

Company Registration Number: 09018507

Healx Limited

Annual report and consolidated financial statements

31 December 2021

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Healx Limited
Annual report and consolidated financial statements
Year ended 31 December 2021

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Strategic report

The directors present the strategic report for the year ended 31 December 2021.

Principal activities and business review

Healx Limited ('Healx' or 'the Company' or 'the Group') is a mission-driven technology company pioneering the next wave of drug discovery in order to bring novel, effective treatments to rare disease patients around the world.

Healx made significant progress in 2021, with important developments in its portfolio, technology and partnerships. The Company ended the year with 21 therapeutic programmes in its development pipeline, addressing a range of rare conditions including neurodevelopmental, neuromuscular, oncological and renal diseases. It also received its first Investigational New Drug (IND) approval from the US Food and Drug Administration (FDA) for the Phase 2a clinical trial for Fragile X Syndrome. It represents a critical milestone for the Company since it not only validates Healx's tech-driven approach of treatment discovery, but also formally marks the transition of the business into a clinical stage company.

Healx also announced a number of partnerships with biotech, pharmaceutical, academic and patient groups including a partnership with Ono Pharmaceutical Co., Ltd (based in Japan) to identify new disease indications with high unmet needs that could be treated by Ono's proprietary assets. In 2021, Healx supported the rare disease community through sponsorships of 12 patient groups and organisations

To support the rapidly growing R&D operations and infrastructure, the Company's headcount increased significantly in 2021 (2021: 114, 2020: 60), including a number of senior appointments to the Leadership Team.

Corporate Structure and Reporting

Healx Limited incorporated a non-trading 100% owned subsidiary in Ireland during 2021, Healx Technology Limited, forming the Group. The Group has chosen to prepare financial statements in accordance with UK-adopted International Accounting Standards for the first time in 2021 transitioning from Section 1A of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

EU Exit Review 'Brexit'

The Directors have continued to refresh the original review across the business to assess and address any impact of the exit from the EU before and after the end of the transition period of 31 December 2020. No significant issues have been identified or arisen and the Directors are confident in the Company's ability to continue business as usual post Brexit.

Coronavirus COVID-19

The Directors regularly review the impact of the spread of the coronavirus across the world on the business, to the extent possible given the rapidly changing situation. The majority of our work continues to be carried out through remote working. Identified risks and changes have been explored and suitable mitigants identified or put in place to the extent possible. The Directors are satisfied that the impact on the Company is manageable and does not impact its presentation as a going concern.

Key Financials

During 2021, the Group reported £0.3m revenue from collaboration activities (2020: £nil). Healx continues to concentrate on research and development, and this is reflected in the rise of research and

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Strategic report (continued)

development and administrative expenses, which were £18.7m for the year (2020: £9.8m), included in these expenses is a non-cash employee benefit compensation (share-based payments) charge of £1.9m (2020: £1.3m). The increase in research and development activities results in an increase of tax credit refunds, estimated at £3.0m (2020: £1.7m) in the financial statements. The Group closed the year with net assets of £26.3m (2020: £40.1m).

The financial statements have been prepared on a going concern basis, which assumes that the Group and Company will continue in operation for the foreseeable future. There was a net loss of £15.7m for the year ended 31 December 2021 and as of 31 December 2021, the Group and Company had cash and cash equivalents of £24.6m.

The directors consider that the cash on hand together with highly probable and committed operational cash inflows are sufficient for the Group and Company to pursue existing programmes at the current rate of expenditure for a period of at least twelve months from the date of approval of the financial statements. Nevertheless the directors are pursuing fund-raising opportunities from existing and / or new investors with the intention of expanding the research and development activities of the Group and Company. Once such funding becomes committed it will provide sufficient funds to operate the business for a significantly longer period than is relevant for the going concern assessment.

Principal Risks and Uncertainties

The Group operates in both the technology development and medical research, discovery and development sectors. Specific risks include (but are not limited to):

- An inability to keep pace with the rapid change in technology meaning that the Group would lose its competitive edge
- An inability to identify and progress drug candidates successfully through various stages of preclinical and clinical development
- Regulatory bodies around the world have different requirements for approval of therapeutic products, which may result in delays or restrictions in the approval of some treatments.
- The ability to secure and maintain intellectual property for all of the Group's products in development.
- Lack of appropriate future funding to support development of the technology and drug programme pipeline and execute its future plans
- Management of the Group's business partner and supplier management, data security, cyber security, change management, business continuity, and fraud and financial crime operational risks.
- An inability to attract and retain the best talent
- Management of the Group's growth strategy in a rapid scale-up environment

The Group and Company's financial risk management is disclosed in note 17.

Approved by the board and signed by the order of the board



Dr T Guilliams
Director

21st April 2022

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Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2021.

Research and development

See the Strategic report on page 1

Proposed Dividend

The directors do not propose a dividend for the year ended 31 December 2021 (2020: £nil).

Principal activities

The principal activity of the Group and Company during the year was the identification of next-generation drug repositioning opportunities for rare and orphan diseases.

Directors

The directors who served the Group and Company during the year and up to the date of signing these financial statements were as follows:

Mr S Chandratillake
Dr D Brown
Ms I Haivas
Dr J Milner
Mr S Grady
Dr T Guilliams

Qualifying third party indemnity provisions

The Group and Company has taken out qualifying insurance to indemnify, against third party proceedings, the directors of the Company whilst serving on the board of the Company. The policy subsisted throughout the year and remains in place at the date of this report.

Financial risk management

The Group and Company's finance department manages the risk inherent to the availability of liquid funds in accordance with its corporate policies and use of regular cash flow management. This is discussed further in Note 17 of the financial statements.

Future Developments

The Group and Company intends to progress its programs through the clinic, expand its therapeutic pipeline and enter into new partnerships. Healx will continue to invest in expanding its headcount and in developing a leading AI platform for clinical and precision medicine.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and consolidated financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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Directors' report (continued)

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

This report was approved by the board of directors and signed on behalf of the board by:



Dr T Guilliams
Director
21st April 2022

Registered office:
Third Floor, Charter House
66-68 Hills Road
Cambridge
CB2 1LA

Independent Auditor's Report to the Members of Healx Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Healx Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and consolidated financial statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2021; the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Consolidated and Company Statements of Changes in Shareholders' Equity and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

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Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and the Companies Act 2006, and we considered the extent to which non-

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compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- reviewing board minutes throughout the period up to the date of the auditors' report;
- inquiries with management about any instances of known or suspected non-compliance with laws and regulations;
- reviewing legal expenses incurred by the company during the year and up to the date of the auditors' report;
- testing, on a risk basis, certain journal entries that have unusual account combinations specifically postings to cash accounts, as well as journal entries with references that include management's names and related parties' names;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to share based payments and;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Simon Ormiston (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
21 April 2022

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Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	For the year ended	
		2021 £000	2020 £000
Revenue		300	-
Cost of sales		<u>(120)</u>	<u>-</u>
Gross profit		180	-
Research and development expenses		(12,979)	(5,747)
General and administration expenses		<u>(5,924)</u>	<u>(4,094)</u>
Operating loss		(18,723)	(9,841)
Finance income		3	81
Finance expenses	5	<u>(15)</u>	<u>(20)</u>
Loss before tax	6,7	(18,735)	(9,780)
Income tax	9	<u>3,057</u>	<u>1,727</u>
Net loss and total comprehensive loss for the year		<u>(15,678)</u>	<u>(8,053)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

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Consolidated Statement of Financial Position

		As at		
	Note	31 December 2021 £000	31 December 2020 £000	1 January 2020 £000
Assets				
Non-current assets				
Property, plant, and equipment	10	154	97	50
Right-of-use assets	11	110	257	403
Other non-current assets		162	104	105
Total non-current assets		426	458	558
Current assets				
Trade receivables		-	-	20
Other current assets	13	878	532	307
Income tax receivable		3,057	2,586	859
Cash and cash equivalents		24,585	37,859	45,935
Total current assets		28,520	40,977	47,121
Total assets		28,946	41,435	47,679
Liabilities and shareholders' equity				
Non-current liabilities				
Non-current lease liabilities	11	-	75	222
Total non-current liabilities		-	75	222
Current liabilities				
Trade payables		479	496	289
Accrued expenses		1,541	332	47
Current lease liabilities	11	75	147	143
Other current liabilities	14	555	313	214
Total current liabilities		2,650	1,288	693
Total liabilities		2,650	1,363	915
Shareholders' equity				
Ordinary shares	16	-	-	-
Preference shares	16	-	-	-
Share premium		53,397	53,394	53,346
Share based payment reserve	15	4,579	2,680	1,367
Accumulated deficit		(31,680)	(16,002)	(7,949)
Total shareholders' equity		26,296	40,072	46,764
Total liabilities and shareholders' equity		28,946	41,435	47,679

The accompanying accounting policies and notes form an integral part of these financial statements.

These financial statements on pages 8 to 31 were approved by the board of directors and signed on behalf of the board by:



Dr T Guilliams
 Director
 21st April 2022

Company registration number: 09018507

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Company Statement of Financial Position

	Note	31 December 2021 £000	As at 31 December 2020 £000	1 January 2020 £000
Assets				
Non-current assets				
Property, plant, and equipment	10	154	97	50
Right-of-use assets	11	110	257	403
Investments	12	-	-	-
Other non-current assets		162	104	105
Total non-current assets		426	458	558
Current assets				
Trade receivables		-	-	20
Other current assets	13	878	532	307
Income tax receivable		3,057	2,586	859
Cash and cash equivalents		24,585	37,859	45,935
Total current assets		28,520	40,977	47,121
Total assets		28,946	41,435	47,679
Liabilities and shareholders' equity				
Non-current liabilities				
Non-current lease liabilities	11	-	75	222
Total non-current liabilities		-	75	222
Current liabilities				
Trade payables		479	496	289
Accrued expenses		1,541	332	47
Current lease liabilities	11	75	147	143
Other current liabilities	14	555	313	214
Total current liabilities		2,650	1,288	693
Total liabilities		2,650	1,363	915
Shareholders' equity				
Ordinary shares	16	-	-	-
Preference shares	16	-	-	-
Share premium		53,397	53,394	53,346
Share based payment reserve	15	4,579	2,680	1,367
Accumulated deficit		(31,680)	(16,002)	(7,949)
Total shareholders' equity		26,296	40,072	46,764
Total liabilities and shareholders' equity		28,946	41,435	47,679

The accompanying accounting policies and notes form an integral part of these financial statements.
The Company's loss for the year was £15,678k (2020: £8,053k)

These financial statements on pages 8 to 31 were approved by the board of directors and signed on behalf of the board by:



Dr T Guilliams
Director
21st April 2022

Company registration number: 09018507

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Consolidated Statement of Changes in Shareholders' Equity
For year ended 31 December 2021

	Ordinary shares		Preference shares		Share premium account £000	Share based payment reserve £000	Accumulated deficit £000	Total Shareholders' equity £000
	Shares	Amount £000	Shares	Amount £000				
Balances as at 1 January 2020	14,721	-	16,442	-	53,346	1,367	(7,949)	46,764
Total comprehensive loss	-	-	-	-	-	-	(8,053)	(8,053)
Transactions with owners in their capacity as owners:								
Issue of ordinary shares	321	-	-	-	48	-	-	48
Share based payment expense	-	-	-	-	-	1,313	-	1,313
Balances as at 31 December 2020	15,042	-	16,442	-	53,394	2,680	(16,002)	40,072
Total comprehensive loss	-	-	-	-	-	-	(15,678)	(15,678)
Transactions with owners in their capacity as owners:								
Issue of ordinary shares	13	-	-	-	3	-	-	3
Share based payment expense	-	-	-	-	-	1,899	-	1,899
Balances as at 31 December 2021	15,055	-	16,442	-	53,397	4,579	(31,680)	26,296

The accompanying accounting policies and notes form an integral part of these financial statements.

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Company Statement of Changes in Shareholders' Equity
For year ended 31 December 2021

	Ordinary shares		Preference shares		Share premium account £000	Share based payment reserve £000	Accumulated deficit £000	Total Shareholders' equity £000
	Shares	Amount £000	Shares	Amount £000				
Balances as at 1 January 2020	14,721	-	16,442	-	53,346	1,367	(7,949)	46,764
Total comprehensive loss	-	-	-	-	-	-	(8,053)	(8,053)
Transactions with owners in their capacity as owners:								
Issue of ordinary shares	321	-	-	-	48	-	-	48
Share based payment expense	-	-	-	-	-	1,313	-	1,313
Balances as at 31 December 2020	15,042	-	16,442	-	53,394	2,680	(16,002)	40,072
Total comprehensive loss	-	-	-	-	-	-	(15,678)	(15,678)
Transactions with owners in their capacity as owners:								
Issue of ordinary shares	13	-	-	-	3	-	-	3
Share based payment expense	-	-	-	-	-	1,899	-	1,899
Balances as at 31 December 2021	15,055	-	16,442	-	53,397	4,579	(31,680)	26,296

The accompanying accounting policies and notes form an integral part of these financial statements.

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Consolidated Statement of Cash Flows
For year ended 31 December 2021

	For the year ended	
	2021	2020
	£000	£000
Cash flows from operating activities:		
Net loss before tax	(18,735)	(9,780)
<i>Adjustments for:</i>		
Finance income	(3)	(81)
Finance expenses	15	20
Share based payment charge	1,899	1,313
Depreciation	210	189
Loss on disposal of assets	-	1
Net exchange differences	77	100
<i>Movements in working capital</i>		
Decrease in trade receivables	-	20
Increase in other current assets	(346)	(225)
Increase in other non current assets	(58)	-
(Decrease)/increase in trade payables	(17)	207
Increase in accrued expenses	1,209	285
Increase in other current liabilities	242	103
Cash flows from operating activities	(15,507)	(7,848)
Bank charges paid	(11)	(12)
Lease interest paid	(4)	(8)
Interest received	3	81
Income tax received	2,586	-
Net cash used in operating activities	(12,933)	(7,787)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(120)	(90)
Net cash used in investing activities	(120)	(90)
Cash flows from financing activities:		
Proceeds on issuance of ordinary shares	3	48
Repayment of lease liabilities	(147)	(147)
Net cash used in financing activities	(144)	(99)
Net decrease in cash and cash equivalents	(13,197)	(7,976)
Cash and cash equivalents, beginning of period	37,859	45,935
Effects of exchange rate changes on cash and cash equivalents	(77)	(100)
Cash and cash equivalents, end of period	24,585	37,859

The accompanying accounting policies and notes form an integral part of these financial statements.

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Notes to the Financial Statements

1. General information

Healx Limited (the "Company") is a private company limited by shares, registered in England and Wales. The address of the registered office is Third Floor, Charter House, 66-68 Hills Road, Cambridge, CB2 1LA.

The Group financial statements consolidate those of the Company and its subsidiary (together referred to as the "Group"). The consolidated financial statements reflect the financial performance and position of the Group as of and for the year ended 31 December 2021.

The principal activity of the Group and Company is the identification of next-generation drug repositioning opportunities for rare and orphan diseases.

The consolidated financial statements and the notes are presented in thousands, except per-share amounts.

2. Accounting policies

2.1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2021, are the first the Group have prepared in accordance with UK-adopted International Accounting Standards ("IFRS"). The Company financial statements of Healx Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The Group and Company have also complied with the requirements of the Companies Act 2006 under the historical cost convention. For years up to and including the year ended 31 December 2020, the financial statements were prepared in accordance with Section 1A of Financial Reporting Standard 102 ("FRS 102").

Accordingly, the Group has prepared its consolidated financial statements that comply with IFRS applicable as at 31 December 2021, together with the comparative information for the year ended 31 December 2020. The Group's opening statement of financial position was prepared as at 1 January 2020, the Group's date of transition to IFRS.

The nature of the principal adjustments made by the Group in restating its FRS 102 financial statements as of and for the year ended 31 December 2020 is explained in note 18.

The consolidated financial statements have been presented in Pounds Sterling ("Sterling"). This is the functional currency of the Company, being the currency of the primary economic environment in which the Company operates, and the presentational currency of the Group.

2.2 Disclosure exemptions

The following exemptions from the requirements of IFRS have been applied as permitted by FRS 101 in the preparation of the Company financial statements:

- The requirements of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows

2.3 Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Group and Company will continue in operation for the foreseeable future. There was a net loss of £15.7m for the year ended 31 December 2021 and as of 31 December 2021, the Group and Company had cash and cash equivalents of £24.6m.

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Notes to the Financial Statements (continued)

The directors consider that the cash on hand together with highly probable and committed operational cash inflows are sufficient for the Group and Company to pursue existing programmes at the current rate of expenditure for a period of at least twelve months from the date of approval of the financial statements. Nevertheless the directors are pursuing fund-raising opportunities from existing and / or new investors with the intention of expanding the research and development activities of the Group and Company. Once such funding becomes committed it will provide sufficient funds to operate the business for a significantly longer period than is relevant for the going concern assessment.

2.4 Basis of consolidation

The Group financial statements consolidate the financial statements of Healx Limited and its subsidiary undertaking made up to 31 December 2021.

Subsidiaries are entities controlled by the Group. The Group controls an entity which it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns, through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own statement of comprehensive income.

2.5 Revenue recognition

The Company's primary revenue is generated broadly from service fee revenue that relates to its principal activities. Service fees revenue relates to drug discovery collaboration agreements where the Company is utilising its proprietary technology to develop novel Intellectual Property ("IP") on behalf of the collaboration partner. There are no obligations for returns or refunds relating to the revenue generated in the year. Typically, the Company has rights to possible future milestone and royalty payments as part of these agreements.

The Company has two types of consideration included within this stream of revenue:

- Upfront payments are payable on initiation of a project;
- Research funding is payable throughout the collaboration at defined intervals as set out in the agreement and is intended to fund research (internal and external) which is undertaken to develop the collaboration drug compound;

In accordance with IFRS 15, the Company recognises revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of IFRS 15, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognise revenue when or as the Company satisfies a performance obligation.

At contract inception, the Company assesses the goods or services promised within each contract that falls under the scope of IFRS 15 to identify distinct performance obligations. The Company then recognises as revenue the amount of the transaction price that is allocated to the respective performance obligation when or as the performance obligation is satisfied. Revenue is measured at the contract price excluding value added tax and other sales taxes.

The Company includes the unconstrained amount of estimated variable consideration in the transaction price. The amount included in the transaction price is constrained to the amount for which it is highly probable that a significant reversal of cumulative revenue recognised will not occur. At contract inception, unconstrained revenue will typically include the upfront payments and in some instances, research funding.

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At the inception of each arrangement that includes research, development, or regulatory milestone payments, the Company evaluates whether the milestones (i) relate to the one or distinct performance obligations under the agreement; and (ii) are considered probable of being reached and estimate the amount to be included in the transaction price using the most likely amount method. If it is highly probable that a significant revenue reversal will not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the Company's control or that of the licensee, such as regulatory approvals, are not considered probable of being achieved until those approvals are received.

To the extent that revenue is unbilled it is recognised as accrued income.

2.6 Research and development costs

Research costs are expensed as incurred and development would be capitalised if the expenditure meets the definition of an intangible asset (i.e. it is probable that there will be future economic benefits from the asset; and the cost of the asset can be reliably measured).

2.7 Income tax

Income tax represents the aggregate amount of current and deferred tax recognised in the reporting period. Income tax is recognised in the consolidated statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income/(loss) or directly in equity. In this case, tax is recognised in other comprehensive income/(loss) or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the reporting date. Current tax includes tax credits which are accrued for the period based on calculations that conform to the UK Research and Development Tax Credit Scheme that is applicable to small and medium sized companies.

Deferred taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are set off only where the Company has a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.8 Foreign currencies

At each year end foreign currency monetary items are translated using the closing rate. The foreign exchange gains and losses resulting from the retranslation of monetary items are recognised in general and administration expenses. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

2.9 Property, plant and equipment

Property, plant and equipment are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation is provided at rates calculated to write off the cost of assets, less their estimated residual value on a straight-line basis, over their expected lives:

Fixtures & Fittings - 33% straight line

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Office Equipment - 33% straight line

Depreciation relating to property, plant and equipment used in research and development activities is recognised in research and development expenses. Depreciation relating to the rest of property, plant and equipment is recognised in general and administration expenses.

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

2.10 Leases

The Company recognises right-of-use assets and corresponding lease liabilities with respect to all lease arrangements.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using an incremental borrowing rate, where the interest rate is not explicitly stated in the lease agreement.

Lease payments included in the measurement of the lease liabilities comprise:

- Fixed payments, less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Lease liabilities are presented as separate lines in the consolidated statement of financial position.

The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss. The Company does not have short-term and low value leases. There were no lease modification in the year ended 31 December 2021 and 2020.

2.11 Financial instruments

Financial assets and financial liabilities are recognised in the Company's consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables represent the total amount of money earned from the Company fulfilling its contractual obligation, which have been invoiced but not yet settled by the customer. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.

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The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Cash and cash equivalents

Cash and cash equivalents is represented by cash deposits with financial institutions repayable without penalty provided the required notice is given.

Trade payables and other current liabilities

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Other current liabilities are obligations that are due within a year. Trade payables and other liabilities are carried at amortised cost.

The Group expects to meet its financial obligations through operating and financial cashflows.

2.12 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is determined using Black-Scholes model and excludes the effect of non-market-based vesting conditions.

The fair value of options granted under the share incentive plans is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price);
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.13 Application of new and revised IFRS Standards

As the consolidated financial statements for the year ended 31 December 2021 are the Company's first set of financial statements prepared under IFRS, all IFRSs that are effective as at 31 December 2021 have been applied.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the Group and Company have not applied the following new and revised IFRS Standards that have been issued but are not yet effective. The directors do not consider these new and revised IFRS Standards will have material impact on the Group or Company.

	Effective date periods beginning on or after
IAS 16 <i>Property, Plant and Equipment</i> : Amendments in relation to proceeds before intended use	January 1, 2022
Annual Improvements to IFRSs (2018 – 2020 cycle)	January 1, 2022
IAS 1 <i>Presentation of Financial Statements</i> : Amendments in relation to the classification of liabilities as current or non-current	January 1, 2023

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3. Critical accounting judgements or key sources of estimation uncertainty

3.1 Critical judgements in applying the Company's accounting policies

In applying the Company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. For the years ended 31 December 2021 and 2020, the directors did not make critical judgements in applying the Company's accounting policies.

3.2 Key sources of estimation uncertainty

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Share-based payments

The Company operates an approved share-based payment plan. The fair value of share options granted is measured using the Black-Scholes model at each reporting date taking into account various assumptions detailed in note 15, the key assumption being the market value of shares at the grant date.

4. Operating segment

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses. The Company has determined that the Chief Executive Officer is the chief operating decision maker ("CODM").

The Company manages its operations as a single segment for the purposes of assessing performance and allocating resources. The financial information used by the CODM to make operating decisions is presented at the consolidated level.

The Company's revenue recognised in 2021 relates to a customer located in Japan. The Company does not have non-current assets located outside the United Kingdom. There were no performance obligations unsatisfied at 31 December 2021.

5. Finance expenses

	31 December 2021	31 December 2020
	£000	£000
Lease interest expenses	4	8
Bank charges	11	12
Total	15	20

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6. Loss for the year

Loss for the year has been arrived at after charging/(crediting):

	31 December 2021	31 December 2020
	£000	£000
Depreciation of property, plant and equipment	63	43
Depreciation of right-of-use assets	147	146
Employee benefit expense	8,885	5,236
Unrealised foreign exchange gains	(2)	(3)
Realised foreign exchange (gains)/losses	(15)	11
Auditors' remuneration:		
Audit services of consolidated accounts	135	-
Audit services of prior year	115	25
Non-audit services	61	-

7. Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category was as follows:

	31 December 2021	31 December 2020
Research and development	64	39
Administration	16	8
	<u>80</u>	<u>47</u>

Employee benefit expenses (including the directors) for the Group and Company comprise:

	31 December 2021	31 December 2020
	£000	£000
Wages and salaries	5,878	3,316
Social security costs	714	397
Other pension costs	394	210
Share-based payment charge	1,899	1,313
Total	<u>8,885</u>	<u>5,236</u>

8. Directors' emoluments

The remuneration of the directors, is set out below:

	31 December 2021	31 December 2020
	£000	£000
Short-term employee benefits	233	251
Social security costs	29	33
Other pension costs	12	11
Share-based payments	295	564
Total	<u>569</u>	<u>859</u>

Share options were granted to 1 director during 2021 (2020: 1) and no directors exercised options during 2021 (2020: 0).

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Notes to the Financial Statements (continued)

In respect of the highest paid director:

	31 December 2021	31 December 2020
	£000	£000
Short-term employee benefits	65	101
Social security costs	8	13
Share-based payments	295	564
	<u>368</u>	<u>678</u>

The remuneration of key management personnel during the year were as follows:

	31 December 2021	31 December 2020
	£000	£000
Short-term employee benefits	1,969	1,251
Social security costs	189	136
Other pension costs	85	55
Share-based payments	1,541	1,159
Total	<u>3,784</u>	<u>2,601</u>

9. Income tax

	31 December 2021	31 December 2020
	£000	£000
Current Tax		
Current tax on loss for the year	(3,057)	(1,727)
Total current tax credit	<u>(3,057)</u>	<u>(1,727)</u>

The credit for the year can be reconciled to the loss before tax as follows:	31 December 2021	31 December 2020
	£000	£000
Loss before tax	(18,735)	(9,780)
Tax at the UK corporation rate of 19%	(3,560)	(1,858)
Tax effect of		
Expenses not deductible for tax purposes	422	287
Expenses deductible for tax purposes	(6)	(46)
Surrender of tax losses for R&D tax credit refund	945	536
Additional deduction for R&D expenditure	(2,264)	(1,279)
Current year unutilised trading loss	1,406	633
Income tax credit	<u>(3,057)</u>	<u>(1,727)</u>

The additional deduction for R&D expenditure above relates to the extra 130% of qualifying research and development expenses required to claim the UK R&D tax credit.

The UK corporation tax rate for the year ended 31 December 2021 was 19% (2020 19%). The corporation tax rate of 19% was enacted with effect from 1 April 2017 and the Finance Act 2016 legislated the UK Corporation Tax rate to decrease to 17% from 1 April 2020. However, on 17 March 2020, using the Provisional Collection of Taxes Act 1968, the UK Government cancelled the proposed drop in corporation tax rate to 17%. In the spring budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%, which became substantively enacted on 24 May 2021.

Deferred tax

As at 31 December 2021, the Company had a potential net deferred tax asset of £5,407k (2020: £1,524k, comprising an asset of £3,856k (2020: £1,542k) in respect of unrelieved trading losses and an asset of £1,551k in respect of employee share options (2020: a liability of £18k) in respect of accelerated

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capital allowances). The overall movement including the effect of the change in tax rate is to increase the unrecognised deferred tax asset by £3,883k. This has not been reflected as a deferred tax asset given the uncertainty of future revenue streams and as the Company is committed to significant continued investment in research and development.

10. Property, plant and equipment

Group and Company

Cost	Fixtures and fittings £000	Office Equipment £000	Total £000
As at 1 January 2020	24	82	106
Additions	-	90	90
Disposals	-	(1)	(1)
As at 31 December 2020	24	171	195
Additions	-	120	120
As at 31 December 2021	24	291	315
Accumulated depreciation			
As at 1 January 2020	21	35	56
Depreciation charge	3	40	43
Disposals	-	(1)	(1)
As at 31 December 2020	24	74	98
Depreciation charge	-	63	63
As at 31 December 2021	24	137	161
Carrying amount as at 31 December 2020	-	97	97
Carrying amount as at 31 December 2021	-	154	154

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11. Leases

Group and Company

Cost	Right-of use assets £000
As at 1 January 2020	403
As at 31 December 2020	403
As at 31 December 2021	403
Accumulated depreciation	
As at 1 January 2020	-
Depreciation charge	146
As at 31 December 2020	146
Depreciation charge	147
As at 31 December 2021	293
Carrying amount as at 31 December 2020	257
Carrying amount as at 31 December 2021	110

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the balance sheet at the date of initial application and in the periods since was 2.5%.

In 2020, the right-of-use asset relates to Head Office premises, for which the Company entered into a lease agreement on 26 October 2018. On the Company's date of transition to IFRS on 1 January 2020, this lease was accounted for under IFRS 16 under which the right-of-use asset and lease liabilities were recognised on the consolidated statement of financial position. Please see note 18 for further details.

In respect of the Company's leasing activities the following amounts were recognised:

	31 December 2021	31 December 2020
	£000	£000
Depreciation expense on right-of-use assets	147	146
Interest expense on lease liabilities	4	8
Cash outflow	151	151

12. Investments

Company Investments in Subsidiaries

	Registered office address	Status	Class of shares held	Ownership
Healx Technology Limited	Clifton House, Fitzwilliam Street Lower, Dublin 2, D02 XT91, Ireland	Non- trading	Ordinary shares	100%

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13. Other current assets

Group and Company

	31 December	31 December	1 January
	2021	2020	2020
	£000	£000	£000
Prepayments	659	500	202
Accrued income	150	-	7
Value added tax receivable	69	32	98
	878	532	307

14. Other current liabilities

Group and Company

	31 December	31 December	1 January
	2021	2020	2020
	£000	£000	£000
Other taxation and social security	306	148	129
Other employee benefit	233	146	59
Other current payables	16	19	26
	555	313	214

15. Share-based payments

Group and Company

The Group and Company operates various Share Option Plans. Employees and some long term contractors may be offered options upon joining the Company. During the year 2,001,548 options were granted to employees and others under the Share Option Plans, and 93,448 were forfeited due to the grantees no longer being employed by the Group or forfeiting their options.

Enterprise Management Incentive Plan

The Company established the Enterprise Management Incentive Plan (the "EMI Plan") in order to issue equity awards to its employees in the form of options to purchase Ordinary Shares as a means to retain key personnel, motivate individuals and reward employees for their contribution to the Company's strategic objectives. As of 31 December 2019, the Company failed to meet the EMI gross assets requirement as its gross assets exceeded £30m (£40.5m as of 31 December 2020), and therefore, no longer qualified to issue options under the EMI Plan.

2020 Company Share Option Plan and 2020 Unapproved Share Option Plan

In 2020, the Company issued options to purchase Ordinary Shares under its 2020 Company Share Option Plan (the "CSOP Plan") or 2020 Unapproved Share Option Plan (the "Unapproved Plan"), both approved on 12 May 2020, as it no longer qualified to issue options under the EMI Plan.

The EMI, CSOP and Unapproved Plans are administered by the Board and each option shall be set forth in writing in an option agreement, duly executed by the Company and, to the extent required by law or requested by the Company, by the participant. The exercise prices, vesting and other restrictions are determined by the Board. Shares reserved for issuance that are cancelled or terminated without having been exercised will again be available for issuance under their respective plans.

Share based payments for options are recognized evenly over the service period from date of grant. If not exercised options lapse on the 10th anniversary of the date of grant. The options are exercisable at

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Notes to the Financial Statements (continued)

the specified exercise date or earlier upon the occurrence of certain conditional events, at which point the ability to exercise manifests with a method of settlement being through equity only. 12,549 options were exercised during the year.

The number and weighted average exercise prices of share options are as follows:

Options held in Healx Limited	Weighted	Number of options	Weighted	Number of options
	Average exercise price		Average exercise price	
	(pounds)		(pounds)	
	31 December 2021		31 December 2020	
Options outstanding at the beginning of the year	0.09	3,064,147	0.10	2,844,901
Granted	0.30	2,001,548	0.10	837,619
Exercised	0.22	(12,549)	0.15	(321,438)
Forfeited	0.11	(93,448)	0.20	(244,883)
Expired	0.15	(15,861)	0.18	(52,052)
Outstanding at the end of the year	0.17	4,943,837	0.09	3,064,147
Exercisable at the end of the year	0.14	2,835,055	0.07	2,236,223
Nonvested at the end of the year	0.22	2,108,782	0.13	827,924

As of 31 December 2021, the range of exercise prices of share options outstanding would be £0.015 - £1.66. The fair value of services received in return for share options granted are measure by references to the fair value of goods or services received or reference to the fair value of share options granted.

As permitted under IFRS 2, the Black-Scholes model has been used to calculate the fair value of each option at the date of grant. The Group and Company recognises share-based compensation expense for awards granted to employees that have a graded vesting schedule based on a service condition only on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards (the "graded-vesting attribution method"), based on the estimated grant date fair value for each separately vesting tranche.

In order to calculate the fair value of share options using the Black-Scholes model, the assumptions in the following table have been used. As the Group grants new share options at regular intervals, the weighted average of outstanding share options at the end of the financial year has been disclosed. The market value at the date of grant of the options was determined by an option pricing model back-solve analysis.

Weighted Avg for outstanding options at the reporting date	31 December 2021	31 December 2020
Market value at date of grant	£3.12	£2.88
Exercise price at grant date	£0.17	£0.09
Volatility	86.8%	78.5%
Time to exercise (years)	6.4	6.5
Risk-Free rate	1.3%	0.5%
Dividend Yield	£0.00	£0.00

The expected volatility is based upon analysis of historic share price movements of a portfolio of peer companies.

	31 December 2021	31 December 2020
	£000	£000
Total share-based payment expense	1,899	1,313

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16. Share capital

Authorised	31 December 2021		As at 31 December 2020		1 January 2020	
	No.	£	No.	£	No.	£
Issued, called up and fully paid share capital						
Ordinary shares of £0.0000001 each	15,055,351	2	15,042,802	2	14,721,364	2
Preference share of £0.0001 each	1	-	1	-	1	-
Preferred shares of £0.0000001 each	16,441,895	1	16,441,895	1	16,441,895	1
	31,497,247	3	31,484,698	3	31,163,260	3

The holders of Ordinary and Preference shares rank pari passu in respect of voting and dividend rights as well as participating in the drag along rights. Ordinary shares rank behind the Preference shares in the order of priority in respect to capital distribution rights on winding up.

17. Financial instruments

The Group's and Company's financial assets and financial liabilities below are initially measured at fair value and subsequently measured at amortised cost. The Group and Company considers the fair value of these financial assets and financial liabilities to be approximately equal to their carrying amounts.

Group and Company

	31 December 2021	31 December 2020	1 January 2020
Financial Assets	£000	£000	£000
Other non-current assets	162	104	105
Trade receivables	-	-	20
Other current assets	150	-	-
Cash and cash equivalents	24,585	37,859	45,935
Total	24,897	37,963	46,060

Financial Liabilities

Trade payables	479	496	289
Accrued expenses	1,541	332	47
Current lease liabilities	75	147	143
Other current liabilities	89	55	45
Non-current lease liabilities	-	75	222
Total	2,184	1,105	746

The Group and Company have no financial instruments linked to LIBOR, and consequently there is no impact of the reform of interest rate benchmarks and retirement of LIBOR on the Group or Company.

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Total interest income and expense from the above financial instruments for the Group and Company was:

	31 December 2021	31 December 2020
	£000	£000
Lease interest expenses	(4)	(8)
Interest received	3	81
Net Interest	(1)	73

Capital management

The Group and Company consider their capital to be equal to the sum of its total shareholders' equity £26.3m. The Group and Company monitor their capital using a number of measures including cash flow projections, working capital ratios, the cost to achieve pre-clinical and clinical milestones and revenue from collaboration agreements with its partnerships. The Group's and Company's objective when managing its capital is to ensure it obtains sufficient funding for continuing as a going concern. The Group and Company fund their capital requirements mainly through the issue of new shares to investors. The Group and Company is performing in line with expected cash flow and has sufficient working capital to cover its forecast costs.

Risk management objectives

Management identifies and evaluates financial risks on an on-going basis. The principal risks to which the Group and Company are exposed are credit risk and liquidity risk. The Company holds foreign currency cash balances and enters into foreign currency transactions but does not consider this risk material.

Credit risk

Credit risk is managed on a Company basis. Cash and cash equivalents are deposited with financial institutions with a credit rating equivalent to, or above, the main UK clearing banks. The Group and Company are not exposed to material credit risk beyond cash and cash equivalents.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings.

		31 December 2021	31 December 2020	1 January 2020
		£000	£000	£000
Trade and other receivables	AAA	-	-	20
Cash and cash equivalents	A-1	24,585	37,859	45,935

Liquidity risk

Liquidity risk is the risk that the Group and Company may encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Group and Company seeks to manage its liquidity risk by ensuring that sufficient funding is available to meet its foreseeable needs.

The following table details the Group's and Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The Group and Company has sufficient cash and cash equivalents to cover its financial liabilities as of 31 December 2021.

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31 December 2021	Carrying Amount	1 year or less	1<2 years	2<5 years	5 years and over
Trade payables	479	479	-	-	-
Accrued expenses	1,541	1,541	-	-	-
Current lease liabilities	75	75	-	-	-
Other current liabilities	89	89	-	-	-
Non-current lease liabilities	-	-	-	-	-

31 December 2020	Carrying Amount	1 year or less	1<2 years	2<5 years	5 years and over
Trade payables	496	496	-	-	-
Accrued expenses	332	332	-	-	-
Current lease liabilities	147	147	-	-	-
Other current liabilities	55	55	-	-	-
Non-current lease liabilities	75	75	-	-	-

18. First time adoption of IFRS

Reconciliation of net assets and equity as at 1 January 2020 (date of transition).

	Note	FRS 102 January 1, 2020	Reclassification and Remeasurement	IFRS at January 1, 2020
Assets				
Non-current assets				
Property, plant, and equipment		50	-	50
Right-of-use assets	A	-	403	403
Other non-current assets	B	-	105	105
Total non current assets		50	508	558
Current assets				
Trade receivables		20	-	20
Other current assets	B	351	(44)	307
Income tax receivable		859	-	859
Cash and cash equivalents		45,935	-	45,935
Total current assets		47,165	(44)	47,121
Total assets		47,215	464	47,679
Liabilities and equity				
Non- Current liabilities				
Non-current lease liabilities	A	-	222	222
Total Non- current liabilities		-	222	222
Current liabilities				
Trade payables	B	191	98	289
Accrued expenses	B	87	(40)	47
Current lease liabilities	A	-	143	143
Other current liabilities	B	173	41	214
Total current liabilities		451	242	693
Total liabilities		451	464	915
Equity				
Share capital		-	-	-
Share premium		53,346	-	53,346
Share based payment reserve	C	1,079	288	1,367
Accumulated deficit	C	(7,661)	(288)	(7,949)
Total equity		46,764	-	46,764
Total liabilities and equity		47,215	464	47,679

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Notes to the Financial Statements (continued)

Reconciliation of net assets and equity previously presented as at 31 December 2020.

	Note	FRS 102 December 31, 2020	Reclassification and Remeasurement	IFRS at December 31, 2020
Assets				
Non-current assets				
Property, plant, and equipment		97	-	97
Right-of-use assets	A	-	257	257
Other non-current assets	B	-	104	104
Total non current assets		97	361	458
Current assets				
Trade receivables		-	-	-
Other current assets	B	674	(142)	532
Income tax receivable		2,586	-	2,586
Cash and cash equivalents		37,859	-	37,859
Total current assets		41,119	(142)	40,977
Total assets		41,216	219	41,435
Liabilities and equity				
Non-current liabilities				
Non-current lease liabilities	A	-	75	75
Total non-current liabilities		0	75	75
Current liabilities				
Trade payables	B	496	-	496
Accrued expenses	B	442	(110)	332
Current lease liabilities	A	-	147	147
Other current liabilities	B	203	110	313
Total current liabilities		1,141	147	1,288
Total liabilities		1,141	222	1,363
Equity				
Share capital		-	-	-
Share premium		53,394	-	53,394
Share based payment reserve	C	1,569	1,111	2,680
Accumulated deficit	C	(14,888)	(1,114)	(16,002)
Total equity		40,075	(3)	40,072
Total liabilities and equity		41,216	219	41,435

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Notes to the Financial Statements (continued)

Reconciliation of total comprehensive income previously presented for the year ended 31 December 2020.

(In thousands, except per-share amount)	Note	FRS 102 for the year ended December 31, 2020	Reclassification and Remeasurement	IFRS for the year ended December 31, 2020
Research and development expenses	B	-	(5,747)	(5,747)
General and administration expenses	B	(9,035)	5,038	(3,997)
Operating loss		(9,035)	(709)	(9,744)
Other expenses	B	-	(97)	(97)
Finance income		81	-	81
Finance expenses	B	-	(20)	(20)
Loss before tax		(8,954)	(826)	(9,780)
Income tax		1,727	-	1,727
Net loss and total comprehensive loss for the year		(7,227)	(826)	(8,053)

A- Lease

On 1 January 2020, the Company adopted IFRS 16 Leases for the first time and recognised a right-of-use asset of £403k and lease liability of £365k. The lease liability was measured at the present value of the remaining lease payments using a discount rate of 2.5%, which represents the Company's incremental borrowing rate. The Company chose to measure the right-of-use asset to the amount equal to the lease liability adjusted by the prepayment as permitted under IFRS 16.

Subsequently, the right-of-use asset is depreciated over the remaining lease term and finance cost is recognised on the consolidated statement of loss.

Reconciliation of lease liabilities as at 1 January 2020 (date of transition).

Operating lease commitments disclosed as at 31 December 2019	403
Discounted using the lessee's incremental borrowing rate of 2.5% at the date of initial application	365
Effects of discounting	38
Lease liability recognised as at 1 January 2020	365
of which are:	
Current lease liabilities	143
Non-current lease liabilities	222

B- Reclassifications

Other non-current assets, Other current assets, Trade payables, Accrued expenses, Other current liabilities, Research and development expenses, General and administration expenses, Other income/(expenses) comprise amounts which have been reclassified. In addition, in order to provide greater detail in the functional analysis of costs in the income statement, the directors have started presenting research and development expenses as a separate category from general and administrative expenses. The comparative costs have been re-presented accordingly.

C- Share-Based Payments

On 1 January 2020, the Company adopted IFRS 2 share-based payments for the first time and recognised the cumulative impact, being £288k, as a movement between accumulated deficit and the share-based payment reserve. Under IFRS 2, the Company has recognised share-based compensation expense using the graded-vesting attribution method (see note 15 for further details), rather than on a straight-line basis over the life of the grant, which was the Company's accounting policy under FRS 102.

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Notes to the Financial Statements (continued)

19. Related party transactions

Total compensation of key management personnel in the year is included in the Directors' remuneration in note 8.

There were no other related party transactions in the year.

20. Ultimate controlling party

The Directors do not consider there to be a controlling party as the voting rights are distributed between several minority parties. The parent company Healx Limited has its registered office at 3rd Floor Charter House, 66-68 Hills Road, Cambridge, CB2 1LA.

21. Subsequent events

There were no subsequent events to note at the date of signing the accounts.