

Registered number: 10290441

**ENGITIX LIMITED**

**Directors' Report and Financial Statements**

**For the Year Ended 31 December 2022**

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**ENGITIX LIMITED**

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**ENGITIX LIMITED**

**Company Information**

**Directors**

Eduardo Bravo Fernandez De Araoz  
Stephen Brindle  
David James Michael Dally  
Giuseppe Mazza  
Massimo Pinzani (resigned 11 January 2022)  
Gianluca Rossetti (appointed 14 January 2022)  
Michael Edward Platt (appointed 14 January 2022)  
Sonia Quaratino (appointed 1 May 2023)

**Registered number**

10290441

**Registered office**

Mercer & Hole  
21 Lombard Street  
London  
United Kingdom  
EC3V 9AH

**Independent auditors**

Mercer & Hole LLP  
Chartered Accountants  
21 Lombard Street  
London  
EC3V 9AH

**ENGITIX LIMITED**

**Directors' Report  
For the Year Ended 31 December 2022**

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

**Principal activity**

The principal activity of the company is to discover novel disease-causing biological targets and to develop drugs to effect such targets.

**Directors**

The directors who served during the year were:

Eduardo Bravo Fernandez De Araoz  
Stephen Brindle  
David James Michael Dally  
Giuseppe Mazza  
Massimo Pinzani (resigned 11 January 2022)  
Gianluca Rossetti (appointed 14 January 2022)  
Michael Edward Platt (appointed 14 January 2022)

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

The company's auditor, Mercer & Hole, incorporated on 1 October 2022 to become Mercer & Hole LLP. The directors have consented to treating the incorporation of Mercer & Hole LLP as a continuation of the existing audit arrangement and in accordance with the company's articles, a resolution proposing that Mercer & Hole LLP be reappointed as auditor of the company will be put at a General Meeting.

**Small companies note**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 1/12/2023 and signed on its behalf.

DocuSigned by:

*David Dally*

EEF34706A34845B  
David James Michael Dally  
Director

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**ENGITIX LIMITED**

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**Directors' Responsibilities Statement  
For the Year Ended 31 December 2022**

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The directors are responsible for preparing the Directors' Report and the financial statements 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

**ENGITIX LIMITED**

**Independent Auditors' Report to the Members of Engitix Limited**

**Opinion**

We have audited the financial statements of Engitix Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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 Auditors' 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. 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 this regard.

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**ENGITIX LIMITED**

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**Independent Auditors' Report to the Members of Engitix Limited (continued)**

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**Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

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 material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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.

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**ENGITIX LIMITED**

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**Independent Auditors' Report to the Members of Engitix Limited (continued)**

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**Auditors' responsibilities for the audit of the financial statements**

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

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

**Explanation as to the extent the audit was considered capable of detecting irregularities, including fraud**

Based on our understanding of the company and industry, we identified the principal risks of non-compliance with laws and regulations, and we considered the extent to which non-compliance may have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and the financial report (including the risk of override of controls), and determined that the principle risks were related to posting inappropriate entries including journals to misstate revenue or expenditure, and management bias.

Audit procedures performed by the engagement team included:

- discussions with management, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- evaluation of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- identifying and testing journal entries.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

**ENGITIX LIMITED**

**Independent Auditors' Report to the Members of Engitix 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 Auditors' 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.

*Miss Helen Cain BA FCA*

Miss Helen Cain BA FCA (Senior Statutory Auditor)  
for and on behalf of  
**Mercer & Hole LLP**  
Chartered Accountants  
21 Lombard Street  
London  
EC3V 9AH  
Date:

01/12/2023

**ENGITIX LIMITED**

**Statement of Comprehensive Income  
For the Year Ended 31 December 2022**

	Note	2022 £	2021 £
Turnover		8,128,182	5,142,284
Cost of sales		(1,376,728)	(994,177)
<b>Gross profit</b>		<b>6,751,454</b>	<b>4,148,107</b>
Administrative expenses		(11,146,872)	(7,554,314)
<b>Operating loss</b>		<b>(4,395,418)</b>	<b>(3,406,207)</b>
Interest receivable and similar income		88,157	3
<b>Loss before tax</b>		<b>(4,307,261)</b>	<b>(3,406,204)</b>
Tax on loss	6	1,402,767	952,050
<b>Loss for the financial year</b>		<b>(2,904,494)</b>	<b>(2,454,154)</b>

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 11 to 22 form part of these financial statements.

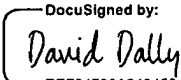
**ENGITIX LIMITED**  
Registered number: 10290441

**Balance Sheet**  
**As at 31 December 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Intangible assets	7	87,167	103,938
Tangible assets	8	3,767,072	1,667,432
Investments	9	80	80
		<u>3,854,319</u>	<u>1,771,450</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	3,821,505	2,705,904
Cash at bank and in hand	11	16,242,244	3,138,321
		<u>20,063,749</u>	<u>5,844,225</u>
Creditors: amounts falling due within one year	12	(7,148,726)	(7,661,880)
<b>Net current assets/(liabilities)</b>		<u>12,915,023</u>	<u>(1,817,655)</u>
<b>Total assets less current liabilities</b>		<u>16,769,342</u>	<u>(46,205)</u>
<b>Provisions for liabilities</b>			
Deferred tax	13	(485,398)	(297,329)
Other provisions	14	(367,918)	-
		<u>(853,316)</u>	<u>(297,329)</u>
<b>Net assets/(liabilities)</b>		<u><u>15,916,026</u></u>	<u><u>(343,534)</u></u>
<b>Capital and reserves</b>			
Called up share capital	15	334	212
Share premium account		24,008,193	5,049,211
Capital redemption reserve		4	4
Other reserves		326,144	121,194
Profit and loss account		(8,418,649)	(5,514,155)
		<u>15,916,026</u>	<u>(343,534)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

DocuSigned by:  
  
 David James Michael Dally 1/12/2023  
 Director

The notes on pages 11 to 22 form part of these financial statements.

**ENGITIX LIMITED**

**Statement of Changes in Equity  
For the Year Ended 31 December 2022**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total equity £
<b>At 1 January 2021</b>	<b>212</b>	<b>5,049,211</b>	<b>4</b>	<b>45,091</b>	<b>(3,060,001)</b>	<b>2,034,517</b>
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(2,454,154)	(2,454,154)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,454,154)</b>	<b>(2,454,154)</b>
<b>Contributions by and distributions to owners</b>						
Share options granted	-	-	-	76,103	-	76,103
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,103</b>	<b>-</b>	<b>76,103</b>
<b>At 1 January 2022</b>	<b>212</b>	<b>5,049,211</b>	<b>4</b>	<b>121,194</b>	<b>(5,514,155)</b>	<b>(343,534)</b>
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(2,904,494)	(2,904,494)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,904,494)</b>	<b>(2,904,494)</b>
<b>Contributions by and distributions to owners</b>						
Shares issued during the year	122	18,958,982	-	-	-	18,959,104
Share options granted	-	-	-	204,950	-	204,950
<b>Total transactions with owners</b>	<b>122</b>	<b>18,958,982</b>	<b>-</b>	<b>204,950</b>	<b>-</b>	<b>19,164,054</b>
<b>At 31 December 2022</b>	<b>334</b>	<b>24,008,193</b>	<b>4</b>	<b>326,144</b>	<b>(8,418,649)</b>	<b>15,916,026</b>

The notes on pages 11 to 22 form part of these financial statements.

**ENGITIX LIMITED**

**Notes to the Financial Statements  
For the Year Ended 31 December 2022**

**1. General information**

The company is a private company limited by share capital, incorporated in England & Wales.

The address of its registered office is:

Mercer & Hole  
21 Lombard Street,  
London  
EC3V 9AH.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

**2.2 Going concern**

The accounts have been prepared on a going concern basis. An increase in research costs in the year resulted in a net loss of £2.91 million. The nature of the business is such that the company is not expected to be profitable in the short to medium term.

i. The company's financing model is typical of many similar companies in the biopharma industry. In January 2022, the company completed a US\$26m fund raise through the issue of new equity and at the same time entered into a new collaboration partnership with a major pharmaceutical company that may result in the company issuing further shares with a value of US\$28m over the next 2-3 years.

ii. The directors are therefore confident that the company will be able to continue for the foreseeable future and that the going concern concept has been correctly applied in the preparation of these financial statements.

**2.3 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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**ENGITIX LIMITED**


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**Notes to the Financial Statements  
For the Year Ended 31 December 2022**


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**2. Accounting policies (continued)****2.4 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**2.5 Operating leases: the Company as lessee**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

**2.6 Interest income**

Interest income is recognised in profit or loss using the effective interest method.

**2.7 Pensions****Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**2.8 Share-based payments**

The company operates an equity settled share option plan under which employees and advisors are granted share option rights in the company. The fair value of services received is measured by the fair value of the share options awarded at the grant date and is charged to employee expenses over the period the service is received, on a straight-line basis. A corresponding amount is recognised in equity.

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**ENGITIX LIMITED**


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**Notes to the Financial Statements  
For the Year Ended 31 December 2022**


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**2. Accounting policies (continued)****2.9 Current and deferred taxation**

The tax expense for the period comprises deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**2.10 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Intellectual property rights	-	5	years
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**2.11 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

<b>ENGITIX LIMITED</b>
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**Notes to the Financial Statements  
For the Year Ended 31 December 2022**

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**2. Accounting policies (continued)**

**2.11 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	-	10%	Over lease term
Plant and machinery	-	25%	Straight Line
Office equipment	-	25%	Straight Line
Computer equipment	-	25%	Straight Line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

**2.12 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

**2.13 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than 12 months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.14 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**2.15 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other

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**ENGITIX LIMITED**

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**Notes to the Financial Statements  
For the Year Ended 31 December 2022**

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**2. Accounting policies (continued)**

**2.15 Financial instruments (continued)**

accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources but nevertheless are inherent in the production of any set of accounts. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

**Share-based payment scheme**

A share-based payment scheme for the benefit of employees was approved in May 2017. The fair value of the scheme as determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest.

Assumptions considered in the valuation of the issued shares include: estimated market value of the shares at grant date; expected life of the awards; risk free rates; and the expected volatility of share price, estimated with reference to volatility of listed pharmaceutical companies.

ENGITIX LIMITED
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**Notes to the Financial Statements**  
**For the Year Ended 31 December 2022**

**4. Auditors' information and remuneration**

During the year, the Company obtained the following services from the Company's auditors:

	2022 £	2021 £
Fees payable to the Company's auditor for the audit of the Company's financial statements	16,350	13,500

**5. Employees**

The average monthly number of employees, including directors, during the year was 58 (2021 - 37).

**6. Taxation**

	2022 £	2021 £
<b>Corporation tax</b>		
Current tax on profits for the year	(1,590,836)	(1,050,503)
	<u>(1,590,836)</u>	<u>(1,050,503)</u>
<b>Total current tax</b>	<u>(1,590,836)</u>	<u>(1,050,503)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	188,069	98,453
<b>Total deferred tax</b>	<u>188,069</u>	<u>98,453</u>
<b>Taxation on loss on ordinary activities</b>	<u>(1,402,767)</u>	<u>(952,050)</u>

<p><b>ENGITIX LIMITED</b></p>
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**Notes to the Financial Statements  
For the Year Ended 31 December 2022**

**6. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is the same as (2021 - the same as) the standard rate of corporation tax in the UK of 19% (2021 - 19%) as set out below:

	2022 £	2021 £
Loss on ordinary activities before tax	<u>(4,307,261)</u>	<u>(3,406,204)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	<b>(818,380)</b>	<b>(647,179)</b>
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	<b>161,751</b>	92,477
Capital allowances for year in excess of depreciation	<b>(228,201)</b>	(79,338)
Deferred tax	<b>188,069</b>	98,453
Different rates on R&D Credit	<b>493,708</b>	326,018
Prior year adjustment on tax computation	<b>(14,953)</b>	-
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	<b>(1,184,761)</b>	(778,034)
Unrelieved tax losses carried forward	-	35,553
<b>Total tax charge for the year</b>	<u><b>(1,402,767)</b></u>	<u><b>(952,050)</b></u>

**Factors that may affect future tax charges**

At the Budget 2021, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2022 would increase to 25%. The deferred tax liability at 31 December 2022 has been calculated based on these rates.

There are £2,370,590 of unused tax losses (2021 - £2,370,590) for which no deferred tax asset is recognised in the Balance Sheet.

ENGITIX LIMITED
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**Notes to the Financial Statements**  
**For the Year Ended 31 December 2022**

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**7. Intangible assets**

	<b>Patents £</b>
<b>Cost</b>	
At 1 January 2022	207,409
Additions	23,531
At 31 December 2022	<u>230,940</u>
<b>Amortisation</b>	
At 1 January 2022	103,471
Charge for the year on owned assets	40,302
At 31 December 2022	<u>143,773</u>
<b>Net book value</b>	
At 31 December 2022	<u><u>87,167</u></u>
At 31 December 2021	<u><u>103,938</u></u>

**ENGITIX LIMITED**

**Notes to the Financial Statements  
For the Year Ended 31 December 2022**

**8. Tangible fixed assets**

	Leasehold Improvements £	Plant and machinery £	Office equipment £	Computer equipment £	Total £
<b>Cost or valuation</b>					
At 1 January 2022	1,028,370	1,009,121	1,788	2,524	2,041,803
Additions	1,627,635	1,021,299	-	-	2,648,934
Disposals	-	(102,933)	(1,788)	-	(104,721)
At 31 December 2022	<u>2,656,005</u>	<u>1,927,487</u>	<u>-</u>	<u>2,524</u>	<u>4,586,016</u>
<b>Depreciation</b>					
At 1 January 2022	110,902	259,922	1,128	2,419	374,371
Charge for the year on owned assets	168,135	300,262	-	105	468,502
Disposals	-	(22,801)	(1,128)	-	(23,929)
At 31 December 2022	<u>279,037</u>	<u>537,383</u>	<u>-</u>	<u>2,524</u>	<u>818,944</u>
<b>Net book value</b>					
At 31 December 2022	<u>2,376,968</u>	<u>1,390,104</u>	<u>-</u>	<u>-</u>	<u>3,767,072</u>
At 31 December 2021	<u>917,468</u>	<u>749,199</u>	<u>660</u>	<u>105</u>	<u>1,667,432</u>

**9. Fixed asset investments**

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2022	80
At 31 December 2022	<u>80</u>

<b>ENGITIX LIMITED</b>
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**Notes to the Financial Statements  
For the Year Ended 31 December 2022**

**9. Fixed asset investments (continued)****Subsidiary undertaking**

The following was a subsidiary undertaking of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Holding</b>
Engitix Inc	c/o Raich Ende Malter & Co. LLP, 1375 Broadway, 15th Floor   New York, NY 10018	Ordinary Shares	100%

The aggregate of the share capital and reserves as at 31 December 2022 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

<b>Name</b>	<b>Aggregate of share capital and reserves</b>	<b>Profit/(Loss)</b>
Engitix Inc	76	-

**10. Debtors**

	<b>2022 £</b>	<b>2021 £</b>
Trade debtors	-	195
Amounts owed by group undertakings	3,508	4,585
Other debtors	2,451,117	2,351,257
Prepayments and accrued income	1,366,880	349,867
	<b>3,821,505</b>	<b>2,705,904</b>

**11. Cash and cash equivalents**

	<b>2022 £</b>	<b>2021 £</b>
Cash at bank and in hand	16,242,244	3,138,321
	<b>16,242,244</b>	<b>3,138,321</b>

<b>ENGITIX LIMITED</b>
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**Notes to the Financial Statements  
For the Year Ended 31 December 2022**

**12. Creditors: Amounts falling due within one year**

	2022 £	2021 £
Trade creditors	988,921	409,806
Other taxation and social security	497,659	302,035
Other creditors	297,476	265,628
Accruals and deferred income	5,364,670	6,684,411
	<u>7,148,726</u>	<u>7,661,880</u>

**13. Deferred taxation**

	2022 £	2021 £
At beginning of year	(297,329)	(198,876)
Charged to profit or loss	(188,069)	(98,453)
<b>At end of year</b>	<u><b>(485,398)</b></u>	<u><b>(297,329)</b></u>

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	485,398	297,329
	<u>485,398</u>	<u>297,329</u>

**14. Provisions**

	<b>Dilapidation provision £</b>
Charged to profit or loss	367,918
<b>At 31 December 2022</b>	<u><b>367,918</b></u>

<b>ENGITIX LIMITED</b>
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**Notes to the Financial Statements  
For the Year Ended 31 December 2022**

**15. Share capital**

	2022 £	2021 £
<b>Allotted, called up and fully paid</b>		
3,341,414 (2021 - 2,118,000) Ordinary shares of £0.00010 each	<u>334</u>	<u>212</u>

During the year, the company made 2 allotments of shares totalling 1,223,414 Ordinary shares of £0.00010 each. The first allotment was for 1,205,293 shares at £15.72987 per share including share premium and the second allotment was for 18,121 shares at £0.00010 each.

**16. Share-based payments**

The company operates an equity settled share option plan for which employees and advisors are granted share option rights in the company.

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the beginning of the year		260,250		66,000
Awarded during the year		-		227,250
Lapsed during the year		-		(33,000)
<b>Outstanding at the end of the year</b>	<u>4.735</u>	<u>260,250</u>	<u>4.735</u>	<u>260,250</u>

During the year, the company recognised share-based payment expenses of £204,950 (2021: £76,103)

**17. Pension commitments**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £137,158 (2021-£51,553). Contributions totalling £31,428 (2021 - £5,102) were payable to the scheme at the end of the year and are included in creditors.

**18. Commitments under operating leases**

At 31 December 2022 the Company had future minimum lease payments under non-cancellable operating leases as follows: 2022, £3,983,318 and 2021, £2,141,822.