had not been made, the profit for the financial year would have been reduced by amortisation of goodwill. However, the amount of amortisation cannot reasonably be quantified other than by reference to an arbitrary assumed period for amortisation.

(i) Intangible assets

Intangible assets are stated at cost less a provision for amortisation and impairment.

Licences and patent rights separately acquired are amortised over their estimated useful lives generally not exceeding 20 years, using the straight-line basis, from the time they are available for use. The estimated useful lives for determining the amortisation charge take into account patent lives, where applicable, as well as the value obtained from periods of non-exclusivity. Asset lives are reviewed, and where appropriate adjusted, annually. Contingent milestone payments are recognised at the point that the contingent event becomes probable. Any development costs incurred by the Company and associated with acquired licences or patent rights are written off to the statement of comprehensive income when incurred, unless the criteria for recognition of an internally generated intangible asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable.

(j) Financial assets

Financial assets are measured at amortised cost or fair value through profit or loss ('FVTPL'). The measurement basis is determined by reference to both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

(k) Impairment of financial assets

Expected credit losses are recognised in the statement of comprehensive income on financial assets measured at amortised cost and at fair value through other comprehensive income apart from equity investments.

For financial assets other than trade receivables a 12-month expected credit loss ('ECL') allowance is recorded on initial recognition. If there is evidence of a significant increase in the credit risk of an asset, the allowance is increased to reflect the full lifetime ECL. If there is no realistic prospect of recovery, the asset is written off.

(l) Investment in subsidiary

The investment in the subsidiary is held at cost less accumulated impairment losses.

2 Summary of significant accounting policies (continued)

(m) Impairment of non-current assets

The carrying values of all non-financial assets are reviewed for impairment, either on a standalone basis or as part of a larger cash generating unit, when there is an indication that the assets might be impaired. Additionally, intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment annually. Any provision for impairment is charged to the statement of comprehensive income in the year concerned.

Impairment losses on non-financial assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortisation, had no impairments been recognised.

(n) Trade and other receivables

Trade and other receivables are carried at original invoice amount less allowance for expected credit losses. Expected credit losses are calculated in accordance with the approaches permitted by IFRS 9. For trade receivables, the simplified approach is used by using a provision matrix applying lifetime historical credit loss experience to the trade receivables. The expected credit loss rate varies depending on whether and the extent to which settlement of the trade receivables is overdue and it is also adjusted as appropriate to reflect current economic conditions and estimates of future conditions. For the purpose of determining credit loss rates, customers are classified into groupings that have similar loss patterns. The key drivers of the loss rate are the nature of the business unit and the location and type of customer.

For other receivables, the general approach is used where the entity recognises the losses that are expected to result from all possible default events over the expected life of the receivable, when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the receivable has not increased significantly since initial recognition, the entity measures the expected loss allowance based on losses that are expected to result from default events that are possible within 12 months after the reporting date. When a trade and other receivable is determined to be uncollectable it is written off, firstly against any expected credit loss allowance available and then to the statement of comprehensive income.

Subsequent recoveries of amounts previously provided for are credited to the Statement of comprehensive Income. Long-term receivables are discounted where the effect is material.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments with maturities of three months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and then held at amortised cost using the effective interest method. Long-term payables are discounted where the effect is material.

2 Summary of significant accounting policies (continued)

(q) Taxation

Current tax is provided at the amounts expected to be paid applying the rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(r) Provisions for liabilities

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(s) 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.

(t) Share based payments

The Company operates a number of cash-settled, share-based compensation plans, under which the entity receives services from employees as consideration for cash payments. The fair value of the employee services received in exchange for the cash payments is recognised as an expense. The total amount to be expensed is determined by reference to non-market performance conditions and growth in value of the Company.

At the end of each reporting period, the Company revises its estimates based on the non-market performance conditions and growth in value of the Company. It recognises the impact of the revision to original estimates, if any, in the Statement of comprehensive Income, with a corresponding adjustment to the liability.

3 Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, the Directors are required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates. The following are considered to be the critical accounting judgements and key sources of estimation uncertainty made.

(a) Goodwill and intangible asset impairment and useful lives

Estimate

Goodwill is deemed to have an indefinite useful life and so is not amortised. Annual impairment tests of cash generating units to which goodwill is allocated are performed.

Impairment tests on intangible assets are undertaken if events occur which call into question the carrying values of the assets. Where brands and other intangible assets which are not yet available for use are not amortised, they are subject to annual impairment tests. Valuation for impairment tests are based on a replacement cost method of valuation which takes into account the amount required to replace the assets and/or the Company in their current form. The valuation represents the fair value less cost of disposal (FVLCOD) as the recoverable amount in the impairment tests.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

(a) Goodwill and intangible asset impairment and useful lives (continued)

Estimate (continued)

In each case the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill and intangible assets.

The assumptions relating to estimated useful lives and discount rates are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these impairment tests to change with a consequent adverse effect on the future results of the Company.

Licences, patents, know-how and marketing rights separately acquired or internally developed intellectual property rights that are available for use are amortised over their estimated useful lives generally not exceeding 20 years, using the straight-line basis, from the time they are available for use. The estimated useful lives for determining the amortisation charge are reviewed annually, and take into account patent lives, where applicable, as well as the value obtained from periods of non-exclusivity. Asset lives are reviewed, and where appropriate are adjusted annually.

(b) Taxation

Judgements

Current tax is provided at the amounts expected to be paid or refunded, and deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised, based on managements assumptions relating to the amounts and timing of future taxable profits.

4 Operating loss

	2021	2020
	£'000	£'000
The following items have been charged / (credited) in operating loss:		
Research and development expenditure	**19,332**	27,726
Amortisation of intangible assets	**3,982**	3,983
Exchange gains on foreign currency transactions	**(200)**	(101)
Impairment expense - Plant and machinery	**51**	-
Management fee	**14**	13

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including administrative services for which a management fee is charged. Included in the management fee is a charge for auditor remuneration of £5,600 (2020: £5,300).

5 Employees

UK employees of the Group providing services to the Company are remunerated by the Company. Pension and other post-retirement costs are borne by GlaxoSmithKline Services Unlimited and are charged to the Company based on a percentage of salaries. The Company also incurred £93,000 (2020: £42,000) relating to the use of temporary and contract staff.

Employee costs	**2021 £'000**	2020 £'000
Wages and salaries	**3,496**	3,068
Social security costs	**390**	242
Pension costs - defined contribution plans	**522**	491
Share based payments	**2,540**	1,765
	6,948	5,566

The average number of persons employed by the Company (including Directors)	**2021**	2020
Research and development	**23**	23

The average number of employees excludes temporary and contract staff.

GlaxoSmithKline Services Unlimited operates hybrid pension schemes for all of the Group's UK employees. These schemes include defined benefit arrangements where the assets are held independently of the Group's finances and which are funded partly by contributions from members and partly by contributions from GlaxoSmithKline Services Unlimited at rates advised by independent professionally qualified actuaries.

The management fee is charged by GlaxoSmithKline Services Unlimited for services provided to the Company which includes an element relating to the pension arrangements for the Group's UK employees as if the arrangements were on a defined contribution basis. However, the sponsoring employer does not recharge the net defined benefit cost to other entities within the Group. As such, the sponsoring employer accounts for the entire scheme as a defined benefit scheme in accordance with IAS 19, 'Employee benefits'.

Full details of the UK pension schemes can be found in the Directors' report and financial statements of GlaxoSmithKline Services Unlimited for the year ended 31 December 2021.

6 Finance income

	2021 £'000	2020 £'000
On loans with Group undertakings	**-**	39
Total finance income	**-**	39

Finance income is earned on call account balance with GSK IHC Limited at LIBOR rate less 0.125% per annum up to 1 November 2021. From 1 November 2021, the interest rate changed to SONIA rate less 0.05% (2020: LIBOR rate less 0.125% per annum). The finance income has decreased considerably in the current year due to rates being zero for the majority of the year.

7 Taxation

Income tax credit on loss	2021 £'000	2020 £'000
Current tax:		
UK corporation tax at 19.00% (2020: 19.00%)	**(1,944)**	(2,996)
Adjustments in respect of previous years	**279**	(54)
Total current tax	**(1,665)**	(3,050)
Total tax credit for the year	**(1,665)**	(3,050)

The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19.00% (2020: 19.00%). The differences are explained below:

Reconciliation of total tax credit	2021 £'000	2020 £'000
Loss on ordinary activities before tax	**(22,676)**	(31,588)
Tax on ordinary activities at the UK statutory rate 19.00% (2020: 19.00%)	**(4,308)**	(6,001)
Effects of:		
R&D expenditure (credits)/ charges	**75**	(3)
Adjustments to tax charge in respect of previous years	**279**	(54)
Tax losses for which no deferred income tax asset was recognised	**2,289**	3,008
Total tax credit for the year	**(1,665)**	(3,050)

Factors that may affect future tax charges:

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. There is no impact of this change as there are no instances of deferred taxation recognised in the statement of comprehensive income or directly in equity in the current year.

Movement in deferred tax liability

	Accelerated capital allowances £'000	Intangible assets £'000	Tax losses £'000	Other net temporary differences £'000	**Total £'000**
At 1 January 2020	(145)	(6,673)	5,391	1,427	-
(Charge)/credit to statement of comprehensive income	4	(29)	178	(153)	-
At 31 December 2020	(141)	(6,702)	5,569	1,274	-
(Charge)/credit to statement of comprehensive income	9	(1,120)	74	1,037	-
At 31 December 2021	(132)	(7,822)	5,643	2,311	-

Deferred tax assets are recognised where it is probable that future taxable profit will be available to utilise losses. Unrecognised UK tax losses of £72,685,000 (2020: £60,460,766) are available indefinitely.

8 Property, plant and equipment

	Plant, equipment and vehicles £'000
Cost	
At 1 January 2021	**1,195**
Additions	**6**
At 31 December 2021	**1,201**
Accumulated depreciation and impairment	
At 1 January 2021	**(451)**
Charge for the year	**(224)**
At 31 December 2021	**(675)**
Total depreciation and impairment at 31 December 2021	**(675)**
Net book value at 1 January 2021	**744**
Net book value at 31 December 2021	**526**

9 Goodwill and intangible assets

	Goodwill £'000	Licenses & patents £'000	Total £'000
Cost			
At 1 January 2021 and 31 December 2021	11,937	96,200	**108,137**
Accumulated amortisation			
At 1 January 2021	-	(15,929)	**(15,929)**
Charge for the year	-	(3,982)	**(3,982)**
At 31 December 2021	-	(19,911)	**(19,911)**
Net book value at 1 January 2021	11,937	80,271	**92,208**
Net book value at 31 December 2021	11,937	76,289	**88,226**

The goodwill of £11,937,000 arose on acquisition of licenses, patents and technology in 2016. All goodwill is allocated to a single cash generating unit, being the total trade of the Company. This represents the lowest level within the Company at which goodwill is monitored for internal management purposes. For this reason, the impairment review is based on a replacement cost method which takes into account the amount required to replace the assets and/or the Company in their current form. The valuation represents the fair value less cost of disposal as the recoverable amount in the impairment tests. No indicators of impairment existed during the year.

Licenses and patents include a number of licenses, patents and know-how agreements which are in use or still in development. Licenses and patents with limited useful lives have a cost of £39,800,000 (carrying value of £19,889,000) with five years of life remaining and those which are under development and therefore are not currently amortised have a cost of £56,400,000.

10 Investment in subsidiary

	Subsidiary shares at cost £'000
Cost and carrying value as at 1 January 2021 and 31 December 2021	**803**

Details of the subsidiary undertaking as at 31 December 2021 are given in Note 20.

The Directors believe that the carrying value of the investment is supported by its underlying net assets.

11 Trade and other receivables

	2021 £'000	2020 £'000
Amounts due within one year		
Amounts owed by Group undertakings	**12,374**	18,625
Other receivables	**203**	108
	12,577	18,733

The amounts owed by Group undertaking represent a call account balance with GlaxoSmithKline IHC Limited of £12,374,000 (2020: £18,625,000) which is unsecured and repayable on demand with interest received at LIBOR rate less 0.125% per annum up to 1 November 2021. From 1 November 2021, the interest rate changed to SONIA rate less 0.05% (2020: LIBOR rate less 0.125% per annum).

12 Prepayments and accrued income

	2021 £'000	2020 £'000
Amounts due within one year	**7**	5
Amounts due after more than one year	**5**	6
	12	11

13 Trade and other payables

	2021 £'000	2020 £'000
Amounts falling due within one year		
Trade payables	**970**	864
Amounts owed to Group undertakings	**1,174**	11,448
	2,144	12,312

Amounts owed to Group undertakings are unsecured, interest free and are repayable on demand.

14 Accruals and deferred income

	2021 £'000	2020 £'000
Amounts falling due within one year	**897**	559
Amounts falling due after more than one year	**9,245**	6,705
	10,142	7,264

Accruals and deferred income falling due within one year consists of bonus accrual of £547,000 (2020: £489,000), other accruals relating to R&D expenditure of £350,000 (2020: £nil) and deferred income from EU medical lab (Graphene grant) of £nil (2020: £70,000).

Accruals and deferred income falling due after more than one year consists Value Appreciation Right Plan of £9,245,000 (2020: £6,705,000) payable in 2024-2026.

14 Accruals and deferred income (continued)

The company issues to its employees Value Appreciation Rights (VARs) which represent the right to receive a cash amount equal to the amount by which the VAR Market Price at the time of exercise exceeds the VAR Grant Price. The VARs are only exercisable after the Company's seventh fiscal year and have been accounted for as a cash settled share-based payment.

At 31 Dec 2021, the company had issued 42,678 grants to its employees at a weighted average fair value of £358 for each unit granted. The fair value of the VARs was determined using a Black-Scholes option pricing model. The assumptions used in the model include an expected life of 5 years representing the remaining period before the VARs lapse, no expected dividends, a 0% interest rate and an expected volatility of 80%.

The Company has recorded liabilities of £9,245,000 as at 31 Dec 2021 (2020: £6,705,000) and total expenses of £2,540,000 (2020: £1,765,000).

15 Share capital

	2021 Number of shares	2020 Number of shares	**2021 £**	2020 £
Issued and fully paid during the year				
A Ordinary Shares of £1 each (2020: £1 each)	**1,650**	1,375	**1,650**	1,375
B Ordinary Shares of £1 each (2020: £1 each)	**1,350**	1,125	**1,350**	1,125
			3,000	2,500
			£'000	£'000
Total share capital			**3**	3

Share premium	A ordinary shares £'000	B ordinary shares £'000	Total share premium **£'000**
At 31 December 2020	160,203	131,075	**291,278**
Share premium on shares issued during the year	9,130	7,470	**16,600**
At 31 December 2021	169,333	138,545	**307,878**

16 Contingent liabilities

Group banking arrangement
The Company, together with fellow Group undertakings, has entered into a Group banking arrangement with the Company's principal bank. The bank holds the right to pay and apply funds from any account of the Company to settle any indebtedness to the bank of any other party to this agreement. The Company's maximum potential liability as at 31 December 2021 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

17 Events after the end of the reporting period

In the first quarter of 2022, the shareholders of the Company injected capital of £18,200,000 (Setfirst Limited of £10,010,000, Verily Life Sciences LLC of £6,533,800 and Verily Ireland Limited of £1,656,200) in consideration for shares in the Company.

18 Directors' remuneration

During the year, the following Directors of the Company were remunerated as employees of the Group and received no direct remuneration in respect of their services to the Company (2020: £nil):

- Subesh Williams,
- Christopher Corsico and
- Amy Altshul.

During the year, Kaigham Gabriel was remunerated by the Group as non-executive Director of the Company and received no direct remuneration from the Company in respect of his services (2020: £nil).

During the year, the following Directors of the Company were not remunerated by the Group and received no direct remuneration in respect of their services to the Company (2020: £nil):

- Brian Otis,
- Jordi Parramon and
- Stephen Gillett.

19 Related party transactions

The Company is the parent entity of Galvani Bioelectronics Inc. The Company has taken advantage of the exemption afforded by FRS 101 'Reduced disclosure framework' not to disclose any related party transactions with other wholly owned members of Galvani Bioelectronics Inc., or information around remuneration of key management personnel compensation. Details of other material related party transactions are disclosed below.

All transactions were made on terms equivalent to those that would prevail in an arm's length transaction.

An amount of £5,552,000 (2020: £13,007,000) related to research and development activities was charged from Galvani Bioelectronics Inc. and £883,000 (2020: cost of £944,000) related to research and development activities was charged from GlaxoSmithKline Research & Development Limited.

The Company received interest on an inter-company loan balance with GlaxoSmithKline IHC Limited of £435 (2020: £39,000).

The amounts due from/(to) related parties at the balance sheet date were:

Name of related party	**2021 £'000**	2020 £'000
GlaxoSmithKline IHC Limited	**12,374**	18,625
Galvani Bioelectronics Inc.	**(898)**	(10,919)
GlaxoSmithKline Services Unlimited	**(276)**	(341)
GlaxoSmithKline Research & Development Limited	**-**	(96)
GlaxoSmithKline UK Limited. - PH	**-**	(42)
GlaxoSmithKline B.V.	**-**	(50)

20 Subsidiary

The subsidiary of the Company as at 31 December 2021 and 31 December 2020 is as follows:

Company	shares held (%)	Indirect shares held(%)	Security	Address of the registered office
Galvani Bioelectronics Inc.	100%	-	Common Shares	251 Little Falls Drive, Wilmington, Delaware, 19808 USA