Innovative technologies for dermatology and oncology

Incanthera plc
Annual Report & Accounts 2023

Registered number: 11026926

incanthera

Incanthera is a specialist company dedicated to innovative technologies in dermatology and oncology.

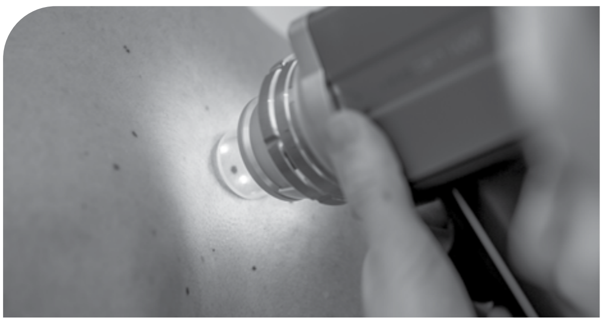
Harnessing unique formulations with proven delivery techniques, we provide answers across unmet treatment and clinical needs.

Identifying, Developing, Commercialising.

- Unique formulations with targeted delivery: faster treatment solutions
- Commercialised products to market demand: Faster, de-risked return to investors

The Company's current focus is the development of dermatological formulation and delivery technologies, offering solutions across a wide range of indications.

This includes Incanthera's unique formulation for an innovative topical product developed for solar keratosis and skin cancers.



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

Strategic Report

Highlights

- **Commercial deal discussions concentrated towards conclusion**
- **Refinement of dermatological product formulations**
- **Formulation to meet global demand across unmet dermatological needs**
- **Increasing potential for expansion and global commercial benefit**
- **Protection of valuable IP across global territories**
- **Tight cost control through lean business model**

Skin Care Market

- $180bn skincare **market** (including dermatology and cosmetics) **global revenues projected to reach by 2024***

Demand for innovative formulation technologies

- Incanthera draws on existing IP, formulation expertise and unique delivery technologies

Skin Cancer Data:

- The global market for skin ‘sun care’ products is projected to reach **US$13.7 billion** by 2024 (excluding pharmaceutical products, currently $3.4bn)*
- Rates of skin cancer in **UK increasing by 70% in 25 to 49-year-olds since 1990s**
- Skin cancer (including solar keratosis) the most common form of cancer in white populations
- The sun care market is being driven by increased awareness of sun exposure
- **No clear evidence that current sun creams protect the skin from carcinoma or melanomas**

*Market size estimates sources from external commercial sector reports.

Incanthera – Our Purpose

Delivering treatments of the future

Incanthera's mission is to bring life changing treatment options to the public arena, whilst seeking commercial opportunities for future growth and discovery.

Incanthera has concentrated its expertise in IP, ground-breaking formulation skills, and our unique delivery technologies refining and perfecting our dermatological approach towards an offering that will directly meet global demand, addressing the prevention and treatment of many unmet clinical and dermatological indications.

Our unique business model seeks to identify the potential for groundbreaking work across the spheres of dermatology and oncology, acquiring and/or developing those technologies through to commercialisation, for faster route to market and financial return to Shareholders.

Over a decade of experience and partnerships support every area of our business from first sight of valuable IP to patent protection and commercial advice.

Incanthera has developed and refined its model and offering since it was first established in 2010, bringing with it greater opportunities to mature and expand its vision for future successes.

Incanthera is focused on delivering commercial success and shareholder value, with a clear path for expansion and growth for our company.

Chairman's Statement

Formula for Global Success

Welcome to Incanthera's Annual Report 2023, and a very warm welcome to our Shareholders and followers.

The year under review has been one of immensely focused work, as we aim to conclude our commercialisation goals, as promised to Shareholders.

The management team has been working with focused determination towards the refinement and conclusion of a potential deal that will bring our expertise to the commercial forefront, while our formulation experts have worked with dedication to perfect our specialist dermatological offering to meet the global stage.

Our Business

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

The primary focus of our team remains the completion of our combined formulation and delivery technology in a product that we aim to be the subject of a commercial deal.

Our team and partnerships of highly skilled experts have worked to produce formulation offerings to meet effective solutions to target disease in areas demanding solutions, delivering products that will uniquely address clinically and commercially unmet needs. In refining that global market-ready product, we believe we can address identified demand within a multi-billion-dollar market.

In support of that, we have continued to utilise our in-laboratory facilities, whilst securing and building our professional working relationships, to support our commercial ambitions.

The team has worked to ensure financial controls are kept tightly controlled through a lean business model, keeping operating costs low as we continue to preserve our cash runway, while ensuring protection of our valuable intellectual property across global territories, which continues to be expertly applied and reviewed.

We continue to work with the Institute of Cancer Therapeutics ('ICT') at the University of Bradford, who's excellence in discovering innovative oncology IP continues to introduce exciting new developmental technologies in the global fight towards treating and defeating cancer. Incanthera's oncology portfolio is regularly reviewed and evaluated for commercial opportunity and partnerships. This reflects and honours both our heritage and our future.

Our advisers continue their invaluable support in this process and we thank them for their contribution and enhancement of our team's work.

Our team, as always, has performed with loyalty, dedication and sacrifice throughout this year, as we all work to deliver the essential news that will be transformative for our company.

Outlook

It has been an important, progressive year for Incanthera, in which we have concentrated our expertise on our product offering, evolved existing commercial opportunities and worked hard as a team to progress our core business for the potential ahead of us.

I would like to thank the team. Their commitment and resourcefulness have allowed our progression towards this pivotal moment for ongoing success.

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

Tim McCarthy
Chairman
30 September 2023

Investment case

- **Global commercial deal discussions evolved towards conclusion**
- **Formulation and delivery technologies refined to meet identified global demand**
- **Infrastructure enhanced through lab facilities, sample production and contractual relationships to effect commercial deal**
- **Multi-billion $US market**
- **Industry endorsed**
- **Differential business model: Identify, Prepare, Commercialise**

Chief Executive's Statement

Preparation for launch

Welcome to Incanthera's Annual Report 2023.A further year of perfecting our craft to be poised for commercialisation has been the drive of this year.

Overview of Progression

Our pursuit of the right global deal for our technologies has positively resulted in the formulation and delivery technologies being greater than our original blueprint, through potential product range and therefore global market capacity.

We are very pleased with our various discussions to enter the global markets for our unique formulation and delivery expertise.

The long road to that point has been a test of everyone's faith and patience, but the team has remained true to its promise and commitment and I thank them for their resilience.

The Year in Review

The management team has matched energy and experience with an ability to adapt and resolve along the road towards commercialisation.

We remain resolutely firm in successfully concluding a deal in the short term.

While the team is firmly focused forward, the great engine of the team that makes our products the subject of such potential continues to deliver.

Our formulators have refined and perfected our products to meet the market demand for currently unmet dermatology indications.

Our virtual infrastructure has also moved up several gears across this period, and we now have in place the personnel, facilities, and relationships to produce formulation sampling, production, branding and packaging.

These are critically strong components to securing the global potential in front of us and I thank the individuals involved for their strong advancement this year.

Alongside all of this is the essential guidance of our teams of advisers, whose invaluable input continues to steer and protect us as we navigate the path towards success.

We also continue to work closely with the Institute of Cancer Therapeutics (ICT), at The University of Bradford, with a peer reviewed paper currently on track for publication.

The Team

I am so fortunate that the core of Incanthera is a small team of like-minded, forward-thinking individuals who have committed to seeing the vision we set out become reality, no matter the challenges.

They have risen to meet them head on and their individual skillset and personalities are the forces that ensure we remain aligned with our ambitions, maintain the company alive and prioritise the Company's delivery.

Summary

I wish to acknowledge the limited and extended duration between news updates at the conclusion of this year's reporting.

The actuality reflects a substantial level of activity and progress behind the scenes, resulting in notable improvements and refinements across our operations. I am very proud of that and the promise it holds for our future.

I want to show recognition of the faith and belief shown by our loyal shareholders. This does not leave us, and we strive to deliver in everything we achieve along this journey.

We look forward to reaching our end goals and rewarding our shareholders, supporters, and the market with further news.

Dr. Simon Ward
Chief Executive Officer
30 September 2023

Strategic Framework

Growth and maturity for commercialisation

The past year has seen all operations gear towards global market-ready commercialisation.

Our resources have remained tightly concentrated on ensuring we have a framework that can deliver product, sample production, expertise in contractual relationships and professional commercialisation contacts.

While we navigate the conclusion of commercial discussions, operational resources remain tightly controlled to ensure a lean operating business model.

Incanthera continues to protect and evolve every area of our strategic framework to ensure we have an all-encompassing network to provide the very best opportunities for our business.

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

Our strategy is to **acquire/identify**, **prepare** and **commercialise** our portfolio candidates through commercialisation for faster market entry and early revenue generation for the Company, ensures continued development of our technologies matched with returns to shareholders.

Looking for opportunities to **acquire/identify**, 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.

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

Our **commercialisation** efforts are focused towards completing commercial deals discussions, while building and enhancing both our infrastructure and product offering.   We believe our refined formulations may uniquely offer a solution in a multi-billion-dollar marketplace with an identified demand.

Key objectives and performance 2023

Objective	**Key progress during the period: Apr 2022- current date**
To progress to conclusion commercial deal/partnering discussions	**Global Commercial Discussions** Incanthera has continued to evolve and progress commercial discussions for potential deals of our unique formulations with Global commercial opportunity. **Refinement and completion of market product** Incanthera has expert formulators contractually secured, who have perfected and refined our formulations to create a global market ready product, with safety, efficacy and marketing ready to support a commercial deal.
To ensure the ongoing potential for pipeline IP for future development	**Expert formulators for dermatology indications** The Company's key experts in dermatology employ their expertise and technology to develop further targeted products, for further potential dermatology indications. The Company continues to work closely with the ICT at University of Bradford to review all potential future oncology IP including Skin Sciences Division at the ICT to bridge oncology and dermatology resource and opportunities.
To build infrastructure to support product and ongoing commercial deals	**Investment through laboratory production facilities and commercial relationships** The Company has invested in supporting infrastructure through its Sheffield laboratory facilities to ensure formulation testing and sample production for commercial deal preparation.

To protect the Company's valuable IP and patent technologies across global territories	The Company continues to be advised and protected by experience patent attorneys for protected registration of our IP across global territories.
To ensure financial security through management and controls	**Lean business model for tight cost controls** Incanthera operates a lean business model with tight cost controls to ensure the financial runway of our company.

Strategic Priorities	Progress to date
Identify	• Incanthera's specialist dermatology and oncology portfolio consists of novel technologies, acquired through commercial acquisition, internal development, and our exclusive pipeline deal with ICT. • Our formulation and delivery technology asset 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 ICT and Skin Sciences Division within the ICT.
Prepare	• Our expert formulators refine our dermatology products to meet the global commercial market. • Contractually secured commercial relationships provide essential infrastructure support. • Manufacturing facility at Sheffield produces formulations for commercial samples. • Labelled trademark sample pots produced and supplied ready for potential deal.
Commercialise	• Advanced commercialisation discussions continue around our dermatology formulations to meet identified market demand in the global market. In addition, the Company is applying its expertise and technology for further targeted products. • 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

Preparing for Global Commercialisation

Incanthera was established to bring leading edge therapeutics to the public stage through commercialisation, offering a faster route to market and a faster return to investors.

Our current pipeline of technologies bridges the spheres of dermatology and oncology, with our most recent focus on dermatological formulations that have been developed and refined by our leading formulation experts.

Harnessing bioactive ingredients in unique formulations with previously unseen delivery efficacy across the dermal barrier, this science offers the potential for expansion across many dermatological indications and fields.

There is a direct market demand in this previously unresolved area and the Company has continued to concentrate on reaching conclusion of current potential deal discussions in a global market worth multi-billion US$.

Incanthera's Commercialisation Path

- Manufactured market ready product; proven unique, effective & safe technology
- Multi-billion US$ market
- Opportunities across skincare/dermatology and disease treatment/prevention
- Enhanced commercialisation infrastructure
- Expert Contracted specialists
- Committed team, strengthened commercial experience
- Management close to concluding commercial deal

A crucial step in our path to commercialisation was the establishment of a **manufacturing facility** within Sheffield University last year, which provided essential batch sample production of our formulation for evaluation and trial by potential commercial licensees. This ensures a cost-effective base for further productivity, testing and product capability.

- Incanthera continues to work closely with the Skin Sciences Division at the **ICT** at the University of Bradford, who assist in **vital testing and clinical data**, evaluating **our formulation against currently marketed** commercial products.
- The Company is exploring its expertise and technology across **further targeted products**. This **includes sun factor protection technology** used in **conjunction with our skin care formulation**.
- 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.**

Financial Review

Finessing our goals

I am pleased to present our full year results for the year to 31 March 2023.The year has been one of strict financial control in the face of limited financial resources as we progress towards our first commercial deal.”

Laura Brogden,
Chief Financial Officer

The financial performance for the year ended 31 March 2023 was in line with expectations.

Losses

The total group loss for the year before exceptional items was £885k (31 March 2022: £1,008k) including a charge for share-based compensation of £149k (2022: £148k). Operating expenses excluding share-based compensation reduced to £811k (2022: £937k).

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 £149k (2022: £148k) and has no impact on cash flows.

Headcount

Average headcount of the Group for the year was Eight (2022: Six).

Taxation

The Group has elected to claim research and development tax credits under the small or medium enterprise research and development scheme of £75k (2022: £77k).

Cash flows and financial position

The cash position at 31 March 2023 decreased to £3k (31 March 2022: £295k). Expenditure on development costs and recurring general and administrative costs were offset to some extent by the receipt of the 2022 tax credit (£77k). There was no further investment income during the year and the group remains in a pre-revenue phase.

Dividends

No dividend is recommended (2022: nil) due to the early stage of the development of the Group.

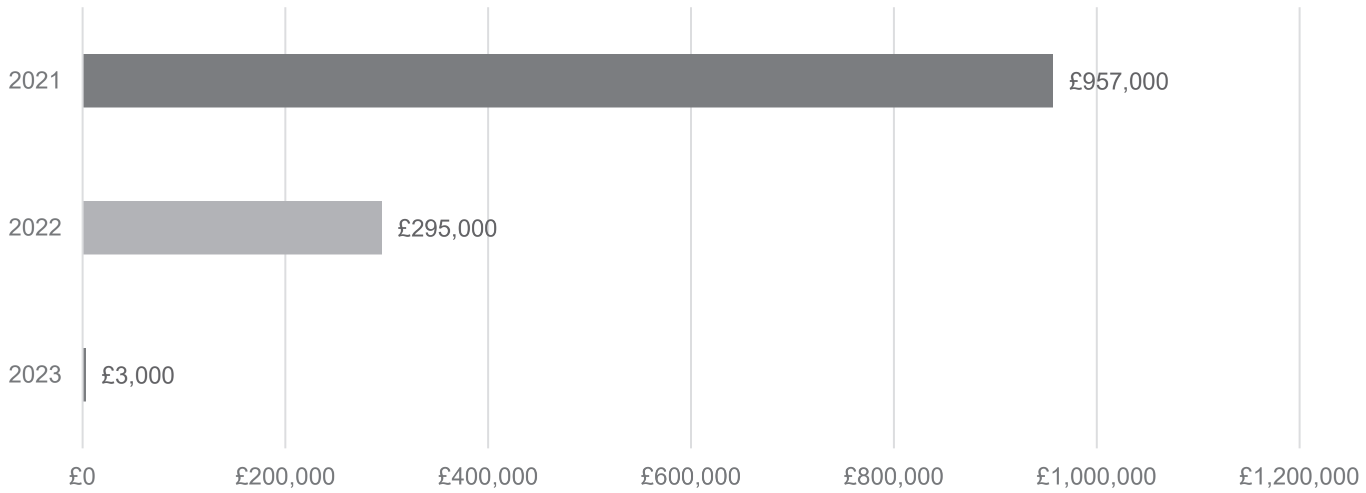
Loss Per Share

The basic and diluted loss per share was 1.18p (before exceptional costs) (2022: 1.36p).

Key performance indicators

Key Performance Indicators include a range of financial and non-financial measures (such as development 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.

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



Net cash (outflow)/inflow

(including short-term investments):

Operating loss:

The operating loss reflects continued investment into our development programmes as well as costs associated with our continued listing on the AQSE Growth Market

Laura Brogden
Chief Financial Officer
30 September 2023

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.

Market Risks	
Risk	**Mitigating factors**
ECONOMIC	
Global Inflation Cost of Living Interest Rates	The pressure on pricing, energy costs and global 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 formulation sample production • 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 through commercial deals.
GEO-POLITICAL	
War in Ukraine	• The ongoing war in Ukraine continues to have wide ranging implications for the world, effecting food production, gas and oil prices, creating an inflationary effect across the globe, including stock markets and valuations.
Pressure on Prices around the world Food/energy supply shortages Global uncertainty	• Incanthera seeks to mitigate this by the controls detailed above and by seeking to ensure financial stability by appropriate methods 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.

Pharmaceutical Environment Risks	
Risk	**Mitigating factors**
Research and Development	
The Company is operating in the biopharmaceutical development sector and the Company will 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 advisors support the management team.
Risk	**Mitigating factors**
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.
Risk	**Mitigating factors**
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. **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 is monitored and advised by its Lawyers and Patent Attorney on all aspects of IP, corporate and industry law. The Company complies with the strictest operation of patent registration, monitoring, protection and valuation. The Company is advised by its retained Patent Attorney.
Risk	**Mitigating factors**
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 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.

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 to 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 has continued to be underpinned by the Directors' and Management Team's further investment into the Company.

Risk	Mitigating factors
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 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.

Risk	Mitigating factors
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 may 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.

Risk	Mitigating factors
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

Overview

Incanthera’s mission is to provide innovative technologies in Dermatology and Oncology. 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 brilliant 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 the most 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 protects the current and future successes of our Company and the past year’s success owes much to their determination and talents that have ensured achievement and delivery of promises to Shareholders, in spite of the challenges faced by everyone.

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 skills 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, also 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 the 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 few 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 complex, but we have made great progress in our formulation product solution and infrastructure, towards concluding a deal for our Shareholders that will bring returns but also deliver future growth and wide opportunities for expansion.

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

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 of sustainability, ethical and social care of our planet.

Dr. Simon Ward
Chief Executive Officer
30 September 2023

Section 172 Statement

Incanthera plc is compliant with Section 172 of the Companies Act, 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 of the Company's listing on the AQSE 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 practice 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, 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, advisory input and 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.

Our professional and commercial relationships continue to grow as an essential part of the Company's evolution, as evidenced by this year's progression 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 we have built long-standing and productive relationships with, have shared the Company's journey to this stage, and are essential to our successes to date.

We are indebted to their support and evolutionary thinking 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 be at 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.

Governance Report

Chair's Introduction

Incanthera's Board and management is a committed and dedicated team of loyal and dedicated specialists with distinguished positions within the healthcare industry and their specialist fields.

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 lead to the introduction of the potential IP that became our formulation 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. My role prioritises the strategic direction and management of the company, the collegiate environment and support of the management team, and the appointment of corporate and commercial relationships, aiding my commitment to deliver to our shareholders.

Our Board is given excellent market and commercial credence in **Caroline Murray** as **Non-Executive Director**. Caroline's extensive product management and marketing experience perfectly suits our company's near-term goals and ambitions as we look to commercialise our lead formulation product.

Our Key Senior Management team's skills and commitment continue to drive our journey towards commercial conclusion.

Laura Brogden, CFO, has the critical role of ensuring the financial roadmap and security of our company is assured.

Laura expertly reins the balance of cost control, financial model management and essential commercial forecasting with expertise, and strict regulatory compliance. Laura's steady hand is exemplary in both protecting and projecting us.

Suzanne Brocks, Head of Communications and Company Secretary, oversees City, company and public facing communications.

Understanding this essential priority, Suzanne strives to deliver our message and maximise our opportunities, liaising with our advisors, 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.

This year we have focused all energies on the commercial progression of our formulation's remarkable abilities and our essential infrastructure investment.

This year our team has been enhanced through investment in our key infrastructure and commercial expertise, strengthening our path towards commercialisation and complementing our broad range of scientific, IP, financial and public company experience.

The in-laboratory facilities established at Sheffield University last year is a crucial element of being prepared for a global market ready product. Our manufacturing capabilities provide product samples for commercial evaluation, and many capabilities beyond. This is an excellent asset with wide potential, but also tightly managed and cost controlled.

This year has drawn on the experience and skillset of each individual, as we have sought to expertly refine our product, step up our commercial infrastructure and tightly preserve and control costs while maintaining the ability to evaluate and assess the market around us, retaining our critical advisory network.

The landscape for our company has continued to evolve into increasing commercial global potential this year. This requires a concentrated focus, expansion of skills and mindset, and the firm belief in a pivotal moment from our small team.

It is my pleasure to work with such a determined and talented team.

Advisers to the Company:

In ensuring our path to successful commercialisation conclusion, the Company has secured the contractual engagement of the following professionals:

Industry Expertise;

Dr Kevin Hammond, Industry Expert
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 and Central Asia.

Professor Mike Cork, Consultant Dermatologist
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.

Dr. Neil Kilcullen, Formulation & Product Development Specialist
Experienced in all aspects of product development encompassing concept development, formulation development, scale-up and production. Previous roles with Unilever, EC De Witt, and Reckitt Benckiser included product development for brands such as Witch, T-Zone, Clearasil and E45.

Board of Directors and Key Senior Management

Tim McCarthy
Chairman

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

He is also the Non-Executive Chairman & CEO of ImmuPharma plc, an AIM-quoted specialist drug discovery and development company, and Non-Executive 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 a 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.

Mrs 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.

Key Senior Management

Laura Brogden
Chief Financial Officer

With over 16 years at the helm of finance functions for SMEs across diverse industries, Laura is an accomplished CFO and strategic financial leader.

An Associate of the Chartered Institute of Management Accountants, her expertise in financial management, coupled with her role as a Partner at Fact3, where she drives accounting, HR, and IT support for SMEs, showcases her commitment to holistic business growth.

Suzanne Brocks
Head of Communications & Company Secretary

Suzanne has over 35 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 of 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 is 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 an X 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 encourage communication with shareholders and they seek 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 Company law 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 and parent companies financial statements in accordance with UK International Financial Reporting Standards (IFRSs). 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 judgments 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

30 September 2023

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 Caroline Murray as the single 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 Officers.

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 2023 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 with the Company; and
- ensure that the Executive Directors are fairly rewarded for carrying out their duties.

Directors' remuneration during the year ended 31 March 2023

The Directors received the following remuneration during the year:

	Salaries and fees	Taxable benefits	Bonuses	Pension	Total year to 31 March 2023	Total year to 31 March 2022
	£	£	£	£	£	£
Executive						
Timothy McCarthy	16,667	4,982	nil	3,996	25,645	48,275
Simon Ward	30,000	2,000	nil	3,996	35,996	45,969
Non-Executive						
Caroline Murray	5,000	n/a	n/a	n/a	5,000	1,185
	51,667	6,982	Nil	7,992	66,641	95,429

Benefits/Pensions

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

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 2023	At 31 March 2022
Executive		
Timothy McCarthy	**3,931,646**[1]	3,931,646
Simon Ward	**3,064,199**[2]	2,704,199
Non-Executive		
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 2023 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% 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 2023 (31 March 2022: nil).

Directors' and Senior Management Team Share Options

In July 2020 the first grant of options were made to the Directors, members of the Senior Management Team and Commercial Partners (who later joined as employees) as part of both an approved and un-approved scheme.

In April 2021 a further grant of options were made to the Directors, members of the Senior Management Team and Commercial Partners (who later joined as employees) as part of both an approved and un-approved 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 2022	Lapsed during the period	At 31 March 2023	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
			1,375,000	**-**	**1,375,000**			
Simon Ward	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
			1,375,000	**-**	**1,375,000**			
Pawel Zolnierczyk	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
			1,375,000	**(1,375,000)**	**-**			
Suzanne Brocks	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
			1,375,000	**-**	**1,375,000**			
Laura Brogden	Un-approved	4 July 2020	1,100,000	-	1,100,000	9.5p	4 July 2023	4 July 2030
	Un-approved	16 April 2021	275,000	-	275,000	20.0p	16 April 2024	16 April 2031
			1,375,000	**-**	**1,375,000**			
Kevin Hammond	Un-approved	4 July 2020	275,000	-	275,000	9.5p	4 July 2023	4 July 2030
	Un-approved	16 April 2021	100,000	-	100,000	20.0p	16 April 2024	16 April 2031
			375,000	**-**	**375,000**			
Total			**7,250,000**	**(1,375,000)**	**5,875,000**			

Caroline Murray
Remuneration Committee Chair

30 September 2023

Directors' Report

For the year ended 31 March 2023

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 2023.

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 2023 and an indication of likely future developments in the Group's business in the Chief Executive Officer's Review, Operations Report and Strategic Reports.

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
Caroline Murray	Non-Executive and Senior Independent Director	Appointed 23 February 2022

Biographical details of Incanthera Directors are shown on page 20.

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 2023 are presented on page 35. The Group's net loss after tax for the year was £1,372k (2022: £1,008k).

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.

Political and charitable donations

The Group made no political donations in the current or prior year.

Substantial shareholdings

At 23 August 2023, the Company had received notification from the following financial institutions of their and their clients' interest in the following disclosable holdings, which represent 3% 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	20.8%
ImmuPharma plc	9,904,319	12.7%
University of Bradford	7,492,040	9.6%
The Bank Of New York (Nominees) Limited	5,575,871	7.2%
Pershing Nominees Limited	4,026,450	5.2%
Timothy McCarthy	3,931,646	5.1%
Simon Ward	3,064,199	3.9%

Going concern

As part of their going concern review 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 preparing these forecasts, the Directors have made certain assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

Whilst the global economic environment continues to be turbulent, the impact on the Group is not considered to be substantial and the assumptions used in the forecasts are not dependent on revenues but focused on controlled, considered spend to meet its development and commercial objectives.

The Directors are aware of the risks and uncertainties facing the business and the assumptions used in the forecasts are the Directors' best estimate of the future development of the business. See Note 2 on page 40.

At 31 March 2023, the group had cash and cash equivalents of £3k.The directors acknowledge there is a material uncertainty.

The directors and senior management continue to be fully supportive of the group and are mindful that cash liquidity is a constrain, they are validating their support by deferring their salaries for at least twelve (12) months from the date of this report. Directors are also confirming they will not demand a repayment of directors' loan until the business becomes economically viable. The team is also prepared to support by providing additional funding as when needed for the group & companies to meet its liabilities when they fall due.

The Directors have also obtained confirmation from the loan note holder that is their firm intention to convert.

Although the Directors are confident of entering into commercial deal(s) in the next 12 months which will generate revenues, there is no assumption in the forecasts of revenue income. The Directors continue to closely control expenditure, and should the company require additional funding prior to the receipt of revenues, then appropriate measures will be taken, which could include a fundraise. For these reasons, the Directors 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.

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 are 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 Auditors

Jeffreys Henry LLP has indicated that it will not seek reappointment as the Company's Auditor at the annual general meeting as, following a business reorganisation, the firm will provide audit services to clients from another company in the group, Gravita Audit Limited. A resolution to appoint Gravita Audit Limited as the Company's Auditor will be proposed at the Annual General Meeting.

Annual General Meeting

The notice convening and giving details of the 2023 AGM of the Company to be held at 12 noon on Wednesday 8 November 2023, at the company's lawyers, Gateley plc, Ship Canal House, 98 King St., Manchester M2 4WU has been sent to Shareholders.

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

Tim McCarthy
Chairman

30 September 2023

Incanthera plc
76 King Street
Manchester
M2 4NH

Company registration number: 11026926

Financial Statements

Independent Auditor's Report to the Members of Incanthera plc

For the year ended 31 March 2023

Independent auditor's report to the members of Incanthera PLC

Qualified Opinion

We have audited the financial statements of Incanthera PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023 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 International Financial Reporting Standards (IFRSs) as adopted by the UK. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom, as applied in accordance with the provision of the Companies House Act 2006.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report:

- 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 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the United Kingdom;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the United Kingdom 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 qualified opinion

As explained in note 2, whilst the directors have prepared the financial statements on the going concern basis, there are material uncertainties which may cast significant doubt over the group and parent company's ability to continue as a going concern. Our evaluation of the directors' assessment of the group and parent company'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 financial statements to assess the reasonability of the estimates made. We were unable to obtain sufficient evidence to support the directors' representations about the proposed future actions described in note 2 to provide funding or support to the group. Consequently, we are unable to confirm whether the going concern basis of preparation is appropriate. In addition, if the going concern basis of preparation was inappropriate, the strategic report would also need to be amended.

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 qualified opinion.

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. In addition to the matter described in the basis of qualified opinion section, 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 matters	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 £241k at the year ended 31 March 2023. The Directors have confirmed all investments, including additions were correctly calculated and being held at cost. The amounts due from subsidiaries amounts to £Nil at the year ended 31 March 2023.	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; • Indicators of impairments were identified and hence provisions were made. • 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 £58,000 at the year ended 31 March 2023 (31 March 2022: £538,000). 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 there were indicators of impairment, they were adjusted for. 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.

Accounting treatment of convertible loan notes – Group financial statements. The convertible loan note balance amounted to £150,000 at the year ended 31 March 2023 (31 March 2022: £Nil). The Directors have confirmed convertible loan notes were correctly recognised.	We have performed the following audit procedures: • Obtained management's workings and vouched them to the agreement and split in liability and equity component; • Assessed the appropriateness and applicability of discount rate applied to the current business performance • 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 and disclosed appropriately in accordance with accounting standards.

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	£68,000 (31 March 2023)	£15,000 (31 March 2023)
How we determined it	Based on 5% of net loss.	Based on 5% of net loss.
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 net loss is a primary measure used by shareholders in assessing the performance of the Group.

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 £5,000 and £40,000.

We agreed that we would report to them misstatements identified during our audit above £2,250 (Group audit) and £250 (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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the directors' representations concerning the proposed future actions described in note 2 to provide funding or support to the group. We have concluded that where the other information refers to the going concern of the group and parent company, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006
Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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
Except for the matter described in the basis for qualified opinion section of our report, 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 24 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.

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.

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

Sachin Ramaiya
Senior Statutory Auditor
For and on behalf of
Jeffreys Henry LLP (Statutory Auditors)
Finsgate 5-7 Cranwood Street
London
EC1V 9EE
30 September 2023

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2023

	Notes	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Operating expenses			
Operating expenses	3	**(811)**	(937)
Share based compensation	15	**(149)**	(148)
Total operating expenses		**(960)**	(1,085)
Operating loss (pre exceptional items)	3	**(960)**	(1,085)
Loss on ordinary activities before taxation		**(960)**	(1,085)
Exceptional costs			
Cost of issue of shares to service providers	21	**(78)**	-
Impairment of Intellectual Property	9	**(409)**	-
Operating loss (post exceptional items)		**(1,447)**	(1,085)
Loss before taxation		**(1,447)**	(1,085)
Taxation	6	**75**	77
Loss and total comprehensive expense attributable to equity holders of the parent for the year		**(1,372)**	(1,008)
Loss per share attributable to equity holders of the parent (pence)	7		
Basic loss per share (pence)		**(1.82)**	(1.36)
Diluted loss per share (pence)		**(1.82)**	(1.36)
Loss per share before exceptional costs (pence)		**(1.18)**	(1.36)

Consolidated and Company Statements of Financial Position

as at 31 March 2023

		Group		Company	
	Notes	**As at 31 March 2023 £'000**	As at 31 March 2022 £'000	**As at 31 March 2023 £'000**	As at 31 March 2022 £'000
Assets					
Non-current assets					
Property, plant and equipment	8	**1**	2	**–**	–
Intangible assets	9	**58**	538	**–**	–
Investments in and loans to subsidiaries	10	**–**	–	**241**	6,254
Total non-current assets		**59**	540	**241**	6,254
Current assets					
Trade and other receivables	11	**62**	118	**4**	31
Current tax receivable		**73**	75	**-**	-
Cash and cash equivalents	12	**3**	295	**1**	212
Total current assets		**138**	488	**5**	243
Total assets		**197**	1,028	**246**	6,497
Liabilities and equity					
Current liabilities					
Trade and other payables	13	**280**	196	**77**	34
Total current liabilities		**280**	196	**77**	34
Non-current Liabilities					
Convertible loan	18	**131**	-	**-**	-
Total Liabilities		**411**	196	**77**	34
Equity					
Ordinary shares	14	**1,528**	1,482	**1,528**	1,482
Share premium	14	**5,169**	5,055	**5,169**	5,055
Reorganisation reserve	14	**2,715**	2,715	**–**	–
Warrant reserve	14	**1,129**	1,054	**543**	468
Other reserves	14	**19**	-	**-**	-
Share based compensation	14	**259**	185	**259**	185
Retained (deficit)/profit	14	**(11,033)**	(9,659)	**(7,330)**	(727)
Total equity attributable to equity holders of the parent		**(214)**	832	**169**	6,463
Total liabilities and equity		**197**	1,028	**246**	6,497

As permitted by s408 of the Companies Act 2006, Incanthera Plc has not presented its own income statement. The loss for the financial year within the financial statements of the parent company was £6,603k, operating loss £311k (2022: £339k).

The financial statements on pages 30 to 55 were approved by the Board of Directors and authorised for issue on 30 September 2023 and were signed on its behalf by:

Dr Simon Ward
Chief Executive Officer

30 September 2023

Incanthera plc
Registered number: 11026926

Consolidated Statement of Changes in Equity

for the year ended 31 March 2023

	Ordinary shares £'000	Share premium £'000	Reorganisation reserve £'000	Warrant reserve £'000s	Other reserves £'000s	Share based compensation £'000	Retained deficit £'000	Total £'000
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**
Total comprehensive expense for the period	–	–	–	-	-	–	(1,372)	(1,372)
Transactions with owners								
Equity component on convertible loan notes	**-**	**-**	**-**	**-**	**19**	**-**	**-**	**19**
Share issue – Advisor agreements	46	114	-	-	-	-	-	160
Share based compensation – share options	-	-	-	75	-	74	-	149
Total transactions with owners	**46**	**114**	**-**	**75**	**19**	**74**	**-**	**328**
Balance at 31 March 2023	**1,528**	**5,169**	**2,715**	**1,129**	**19**	**259**	**(11,033)**	**(214)**

Company Statement of Changes in Equity

for the year ended 31 March 2023

	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 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**
Total comprehensive expense for the period	–	–	-	–	(6,603)	(6,603)
Transactions with owners						
Share issue – Advisor agreements	46	114	-	-	-	160
Share based compensation – share options	-	–	75	74	–	149
Total transactions with owners	**46**	**114**	**75**	**74**	**–**	**309**
Balance at 31 March 2023	**1,528**	**5,169**	**543**	**259**	**(7,330)**	**169**

Consolidated and Company Statements of Cash Flows

for the year ended 31 March 2023

	Group		Company	
	Year Ended 31 March 2023 £'000	**Year ended 31 March 2022 £'000**	**Year ended 31 March 2023 £'000**	**Year ended 31 March 2022 £'000**
Cash flows from operating activities				
Loss before taxation	**(1,447)**	(1,085)	**(6,603)**	(339)
Depreciation and amortisation	**71**	118	**-**	–
Impairment	**409**	–	**6,400**	–
Share based compensation	**149**	148	**149**	148
	(818)	(819)	**(54)**	(191)
Changes in working capital				
(Increase)/decrease in trade and other receivables	**56**	18	**(360)**	(481)
Increase/(decrease) in trade and other payables	**234**	31	**43**	(26)
Cash (used in)/generated from operations	**290**	49	**(371)**	(507)
Taxation received	**75**	110	**–**	–
Net cash used in operating activities	**(453)**	(660)	**(371)**	(698)
Cash flows (used in)/generated from investing activities				
Acquisition of tangible fixed assets	**-**	(2)	**-**	-
Net cash used in investing activities	**-**	(2)	**-**	-
Cash flows from financing activities				
Proceeds from issue of shares	**160**	-	**160**	-
Issue costs	**-**	-	**-**	-
Net cash generated from financing activities	**160**	-	**160**	-
Movements in cash and cash equivalents in the period	**(292)**	(662)	**(211)**	(698)
Cash and cash equivalents at start of period	**295**	957	**212**	910
Cash and cash equivalents at end of period	**3**	295	**1**	212

Notes to the Financial Statements

1. General Information

Incanthera plc ('the Company') is a public limited company, limited by shares, incorporated in England and Wales and was admitted to trading on the AQSE Growth Market of the AQSE Growth Market, under the symbol INC on the 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 Financial Accounting Standards ('IFRS'), IFRIC interpretations and the Companies Act 2006 applicable to companies operating under IFRS.

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 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 prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of the approval of these financial statements. In preparing these forecasts, the Directors have made certain assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

Whilst the global economic environment continues to be turbulent, the impact on the Group is not considered to be substantial and the assumptions used in the forecasts are not dependent on revenues but focused on controlled, considered spend to meet its development and commercial objectives.

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

At 31 March 2023, the group had cash and cash equivalents of £3k. The directors acknowledge there is a material uncertainty.

The directors and senior management continue to be fully supportive of the group and are mindful that cash liquidity is a constrain, they are validating their support by deferring their salaries for at least twelve (12) months from the date of this report. Directors are also confirming they will not demand a repayment of directors' loan until the business becomes economically viable. The team is also prepared to support by providing additional funding as when needed for the group & companies to meet its liabilities when they fall due.

The directors have also obtained confirmation from the loan note holder that their firm intention is to convert.

Although the Directors are confident of entering into commercial deal(s) in the next 12 months which will generate revenues, there is no assumption in the forecasts of revenue income. The Directors continue to closely control expenditure, and should the company require additional funding prior to the receipt of revenues, then appropriate measures will be taken, which could include a fundraise. For these reasons, the Directors 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.

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.

Investment in subsidiaries

Investment in subsidiaries are shown in the Company balance sheet at cost and are 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.

Convertible loan notes

The Group apply IAS 32 to determine the appropriate classification of the convertible notes liability and equity components. The convertible note has been classified as a compound financial instrument because it contains both debt and equity components. On initial recognition the fair value of the debt component (financial liability) is calculated first and deducted from the fair value of the convertible note to arrive at the amount to be recognised for the equity component. On subsequent recognition no gain or loss is recorded on conversion. The conversion feature of the convertible note is classified as equity and is not remeasured. The only item of the convertible note that affects profit or loss is the recognition of interest expense at the effective interest rate for the liability component. The reserve for convertible notes comprises the amount allocated to the equity component for the convertible notes issued by the company. Management's judgement is required in determining the equity component within the convertible loan note.

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 IFRS9, 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, 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.

(e) The reserve relating to the equity portion of the convertible loan note.

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 2023 was £149k (year to 31 March 2022: £148k).

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.

3. Operating Loss

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

Operating expenses:	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Research and development	**305**	344
Staff costs (including share based compensation) – Note 5	**85**	66
Establishment and general:		
Staff costs (including share based compensation) – Note 5	**157**	276
Depreciation of property, plant and equipment	**1**	-
Amortisation and impairment of Intangible Assets	**71**	118
Operating lease cost – land and buildings	**2**	1
Other administrative expenses	**339**	280
Total operating expenses	**960**	**1,085**

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:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Fees payable to the Group's auditors for the audit of:		
the consolidated and Company annual accounts	**32**	12
the subsidiary's annual accounts	**–**	–
Total audit fees	**32**	**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 2023 Number	Year ended 31 March 2022 Number	Year ended 31 March 2023 Number	Year ended 31 March 2022 Number
Directors	**2**	2	**2**	2
Management Team	**3**	3	**3**	3
Non-Executive	**1**	1	**1**	1
Research and Development	**2**	-	**-**	-
Average total persons employed	**8**	**6**	**6**	**6**

As at 31 March 2023 the Group had 7 employees (31 March 2022: 6).

Staff costs in respect of these employees were:

	Group		Company	
	Year ended 31 March 2023 £'000	**Year ended 31 March 2022 £'000**	**Year ended 31 March 2023 £'000**	**Year ended 31 March 2022 £'000**
Wages and salaries	**143**	164	**91**	164
Employer's National Insurance	**13**	15	**8**	15
Employers pension costs	**12**	15	**12**	15
Share-based payments	**74**	148	**73**	148
Total employee costs	**242**	**342**	**183**	**342**

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 £39,033 (31 March 2022: £52,576).

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 3 Directors of Incanthera Plc:

	Group and Company	
	Year ended 31 March 2023 £'000	**Year ended 31 March 2022 £'000**
Salaries and other short-term employee benefits	**52**	90
Employer's National Insurance	**4**	9
Pension contributions	**8**	8
Options vesting under share option schemes	**–**	–
Total remuneration including vesting of share options	**64**	**107**
Aggregate emoluments of 5 Directors within the group:		
Salaries and other short-term employee benefits	**78**	135
Employer's National Insurance	**6**	13
Pension contributions	**11**	12
Options vesting under share option schemes	**–**	–
Total remuneration including vesting of share options	**95**	**160**

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

6. Taxation

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Current tax		
Current period – UK corporation tax	**–**	–
R&D tax credit	**75**	77
Net tax credit	**75**	**77**

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

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Loss on ordinary activities before taxation	**(1,447)**	(1,085)
Loss before tax at the effective rate of corporation tax in the United Kingdom of 19% (2020 19%)	**(275)**	(206)
Effects of:		
Losses not recognised	**100**	129
R&D tax credit	**(75)**	(77)
Tax credit for the year	**(75)**	(77)

The Incanthera Group also has a deferred tax liability being accelerated capital allowances, for which the tax, measured at a standard rate of 19% in all periods is 31 March 2023 £48,000 (2022: £56,000).

The Incanthera Group has a deferred tax asset for share-based payments, for which the tax, measured at a standard rate of 19% in all periods is 31 March 2023 £194,000 (2022: £157,000).

The net deferred tax asset of £146,000 (2022: £101,000) has not been recognised in respect of these losses due to uncertainty of timing of taxable profits.

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 2023, the Group had 32,219,684 (2022: 25,966,380) 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 2023 £'000	**Year ended 31 March 2022 £'000**
Loss for the year attributable to equity holders for basic loss and adjusted for the effects of dilution	**(1,372)**	(1,008)
Loss for the year attributable to equity holders for basic loss and adjusted for the effects of dilution (excl. Exceptional Costs)	**(885)**	(1,008)

	Year ended 31 March 2023 Number	**Year ended 31 March 2022 Number**
Weighted average number of ordinary shares for basic loss per share	**75,211,874**	**74,082,871**
Effects of dilution:		
Share options	**–**	**–**
Weighted average number of ordinary shares adjusted for the effects of dilution	**75,211,874**	**74,082,871**

	Year ended 31 March 2023 Pence	**Year ended 31 March 2022 Pence**
Loss per share – basic and diluted	**(1.82)**	(1.36)
Loss per share – before exceptional costs	**(1.18)**	(1.36)

The loss and the weighted average number of ordinary shares for the years ended 31 March 2022 and 2023 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, fixture and fittings £'000**
Cost	
At 31 March 2021	**47**
Additions	2
At 31 March 2022 and 2023	**49**
Accumulated Depreciation	
At 31 March 2021 and 2022	47
Charge for the period	1
At 31 March 2023	**48**
Net Book Value	
At 31 March 2021	-
At 31 March 2022	2
At 31 March 2023	**1**

Depreciation is charged to operating expenses.

9. Intangible Assets

Group	Patents £'000	IP Assets £'000	Total £'00
Cost			
At 31 March 2021, 2022 and 2023	**988**	**475**	**1,463**
Amortisation and impairment			
At 31 March 2021	452	356	807
Charge for the period	76	42	118
At 31 March 2022	527	398	925
Amortisation charge for the period	64	7	71
Impairment charge	339	70	409
At 31 March 2023	**930**	**475**	**1,405**
Net Book Value			
At 31 March 2021	536	119	655
At 31 March 2022	461	77	538
At 31 March 2023	**58**	**0**	**58**

Patents are amortised on a straight-line basis over twenty 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 0 to 11 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 2023, the Company has recognised an additional impairment of intangible assets of £409k (31 March 2022: £nil), which is reported in the Income Statement as an exceptional item. The Group has given consideration to assets which have been fully assigned and the resulting removal of control over the assets future development. The group retains future rights to all assigned intellectual property.

10. Investments in and loans to subsidiaries

The consolidated financial statements of the Group as at 31 March 2023 include:

Name of subsidiary	Class of share	Place of incorporation	Principle 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.

	Year ended 31 March 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2022
	Investment in subsidiary	Loans to group undertakings	Investment in subsidiary	Loans to group undertakings
	£'000	£'000	£'000	£'000
Cost or carrying value at 1 April	4,614	1,640	4,614	1,156
Additions	–	388	–	484
Cost or carrying value at 31 March	**4,614**	**2,028**	**4,614**	**1,640**
Provision at 1 April	-	-	-	-
Provision in the year	4,372	2,028	-	-
Carrying value	**241**	**-**	**4,614**	**1,640**

Investments are tested for impairment at the balance sheet date. The recoverable amount has been determined based on a value in use cashflow model. We note that there is high estimation uncertainty and judgement involved in the preparation of the cash flow forecast and it is sensitive to changes in key assumption.

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 programme. Due to the nature of the development of our programmes, and the time between development expenditure and future incomes, the management have looked ahead to the next 5 years. The projected results were discounted at a rate which is a prudent evaluation of the pre-tax rate that reflects current market assessments at the time value of money and the risks specific to the cash generating unit.

The key assumptions used for the NPV calculation in 2023 were as follows:

	%
Discount rate	**13.8**

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 as well as the expected revenue 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 revenue assumptions that have been applied.

11. Trade and Other Receivables

	Group		Company	
	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Amounts receivable within one year				
Other receivables	**5**	4	**–**	–
Other taxation and social security	**2**	4	**1**	21
Prepayments	**55**	110	**3**	10
Trade and other receivables	**62**	**118**	**4**	**31**

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 2023 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Cash at bank and in hand	**3**	295	**1**	212

The maturity profile of the Group's financial liabilities at 31 March 2023 based on (i) contractual undiscounted payments consist of Trade and other payables, all of which are due within three months and (ii) being the convertible loan notes as at 31 March 2023 (see note 18).

The directors consider that the carrying amount of the financial liabilities approximate to their fair value.

13. Trade and Other Payables

	Group		Company	
	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Amounts falling due within one year				
Trade payables	**145**	149	**37**	-
Other taxation and social security	**3**	5	**19**	23
Accrued expenses	**68**	43	**10**	11
Other payables	**64**	-	**11**	-
Trade and other payables	**280**	197	**77**	34

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 2022	**74,082,871**	**1,482**
Issued on placing	2,302,157	46
At 31 March 2023	**76,385,028**	**1,528**

All of the 76,385,028 shares authorised have been issued and fully paid.

On 22 November 2022 2,302,157 ordinary shares of 2p were issued at a price of 6.95p per share to service providers in lieu of contractual amounts owed.

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 2023 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 advisors.

Other reserves consist of the recognised equity component with respect to the Convertible loan notes (see note 18)

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 schemes (31 March 2022: 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 2023 the Company had 5,975,000 (2022: 7,350,000) unissued ordinary shares of 2p under the Company's share option schemes, details of which are as follows:

Movements on share options during the year were as follows:

Exercise price	At 1 April 2022	Granted	Lapsed/ Cancelled	At 31 March 2023	Date from which exercisable	Expiry date
0.095	5,775,000	-	1,100,000	4,675,000	4 July 2023	4 July 2030
0.200	1,575,000	-	275,000	1,300,000	16 April 2024	16 April 2031
	7,350,000	**-**	**1,375,000**	**5,975,000**		

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

	As at 31 March 2023		As at 31 March 2022	
	Number	Weighted average exercise price Pence	Number	Weighted average exercise price Pence
Outstanding at start of the year	**7,350,000**	**11.75**	5,775,000	9.50
Granted	**-**	**-**	1,575,000	20.0
Lapsed/cancelled	**1,375,000**	**8.62**	-	-
Outstanding at end of year	**5,975,000**	**11.78**	**7,350,000**	**11.75**
Exercisable at end of year	**-**	**-**	**-**	**-**

The weighted average fair value of the options granted on the measurement date was 15.09 pence. The weighted average fair values at the measurement date was £901,490 (2022: £973,097) Fair value was measured using the Black-Scholes option pricing model.

Inputs were as follows:

	2023	2022
Weighted average exercise price (pence)	**11.78**	11.75
Expected life	**2**	3
Risk free rate	**0.44%**	0.44%

The share-based payment charge for the year was £149,000 (2022: 148,000)

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 Shares to ImmuPharma pursuant to the ImmuPharma Warrant. These warrants are exercisable at any time and will lapse on the 6 September 2024.

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. These warrants are exercisable at any time and have an expiry date of 2 years from placing. On the 5 April 2023 a warrant holder meeting was held and a resolution was passed to extend the term to 12 April 2024 and reduce the exercise price to 10.0p.

On 27 September 2022, the Company issued warrants to subscribe for a total of 1,079,136 new Ordinary Shares at the placing price of 6.95p pursuant to the Broker Warrant. These warrants are exercisable at any time and have an expiry date of 5 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 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
	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	**62**	118	**4**	31
Cash and cash equivalents	**3**	295	**1**	212
	65	413	**5**	243

	Group		Company	
	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
	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	**145**	149	**37**	–
Convertible loan note	**131**	–	**131**	–
Other creditors and accruals	**135**	47	**40**	34
	411	196	**208**	34

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 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 (2022: 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 value 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 represent 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.

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.

Interest rate risk

The Group has borrowings in the form of Convertible Loan Notes. The Convertible Loan Notes carry a fixed interest rate of 8% per annum. See note 18.

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 2023, the Group purchased accountancy and HR services totalling £33,862 (year ended 31 March 2022: £40,614) 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 2023 was £4,391 (31 March 2022: £3,380).

At the 31 March 2023, Dr Simon Ward, had a Director's loan account balance outstanding due to Incanthera Research and Development Limited of £1,811 (31 March 2022: £1,811).

At the 31 March 2023, Tim McCarthy had a Director's loan account balance outstanding due from Incanthera Research and Development Limited of £48,188 (31 March 2022: due to Incanthera Research and Development Limited, £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 10.5% per annum which is considered to be a market rate. Balance outstanding, including accrued interest and following impairment review, at the 31 March 2023 was £nil (31 March 2022: £1,640,000)

18. Convertible Loan Notes

	Group		Company	
	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Net proceeds from issue of convertible loan notes	**150**	**-**	**-**	**-**
Equity component	**(19)**	-	-	-
Trade and other receivables	**131**	**-**	**-**	**-**

On 22 August 2022 a variation was agreed with the University of Bradford in relation to the original 2018 Pipeline agreement. The variation agreement allows for a payment break on the group's commitment to the university, for a period of 18 months up to the 31 December 2023. Interest on the loan accrues at 3% above the Bank of England's base rate per annum on the principal, which is repaid or converted to equity on conversion. Conversion takes place in certain circumstances, including on a commercial deal or new funding round, there is no discount factor to be applied to the then share price.

19. Contingent Liabilities

The Group has no contingent liabilities at 31 March 2023 (31 March 2022: nil).

20. Lease and Capital commitments

The Group has no lease or capital commitments at 31 March 2023 (31 March 2022: nil).

21. Exceptional Costs

The Group recognises exceptional costs of £78,000 in relation to the issue of 2,302,157 ordinary shares of 2p to service providers in lieu of contractual amounts owed.

Exceptional costs include intangible asset impairment charges (see note 9)

22. Events after the Reporting Date

On 5 April 2023, warrants issued in conjunction with the fundraising on 31 March 2021, have been amended such that they now expire on the 12 April 2024 and have an exercise price of 10p.

On 25 July 2023, 360,000 ordinary shares of 2p were issued at a price of 6.95p per share to Dr Simon Ward, a Director, generating proceeds of £32,000.

On 19 August 2023, the ImmuPharma warrants Subscription period was extended by 12 months, to the 6 September 2024.

23. Ultimate Controlling Party

There is no ultimate controlling party of the Group.

Addresses and Advisers

Incanthera plc
Registered office:
76 King Street
Manchester
England
M2 4NH

Website: www.incanthera.com
Registered number: 11026926
Domiciled in the United Kingdom
Registered in England and Wales

Corporate advisers
Cairn Financial Advisers LLP
Cheyne House
62–63 Cheapside
London
EC2M 1JJ

Broker to the Company
Stanford Capital Partners Limited
5–7 Cranwood Street
London
EC1V 9EE

Legal advisers
Gateley Plc
Ship Canal House
98 King Street
Manchester
M2 4WU

Statutory auditors
Jeffreys Henry LLP
5–7 Cranwood Street
London
EC1V 9EE

Registrar
Neville Registrars Ltd
Neville House
Steelpark Road
Halesowen
B62 8HD

Incanthera plc
76 King Street
Manchester
England
M2 4NH
www.incanthera.com