incanthera

Innovative technologies for oncology and dermatology

Incanthera plc
Annual Report & Accounts 2022

Registered number: 11026926

incanthera

Incanthera is dedicated to improving treatment options with innovative technologies in oncology and dermatology.

Inspirational therapeutics, combined with uniquely **targeted delivery** technologies show the potential to transform the future of healthcare.

Acquire, Prepare, Commercialise

- Better, faster therapies to patients
- Faster, de-risked return to investors

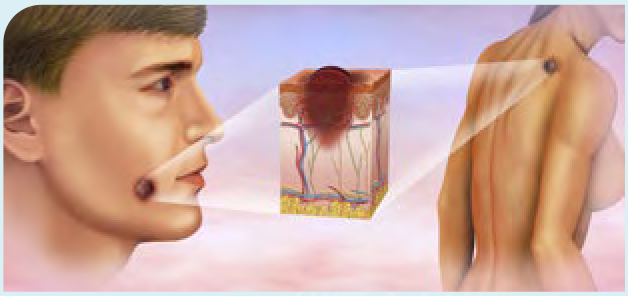
Our current lead product and focus is Sol, an innovative topical product developed for the treatment of solar keratosis and the prevention of skin cancers.

Sol is currently the focus of commercial discussions with Global cosmetics companies, for a potential licensing partnership.

Highlights

Incanthera plc:

- Progression on the right commercial deal for skin cancer asset Sol
- Essential infrastructure built for next steps of Sol's commercialisation:
  - Laboratory facilities for samples
  - Key formulators contracted
- Registration of trademark Actino-Pro
  - Preparing path for branding and marketing
- Protection of valuable IP across global territories
- Endorsement of Sol's technical capabilities by panel of UK's leading dermatologists
- Commercial discussions have identified increasing potential for Sol product range



http://incanthera.com/partnering/our-partnerships/

Our history: http://incanthera.com/about-us/our-history/

Skin Cancer Data:

US$13.7bn

The global market for skin 'sun care' products is projected to reach US$13.7 billion by 2024 (excluding pharmaceutical products, currently $3.4bn)*

* Market size estimates sources from external commercial sector reports.

45%

The deadliest form of skin cancer, melanoma, has soared by **over 45% in the last ten years**

Skin cancer (including solar keratosis) is one of the most common form of cancers in white populations

Deaths arising from invasive melanoma on the increase – **5th most common cancer in young adults**

70%

Rates of melanoma in **UK increasing by 70% in 25 to 49-year-olds since 1990s**

Sun care market is being driven by increased awareness of sun exposure

No clear evidence that sun creams protect the skin from carcinoma or melanoma – Sol's proven technology can be included into a sun cream

Incanthera – Our Purpose

Challenging the future of treatment

Incanthera's mission is to bring life-changing treatment options to patients and to seek commercial opportunities for future growth and discovery. Unique delivery technologies with groundbreaking formulations and therapeutic actives deliver effective solutions to target disease. That is the drive of our team.

To date no topical treatment exists with proven technologies to effectively cross the skin barrier and deliver a treatment to prevent and treat pre-cancerous and cancerous skin conditions

From our origins in oncology specialism to recent breakthroughs in skin cancer technologies, our team and partnerships consist of highly skilled academics, formulators, IP experts and commercially experienced individuals.

Our unique business model that seeks to identify the potential for groundbreaking work across the spheres of oncology and dermatology, aims to acquire and develop those technologies through to commercialisation, for faster route to both market and patients and financial return to Shareholders.

Over a decade of experience and partnerships support every area of our business from first sight of valuable oncology IP to patent protection and commercial advice. Incanthera has developed and refined its model and offering since first established in 2010, bringing with it greater opportunities to mature and expand its vision for future successes.

From conception as a spin out with one piece of technology, Incanthera is now a company with valuable access to specialist oncology academics and departments, a highly experienced team and contracted specialists in formulation and delivery technologies and global IP protection with a potentially life-changing treatment and prevention range of skin solutions close to market as we near conclusion of global commercial discussions.

Our partners

The Company will be seeking licensing partners at a point in the development cycle which maximises the return on investment to Shareholders, whilst minimising the investment required.

See http://incanthera.com/partnering/our-partnerships/

Our history: http://incanthera.com/about-us/our-history/

Our Pipeline

The following table represents the current pipeline of drug candidates being developed by the Company and indicates their various current and anticipated stages of development.

Platform	Product	Indication (Acquisition)	Preparation for licensing	Licensing
Sol	Topical Cream	**Actinic Keratosis, melanoma & Sun Care** (US$8bn Sun Care; US$3.4bn Actinic Keratosis)*	Bioavailability & Superiority	In discussions
EP0015	VDA and Theranostic	**Lung, breast, ovarian cancers** ($5.9bn, $15.3bn, $1.6bn)*	Pre-clinical	
	Taxane	**Ovarian, prostate cancers** ($1.6bn, $8.6bn)*	Lead	
Equin	DT-diaphorase activation	**Liver, brain, pancreatic cancers** ($0.5bn, $0.35bn, $2bn)*	Pre-clinical	
Duo-C	CYP activation	**Bladder, colorectal cancers** ($0.36bn, $8bn)*	Lead	

* Market size estimates sourced from external commercial sector reports.

Sol

The Company's most advanced product and focus is Sol, which the Company acquired in September 2018. Sol is an innovative topical product for the treatment of solar keratosis and the prevention of skin cancers.

Permeation and sensitisation studies have revealed that Incanthera's advanced formulation technology is proven to cross the skin barrier to effectively deliver a topical product for the prevention of actinic keratosis and skin cancer. These studies further confirmed the safety of the formulation, demonstrating Sol's formulation as non-irritant as baby sun care products.

Incanthera has concentrated on its discussions with global cosmetics companies to license its technologies to market a range of sun care prevention and treatment products.

EP0015

Despite advances in targeted therapy over recent years, the treatment of most adult solid cancers remains palliative rather than curative and represents a major unmet need.

Solid cancers, particularly aggressively growing ones, are supported by a network of blood vessels. Vascular Disrupting Agents ('VDAs') were specifically designed to destroy the vascular network, depriving the growing tumour of essential nutrients and thereby killing it. However, their inherent cardiac toxicity is an obstacle to their effective use in the clinic. EP0015 seeks to address this by releasing the VDA only at the tumour site.

Equin

Equin is a quinone-based prodrug activated by the enzyme DT-diaphorase ('DTD') which itself is over-expressed in many solid tumours including breast, colon, liver, bladder, stomach, the central nervous system ('CNS'), lung tumours and in melanomas.

The expression of DTD is increased up to 80-fold in primary non-small cell lung cancer ('NSCLC') relative to normal lung cells and up to 35-fold in NSCLC relative to small cell lung cancer ('SCLC') cell lines.

Equin has been designed to overcome limitations associated with previously proposed bioreductive agents including stability, solubility, poor efficacy and unsuitable clinical regimes. Equin is in the pre-clinical stage of development.

Duo-C

Duo-C focuses upon targeting colorectal cancer using duocarmycins, which are recognised for their extreme cytotoxicity, converted to a prodrug and designed to overcome their intrinsic toxicity and make them manageable and potentially useful in the clinical set up.

The prodrug is activated by CYP2W1, a catabolic enzyme over-expressed in colorectal cancer. Results to date show promising prospects for this new class of drug, demonstrating successful delivery of ultra-potent agents with acceptable toxicity profiles. Duo-C is in the late discovery (lead) phase.

Chairman's Statement

Progression of Sol goals

Welcome to Incanthera plc's Annual Report 2022.

Welcome to Incanthera's Annual Report 2022, and a very warm welcome to our Shareholders and followers.

The year under review has seen the world emerge from the majority of restrictions under the pandemic, to our lifestyles, businesses and relationships resuming functionality and greater freedom of movement and engagement.

Incanthera reflects that in its enthusiasm to build and progress towards the goals set out at flotation in 2020 and beyond.

Progression of our lead asset, Sol, towards a commercial deal has remained the core focus of our team. We have achieved some significant milestones on that road, as announced throughout the year, primarily: proof of technology in our study results; filing of patents, with recent reward, in readiness of IP protection and marketing/branding; and the ongoing progression of commercial discussions.

It has been a year of progression towards our commercialisation goals for Sol.

Tim McCarthy, Chairman

As engagement with global parties continues to evolve and intensify, valuable further introductions and commercial opportunities have added to those previously achieved, and we are excited at what now lies ahead of us to conclude, explore and develop.

Our Business

Incanthera's mission and purpose is to provide ever better options for more targeted, holistic care utilising its portfolio of targeted technologies and delivery systems that now transcends across oncology and dermatology.

The primary focus of our team in the year under review has remained the progression of our lead asset, Sol, towards a commercial deal.

We understand that the timescale to conclude discussions in a commercial deal have been delayed from initial estimations. However, as the majority of companies have found, inevitable backlogs and availability of appropriate teams have had an effect throughout industry. We recognise the frustration; We continue apace and we thank our Shareholders for their patience.

The team is constantly engaged in progressing our discussions towards the conclusion of the right deal for our Sol technology. Specifically, in recent weeks, talks have continued on the many potential directions and scope for product opportunities and commercial benefits in dermatology, in line with our onward outlook, beyond a Sol deal, to capture and maximise the continuing promise for expansion.

We are committed to bringing the right deal to Shareholders and whilst there is always the possibility of not concluding a deal on current discussions, we feel confident of the current status.

To underline our commercial offering, we recently invited and consulted with ten of the UK's leading dermatologists, to introduce Sol's technology and formulation. We received not only excellent independent endorsement for the capabilities of this product, but importantly, valuable insight through unanimous enthusiasm over market demand for a formulation and technology of this quality and potential.

Essentially, this year, we have also worked on the support infrastructure in preparation for next steps. This has been established, in laboratory facilities for sample production, contractual security of key formulators, and protection of our valuable intellectual property across global territories, which continues to be expertly applied and reviewed.

We believe these steps demonstrate the expertise and skills of the team that is poised for the next exciting stages.

We continue to work with the Institute of Cancer Therapeutics ('ICT') at the University of Bradford, whose excellence in discovering innovative oncology IP continues to introduce exciting new developmental technologies in the global fight towards treating and defeating cancer.

The PhD Doctoral Programme under the Company's Pipeline Agreement with the ICT means we continue to support and award students' work, and to receive first sight of potentially life-changing therapeutics for Incanthera's oncology portfolio, which we consistently review and evaluate for commercial opportunity and partnerships. This reflects and honours both our heritage and our future.

Our advisers continue to provide invaluable support and we thank them for their continued contribution and enhancement to our team's work.

Our team has performed with loyalty, dedication and proactivity throughout this period, continuously resourceful and dedicated to the goals and ethos of our Company.

In the period we are delighted to have welcomed a new Non-executive Director, Mrs. Caroline Murray, who brings a wealth of expertise, specifically in branding, marketing, dermatology and commercial experience. We are thrilled she is on board and we welcome you Caroline.

We also sadly said goodbye to a long-standing member of our team, Dr. Alan Warrander, who has retired following an incredible contribution to this industry and to our Company from the very beginning. Congratulations Alan, and thank you. You will be very much missed.

Outlook

In all, Incanthera has grown enormously from a newly floated company, plunged into a pandemic, into a team that has ensured not only the survival through the last two years, but progression, evolution and new horizons for our technologies and expertise.

I would like to thank the entire team. It has not, as with many companies, been an easy journey at times, but their strength and resourcefulness has allowed our progression towards success.

It has been an important, progressive year for Incanthera, in which we have established new relationships and expertise, evolved existing opportunities and key relationships and grown as a team to seek, resolve and progress our core business and the opportunities in front of us.

We very much hope to conclude a deal for Sol and announce new avenues for progression and expansion.

I would like to thank our Shareholders for their loyalty, support and belief in our Company.

I wish everyone well for the next period and we very much look forward to meeting as many of you as possible at our first face-to-face AGM this month.

Tim McCarthy
Chairman
1 September 2022

Investment case

- **Near to market asset**
  Sol ready and trademarked 'Actino-Pro' for commercialisation
- **Global discussions progressed**
- **Infrastructure with lab facilities in place and key formulators contracted**
- **Multi billion $US market identified**
- **Industry endorsed**
- **Differential business model**
  Acquire, Prepare, Commercialise

Chief Executive Officer's Review

Building and refining successes

Welcome to Incanthera's Annual Report 2022. I am enormously proud of the achievements we have worked on during this period.

Overview of Progression

The team and I have been devoted to progressing the right commercial deal for our skin cancer asset, Sol, towards successful conclusion for our Company and our Shareholders.

We are pleased with the continuously evolving level of discussions and introductions on the table with various parties, which show ever-increasing potential for expansion and commercial benefit.

There have been some inevitable delays as we navigate backlogs and return to full functionality with teams involved in next stage discussions, but across the commercial landscape the strive to reclaim lost ground and return to a thriving environment is apparent and we look forward to a successful conclusion.

The Year in Review

Alongside the progression of discussions, we have essentially worked on the support infrastructure in preparation for next steps. This has been established, via laboratory facilities for sample production, contractual security of key formulators, and protection of our valuable intellectual property across global territories, which continues to be expertly applied and reviewed.

Working on our goals and beyond.

Simon Ward, Chief Executive Officer

During the period, we were pleased to announce the filing of two trademark names for the commercial use of our Sol. We are pleased to have received the registration of the trademark Actino-Pro in April 2022. This prepares the path for branding and marketing, creating a valuable asset, ready for commercial use with global protection for the potential treatment of actinic keratosis and prevention of skin cancer.

Additionally, to underline Sol's unique commercial offering, we recently invited and consulted with ten of the UK's leading dermatologists, to introduce Sol's technology and formulation. We received not only excellent independent endorsement for the capabilities of this product, but importantly, valuable insight through unanimous enthusiasm over market demand for a formulation and technology of this quality and potential. This is both rewarding and valuable as we progress.

Our Business

Incanthera's business is focused on innovative technologies in oncology and dermatology.

We continue to work closely with the Institute of Cancer Therapeutics (ICT), at The University of Bradford. We are fortunate to be introduced to potentially groundbreaking new technologies in oncology from the talented students and academics through our Pipeline Agreement with the University. The fields and methodologies originating from the ICT continue to inspire, with a dedication to discover and develop targeted therapeutics and delivery systems to change the future of oncology treatments. We work closely to identify and evaluate potential future candidates for our oncology portfolio that may be progressed for commercial partnership.

We recently attended a very successful partnering event on the University's campus, which highlighted the incredible diversity and talent alongside the investment and awareness surrounding this valuable industry.

The Team

Our team has continued to work with dedication and earnest across every aspect of our Company. Whilst the front-facing work of deal discussions, future opportunities and public duty is obvious, the work behind the scenes is the strength within our Company. Our intellectual property portfolio, its protection, the financing and management controls and communications brings combined expertise from a small team, following all best practice and standards that means the Company has continued to strengthen and grow, poised for all the potential future opportunities we have worked towards.

I would like to thank the team for their continued drive and ambition, proactivity and loyalty as we have navigated the past period and I join in their excitement for the opportunities ahead of us.

We were also pleased to add to our team with the announcement of the appointment of Caroline Murray this year as a Non-executive Director.

Caroline brings extensive product management and marketing experience to the Board, having held senior positions in both Novartis and Bristol Myers Squibb ("BMS"). The Board believes Caroline's experience and skillset is perfectly suited to the Company's near-term goals and ambitions as we look to commercialise our lead product Sol.

Sadly, we also said goodbye to a long-standing member of our team, Non-executive Director, Dr. Alan Warrander, who retired at the end of February to enjoy leisure and family time. Alan has been integral in Incanthera's path to date, having joined the team in 2012, bringing 30 years' experience within global pharma and drug development processes. We owe a great debt to Alan's contribution and he will be missed.

As ever we are indebted to the wise counsel from our advisory teams whose support and encouragement is essential to our progress.

Summary

We have achieved a great deal of work on our goals and vital framework towards next steps during this period, and I thank our Shareholders for their support and loyalty to our Company. We look forward to advising further news on our progression.

Dr. Simon Ward
Chief Executive Officer

1 September 2022

Strategic Framework

An all-encompassing network providing the very best opportunities

2022 has seen operational resources remain very much concentrated on refining our discussions to secure the right commercial deal for our skin cancer technology formulation, Sol, with global groups.

Incanthera works actively on every area of our strategic framework to ensure an all-encompassing network to provide the very best opportunities for our business.

Incanthera's purpose is to deliver innovative technologies in oncology and dermatology, through targeted therapeutics via unique delivery mechanisms.

Our strategy is to **acquire**, **prepare** and **commercialise** our portfolio candidates through agreements with established third-party pharmaceutical or other commercial companies, thereby generating early revenue for the Company and ensuring continued development of the technologies.

Our **commercialisation** efforts have simultaneously progressed licensing deal discussions with all parties, while establishing manufacturing and industry endorsement programmes to enhance the commercial package that Sol can offer. The registration of trademark "Actino-Pro" provides a branding and marketing pathway, while we have protected the asset with Global IP protection to 2041.

In line with our **prepare** strategy, we have been working to explore the various portfolio opportunities that may result from our recent work and contacts in the dermatological industry for a potential range of sun care products and treatments for expansion and further retail opportunities.

Looking to opportunities to **acquire**, the Company continues to work closely with the academics, Professors and students at the Institute of Cancer Therapeutics ('ICT') at the University of Bradford. Receiving first sight of some incredibly exciting potential new oncology IP, we continue to be inspired by the brilliant technologies in development at this dedicated oncology facility.

Key objectives and performance 2022

Objective	Key progress during the period
To progress Sol technology to licensing conclusion through commercial partnering discussions	**March 2021 – current date: Global Commercial Discussions** Incanthera has continued to progress commercial discussions for potential licensing of Sol across several global commercial companies. Further introductions have been made during the period and refining existing discussions now streamlines concentration on conclusion for a licensing deal.
To secure the strongest product offering for potential license of Sol utilising team expertise	**February 2022: Industry Endorsement** Incanthera undertook an expert panel of the UK's leading dermatologists to assess and review the Sol formulation. The response was strongly and unequivocally supportive and congratulatory of the product, capabilities, and the market need, thereby strengthening the brand and commercial product offering to potential license partner.
To ensure the protection of Sol's Intellectual Property	**April 2022: Registration of trademark 'Actino-Pro' awarded** Incanthera applied and was awarded official registration of the trademark name 'Actino-Pro', importantly meaning Incanthera can now offer a brand-ready product for commercial marketing and retail opportunities.
To ensure the ongoing potential for pipeline IP for future development	**July 2021: New Patent Filing Award** Filing of a new patent protecting Sol for the prevention and treatment of solar keratosis and related cancers of the skin, has been granted, extending the life of the patent family, protecting Sol to 2041. The Company (in conjunction with key experts in dermatology) employs its expertise and technology to develop further targeted products, for example, new sun factor protection technology being used in conjunction with Sol and sun protection care ranges for Sol as well as further potential dermatology indications. The Company continues to work closely with the ICT at The University of Bradford to review all potential future oncology IP and has established an active working relationship with the Skin Sciences Division at the ICT to bridge oncology and dermatology resource and opportunities.

Strategic Framework continued

Strategic Process

ACQUIRE

Progress to date

- Incanthera's specialist oncology portfolio consists of novel technologies, acquired through both our exclusive pipeline deal with the Institute of Cancer Therapeutics and commercial acquisition
- The acquisition of Sol, our skin cancer technology, is the current focus of the Company and our nearest to market asset

  The expertise and experience within our team works in partnership with dermatology and oncology specialists to look at opportunities for future IP and commercial development including the ICT and Skin Sciences Division within the ICT

PREPARE

Progress to date

- Industry expert endorsement of Sol's formulation capabilities, strengthening our commercial package
- Registration of trademark name 'Actino-Pro' for pathway to branding and marketing the product for commercial use
- Manufacturing facility established at Sheffield to produce Sol for commercial samples
- Labelled trademark sample pots produced and supplied to potential licensees

COMMERCIALISE

Progress to date

- Current commercialisation discussions continue for skin cancer asset Sol, with global cosmetics companies. In addition, the Company (in conjunction with key experts in dermatology) is also separately exploring working with a number of potential partners to apply its expertise and technology to develop further targeted products. This, for example, includes a partnership that could provide new sun factor protection technology being used in conjunction with Sol.
- Our pipeline consists of technologies at various stages of development
- The Company's ambition is to turn novel technologies into commercial opportunities, deliver shareholder value, and provide a diverse current portfolio and pipeline to new opportunities

Strategy in Action

Bridging the technologies of oncology and dermatology, Sol has uncovered previously unforeseen potential in expansion of our delivery technologies across the dermal barrier.

Incanthera has continued to concentrate commercial focus on reaching conclusion of current potential licensing discussions for Sol.

Simultaneously it has established an essential infrastructure for the technology platform and sought independent industry endorsement, registered the trademark name and secured the IP Globally.

Positioning for launch

Incanthera's Commercialisation Path

- Proven technology – study data: effective and safe
- Registered trademark
- Manufactured product
- Manufacturing facilities established
- Contracted formulators
- Wide-ranging opportunities discovered across skincare/dermatology and disease treatment/prevention
- Original committed team in place with commercial experience strengthened
- Management optimistic of concluding global licensing deal

The potential applications for our dermal delivery technologies via barrier penetration have received high levels of enthusiasm from a panel of industry experts across the UK dermatology field.

The ability to deliver actives to address many dermatological and cosmetic conditions further confirms the potential reach of this asset into previously untreatable conditions in the commercial fields of cosmetics and skin care as well as clinical indications.

We are delighted at industry experts' unanimous enthusiasm for the capabilities and scope of our technology, confirming a real market demand, both supporting and strengthening our commercial offering.

An additional step in our path to commercialisation has been the establishment of a manufacturing facility within the grounds of Sheffield University to produce batch samples of our formulation for essential evaluation and trial by potential commercial licensees and to ensure productivity capability beyond. This ensures we can be cost effective in production capability and resource.

- To date no topical treatment exists with proven technologies to effectively cross the skin barrier and deliver a treatment to prevent and treat pre-cancerous and cancerous skin conditions
- Incanthera has achieved this:
  - Studies in 2020 have unequivocally proven the efficacy of Sol's delivery mechanism and the safety of its formulation
- Incanthera's advanced formulation technology is able to deliver a topical product for the prevention of actinic keratosis and skin cancer, and sensitivity studies have further confirmed the safety of the formulation, demonstrating Sol's formulation as non-irritant as baby sun care products.
- Study data has surpassed expectations, strengthening the technology's commercial potential and valuation, which was further enhanced through the filing of a new patent which gives extended patent protection to Sol to 2040.
- Incanthera began introducing Sol's technology to a number of potential commercial partners and has prioritised discussions with two global cosmetic companies.
- In addition, the Company (in conjunction with key experts in dermatology) is also separately exploring working with a number of potential partners to apply its expertise and technology to develop further targeted products. This, for example, includes a partnership that could provide new sun factor protection technology being used in conjunction with Sol.

Strategy in Action continued


Oncology pipeline

University of Bradford Pipeline Agreement

Incanthera is a spin-out of the University of Bradford. The Company was established specifically to commercialise certain IP originating from the Institute of Cancer Therapeutics ('ICT'). Since its establishment, Incanthera has maintained a close working relationship with the ICT, as evidenced by the Pipeline Agreement in place since 2011 and the additional assignments of pipeline IP to the Company.

The ICT has a mission to research and develop new cancer treatments and is one of a handful of academic research facilities in the UK with the resources to enable all the elements of the drug discovery process from conception to clinical evaluation. Working closely with the oncologists and surgeons at The Bradford Royal Infirmary and St James's University Hospital, Leeds, the ICT has already made major contributions to the clinical progression of many cancer medicines. Its focus is to research new cancer medicines to treat very challenging diseases including advanced lung, colon, breast and brain cancers, and the childhood condition, neuroblastoma.

The research encompasses new treatments that either harness the immune system to attack cancer, switch off cancer by blocking gene transcription, or prevent cancer from spreading to other sites. The ICT is also looking to target chemotherapeutic medicines more selectively to address the severe side effects of current treatments.

On 19 September 2018, the ICT and the Company put in place a new ten-year Pipeline Agreement that gives the Company the option to access further assignments of pipeline IP and product opportunities.

Incanthera is now actively working with the Skin Sciences Division within the ICT, led by Gillian Westgate, whose work in dermatology/oncology and skin ageing within disease and environmental effects is producing promising future technologies and solutions.

Our Pipeline Agreement with the ICT encapsulates oncology and dermatology with unique access to all new IP.

We are fortunate and grateful to have the resource to the specialist teams and dedicated individuals that work with us on exciting and new opportunities, representing our heritage and our future.

Platform Programme – ICT00 including EP0015, EP0015-Theranostics and EP0015-Taxane

Originating from the ICT at Bradford University, ICT00 is an example of a prodrug targeted delivery platform. This approach is used to deliver various efficacious 'warheads' to treat solid tumours and has derived from this platform a number of clinical candidates: EP0015; EP0015-Theranostics and EP0015-Taxane.

The ICT00 family of candidates works by targeting the elevated expression of a specific membrane-bound matrix metalloprotease ('MMP') that is over-expressed in solid tumours and delivers a cancer-chemotherapeutic agent ('warhead') or diagnostic.

Solid cancers, particularly aggressively growing ones, are supported by a network of blood vessels. Vascular Disrupting Agents ('VDAs') were specifically designed to destroy the vascular network, depriving the growing tumour of essential nutrients and thereby killing it. However, their inherent cardiac toxicity is an obstacle to their effective use in the clinic. EP0015 seeks to address this by releasing the VDA only at the tumour site.

Competitive advantage

The ability of EP0015 to target solid tumours has many possible, yet currently unproven, benefits which will be assessed as part of clinical trials, including:

- greater efficacy – improved therapeutic index due to targeting and reduced toxicity;
- side effects – enhanced patient comfort;
- reduced frequency of treatment – potential cost savings; and
- improved life expectancy – desired outcome.

Equin and Duo-C Equin

Equin is a quinone-based prodrug activated by the enzyme DT-diaphorase ('DTD') which itself is over-expressed in many solid tumours including breast, colon, liver, bladder, stomach, the central nervous system ('CNS'), lung tumours and in melanomas. The expression of DTD is increased up to 80-fold in primary non-small cell lung cancer ('NSCLC') relative to normal lung cells and up to 35-fold in NSCLC relative to small cell lung cancer ('SCLC') cell lines.

Equin has been designed to overcome limitations associated with previously proposed bio-reductive agents including stability, solubility, poor efficacy and unsuitable clinical regimes. In preclinical development Equin has showed promising efficacy and an improved pharmacokinetic profile.

Equin is currently undergoing preclinical development and has shown promising efficacy and an improved pharmacokinetic profile.

Duo-C

Duo-C focuses upon targeting colorectal cancer using duocarmycins, which are recognised for their extreme cytotoxicity, converted to a prodrug and designed to overcome their intrinsic toxicity and make them manageable and potentially useful in the clinical set up. The prodrug is activated by CYP2W1, a catabolic enzyme over-expressed in colorectal cancer. Results to date show promising prospects for this new class of drug, demonstrating successful delivery of ultra-potent agents with acceptable toxicity profiles.

Duo-C is in the late discovery (lead) phase.

Financial Review

Progressing our goals

I am pleased to present our full year results for the year to 31 March 2022.

The financial performance for the year ended 31 March 2022 was in line with expectations.

Losses

The total Group loss for the year was £1,008k (31 March 2021: £905k) including a charge for share-based compensation of £148k (2021: £37k). Operating expenses excluding share-based compensation reduced slightly to £937k (2021: £979k).

Share-based compensation

Accounting standards require a charge to be made against the grant of share options and recognised in the Consolidated Statement of Comprehensive Income. This amounted to £148k (2021: £37k) and has no impact on cash flows.

The year has been one of investment in the infrastructure for our future development, as we progress towards, and look beyond, commercialisation of Sol.

Laura Brogden, Chief Financial Officer

Headcount

Average headcount of the Group for the year was six (2021: six).

Taxation

The Group has elected to claim research and development tax credits under the small or medium enterprise research and development scheme of £77k (2021: £111k).

Whilst the global pandemic continues to have implications for us all, the impact on the Group and the continued development of Sol remains minimal. It has, however, brought some frustrating delays to the conclusion of a commercial licensing deal, which remains our primary focus.

Share price

Over the course of this period, the share price has seen some downward pressure. This is mostly the result of sell-off of some institutional overhang in our stock, as many companies consolidate and assess financial positions, as well as some individual position adjustments. We acknowledge the position and reaffirm our commitment to working for value to Shareholders.

Cash flows and financial position

The cash position at 31 March 2022 decreased to £295k (31 March 2021: £957k). Expenditure on development of the Sol programme, and recurring general and administrative costs were offset to some extent by the receipt of the 2021 tax credit (£110k). There was no further investment income during the year and the Group remains in a pre-revenue phase.

Dividends

No dividend is recommended (2021: nil) due to the early stage of the development of the Group.

Loss per share

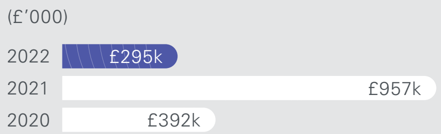
The basic and diluted loss per share was 1.36p (2021: 1.44p).

Key performance indicators

Key performance indicators include a range of financial and non-financial measures (such as clinical trial progress). Details about the progress of our development programmes (non-financial measures) are included elsewhere in this Strategic Report, and below are the other indicators (financial measures) considered pertinent to the business.

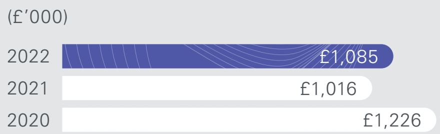
Laura Brodgen
Chief Financial Officer
1 September 2022

Year-end cash and short-term investments, and cash on deposit held:

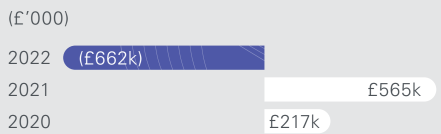


Operating loss:

The operating loss reflects progression of our lead programme, Sol, as well as costs associated with our listing on the AQSE Growth Market (formerly NEX).



Net cash (outflow)/inflow (including short-term investments):



Principal Risks and Uncertainties

Incanthera operates within a complex business environment and an industry that is fundamentally driven by regulatory processes. A robust understanding of the risks and uncertainties involved in a pharmaceutical drug development business is fundamental to Incanthera's success.

The Board regularly considers these principal risks and uncertainties and reviews its strategies for minimising any adverse impact to the Company or its investors. The principal risks and uncertainties have been grouped into four categories: market, pharmaceutical environment, operational and financial.

Fundamental to Incanthera's success

Market Risks	
Risk	Mitigating factors
Economic	
Global Inflation **Cost of Living** **Interest Rates**	The pressure on pricing, energy costs and world inflation transcends every industry and company around the world. Incanthera is a lean virtual team. Our model ensures: • In-house experience • Minimal expenditure • No rental overheads • Manufacturing capabilities for Sol sampling • Committed management team prepared to sacrifice • Tight rein on external costs with financial management control and regulation • Advisory parameters checked and adhered to • A mission to drive commercial revenues and licensing revenue through commercial opportunities
Geopolitical	
War in Ukraine	The war in Ukraine has wide-ranging implications for the world, affecting food production, gas and oil prices, creating an inflationary effect across the globe, including stock markets and valuations. Incanthera seeks to mitigate this by many of the controls detailed above and by seeking to ensure financial stability by appropriate methods and being prepared to sacrifice overheads whilst committed to the drive to a commercial deal generating revenues and returns to shareholders, and the future growth of the Company. We continue to actively review, as we all navigate the current geopolitical effects. • Pressure on prices around the world • Food/energy supply shortages • Global uncertainty

Principal Risks and Uncertainties continued

Pharmaceutical Environment Risks

Risk	Mitigating factors
Research and Development	
The Company is operating in the biopharmaceutical development sector and has a number of drug candidates in various stages of clinical development. In addition, the Company may continue to exploit other opportunities within the sector in order to expand its present development pipeline. The Company and its research partners will therefore continue to be involved in complex scientific research. Industry experience indicates that there may be a very high incidence of delay or failure to produce valuable scientific results. Further to this, the Company may not be successful in developing new products based on the scientific discoveries developed by the Company and its research partners. There is no guarantee that the Company will be able to identify specific market needs that can be addressed by its technology. The ability of the Company to develop new products relies on the recruitment of sufficiently qualified research and development partners with expertise in the biopharmaceutical sector. The Company may not be able to develop its relationships and recruit research partners of a sufficient calibre to satisfy its growth rate and develop future pipeline as planned.	Incanthera's management team have many years of experience in research and drug development and a robust understanding of the clinical trial design process. This experience should help ensure that such risks are minimised. In addition, key external advisers support the management team. Our latest asset, Sol, promises minimal overhead requirements whilst showing enormous revenue-generating opportunities, globally.
Intellectual Property	
The field of pharmaceutical development is highly litigious. The Company's priorities are to protect its IP and seek to avoid infringing other companies' IP. However, no guarantee can be made that infringement proceedings will not be initiated against the Company. A patent is limited territorially to the country or economic area in which it was granted. There are countries in which the Company has not filed patent applications. Some territories have patent applications pending and not all patent applications filed by the Company have gone through the full patent prosecution process.	The Company engages reputable legal advisers to mitigate the risk of patent infringement and to assist with the protection of the Company's IP.
Liability and Insurance	
The nature of the Company's business means that the Company may be exposed to potentially substantial liability for damages in the event of product failure or side effects. Any such liability could have a materially adverse effect on the Company's business and financial condition. There can be no assurance that future insurance cover will be available to the Company at an acceptable cost, if at all, nor that in the event of any claim, the level of insurance carried by the Company now or in the future will be adequate or that a product liability or other claim would not materially and adversely affect the business of the Company.	The Company factors potential liability risks into decision making and maintains corporate and clinical trials insurance to mitigate this risk.

Operational Risks

Risk	Mitigating factors
Legal	
Changes in Legislation The Company is operating in the biopharmaceutical development sector. The field of pharmaceutical development is highly litigious. In order to protect the value of the Company, predominantly valued by its IP, the Company must remain vigilant of current legislation and any changes that may affect the legality surrounding its process of assessing, valuing and protecting the IP. Changes to industry legislation, if neglected, may impact the Company's valuation and core assets, and/or its ability to commercialise or license technologies, the ability to negotiate new IP into the Company and the MARS rules surrounding its public listing on the AQSE Growth Market.	The Company is monitored and advised by its Lawyers and Patent Attorney on all aspects of IP, corporate and industry law.
Inadequate registration and monitoring of patents The Company's portfolio is valued through its IP. Failure to register new patents or to remove patents no longer within the Company's IP would breach regulation and Governance resulting in a considerable regulatory, reputational and Governance risk, resulting in potential devaluation of the business and/or failure of the Company to continue its business.	The Company complies with the strictest operation of patent registration, monitoring, protection and valuation. The Company is advised by its retained Patent Attorney.
Regulatory Approvals	
The Company will need to obtain various regulatory approvals and comply with extensive regulations regarding safety, quality and efficacy standards in order to establish the trials, and ultimately market its products. These regulations vary from country to country and the time required for regulatory review can be lengthy, expensive and uncertain.	The Company's management team have extensive experience in the area of regulatory approvals and, in addition, takes advice and guidance from a range of external specialised regulatory advisers to ensure compliance with all regulatory requirements.

Principal Risks and Uncertainties continued

Operational Risks

Risk	Mitigating factors
Dependence on Key Personnel	
The success of the Company, in common with other businesses of a similar size, will be highly dependent on the expertise and experience of the Directors and key senior management. However, the retention of such key personnel cannot be guaranteed. Should key personnel leave, the Company's business, prospects, financial condition or results of operations may be materially adversely affected.	The Directors and key senior management are all committed to the future success of the Company and have demonstrated this in their endeavours in establishing the Company, developing it and its product portfolio to achieve a successful public listing in 2020 and further progression and achievements achieved in the year under review. Retention is further enhanced by the fact that each employee is also a shareholder in the Company and incentivised through participation in performance-based share options. This ongoing commitment was underpinned by the Directors' and Management Team's further investment into the Company in September 2020 and April 2021.
Dependence on Third Parties	
The Company outsources certain functions, tests and services to contract research organisations, medical institutions and other specialist providers, and the Company relies on these third parties for clinical and regulatory expertise. There is no assurance that such individuals or organisations will be able to provide the services as agreed upon or in quality fashion and the Company could suffer significant delays in the development of its products.	The Company works with respected third-party organisations and regularly monitors their performance.
Competition	
The Company is developing drugs in the intensely competitive market of cancer therapeutics and dermatology. Currently, as far as the Directors are aware, there is no competition from direct competitors developing drugs with identical mode of actions. However, outside of these areas there are many other assets in development with identical indications which, if successful, will compete with Incanthera's products from a commercial perspective.	The Company remains aware of the continually evolving competitive landscape of the therapeutic areas in which it operates. This awareness is factored into its decision making for its pipeline programmes.

Financial Risks

Risk	Mitigating factors

Future Funding Requirements

The Company will need to raise additional funding to undertake work beyond that being funded by the current cash resources. There is no certainty that this will be possible at all, or on acceptable terms. In addition, the terms of any such financing may be dilutive to, or otherwise adversely affect, shareholders.

The Company remains focused on delivering the objectives of its business plan in order to add value and to generate opportunities to earn revenue from commercial deals. The intention in the event of any future fundraising is to demonstrate value-added progress such that funds may be raised at the most advantageous pricing and minimum dilution to shareholders.

Share Price and Liquidity

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as:

- variations in operating results;
- announcements of innovations or new services by the Company or its competitors;
- changes in financial estimates and recommendations by securities analysts;
- the share price performance of other companies that investors may deem comparable to the Company;
- news reports relating to trends in the Company's markets;
- large purchases or sales of Ordinary Shares;
- liquidity (or absence of liquidity) in the Ordinary Shares;
- currency fluctuations;
- legislative or regulatory changes; and
- general economic conditions.

The Company recognises the potential for share price fluctuation and low liquidity trading in its shares.

To address this, it has a proactive programme of investor relations and is committed to a regular and transparent communications policy with its shareholders and the investment market generally.

Sustainability Statement

We all stand by the beliefs of diversity, inclusion and well-being as well as a strong work ethic and a commitment to our shareholders to build on the trust and investment, to ensure the progression and success of this business.

Overview

Incanthera's mission is to provide innovative technologies for oncology and dermatology.

The Company was established to identify, acquire and develop quality, groundbreaking medicines to improve the lives of patients.

Incanthera's origin is in cancer therapeutics with recent technology bridging treatment areas of oncology and dermatology.

Cancer is a global disease that requires a united effort to beat it. Incanthera is proud of its oncology portfolio which contains technologies dedicated to enhancing patient outcomes through the identity of more targeted, sophisticated medicines.

We have established a PhD Doctorate Programme with the Institute of Cancer Therapeutics to fund research from new students into fighting the disease and producing more evidence to support new technological innovation in this essential cause.

It is a privilege to work within this field and we continue to seek advancements in technology to develop into therapeutics and methods that are changing patients' lives.

The progression towards a partnership in our recent work between oncology and dermatology shows the further potential opportunities to address novel treatments and methods where effective treatment is as yet unmet.

The recent global pandemic has shown starkly the proactive responsibility for our own health and the search for innovative solutions to modern disease in the most effective and least problematic approach.

The global spotlight on healthcare is here to stay and awareness of the essential and groundbreaking work in research, discovery and development of therapeutic solutions is now an essential part of our everyday conscience.

People

Incanthera's team is dedicated and passionate about the Company we have built and what it stands for.

Each member of our team brings passion, expertise, devotion to the cause and a great sense of social justice to match the corporate outlook. A strong core of like-minded and committed people has ensured the progress made this past year and drives us towards future success. Their determination to achieve and deliver promises to Shareholders, in spite of the challenges faced is a credit to them.

The Board comprises individuals who all have a background in the healthcare industry, and the senior management team shares the passion and commitment to drive progressive, novel treatments to patients, each bringing unique skill sets to produce a strong, combined team that covers all areas required to make this business a success.

We all stand by the beliefs of diversity, inclusion and well-being as well as a strong work ethic and a commitment to our shareholders to build on the trust and investment, to ensure the progression and success of this business.

The safety and well-being of our colleagues is the Company's first priority. A workforce that is safe and physically and mentally healthy is the foundation of everything that Incanthera stands for.

In order to reward and thank the loyalty of our team, we have put in place the provision for effective reward and benefits programmes that will, both now and in future, attract, motivate and retain the best talent in our field. Well-structured benefits packages support colleagues to meet their current and future financial needs.

Colleague opinion and input is sought to support and inform our decision-making, increase engagement and drive innovation.

Environmental Responsibility

Within the over-riding ambition of the Company is the desire to look to the future of our planet.

Throughout the identification, development and progression of our technologies is the consideration of our impact upon our climate and environment, and our aim is to mitigate those in any way we can.

The Company operates virtually, maintaining a registered office address in Manchester, but is proud to promote a lean, skilled team, each working from home, unless group meetings are required, thus ensuring travel, fossil fuel emissions and carbon footprint is mindfully observed. We seek partners who can take our new medicines to market without the need for duplication of resources, manufacturing and other strains on our environment.

Shareholder Responsibility

We have worked hard to ensure the investment of our Shareholders has been deployed to our best abilities, to progress, and develop technologies for optimum return.

Against a difficult global backdrop over the past two years, since flotation, we have maintained a lean and virtual model to ensure all investment is deployed directly into the path towards commercialisation.

The road has been more complex against the recent backdrop, but we have made great progress in our Sol product solution and infrastructure towards concluding a deal for our shareholders that may bring returns and future growth.

We continue to look to future opportunities whilst committing to maintain costs conservatively, sustain the value and investment we have built this year.

A business should meet the needs of multiple stakeholders, not just shareholders. Colleague opinion and input is sought to support and inform our decision-making, increase engagement and drive innovation.

Summary

Our Company takes seriously our responsibilities towards patients, clients, employees, stakeholders and the economy, but also to the wider picture, considering our obligations to the sustainability, ethical and social care of our planet.

Section 172 Statement

Incanthera plc is compliant with Section 172 of the Companies Act 2006, understanding its duty to promote the success of the Company.

The Directors and the Senior Management Team have been fully briefed by our corporate Adviser, in accordance with the Company's listing on the Aquis Growth Market and agree to act in the way we consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members, considering:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

Board Responsibilities

The Board undertakes and agrees to take decisions and opportunities in the day-to-day management and leadership of the Company for the benefit of all members and the value for shareholders. The Board is briefed on responsibilities and will practise them in running the business. The Board will consider the welfare and benefits of its employees in all daily conduct and decisions.

Engaging with Stakeholders

Incanthera is proud to be a public listed company and understands that this is achieved through the support and belief of existing and newly invested shareholders.

The success of our business is dependent not only on the decisions and management of the Board and the team, but on the support of all our stakeholders. Building positive relationships with stakeholders that share our values is important to us, and working together towards defined goals assists us in delivering long-term success.

As a company, we have an open and transparent communications policy, seeking opportunities to engage and communicate with our shareholders wherever possible.

We seek opportunities to discuss our progress, ambitions and financial results whilst always reporting timely announcement of corporate news, meeting our financial calendar obligations and with a clearly defined communications strategy and timetable to ensure compliance.

The Company's comprehensive communications planning incorporates management, Board and advisory meetings, the Chairman's communication with shareholders, regulatory announcements, and is proactively supported by an investor relations programme in conjunction with our brokers, to potentially attract new investment and opportunities for the Company.

We believe a policy that incorporates essential team contact and advisory input and which engages and involves shareholders at each stage of our journey encompasses the ambitions and culture set out on admission to the public market, ensuring inclusive involvement in the Company's evolution.

Corporate Relationships

We are proud of the strong relationships we have built since inception.

The collaborative working relationship with the Institute of Cancer Therapeutics involves Professors, Directors and scientists, to encourage and promote successes in new and innovative research and progressive medicine. Through our exclusive pipeline deal with the Institute, we have access to future intellectual property, and we are proud of the two-way stream of information, development and promotion. We are committed to supporting this essential relationship.

We also have a long-standing relationship with our commercial partner, following the first deal struck for our pipeline technology product in 2017. We continue to work actively in the progression of the technology known as EP2588 with the licensor, Ellipses Pharma.

Our professional and commercial relationships continue to grow as an essential part of the Company's evolution, as evidenced by this year's progressive platform to support our skin cancer asset and the commercial and dermatology/formulation and manufacturing and commercial expertise secured.

Community

The Directors and team have a background within the industry, and progressive and collegiate nature of relationships within that industry is paramount to the future of medicines and healthcare in this country. We are proud of our place in this industry and will ensure that all team members conduct their relationships within the community with dignity and respect, for the benefits of all.

Advisory Relationships

A public listed company requires much guidance and advice. The teams have built long-standing and productive relationships which have shared the Company's journey to this stage, and are essential to our successes to date.

We are indebted to their support to help us realise our ambitions and we look forward to building on the successful good nature, guidance and respect we have built amongst the teams as we progress.

People

Incanthera is proud of every member of our team, and we congratulate and applaud the dedication, hard work and personal commitment required to get to this stage of the Company's development. We will continue to ensure the welfare and well-being of every member is considered across our operations, and to respect their ambitions, involvement and essential role as part of our Company.

Chair's Introduction

Opportunity, invention and exploration will continue to drive our team

Incanthera's Board and management team has been enhanced this year with the addition of stronger commercial expertise adding to the broad range of scientific, IP, financial and public company experience.

The Board comprises individuals who have all held long and distinguished positions within the healthcare industry.

Our CEO, Dr. Simon Ward's oncology, dermatology and scientific educational background, along with commercial experience has driven his vision to transform the method and quality of technologies from laboratory to patient. That is the heart of Incanthera's business.

In addition, Simon's background in dermatology led to the introduction of the potential IP that became our Sol asset, currently poised for commercialisation.

My position as Chairman is supported by over 40 years' experience within biotechnology and healthcare companies and international corporate roles. It is a pleasure to work with such a determined and talented team.

We were delighted to announce the appointment of Caroline Murray as Non-executive Director earlier this year. Caroline brings extensive product management and marketing experience to the Board, having held senior positions in both Novartis and Bristol Myers Squibb ('BMS'). The Board believes Caroline's experience and skillset is suited to the Company's near-term goals and ambitions as we look to commercialise our lead product Sol.

Sadly we said goodbye to a long-standing member of our team, Dr. Alan Warrander, Non-executive Director, in February. Alan retired to concentrate on his family and leisure interests, having joined the Company in 2012 as a consultant advising on partnering and licensing, drawing on over 30 years' experience within global pharma drug discovery. Alan provided invaluable support to our Company from very early on and his incredible contribution to our business and to this industry will be missed.

Our Key Senior Management team is diverse and skilled, and their commitment and dedication continues as we progress and evolve our journey towards commercial conclusion. Transforming the landscape of the Company, this year we have drawn heavily on the essential IP skills, reliable financial controls and consistent team spirit as we strengthen our product offering, seek new opportunities, build essential infrastructures and equally remain strong on our commercial goals and ambitions in the face of some tough conditions. Their individual qualities continue to show resilience and the experience to fulfil our ambitions.

Laura Brogden, CFO, ensures our financial and compliance obligations are fully met with a steady hand that has proved critical to protecting us against this year's backdrop.

Suzanne Brocks, Head of Communications and Company Secretary, oversees City, Company and public-facing communications, ensuring both internally and to the public, that we are delivering our message and maximising our opportunities, and liaising with our advisers, the AQSE Exchange and engaging in shareholder communications. In her role as Company Secretary she ensures the Company meets all its regulatory and reporting requirements as a public company.

With the ongoing evolution of the Company the whole team has fulfilled their role, stepped up to the challenges and ensured our path of progression.

Opportunity, invention and exploration will continue to drive our team and with some solid achievements this year, we are poised and ready to take next steps towards delivering on what matters to our team and our Shareholders.

Advisers to the Company:

For the lead development programme, Sol, the Company is working closely with the following individuals:

Dr. Kevin Hammond

Dr. Hammond has over 30 years' experience working with some of the world's leading Pharmaceutical, FMCG and Healthcare companies, where he has held responsibilities in directing new product innovation, partnering, licensing, and technology acquisition, for companies such as Reckitt Benckiser, Unilever, PZ Cussons, CB Fleet (US) and GSK. His experience includes operations in Europe, Latin America, North America, South East Asia and Central Asia.

In 2010, Dr. Hammond set up his own consultancy aimed at advising and working with SMEs and University spin-out companies seeking to commercialise their technologies in the Pharmaceutical, Healthcare and FMCG markets. Since this time, he has secured significant returns for clients through facilitating 'entry' into potential customer companies, partnering contracts, technology sales, and licensing and royalty agreements, including deals with companies such as P&G, GSK and Coty.

Professor Mike Cork

Working at the Sheffield Children's Hospital and Sheffield Teaching Hospitals, Mike is a world-recognised opinion leader in disorders of the skin barrier and inventor of dermatological products. He runs a dedicated clinical research facility focused upon the response of normal and diseased skin to topical product.

Board of Directors and Senior Management Team

Strength in our leadership

Board of Directors

Tim McCarthy

Executive Chairman

Tim has 40 years' international senior level business experience in the Healthcare, Biotech and Technology sectors.

He is also CEO of ImmuPharma plc an AIM quoted specialist drug discovery and development company and Chairman of 4basebio PLC, an AIM quoted company developing next generation gene therapy technologies and solutions.

Tim is a former CEO and Finance Director of a number of public and private companies, including Alizyme plc and Peptide Therapeutics Group plc. He has also co-founded a number of healthcare and biotechnology companies. A Fellow of the Association of Chartered Certified Accountants, he also has an MBA from Cranfield School of Management.

Dr. Simon Ward

Chief Executive Officer

Simon is a co-founder of Incanthera and has more than 30 years' senior experience in academia and business.

He was the founder and CEO of Molecular SkinCare Limited, a pioneer and developer of novel dermatology products for the prevention and management of skin diseases. As CSO of York Pharma plc, he was responsible for bringing innovative dermatology product through to market. Simon also served as Chairman of South Yorkshire Bioscience Enterprise Network ('SYBEN') and Deputy Chairman of Medipex, a healthcare innovation hub for NHS organisations across industry and academia internationally.

Simon graduated from the University of London's School of Pharmacy (UK) with a Joint Honours Degree in Pharmacology and Toxicology and was awarded a DPhil in the Department of Human Anatomy, Oxford University under a Glaxo Group Research Studentship.

Key Senior Management

Caroline Murray
Non-executive Director

Caroline is a market specialist in dermatology with 25 years' experience in Pharmaceutical and Biotech including Novartis, BMS and Sanofi. Holding various medical and senior commercial roles whilst working closely alongside the professional community, Caroline has delivered partnership, educational and healthcare communications success.

Laura Brogden
Chief Financial Officer

Laura Brogden has 20 years' experience heading up the finance function for SMEs across a diverse range of industries.

She is also a Partner in Fact3 LLP which provides accounting, HR and IT support for SMEs.

Laura is an Associate of the Chartered Institute of Management Accountants.

Suzanne Brocks
Head of Communications & Company Secretary

Suzanne has over 30 years' City experience.

She was a Senior Director in Financial and Corporate Communications with Buchanan Communications, advising on IPOs and mergers and acquisitions, in addition to general financial public relations consultancy and strategic direction for a wide range of public companies. Previously Suzanne was a Relationship Manager in private banking with Hill Samuel advising clients in London and the Far East.

Corporate Governance Report

The Directors recognise the importance of sound corporate governance. The Company has adopted the QCA code and appropriate disclosures are made on the Company's website and within this Annual Report and Accounts as specified by the QCA code.

Board of Directors

The Board comprises three Directors, of which two are executive and one is independent and non-executive, reflecting a blend of different experiences and backgrounds.

Performance Evaluation

The Directors are responsible for formulating, reviewing and approving the Company's strategy, budget and major items of capital expenditure. The Board meets on a monthly basis to review, formulate and approve the Company's strategy, budgets and corporate actions and oversee the Company's progress towards its goals.

Risk Management and Internal Communications

The Board is also responsible for monitoring the Company's risks as well as for implementing other systems of control which are deemed necessary.

Board Committees

The Directors have established an Audit Committee and a Remuneration Committee, each with formally delegated rules and responsibilities. These Committees meet at least twice yearly.

Audit Committee Report

The Audit Committee determines and examines matters relating to the financial affairs of the Company, including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It receives and reviews reports from management and the Company's auditors relating to the half-yearly and annual accounts and systems of accounting and internal control in use throughout the Company.

Remuneration Committee

The Remuneration Committee reviews and makes recommendations in respect of the Directors' remuneration and benefits packages and that of senior employees, including share options and the terms of their appointment. The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options to employees.

Share Dealing Code

Incanthera plc has adopted and operates a share dealing code governing the share dealings of the Directors of the Company and applicable employees with a view to ensuring compliance with the AQSE Growth Market Rules.

Investor Relations

The Company adopts an open and transparent communications policy, seeking opportunities to engage and update shareholders.

Following the Company's listing on the AQSE Growth Market, the Annual General Meeting will form the principal forum for dialogue with shareholders. Updates on the progress of the business are regularly published on the Group's website. The Company also has a dedicated electronic communication line via its website at www.incanthera.com specifically for shareholders' enquiries and a Twitter feed at @incantheraplc.

Corporate and Social Responsibility

The Company understands that its impact reaches beyond that of its core business and into the environment and society in which it operates. With integrity at the heart of our corporate social goals our aim is to make a lasting positive contribution to all our stakeholders.

The Company seeks to protect the interests of stakeholders in the Company through its policies, combined with ethical and transparent business operations.

Environment

Incanthera plc is sensitive to the environment in which it operates and seeks to ensure environmental standards are complied with.

Human Rights

Incanthera plc is committed to social and morally responsible research, development and manufacturing processes for the benefit of all stakeholders. The activities of the Company are in line with applicable laws on human rights.

Tax Evasion

Incanthera plc adopts a policy of ensuring that all associated persons, including employees and those acting on the Company's behalf, do not facilitate tax evasion.

Employees

Our employees are key to achieving the business objectives of the Company. The Company has established policies for recruitment, diversity and equal opportunities, training and development.

Our priority is to provide a working environment in which our employees can develop to achieve their full potential and have opportunities for both professional and personal development. We aim to invest time and resource to support, engage and motivate our employees to feel valued, to be able to develop rewarding careers and want to stay with us. The Company embraces employee participation in issue raising and resolution through regular update sessions that value contributions from all levels regardless of position in the business.

Shareholders

The Board of Directors actively encourages communication with shareholders and it seeks to protect the interest of shareholders at all times. The Company updates shareholders regularly through regulatory news and financial reports. The Company will also engage directly with shareholders at our Annual General Meeting.

Health and Safety

Company activities are carried out in accordance with its Health and Safety Policy which adheres to all applicable laws.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with company law which requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group consolidated financial statements in accordance with UK International Financial Reporting Standards ('IFRS') and have elected to prepare the parent Company financial statements under United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws including FRS 101 Reduced Disclosure Framework). 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 and of the profit or loss of the Group and the parent Company for that period.

In preparing each of the Group and parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the UK or UK Accounting Standards have been followed, subject to any material departures disclosed and explained; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also generally responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Information published on the website is accessible in many countries and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Each of the Directors confirms that, to the best of their knowledge.

The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the UK, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Suzanne Brocks
Company Secretary
1 September 2022

Directors' Remuneration Report

The Remuneration Committee reviews and makes recommendations in respect of the Directors' remuneration and benefits packages and that of senior employees, including share options and the terms of their appointment. The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options to employees.

Remuneration Committee Report

The sole member of the Remuneration Committee for the majority of the financial year was Alan Warrander as the single independent Non-executive Director. Following Alan Warrander's retirement on 28 February 2022, this role was taken on by Caroline Murray as the current sole independent Non-executive Director.

The responsibilities of the Committee include the following:

- Determining and agreeing with the Board the remuneration policy for all Directors and the senior management team.
- Within the terms of the agreed policy, determining the total individual remuneration package for Executive Directors and the senior management team.
- Overseeing the evaluation of Executive Directors.

Our aim is to deliver a remuneration programme that rewards both achievement of short-term goals and fulfilment of our longer-term objectives in realising the potential of our portfolio.

The remuneration policy is the responsibility of the Remuneration Committee, a sub-committee of the Board. Details of the remit of the Committee is provided in the Corporate Governance section. The Executive Directors attend meetings by invitation but no Director is involved in discussions relating to their own remuneration.

We recognise the need to retain and motivate our Executive Directors and senior management team and the need to avoid making remuneration decisions solely based on shorter-term volatility whilst making good use of the Group's resources. Accordingly, we include two performance-based elements in our remuneration programme: a shorter-term annual bonus programme, with payment amounts based on the previous year's achievement against preset personal and corporate goals for that year; and a longer-term equity-based programme of share options, vesting over three years and directed towards the achievement of substantial, longer-term strategic objectives.

Remuneration Policy for Executive Directors

The Remuneration Committee sets a remuneration policy that aims to align Executive Directors' remuneration with shareholders' interests, and attract and retain the best talent for the benefit of the Group. The Company seeks to strike an appropriate balance between fixed and performance-related reward, forming a clear link between pay and performance.

The remuneration of the Executive Directors during the year ended 31 March 2022 is set out below:

Basic salary

Basic salaries are reviewed annually. The purpose of the base salary is to:

- reflect market rates to support the recruitment and retention of key individuals;
- reflect the individual's experience, role and contribution to the Company; and
- ensure that the Executive Directors are fairly rewarded for carrying out their duties.

It is recognised that the above criteria is not currently being met whilst resources are limited.

Bonuses

Executive Directors and the senior management team participate in a bonus plan under which they are entitled to an annual bonus up to 50% of annual salary. Annual bonus entitlements are based on the achievement of preset Group corporate, financial and personal performance targets as well as considering the availability of funds.

Benefits

Benefits in the form of private medical insurance and death in service insurance are provided to Executive Directors and the senior management team.

Pension

The Group pays pension contributions for Executive Directors and employees into personal pension schemes.

Executive Directors' service contracts and termination provisions

The service contracts of Executive Directors are approved by the Board. The service contracts may be terminated by either party giving 12 months' notice to the other. The details of the Directors' service contracts are summarised below:

	Date of Contract	Notice period	Annual salary
Timothy McCarthy	1 April 2014	12 months	£40,000
Simon Ward	1 October 2012	12 months	£40,000

Non-executive Directors

The Non-executive Director has entered into a letter of appointment with the Company, with the Board determining the fees paid, with regard to market comparatives and similar businesses. The appointment is terminable on six months' notice by either party.

The Non-executive Director does not receive any pension, bonus or benefits from the Company. The contractual terms of the Non-executive Director is reviewed by the Board annually. The current contract is set out below:

	Date of Contract
Caroline Murray	23 February 2022

Non-executive Directors are typically expected to serve two three-year terms but may be invited by the Board to serve for an additional period.

Directors' remuneration during the year ended 31 March 2022

The Directors received the following remuneration during the year:

	Salaries and fees £	Taxable benefits £	Bonuses £	Pension £	Total year to 31 March 2022 £	Total year to 31 March 2021 £
Executive						
Timothy McCarthy	39,996	4,283	nil	3,996	48,275	67,782
Simon Ward	40,244	1,729	nil	3,996	45,969	65,541
Non-executive						
Alan Warrander	8,333	n/a	n/a	n/a	8,333	8,333
Caroline Murray	1,185	n/a	n/a	n/a	1,185	–
	89,758	**6,012**	**nil**	**7,992**	**103,762**	**141,656**

Benefits/Pensions

Details of payments in respect of benefits and pensions arrangements for the Executive Directors are set out in the table above.

Directors' Remuneration Report continued

Long-term Incentives

Following Admission the Company adopted the LTIP which allows for share awards to be made in the form of options, at costs to be determined at the time of the award and in line with the current share price. The Company believes that the LTIP aligns the interest of Executive Directors and the Senior Management Team with those of shareholders and on an ongoing basis will form a significant part of their performance-related pay.

For the purposes of the Schemes, a maximum of 10 per cent. of the Company's issued share capital in aggregate, from time to time, may be issued without the prior approval of shareholders of the Company.

Vesting criteria for options granted under the Schemes are subject to time and performance conditions as follows:

Amount Vesting	Time Condition
36 per cent. ("Tranche One")	On the first anniversary of the date of the grant
32 per cent. ("Tranche Two")	On the second anniversary of the date of the grant
32 per cent. ("Tranche Three")	On the third anniversary of the date of the grant

Performance Condition: Entering into a commercial agreement relating to its intellectual property.

The Schemes provide for good/bad leaver provisions and other standard terms normally associated with such schemes.

Directors' shareholdings

The Directors who served during the year, together with their beneficial interest in the shares of the Company, are as follows:

Ordinary shares of 2p each	At 31 March 2022	At 31 March 2021
Executive		
Timothy McCarthy	**3,882,264**[1]	3,882,264[1]
Simon Ward	**2,652,606**[2]	2,652,606[2]
Non-executive		
Alan Warrander	**104,320**	104,320
Caroline Murray	–	–

1 Of the total shares attributable to Timothy McCarthy, 2,030,264 are held by Unnamed Ltd, a company owned and controlled by Timothy McCarthy, and 524,382 are held in a SIPP belonging to Timothy McCarthy.

2 Of the total shares attributable to Simon Ward, 724,399 are held in a SIPP belonging to Simon Ward.

Bonus

Executive Directors and the Senior Management Team participate in a bonus plan under which they are entitled to a maximum annual bonus of 50% of salary. Annual bonus entitlements are based on the achievement of pre-set Group corporate, financial and personal performance targets.

The performance targets for the financial year ending 31 March 2022 have been set by the Remuneration Committee and include Group corporate, financial and personal performance targets.

The Remuneration Committee considers that the targets will support the business strategy, and that bonus arrangements represent an important element of the performance-related pay for the Executive Directors and the Senior Management Team.

In order to align executives' interests with those of shareholders and manage cash costs, a proportion of the bonus payable to the Executives may be paid in cash and a proportion may be paid in shares through the Deferred Bonus Plan which was adopted by the Company on Admission. The Committee will determine on an annual basis the level of deferral of the bonus payment into Company share awards in the form of nil cost options up to a maximum of 50 per cent. of the bonus earned. DBP awards will vest at the end of a three-year period from the relevant date of grant.

There was no bonus declared or paid during the year to 31 March 2022 (31 March 2021: £70,000).

Directors' and Senior Management Team Share Options

In July 2020 the first grant of options was made to the Directors and members of the Senior Management Team as part of both an approved and unapproved scheme.

In April 2021 a further grant of options was made to the Directors and members of the Senior Management Team as part of both an approved and unapproved scheme.

These options are set out below and are subject to the performance conditions as described above.

The Company has granted the following options under the Scheme:

Option holder	Scheme	Date of grant	At 1 April 2021	Granted during the period	At 31 March 2022	Price per share (pence)	Date from which exercisable	Expiry date
Tim McCarthy	Approved	4 July 2020	1,100,000	–	1,100,000	9.5p	4 July 2023	4 July 2030
	Approved	16 April 2021	–	275,000	275,000	20.0p	16 April 2024	16 April 2031
			1,100,000	**275,000**	**1,375,000**			
Simon Ward	Approved	4 July 2020	1,100,000	–	1,100,000	9.5p	4 July 2023	4 July 2031
	Approved	16 April 2021	–	275,000	275,000	20.0p	16 April 2024	16 April 2031
			1,100,000	**275,000**	**1,375,000**			
Pawel Zolnierczyk	Approved	4 July 2020	1,100,000	–	1,100,000	9.5p	4 July 2023	4 July 2031
	Approved	16 April 2021	–	275,000	275,000	20.0p	16 April 2024	16 April 2031
			1,100,000	**275,000**	**1,375,000**			
Suzanne Brocks	Approved	4 July 2020	1,100,000	–	1,100,000	9.5p	4 July 2023	4 July 2031
	Approved	16 April 2021	–	275,000	275,000	20.0p	16 April 2024	16 April 2031
			1,100,000	**275,000**	**1,375,000**			
Laura Brogden	Unapproved	4 July 2020	1,100,000	–	1,100,000	9.5p	4 July 2023	4 July 2031
	Unapproved	16 April 2021	–	275,000	275,000	20.0p	16 April 2024	16 April 2031
			1,100,000	**275,000**	**1,375,000**			
Total			**5,500,000**	**1,100,000**	**6,600,000**			

Caroline Murray
Remuneration Committee Chair

1 September 2022

Directors' Report

for the year ended 31 March 2022

Financial Statements

The Directors of Incanthera plc (registered in England and Wales: 11026926) present their report together with the audited consolidated financial statements and the Company financial statements for the year ended 31 March 2022.

In accordance with section 414C (11) of the Companies Act 2006, the Directors have chosen to include particulars of important events affecting the Group that have occurred since the end of 31 March 2022 and an indication of likely future developments in the Group's business in the Chief Executive Officer's Review, Operations Report and Strategic (pages 6 to 27).

Directors

The Directors of the Company who served during the year and up to the date of this report, unless otherwise indicated, are as follows:

	Capacity	
Tim McCarthy	Chairman	Appointed 23 October 2017
Simon Ward	Chief Executive Officer	Appointed 23 October 2017
Alan Warrander	Non-executive and Senior Independent Director	Appointed 26 February 2020 and retired 28 February 2022
Caroline Murray	Non-executive and Senior Independent Director	Appointed 23 February 2022

Biographical details of Incanthera Directors are shown on pages 30 to 31.

The Group maintained Directors' and Officers' liability insurance cover throughout the year.

Principal activities of the Group

Details of current and future trading as well as the principal risks and uncertainties are included in the Strategic Report.

Business Review and Key Performance Indicators

The review of the business, future trading and key performance indicators are covered in the Strategic and Financial Reports.

Financial results and dividends

The Group's results for the year ended 31 March 2022 are presented on page 46. The Group's net loss after tax for the year was £1,008k (2021: £905k).

Directors' interests in share options

Details of Directors' interests in shares, share options and service contracts are shown in the Directors' Remuneration Report.

Research and Development

The Group is continuing to research products in its chosen area.

Employee involvement

Employee involvement in the overall performance of the Group is encouraged through both formal and informal meetings which deal with a range of matters including the Group's financial performance, development progress and health and safety. Copies of the Annual Report and Interim Report are made available to all employees.

Financial Risk Management

Details of financial risk management are provided in Note 2 to the accounts.

Substantial shareholdings

At 18 August 2022, the Company had received notification from the following financial institutions of their and their clients' interest in the following disclosable holdings, which represent 3 per cent. or more of the voting rights of the issued share capital of the Company:

Shareholders having a major interest	Number of shares held	% of issued share capital
North West Funds (Biomedical) LP	16,164,540	21.8%
ImmuPharma plc	9,903,349	13.4%
University of Bradford	7,492,040	10.1%
JIM Nominees Limited	6,385,156	8.6%
Pershing Nominees Limited	4,075,750	5.5%
Timothy McCarthy	3,931,646	5.3%
Simon Ward	2,704,199	3.7%
Gateley plc	2,239,295	3.0%

Going concern

At 31 March 2022, the Group had cash and cash equivalents, including short-term investments and cash on deposit, of £295k.

The Directors and Senior Management continue to be fully supportive of the Group, and mindful that cash is beginning to be a constraint they are validating their support by ceasing to take future salaries prior to the signing of this report. The team are also adding further support by providing additional funding. Initially this has been received in the form of a £50k Directors loan alongside a commitment to inject up to an additional £140k during 2023, by way of additional Directors loans and equity investment. This additional cash injection should see the Group funded at a level to support operations through to Q4 of the 2023 calendar year. It is now considered that this additional support alongside the cash held by the Group together with known receivables will be sufficient to support the current level of activities.

Disclosure of information to auditor

In the case of each of the persons who are Directors of the Company at the date when this report is approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the Directors has taken all steps that they ought to have 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 Section 418 of the Companies Act 2006.

Independent Auditor

Jeffreys Henry have expressed their willingness to continue in office as auditor for the year. A resolution to reappoint them will be presented at the forthcoming AGM.

Annual General Meeting

The notice convening and giving details of the 2022 AGM of the Company to be held at 11.00 a.m. on Tuesday 27 September at the offices of Gateley Plc, Ship Canal House, 98 King Street, Manchester, M2 4WU has been sent to shareholders.

Approved by the Board of Directors and signed on behalf of the Board

Tim McCarthy
Chairman

1 September 2022

Incanthera plc
76 King Street
Manchester
M2 4NH

Company registration number: 11026926

Independent Auditor's Report to the Members of Incanthera plc

for the year ended 31 March 2022

We have audited the financial statements of Incanthera PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, company statement of financial position, consolidated statement of cash flows, company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted International Accounting Standards (IFRS). The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK International Financial Reporting Standards (IFRS), as applied in accordance with the provision of the Companies House Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards (IFRS) as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 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 FRC's Ethical Standard as applied to listed entities, 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 director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included a detailed review of the Group's forecasts in comparison to available management accounts at the date of these financials to assess the reasonability of the estimates made. We have further performed a sensitivity analysis to conclude on the degree to which current cash reserves will be able to sustain the Group for at least a further twelve months from the date of these financials.

We draw attention to Note 2 of the financial statements which indicates that the Group's ability to continue as a going concern is reliant on raising further finance to finance costs until the commercialisation of products.

This indicates a material uncertainty exists that may cast significant doubt on the group and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. We identified going concern as a key audit matter based on our assessment of the significance of the risk and effect on our audit strategy.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

- Impairment of parent company investments in subsidiary and recoverability of intercompany loan
- Carrying value of intangible assets.

These are explained in more detail below:

Key audit matter	How our audit addressed the key audit matter
Impairment of parent company investments in subsidiary and recoverability of intercompany loan – parent company financial statements only. The Company had investments of £4,613,616 at the year ended 31 March 2022. The Directors have confirmed all investments, including additions were correctly calculated and being held at cost. The amounts due from subsidiaries amounts to £1,639,876 at the year ended 31 March 2022.	We have performed the following audit procedures: • Reviewed management's assessment of future operating cashflows and indicators of impairment; • Assessed the methodology used by management to estimate the future profitability of Incanthera Research and Development Limited and recoverable value of the investment, in conjunction with any intra-group balances, to ensure that the method used is appropriate; • Assessed the reasonableness of the key assumptions used in management's estimates of recoverable value, in line with economic and industry statistics relevant to the business; • Challenged cash inflows from revenue generating activities and the key assumptions applied in arriving at these, including the royalty rates, licensing revenue, and fixed costs. Assessed the reasonability of cash outflows, included contracted spend and research and capital spend; • Assessed the appropriateness and applicability of discount rate applied to the current business performance; • Confirmed that any adverse change in key assumptions would not create an impairment loss; and • Ensured that disclosures of the key judgements and assumptions was appropriately disclosed. Based on the audit work performed, we are satisfied that management have performed the impairment review appropriately and in accordance with accounting standards.
Carrying value of intangible assets – Group financial statements. The Group intangibles balance amounted to £538,000 at the year ended 31 March 2022 (31 March 2021: £655,000). The Directors have confirmed all intangibles were correctly recognised.	We have performed the following audit procedures: • Obtained management's forecast for future value in use of the intangible assets; • Assessed the reliability of forecasts by agreeing to historical inputs; • Reviewed management and challenged management on their judgements of the forecasted sales and estimates useful life of the intangible assets; • Assessed the ongoing projects viability and ensured they met the criteria defined in the accounting standards for intangibles; and • Tested the clerical accuracy of management's forecast. As all the capitalised intangibles relate to products that Incanthera Research and Development Limited are using to enhance its product, no impairment is required. We are satisfied that although there are uncertainties associated with the useful life of the intangibles, the company's revenue pipeline and forecasts support the carrying value.

Independent Auditor's Report to the Members of Incanthera plc

for the year ended 31 March 2022

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£46,000 (31 March 2022)	£46,000 (31 March 2022)
How we determined it	Based on 5% of net loss.	Based on 1.5% of gross assets.
Rationale for benchmark applied	We believe that net loss is a primary measure used by shareholders in assessing the performance of the Group.	We believe that gross assets are a primary measure used by shareholders in assessing the performance of the Company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components is ranged from £24,000 and £46,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2,300 (Group audit) and £2,300 (Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of 2 reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of Incanthera Plc and Incanthera Research and Development Limited reporting units, which were individually financially significant and accounted for 100% of the Group's revenue and 100% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over goodwill and other intangible assets, as well as certain account balances and transaction classes that we regarded as material to the Group at the 2 reporting units.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 33, 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 group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Incanthera plc

for the year ended 31 March 2022

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.

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:

The extent to which the audit was considered capable of detecting irregularities including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including taxation legislation, data protection, anti-bribery, employment, environmental, health and safety legislation and anti-money laundering regulations.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence.
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit; and
- we assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
  - making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
  - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 of the Group financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.
- In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
  - agreeing financial statement disclosures to underlying supporting documentation;
  - reading the minutes of meetings of those charged with governance;
  - enquiring of management as to actual and potential litigation and claims;
  - reviewing correspondence with HMRC and the group's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of noncompliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Other matters which we are required to address

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company and we remain independent of the group and the parent company in conducting our audit. Out audit opinion is consistent with the additional report to the audit committee.

Use of this report

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

Sanjay Parmar
Senior Statutory Auditor
For and on behalf of
Jeffreys Henry LLP (Statutory Auditors)
Finsgate 5-7 Cranwood Street
London EC1V 9EE

1 September

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2022

	Notes	**Year ended 31 March 2022 £'000**	Year ended 31 March 2021 £'000
Operating expenses			
Operating expenses	3	**(937)**	(979)
Share-based compensation	15	**(148)**	(37)
Total operating expenses	3	**(1,085)**	(1,016)
Operating loss	3	**(1,085)**	(1,016)
Loss on ordinary activities before taxation		**(1,085)**	(1,016)
Taxation	6	**77**	111
Loss and total comprehensive expense attributable to equity holders of the parent for the year		**(1,008)**	(905)
Loss per share attributable to equity holders of the parent (pence)	7		
Basic loss per share (pence)		**(1.36)**	(1.44)
Diluted loss per share (pence)		**(1.36)**	(1.44)

Consolidated and Company Statements of Financial Position

as at 31 March 2022

	Notes	Group As at 31 March 2022 £'000	Group As at 31 March 2021 £'000	Company As at 31 March 2022 £'000	Company As at 31 March 2021 £'000
Assets					
Non-current assets					
Property, plant and equipment	8	**2**	–	**–**	–
Intangible assets	9	**538**	655	**–**	–
Intercompany loan				**1,640**	1,156
Investments in subsidiary undertaking	10	**–**	–	**4,614**	4,614
Total non-current assets		**540**	655	**6,254**	5,770
Current assets					
Trade and other receivables	11	**118**	136	**31**	34
Current tax receivable		**75**	108	**–**	–
Cash and cash equivalents	12	**295**	957	**212**	910
Total current assets		**488**	1,201	**243**	944
Total assets		**1,028**	1,856	**6,497**	6,714
Liabilities and equity					
Current liabilities					
Trade and other payables	13	**196**	165	**34**	60
Total current liabilities		**196**	165	**34**	60
Equity					
Ordinary shares	14	**1,482**	1,482	**1,482**	1,482
Share premium	14	**5,055**	5,055	**5,055**	5,055
Reorganisation reserve	14	**2,715**	2,715	**–**	–
Warrant reserve	14	**1,054**	1,054	**468**	468
Share-based compensation	14	**185**	37	**185**	37
Retained (deficit)/profit	14	**(9,659)**	(8,651)	**(727)**	(388)
Total equity attributable to equity holders of the parent		**832**	1,691	**6,463**	6,654
Total liabilities and equity		**1,028**	1,856	**6,497**	6,714

No Statement of Comprehensive Income is presented in these financial statements for the Parent Company as provided by Section 408 of the Companies Act 2006. The loss for the financial year dealt with in the financial statements of the Parent Company was £339k (2021: £369k).

The financial statements on pages 40 to 64 were approved by the Board of Directors and authorised for issue on 1 September 2022 and were signed on its behalf by:

Dr. Simon Ward
Chief Executive Officer

1 September 2022

Incanthera plc
Registered number: 11026926

Consolidated Statement of Changes in Equity

for the year ended 31 March 2022

	Ordinary shares £'000	Share premium £'000	Reorganisation reserve £'000	Warrant reserve £'000s	Share-based compensation £'000	Retained deficit £'000	Total £'000
Balance at 31 March 2020	1,217	4,443	2,715	–	586	(7,747)	1,214
Total comprehensive expense for the period	–	–	–	–	–	(905)	(905)
Transactions with owners							
Warrant reclassification	–	–	–	586	(586)	–	–
Share issue – cash	265	612	–	468	–	–	1,345
Share-based compensation – share options	–	–	–	–	37	–	37
Total transactions with owners	265	612	–	1,054	(549)	–	1,381
Balance at 31 March 2021	1,482	5,055	2,715	1,054	37	(8,651)	1,691
Total comprehensive expense for the period	–	–	–	–	–	(1,008)	(1,008)
Transactions with owners							
Share-based compensation – share options	–	–	–	–	148	–	148
Total transactions with owners	**–**	**–**	**–**	**–**	**148**	**–**	**148**
Balance at 31 March 2022	**1,482**	**5,055**	**2,715**	**1,054**	**185**	**(9,659)**	**832**

Company Statement of Changes in Equity

for the year ended 31 March 2022

	Attributable to equity holders of the parent					
	Ordinary shares £'000	Share premium £'000	Warrant reserve £'000s	Share-based compensation £'000	Retained deficit £'000	Total £'000
Balance at 31 March 2020	1,217	4,443	–	–	(19)	5,641
Total comprehensive expense for the period	–	–	–	–	(369)	(369)
Transactions with owners						
Share issue – cash	265	612	468	–	–	1,344
Share-based compensation – share options	–	–	–	37	–	37
Total transactions with owners	265	612	468	37	–	1,381
Balance at 31 March 2021	1,482	5,055	468	37	(388)	6,654
Total comprehensive expense for the period	–	–	–	–	(339)	(339)
Transactions with owners						
Share-based compensation – share options	–	–	–	148	–	148
Total transactions with owners	**–**	**–**	**–**	**148**	**–**	**148**
Balance at 31 March 2022	**1,482**	**5,055**	**468**	**185**	**(727)**	**6,463**

Consolidated and Company Statements of Cash Flows

For the year ended 31 March 2022

	Group		Company	
	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000	**Year ended 31 March 2022 £'000**	Year ended 31 March 2021 £'000
Cash flows from operating activities				
Loss before taxation	**(1,085)**	(1,016)	**(339)**	(369)
Depreciation and amortisation	**118**	135	**–**	–
Share-based compensation	**148**	37	**148**	37
	(819)	(844)	**(191)**	(332)
Changes in working capital				
(Increase)/decrease in trade and other receivables	**18**	(21)	**(481)**	(504)
Increase/(decrease) in trade and other payables	**31**	(12)	**(26)**	56
Cash used in operations	**49**	(34)	**(507)**	(448)
Taxation received	**110**	98	**–**	–
Net cash used in operating activities	**(660)**	(779)	**(698)**	(780)
Cash flows (used in)/generated from investing activities				
Acquisition of tangible fixed assets	**(2)**	–	**–**	–
Net cash (used in)/generated from investing activities	**(2)**	–	**–**	–
Cash flows from financing activities				
Proceeds from issue of shares	**–**	1,495	**–**	1,495
Issue costs	**–**	(151)	**–**	(151)
Net cash generated from financing activities	**–**	1,344	**–**	1,344
Movements in cash and cash equivalents in the period	**(662)**	565	**(698)**	564
Cash and cash equivalents at start of period	**957**	392	**910**	346
Cash and cash equivalents at end of period	**295**	957	**212**	910

Notes to the Financial Statements

1. General Information

Incanthera plc ('the Company') is a public limited company incorporated in England and Wales and was admitted to trading on the AQSE Growth Market, under the symbol INC on 28 February 2020. The address of its registered office is 76 King Street, Manchester, England, M2 4NH and the registered company number is 11026926. The principal activity of the Company is clinical stage drug development.

2. Significant Accounting Policies and Basis of Preparation

Basis of preparation

The consolidated financial statements have been prepared in accordance with UK adopted International Accounting Standards ('IFRS'), IFRIC interpretations and the Companies Act 2006 applicable to companies preparing accounts under IFRS.

These are the first financial statements prepared under UK adopted international accounting standards. On 31 December 2020, IFRS as adopted by the European Union, at the date, was brought into UK law and became UK adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. Incanthera Plc transitioned to UK-adopted International Accounting Standards in its consolidated and parent company financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no change on recognition, measurement or disclosure in the financial year reported as a result of the change in framework.

The consolidated financial statements are presented in Sterling (£) and rounded to the nearest £000. This is the predominant functional currency of the Group and is the currency of the primary economic environment in which it operates. Foreign transactions are accounted for in accordance with the policies set out below.

Basis of consolidation

The financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company has the power over the investee; is exposed, or has rights, to variable return from its involvement with the investee; and has the ability to use its power to affect its returns. The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Going concern

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled "Guidance on Risk Management and Internal Control and Related Financial and Business Reporting". The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of the approval of these financial statements. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

Any future fundraising will be undertaken to support the expansion of the activities either through its product offering or global expansion.

Whilst the impact of Covid-19 has been substantially globally, the impact of the Group is not considered to be substantial since the forecasts were not dependent on significant revenues but focused on controlled, considered spend to meet its development and commercial objectives.

The forecast contains certain assumptions about the performance of the business including the growth model and the cost model.

The directors are aware of the risks and uncertainties facing the business but the assumptions used are the Directors' best estimate of the future development of the business.

At 31 March 2022, the Group had cash and cash equivalents, including short-term investments and cash on deposit, of £295k.

The Directors and Senior Management continue to be fully supportive of the Group, and mindful that cash is beginning to be a constraint they are validating their support by ceasing to take future salaries prior to the signing of this report. The team are also adding further support by providing additional funding. Initially this has been received in the form of a £50k Directors loan alongside a commitment to inject up to an additional £140k during 2023, by way of additional Directors loans and equity investment. This additional cash injection should see the Group funded at a level to support operations through to Q4 of the 2023 calendar year. It is now considered that this additional support alongside the cash held by the Group together with known receivables will be sufficient to support the current level of activities.

For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Notes to the Financial Statements continued

2. Significant Accounting Policies and Basis of Preparation continued

Going concern continued

The additional funding is not yet secured and therefore there is a material uncertainty which may cast significant doubt over the ability of the Group to continue as a going concern.

Currencies

Functional and presentational currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or at an average rate for a period if the rates do not fluctuate significantly. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Intangible assets

Intangible assets with finite useful lives that are acquired externally are carried at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives as below. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Licences – 10–20 years

An impairment review is performed annually.

Intangible assets acquired either as part of a business combination or from contractual or other legal rights are recognised separately from goodwill provided they are separable and their fair value can be measured reliably. This includes the costs associated with acquiring and registering patents in respect of intellectual property rights.

Where intangible assets recognised have finite lives, after initial recognition their carrying value is amortised on a straight-line basis over those lives. The nature of those intangibles recognised and their estimated useful lives are as follows:

Patents – straight-line over remaining useful life, up to 20 years
IP assets – straight-line over remaining useful life, up to 20 years

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Office equipment – 33% straight-line
Furniture, fixtures and fittings – 33% straight-line

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Statement of Comprehensive Income.

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Research and development expenditure

Careful judgement by the Directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain until such time as technical viability has been proven and commercial supply agreements are likely to be achieved. Judgements are based on the information available at each reporting date which includes the progress with testing and certification and progress on, for example, establishment of commercial arrangements with third parties. In addition, all internal activities related to research and development of new products are continuously monitored by the Directors.

Income tax

The tax expense or credit represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

(a) Current income tax

Current tax, including R&D tax credits, is based on taxable income for the period and any adjustment to tax from previous periods. Taxable income differs from net income in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods or that are never taxable or deductible. The calculation uses the latest tax rates for the period that have been enacted or substantively enacted by the dates of the Consolidated Statement of Financial Position.

(b) Deferred tax

Deferred tax is calculated at the latest tax rates that have been substantially enacted by the reporting date that are expected to apply when settled. It is charged or credited in the Consolidated Statement of Comprehensive Income, except when it relates to items credited or charged directly to equity, in which case it is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the asset can be utilised. Such assets are reduced to the extent that it is no longer probable that the asset can be utilised.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities, and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets are not recognised due to uncertainty concerning crystallisation.

Payroll expense and related contributions

Wages, salaries, payroll tax, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered.

Pension costs

The Group makes contributions to the private pension schemes of Directors and employees.

Share-based compensation

The Group issues share-based payments to certain employees and Directors and warrants have been issued to certain suppliers. Equity-settled share-based payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, along with a corresponding increase in equity.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of any revision is recognised in the Consolidated Statement of Comprehensive Income, with a corresponding adjustment to equity reserves.

The fair value of share options and warrants are determined using a Black-Scholes model, taking into consideration the best estimate of the expected life of the option or warrant and the estimated number of shares that will eventually vest.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of operating segments.

The Directors consider that there are no identifiable business segments that are subject to risks and returns different to the core business. The information reported to the Directors, for the purposes of resource allocation and assessment of performance is based wholly on the overall activities of the Group. The Group has therefore determined that it has only one reportable segment under IFRS 8.

The results and assets for this segment can be determined by reference to the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position.

Group reorganisation accounting

The Company acquired its 100% interest in Incanthera Research and Development Limited ('Incanthera') by way of a share for share exchange. This is a business combination involving entities under common control and the consolidated financial statements are issued in the name of the Group but they are a continuance of those of Incanthera. Therefore the assets and liabilities of Incanthera have been recognised and measured in these consolidated financial statements at their pre-combination carrying values. The retained earnings and other equity balances recognised in these consolidated financial statements are the retained earnings and other equity balances of the Company and Incanthera. The equity structure appearing in these consolidated financial statements (the number and the type of equity instruments issued) reflect the equity structure of the Company including equity instruments issued by the Company to effect the consolidation.

The difference between consideration given and net assets of Incanthera at the date of acquisition is included in a Group reorganisation reserve. The comparatives included are for Incanthera prior to the Group reorganisation.

Notes to the Financial Statements continued

2. Significant Accounting Policies and Basis of Preparation continued

Investment in subsidiaries
Investment in subsidiaries is shown in the Company balance sheet at cost and is reviewed annually for impairment.

Financial instruments
Financial assets and financial liabilities are recognised in the Group's Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Trade and other receivables
Trade and other receivables that do not contain a significant financing component are initially recognised at fair value and subsequently held at amortised cost less provision for impairment.

IFRS 9 introduces an impairment model. Under IAS 39, an entity only considers those impairments that arise as a result of incurred loss events. The effects of possible future loss events cannot be considered, even when they are expected. IFRS 9 introduces an expected credit loss model which broadens the information that an entity is required to consider when determining its expectations of impairment. Under this model, expectations of future events must be taken into account and this could result in the earlier recognition of impairments.

Cash, cash equivalents and short-term investments
Cash and cash equivalents consist of cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables
Trade and other payables are not interest-bearing and are stated at nominal value.

Classification as debt or equity
Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs.

Financial risk management
Financial risk factors

The Group's activities expose it to certain financial risks: market risk, credit risk and liquidity risk. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Directors, who identify and evaluate financial risks in close co-operation with key staff.

(a) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as competitor pricing, interest rates and foreign exchange rates (see Note 16).

(b) Credit risk

Credit risk is the financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from the Group's cash and cash equivalents, and receivables balances.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash. The Directors monitor rolling forecasts of the Group's liquidity, and cash and cash equivalents, based on expected cash flow.

Capital risk management
The Group has been funded by equity. The components of shareholders' equity are:

(a) The share capital and share premium account arising on the issue of shares.

(b) Merger reserve, which was created as a result of the acquisition by the Company of the entire issued share capital of Incanthera Research and Development Limited on 26 February 2020. This reserve is not considered to be distributable.

(c) The share-based compensation reserve results from the Group's grant of equity-settled share options to selected employees and Directors.

(d) The retained deficit reflecting comprehensive loss to date.

The Group's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long-term. The capital structure of the Group is managed and adjusted to reflect changes in economic conditions. The Group funds its expenditures on commitments from existing cash and cash equivalent balances, primarily received from issuances of shareholders' equity. There are no externally imposed capital requirements. Financing decisions are made based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values because of the short-term nature of such assets and the effect of discounting liabilities is negligible.

Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, the Directors make estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Estimation uncertainty

Receivables from the subsidiary represents interest-free amounts advanced to Group companies with no fixed repayment dates, being amounts due from Incanthera plc advanced to support the Group's research expenditure. In accordance with IFRS 9 'Financial Instruments', where the counterparty would not be able to repay the loan if demanded at the reporting date, the Company has made an assessment of expected credit losses.

Intangible assets

The assessment of the future economic benefits generated by these separately identifiable intangible assets and the determination of its amortisation profile involve a significant degree of judgement based on management estimation of future potential revenue and profit and the useful life of the assets. Reviews are performed regularly to ensure the recoverability of these intangible assets.

Taxation

In recognising income tax assets and liabilities, management makes estimates of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain. Where the final outcome of such matters is different, or expected to be different, from previous assessments made by management, a change to the carrying value of income tax assets and liabilities will be recorded in the period in which such a determination is made. The carrying values of current tax are disclosed separately in the statement of financial position.

Share-based payment charge

Historically the Group issued a number of share options to certain employees. A Black-Scholes model was used to calculate the appropriate charge for these periods. The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge. The total charge recognised in the year to 31 March 2022 was £148k (year to 31 March 2021: £37k).

New standards, amendments and interpretations

New standards are not expected to impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

The Directors have considered those standards and interpretations which have not been applied in these financial statements but which are relevant to the Company's operations that are in issue but not yet effective and do not consider that they will have a material effect on the future results of the Company.

Notes to the Financial Statements continued

3. Operating Loss

An analysis of the Group's operating loss has been arrived at after charging/(crediting):

Operating expenses:	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Research and development	**344**	345
Staff costs (including share-based compensation) – Note 5	**66**	54
Establishment and general:		
Staff costs (including share-based compensation) – Note 5	**276**	249
Depreciation of property, plant and equipment	**–**	3
Amortisation of intangible assets	**118**	132
Operating lease cost – land and buildings	**1**	–
Other administrative expenses	**280**	234
Total operating expenses	**1,085**	1,016

The Group has one reportable segment, namely the development of pharmaceutical products all within the United Kingdom.

4. Auditor's Remuneration

The analysis of the auditor's remuneration is as follows:

Fees payable to the Group's auditors for the audit of:	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
The consolidated and Company annual accounts	**12**	12
The subsidiary's annual accounts	**–**	–
Total audit fees	**12**	12
Audit-related services	**–**	–
Total audit-related fees	**–**	–

5. Employees and Directors

The average monthly number of persons (including Executive Directors) employed by the Group was:

	Group		Company	
	Year ended 31 March 2022 Number	Year ended 31 March 2021 Number	Year ended 31 March 2022 Number	Year ended 31 March 2021 Number
Directors	**2**	2	**2**	2
Management Team	**3**	3	**3**	3
Non-executive	**1**	1	**1**	1
Average total persons employed	**6**	6	**6**	6

As at 31 March 2022 the Group had six employees (31 March 2021: six).

Staff costs in respect of these employees were:

	Group		Company	
	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Wages and salaries	**164**	234	**164**	234
Employer's National Insurance	**15**	19	**15**	19
Employer's pension costs	**15**	15	**15**	15
Share-based payments	**148**	35	**148**	35
Total employee costs	**342**	303	**342**	303

The Group makes contributions to the private pension schemes of Directors and employees.

The total remuneration of the highest paid Director excluding grants of share options was £52,576 (31 March 2021: £73,132).

The Directors have the authority and responsibility for planning, directing and controlling, directly or indirectly, the activities of the Group and they therefore comprise key management personnel as defined by IAS 24.

Aggregate emoluments of three Directors of Incanthera plc:

	Group and Company	
	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Salaries and other short-term employee benefits	**90**	120
Employer's National Insurance	**9**	10
Pension contributions	**8**	8
Options vesting under share option schemes	**–**	–
Total remuneration including vesting of share options	**107**	138
Aggregate emoluments of five Directors within the Group:		
Salaries and other short-term employee benefits	**135**	189
Employer's National Insurance	**13**	15
Pension contributions	**12**	12
Options vesting under share option schemes	**–**	–
Total remuneration including vesting of share options	**160**	216

Directors' emoluments include amounts payable to third parties as described in Note 17.

6. Taxation

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Current tax		
Current period – UK corporation tax	**–**	–
R&D tax credit	**77**	111
Net tax credit	**77**	111

The tax credit for each period can be reconciled to the loss per Consolidated Statement of Comprehensive Income as follows:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Loss on ordinary activities before taxation	**(1,085)**	(1,016)
Loss before tax at the effective rate of corporation tax in the United Kingdom of 19% (2021: 19%)	**(206)**	(193)
Effects of:		
Losses not recognised	**129**	82
R&D tax credit	**(77)**	(111)
Tax credit for the year	**(77)**	(111)

The Incanthera Group also has a deferred tax liability being accelerated capital allowances, for which the tax, measured at a standard rate of 19 per cent. in all periods, is £56,000 (2021: £60,000).

The Incanthera Group has a deferred tax asset for share-based payments, for which the tax, measured at a standard rate of 19 per cent. in all periods, is £157,000 (2021: £130,000).

The net deferred tax asset of £101,000 (2021: £70,000) has not been recognised as it is covered by accumulated tax losses in all periods.

Notes to the Financial Statements continued

7. Loss Per Share

Basic loss per share is calculated by dividing the loss for the period attributable to equity holders by the weighted average number of ordinary shares outstanding during the year.

For diluted loss per share, the loss for the year attributable to equity holders and the weighted average number of ordinary shares outstanding during the year is adjusted to assume conversion of all dilutive potential ordinary shares.

As at 31 March 2022, the Group had 25,966,380 (2021: 15,359,417) share options, warrants and subscriptions outstanding which are potentially dilutive.

The calculation of the Group's basic and diluted loss per share is based on the following data:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Loss for the year attributable to equity holders for basic loss and adjusted for the effects of dilution	**(1,006)**	(905)

	Year ended 31 March 2022 Number	Year ended 31 March 2021 Number
Weighted average number of ordinary shares for basic loss per share	**74,082,871**	62,926,224
Effects of dilution: Share options	**–**	–
Weighted average number of ordinary shares adjusted for the effects of dilution	**74,082,871**	62,926,224

	Year ended 31 March 2022 Pence	Year ended 31 March 2021 Pence
Loss per share – basic and diluted	**(1.36)**	(1.44)

The loss and the weighted average number of ordinary shares for the years ended 31 March 2021 and 2022 used for calculating the diluted loss per share are identical to those for the basic loss per share. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and would therefore not be dilutive under the terms of International Accounting Standard ('IAS') No 33.

8. Property, Plant and Equipment

Group	Office equipment, fixtures and fittings £'000
Cost **At 31 March 2020 and 2021**	47
Additions	2
At 31 March 2022	**49**
Accumulated Depreciation At 31 March 2020	45
Charge for the period	3
At 31 March 2021	47
Charge for the period	–
At 31 March 2022	**47**
Net Book Value At 31 March 2020	3
At 31 March 2021	–
At 31 March 2022	**2**

Depreciation is charged to operating expenses.

9. Intangible Assets

Group	Patents £'000	IP assets £'000	Total £'000
Cost			
At 31 March 2020, 2021 and 2022	988	475	1,463
Amortisation			
At 31 March 2020	375	300	676
Charge for the period	76	56	132
At 31 March 2021	452	356	807
Charge for the period	76	42	118
At 31 March 2022	**527**	**398**	**925**
Net Book Value			
At 31 March 2020	613	174	787
At 31 March 2021	536	119	655
At 31 March 2022	**461**	**77**	**538**

Patents are amortised on a straight-line basis over 20 years. Amortisation provided during the period is recognised in administrative expenses. The Incanthera Group does not believe that any of its patents in isolation is material to the business.

New IP assets are amortised on a straight-line basis over the estimated economic life of the underlying assets, based on the life span of applicable patents. Amortisation provided during the period is recognised in administrative expenses. The time remaining life ranges from 1 to 17 years.

The Group reviewed the amortisation period and the amortisation method for the intangible assets at the end of the reporting period and considered them appropriate.

The Group continually monitors events and changes in circumstances that could indicate that the intangible assets may be impaired. As at 31 March 2022, the Company had no impairment of intangible assets (31 March 2021: £nil).

10. Investments in Subsidiary Undertakings

The consolidated financial statements of the Group as at 31 March 2022 include:

Name of subsidiary	Class of share	Place of incorporation	Principal activities	Proportion of ownership interest	Proportion of voting rights held
Incanthera Research and Development Limited	Ordinary	United Kingdom	Research and development	100%	100%
Incanthera Oncology Limited*	Ordinary	United Kingdom	Research and development	100%	100%
Incanthera Therapeutics Limited*	Ordinary	United Kingdom	Research and development	100%	100%

* now dormant.

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Cost at 1 April	**–**	–	**4,614**	4,614
Acquisition during the year	**–**	–	**–**	–
Cost at 31 March	**–**	–	**4,614**	4,614
Carrying Value as at 31 March	**–**	–	**4,614**	4,614

Breakdown of carrying value of investment:

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Incanthera Research and Development Limited	**–**	–	**4,614**	4,614

Notes to the Financial Statements continued

10. Investments in Subsidiary Undertakings continued

Investments are tested for impairment at the balance sheet date. The recoverable amount of the investment in Incanthera Research and Development Limited at 31 March 2022 was assessed on the basis of Net Present Value ('NPV'). As this exceeded carrying value no impairment loss was recognised.

The key assumptions in the calculation to assess NPV are the future revenues and the ability to generate future cash flows. The future predictions have focused on the lead and most advanced programme, Sol. Due to the nature of the development of Sol, and the time between development expenditure and future incomes, the management have looked ahead to the next ten years and beyond. The projected results were discounted at a rate which is a prudent evaluation of the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit.

The key assumptions used for the NPV calculation in 2022 were as follows:

	%
Discount rate	11.4

The Directors have made significant estimates on the future revenues based around a typical partnering with a large FMCG or Pharma partner. Assumptions have been made based upon on the size of the potential market for Sol as well as the expected royalty percentage across the lifetime of the patent.

The Directors have performed a sensitivity analysis to assess the impact of downside risk of the key assumptions underpinning the projected results of the Group. The projection used is sensitive to the projected royalty assumptions that have been applied.

11. Trade and Other Receivables

	Group		Company	
	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000	**Year ended 31 March 2022 £'000**	Year ended 31 March 2021 £'000
Amounts receivable within one year				
Other receivables	**4**	4	**–**	–
Other taxation and social security	**4**	18	**21**	24
Prepayments	**110**	114	**10**	10
Trade and other receivables	**118**	136	**31**	34

The Directors believe that the carrying value of trade and other receivables represents their fair value. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. In addition, an expected credit losses model is used which broadens the information that an entity is required to consider when determining its expectations of impairment. Under this model, expectations from future events are taken into account which could result in the earlier recognition of impairments. Details on the Group's credit risk management policies are shown in Note 16. The Group does not hold any collateral as security for its trade and other receivables.

12. Cash, Cash Equivalents and Short-term Investments

	Group		Company	
	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000	**Year ended 31 March 2022 £'000**	Year ended 31 March 2021 £'000
Cash at bank and in hand	**295**	957	**212**	910

At 31 March 2022 the Group and Company had no deposits with original maturity of 12 months or less (2021: £nil).

13. Trade and Other Payables

	Group		Company	
	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000	**Year ended 31 March 2022 £'000**	Year ended 31 March 2021 £'000
Amounts falling due within one year				
Trade payables	**149**	118	**–**	–
Other taxation and social security	**5**	29	**23**	50
Accrued expenses	**43**	29	**11**	10
Other payables	**–**	(11)	**–**	–
Trade and other payables	**197**	165	**34**	60

Trade and other payables principally consist of amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are normally settled on 30 to 45-day terms. The Directors consider that the carrying value of trade and other payables approximates to their fair value. All trade and other payables are denominated in Sterling. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

The fair value of trade and other payables approximates to their current book values.

14. Issued Capital and Reserves

Ordinary shares

	Company	
Ordinary shares of 2p each:	Number	Share Capital £'000
At 31 March 2021	74,082,871	1,482
Issued on placing		
At 31 March 2022	**74,082,871**	**1,482**

The ordinary shares rank pari passu in all respects in relation to dividends and repayment of capital, and have equal voting rights with one vote per share. There are no restrictions on the transferability of the shares.

Other reserves

The share premium reserve represents the difference between the net proceeds of equity issues and the nominal share capital of the shares issued.

The Group reorganisation reserves at 31 March 2022 arose from the acquisition of Incanthera Research and Development Limited on 26 February 2020, which is accounted for using the merger method of accounting.

The warrant reserve reflects the aggregate fair value of warrants issued to investors and commercial advisers.

The share-based compensation reserve reflects the aggregate fair value of equity-settled share-based payment transactions.

Reserves classified as retained deficit represent accumulated losses. None of the reserves are distributable.

15. Share-based Payments

Certain Directors and employees of the Group hold options to subscribe for shares in the Group under share option schemes. The number of shares subject to options, the periods in which they were granted and the period in which they may be exercised are given below.

The Group operates one share option scheme (31 March 2021: one). In addition share options have been granted under standalone unapproved share option agreements. Options are currently granted for £nil consideration and are exercisable at a price determined on the date of the grant.

At 31 March 2022 the Company had 7,214,000 (2021: 5,775,000) unissued ordinary shares of 2p under the Company's share option scheme, details of which are as follows:

Notes to the Financial Statements continued

15. Share-based Payments continued

Movements on share options during the year were as follows:

Exercise price	At 1 April 2021	Granted	Lapsed/Cancelled	At 31 March 2022	Date from which exercisable	Expiry date
0.095	5,775,000	–	–	5,775,000	4 July 2023	4 July 2030
0.200	–	1,439,000	–	1,439,000	16 April 2024	16 April 2031
	5,775,000	**1,439,000**	**–**	**7,214,000**		

As at the year end, the reconciliation of share option scheme movements is as follows:

	As at 31 March 2022		As at 31 March 2021	
	Number	**Weighted average exercise price Pence**	Number	Weighted average exercise price Pence
Outstanding at start of year	**5,775,000**	**9.50**	–	–
Granted	**1,439,000**	**20.00**	5,775,000	9.50
Lapsed/cancelled	**–**	**–**	–	–
Exchanged	**–**	**–**	–	–
Outstanding at end of year	**7,214,000**	**11.59**	5,775,000	9.50
Exercisable at end of year	**–**	**–**	–	–

All previously outstanding options which were not exercised or exchanged on listing have lapsed.

Warrants

On 26 February 2020 the Company issued warrants to subscribe for a total of 7,272,740 Ordinary Shares at a price of 9.5p per Ordinary Share to ImmuPharma pursuant to the ImmuPharma Warrant. These warrants are exercisable at any time and will lapse on 6 September 2023.

On placing, 28 February 2020, the Company issued warrants to subscribe for a total of 2,311,677 new Ordinary Shares at the placing price of 9.5p pursuant to the Cairn Warrant, the Pharmhall Warrant and the Broker Warrant. These warrants are exercisable at any time and have an expiry date of 10 years from placing.

On placing, 23 March 2021, the Company issued warrants to subscribe for a total of 9,167,963 new Ordinary Shares at the placing price of 20.0p pursuant to the Investor Warrant and the Broker Warrant. These warrants are exercisable at any time and have an expiry date of 10 years from placing.

16. Financial Risk Management

The main risks arising from the Group's financial instruments are cash flow and liquidity and credit risk. The Group's financial instruments comprise cash and various items such as trade receivables and trade payables, which arise directly from its operations.

Cash flow and liquidity risk

Management monitors the level of cash on a regular basis to ensure that the Group has sufficient funds to meet its commitments where due. The table below analyses the Group and Company's financial assets and liabilities by category:

	Group		Company	
	Year ended 31 March 2022	Year ended 31 March 2021	**Year ended 31 March 2022**	Year ended 31 March 2021
	Financial assets at amortised cost £'000	Financial assets at amortised cost £'000	**Financial assets at amortised cost £'000**	Financial assets at amortised cost £'000
Assets as per statement of financial position				
Other receivables	**118**	136	**31**	34
Cash and cash equivalents	**295**	957	**212**	910
	413	1,093	**243**	944

	Group		Company	
	Year ended 31 March 2022	Year ended 31 March 2021	**Year ended 31 March 2022**	Year ended 31 March 2021
	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000	**Financial liabilities at amortised cost £'000**	Financial liabilities at amortised cost £'000
Liabilities as per statement of financial position				
Trade payables	**149**	118	**–**	–
Other creditors and accruals	**47**	47	**34**	59
	196	165	**34**	59

Credit risk

The Group gives careful consideration to which organisations it uses for banking in order to minimise credit risk. The Group holds cash with two large banks in the UK. The amounts of cash held with this bank at the reporting date can be seen in the financial assets table above. All of the cash and cash equivalents were denominated in UK Sterling.

There was no significant concentration of credit risk at the reporting date.

The carrying amount of financial assets recorded in the Consolidated Statement of Financial Position, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

No allowance has been made for impairment losses. In the Directors' opinion, there has been no impairment of financial assets during the period.

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Directors consider the above measures to be sufficient to control the credit risk exposure. No collateral is held by the Group as security in relation to its financial assets.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates solely to the Group's use of suppliers operating overseas, primarily denominated in Euros and US Dollars. The Group's use of foreign suppliers is minimal and as such exposure to foreign currency changes is not material.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the year end were £nil (2021: £nil).

At present the Group does not make use of financial instruments to minimise any foreign exchange gains or losses so any fluctuations in foreign exchange movements may have a material adverse impact on the results from operating activities.

Fair value of financial assets and liabilities

There is no material difference between the fair values and the carrying values of the financial instruments because of the short maturity period of these financial instruments and their intrinsic size and risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's financial assets are cash and cash equivalents and trade and other receivables. The carrying value of these assets represents the Group's maximum exposure to credit risk in relation to financial assets.

The Group's policy is to minimise the risks associated with cash and cash equivalents by placing these deposits with institutions with a recognised high credit rating.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. An allowance for impairment is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group continually reviews customer credit limits based on market conditions and historical experience.

Notes to the Financial Statements continued

16. Financial Risk Management continued

Capital risk management

The Group considers capital to be shareholders' equity as shown in the Consolidated Statement of Financial position, as the Group is primarily funded by equity finance. The Group is not yet in a position to pay a dividend.

The objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and for other stakeholders. In order to maintain or adjust the capital structure the Group may return capital to shareholders and issue new shares.

17. Related Party Transactions

Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Key management compensation is disclosed in Note 5 of the consolidated financial statements. Directors' emoluments are disclosed in the Remuneration Committee Report.

During the year ended 31 March 2022, the Group purchased accountancy and HR services totalling £40,614 (year ended 31 March 2021: £45,788) from summ.it assist LLP t/as Fact3, a company which Laura Brogden is a member. The amount owed to summ.it assist LLP t/as Fact3 at 31 March 2022 was £3,380 (31 March 2021: £3,385).

At 31 March 2022, Dr. Simon Ward had a Director's loan account balance outstanding due to Incanthera Research and Development Limited of £1,811 (31 March 2021: £1,811).

At 31 March 2022, Tim McCarthy had a Director's loan account balance outstanding due to Incanthera Research and Development Limited of £1,811 (31 March 2021: £1,811).

Company

The Company is responsible for financing and setting Group strategy. The Company's subsidiary carried out the Group's development strategy and managed the Group's intellectual property. The Company provides funding to its subsidiary in the form of a loan. This loan is classified as non-current to reflect the likely repayment schedule of the loan. Interest is accrued at a rate of 5.125% per annum which is considered to be a market rate. Balance outstanding, including accrued interest, at 31 March 2022 was £1,640,000 (31 March 2021: £1,156,000).

18. Contingent Liabilities

The Group has no contingent liabilities at 31 March 2022 (31 March 2021: £nil).

19. Lease and Capital Commitments

The Group has no lease or capital commitments at 31 March 2022 (31 March 2021: £nil).

20. Events after the Reporting Date

As referred to in the Directors' Report on page 39 (Going Concern) on 24 August 2022, Tim McCarthy (Chairman) provided additional funding of £50k to the Group in the form of an unsecured loan at nil interest, to be repaid at a future date, to be mutually agreed between Tim McCarthy and the Company.

On 31 August 2022, the Company entered into a Variation and Deferred Payment Agreement with the University of Bradford ("UOB") for £300k in exchange for the UOB waiving payment of fees due under the UOB Pipeline Agreement from June 2022 to December 2023. During the period of the Agreement, The UOB may convert the waived fees into Ordinary Shares of the Company at the prevailing share price or the Company may repay the full amount should funding allow it to do so.

21. Ultimate Controlling Party

There is no ultimate controlling party of the Group.

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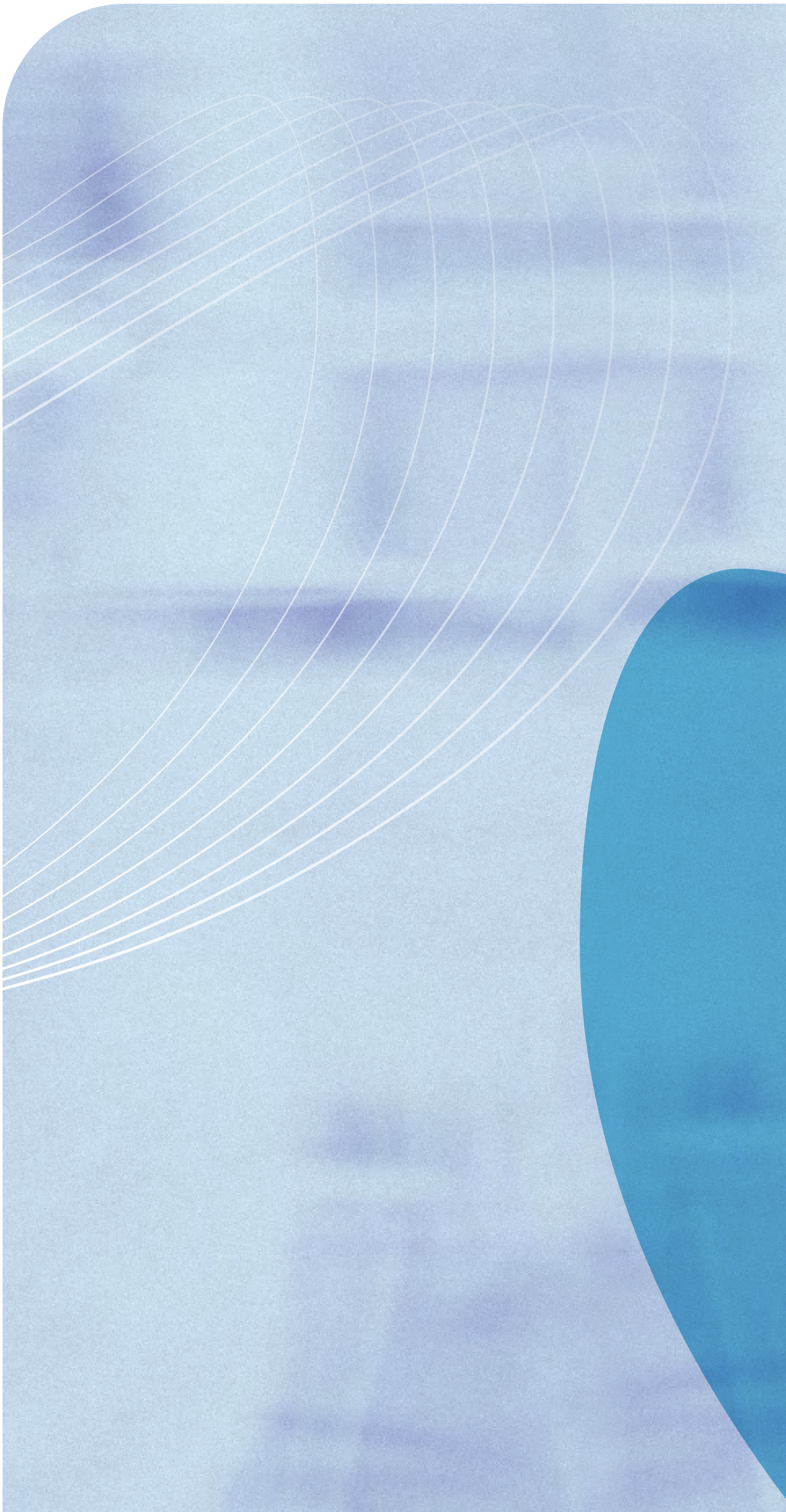

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