

Adaptimmune Limited

Annual report and financial statements

Registered number 06456741

For the year ended

31 December 2021

Adaptimmune Limited

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Adaptimmune Limited

Registered number 06456741

Strategic report for the year ended 31 December 2021

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

Principal activities

The principal activity of Adaptimmune Limited (which may be referred to as “the Company”, “we”, “us” or “our”) is the research, development and commercialisation of cell therapies to treat cancer.

We are a clinical-stage biopharmaceutical company focused on providing novel cell therapies to people with cancer. We are a leader in the development of T-cell therapies for solid tumors and have seen responses in six different solid tumor types in clinical trials. Our proprietary platform enables us to identify cancer targets, find and develop cell therapy candidates active against those targets and produce therapeutic candidates for administration to patients. Our cell therapy candidates include Specific Peptide Enhanced Affinity Receptor (“SPEAR”) T-cells, which use genetically engineered T-cell receptors; next generation T-cell Infiltrating Lymphocytes (“TiLs”) where a patient’s own T-cells are co-administered with our next generation technology, and HLA-independent TCRs (“HiTs”) where surface proteins are targeted independently of the peptide-HLA complex.

Business review and future outlook

Our MAGE-A4 cell therapy franchise includes T-cell therapy products targeting solid tumor indications in which the MAGE-A4 antigen is expressed, with responses seen in 8 indications (head and neck, gastroesophageal, non-small cell lung cancer (NSCLC)-squamous, synovial sarcoma, melanoma, bladder, ovarian and myxoid/round cell liposarcoma (MRCLS) indications) across the franchise. A Biologics License Application (BLA) for the lead product (afami-cel) is targeted for filing with the U.S. Food and Drug Administration (“FDA”) in Q4 2022 for synovial sarcoma. We have multiple clinical trials ongoing or planned across the remainder of the MAGE-A4 franchise:

- ***SPEARHEAD-1 Phase 2 Trial with afami-cel (ADP-A2M4)***: A registration directed Phase 2 clinical trial is ongoing in synovial sarcoma in which the MAGE-A4 antigen is expressed. Enrollment in Cohort 1 is complete, and the cohort met its primary endpoint with an overall response rate (ORR) per independent review of 34%. Subject to the successful filing and approval of a BLA by the FDA we plan to commercially launch afami-cel in the United States (“U.S.”). Cohort 2 of the trial is ongoing.
- ***SURPASS Phase 1 Trial with ADP-A2M4CD8***: Enrollment is ongoing in a Phase 1 trial for our next generation SPEAR T-cell, ADP-A2M4CD8, including for patients with lung, gastroesophageal, head and neck, ovarian and bladder cancers in which the MAGE-A4 antigen is expressed. An overall response rate of 36% was reported at the European Society for Medical Oncology (“ESMO”) conference in 2021 with a complete response in a patient with ovarian cancer and partial responses reported in patients with ovarian, head and neck, esophagogastric junction, bladder and synovial sarcoma cancers.
- ***SURPASS -2 Phase 2 Trial with ADP-A2M4CD8***: A Phase 2 clinical trial with ADP-A2M4CD8 in esophageal and esophagogastric junction (“EGJ”) cancers has been initiated and is enrolling.

A further Phase 2 trial with ADP-A2M4CD8 in ovarian cancer (“SURPASS-3”) is planned to start later in 2022 and an additional cohort to the SURPASS trial combining ADP-A2M4CD8 with a checkpoint inhibitor is also in planning.

We are also planning to initiate a Phase 1 trial with a new next-generation SPEAR T-cell targeting MAGE-A4 for the treatment of patients with advanced head and neck squamous cell carcinoma, non-small cell lung cancer, or ovarian cancer. Developed in collaboration with Noile-Immune Biotech Inc., this product (ADP-A2M4N7X19) incorporates IL-7 and CCL19 in the cell therapy product.

Outside of the MAGE-A4 franchise, we have an active preclinical pipeline of cell therapy candidates with the aim of delivering five new autologous cell therapies to the clinic by 2025. The pipeline includes new autologous SPEAR T-cells, SPEAR T-cells addressing alternative HLA-types, next-generation SPEAR T-cells, HLA Independent TCRs (“HiTs”) and next-generation TiLs. These are being developed internally and in collaboration with third parties including Alpine

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

Immune Sciences (“Alpine”), the National Center for Cancer Immune Therapy in Denmark (“CCIT”) and Noile-Immune Biotech Inc. (“Noile-Immune”). A clinical trial application (“CTA”) for TILs incorporating IL-7 has been filed in Denmark, with a clinical trial planned to start in 2022 at CCIT. These approaches enable us to further enhance and extend the reach of our cell therapies thus increasing the number of patients we can potentially treat.

We are also developing allogeneic or “off-the-shelf” cell therapies utilising a proprietary allogeneic platform. The platform utilises cells derived from Induced Pluripotent Stem Cells (“iPSCs”), which can be gene-edited to express our engineered TCRs or other constructs and then differentiated into the required end cell type, for example T-cells. The platform is applicable to all of our cell therapies and we plan to bring two allogeneic programs to the clinic by 2025, the first for allogeneic cell therapies targeting MAGE-A4.

We have strategic collaborations in place with Astellas (through its wholly owned subsidiary Universal Cells) (the “Astellas Collaboration Agreement”) and Genentech Inc. (the “Genentech Collaboration Agreement”). The Astellas collaboration program relates to up to three targets with the aim of co-developing T-cell therapy candidates directed to those targets and utilising our allogeneic platform for “off-the-shelf” cell therapies. The first target subject to the collaboration is the mesothelin target to which a HiT cell therapy is being developed and a second target has been nominated by Astellas. The Genentech Collaboration covers the research and development of “off-the-shelf” therapies for us to five shared cancer targets and the development of a novel allogeneic personalised cell therapy platform.

We also have a number of development and research collaborations including our collaboration with GSK for the development, manufacture and commercialisation of TCR therapeutic candidates for up to five programs, a clinical and pre-clinical alliance agreement with MD Anderson Cancer Center and research collaborations with Alpine, Noile-Immune and CCIT.

Principal risks and uncertainties

Financial

We are a clinical-stage biopharmaceutical company with no products approved for commercial sale. We have not generated any revenue from any product sales or royalties. We have a history of losses and anticipate that we will incur continued losses for at least the next few years. We cannot be certain that we will achieve or sustain profitability and it is very difficult to predict any future financial performance. Our resources will continue to be devoted substantially to research and development for the foreseeable future and our ability to generate any revenue from any of our current therapeutic candidates cannot be guaranteed. We cannot be certain that additional funding will be available on acceptable terms, or at all. There is a risk that should we fail to obtain this additional funding we may have to significantly delay, scale back or discontinue the development or commercialization of our SPEAR T-cells, cell therapies or other research and development initiatives. Our license and supply agreements may also be terminated if we are unable to meet the payment obligations under these agreements. We could be required to seek collaborators for our SPEAR T-cells or other cell therapies at an earlier stage than otherwise would be desirable or on terms that are less favorable to us than might otherwise be available or relinquish or license on unfavourable terms our rights to our cell therapies in markets where we otherwise would seek to pursue development or commercialization ourselves. Our current cash projections include reliance on our ability to obtain certain tax credits and our ability to obtain or continue to obtain such tax credits cannot be guaranteed.

Dependence on Clinical Candidates

Our business is dependent on a small number of clinical candidates. There is no certainty that the results obtained in clinical trials of our existing clinical candidates will be sufficient to enable progression of those candidates through our clinical programmes or the obtaining of regulatory approval or marketing authorisation. The results are initial patient results and there is no certainty that other patients will respond or that responses will continue. There can also be no guarantee that clinical candidates will progress through clinical programmes within anticipated timescales or that we will be able to recruit sufficient clinical trial subjects at all or within anticipated timescales. There is significant competition from third party trials in relation to the recruitment of patients. The outcome of clinical trials is inherently uncertain. Negative results seen in clinical programmes with one clinical candidate may impact on our other clinical programmes or prevent other

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

clinical programmes from starting. T-cell therapy is a novel approach for cancer treatment which is not completely understood and the impact of such therapy cannot be predicted. Our clinical candidates may cause adverse events or fatalities which result in the suspension or halting of clinical programmes.

Research Programmes

We have a number of pre-clinical and other candidates (including next generation candidates) under development. Development of further candidates and pre-clinical assessment of those candidates takes a substantial amount of time, effort and money and we may encounter significant delays in taking further candidates into clinical programmes or in finding suitable further candidates to further develop.

COVID-19

The coronavirus, SARS-CoV-2 (“COVID-19”) pandemic (including variants) has impacted our business and may continue to impact our ability to manufacture and delivery cell therapies to patients. We have been required to adopt a work from home policy for large numbers of our employees. Although our manufacturing and research facilities remain operational, any positive COVID-19 cases within our workforce at any of our facilities may result in a delay to our ability to manufacture or to progress our research and development objectives. Many clinical sites are prioritising resources to treat COVID-19 patients, and this is resulting in delays in our ability to recruit and treat patients on our clinical trials. Inability to perform clinical trials in accordance with regulatory requirements may impact a later ability to obtain regulatory approval in relation to our cell therapies or may delay our ability to obtain such regulatory approval. We also anticipate supply shortages for certain raw materials and components we require for manufacture, research and development activities as a result of those raw materials and components being prioritized for COVID-19 vaccine manufacture. The COVID-19 pandemic continues to rapidly evolve and the extent to which it may impact our future business is highly uncertain and difficult to predict. The impact on global health systems, the life sciences industry more generally or the economy as a whole is not yet known. Depending on the length and progression of such pandemic, we may experience disruptions that would significantly impact our business.

Manufacturing

Manufacturing and administration of our cell therapies is complex and highly regulated. As a result, we may encounter difficulties or delays in manufacture of cell therapies, testing and release of our cell therapies during or following manufacture, scaling up or further development of any part of our manufacturing process or any associated development activities. Given the complexity of the manufacturing processes, there is a risk that we will not be able to manufacture our cell therapies reliably or at acceptable costs or on required timescales. Any delays in our manufacture of cell therapies (whether at our own manufacturing facility or at a third party supplier’s facility) can adversely affect a patient’s outcomes and result in delays to our clinical trials. Delays or failures in our manufacturing process can result for a number of different reasons including failure in the process itself, lack of reliability in the process, inaccuracy or failure to produce test results or poor test results, product loss caused by logistical issues, inability to obtain manufacturing slots from our third party contract manufacturers, inability to procure starting materials, close-down of manufacturing facility (whether our own or a third party facility), contamination of starting materials, a requirement to modify or further develop the manufacturing process and supply chain failures or delays. There are additional risks associated with developing a commercially viable process including scaling of our manufacturing process to the levels required and sourcing of materials. Any delay or failure to develop a commercially viable process may delay our ability to commercialise those cell therapies.

The manufacture of our existing cell therapies is heavily reliant on third parties who are outside of our control. A delay or problem with any of our third party contract manufacturers or third party suppliers can result in delays to the overall manufacturing process, an inability to supply our therapeutics to clinical trial sites when required, and increased cost being incurred in the manufacture and supply of our cell therapies.

Our manufacturing process needs to comply with regulatory requirements in the United States, Canada, UK and certain countries in the European Union. Any failure to comply with the relevant regulatory requirements could result in delays

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

in or termination of our clinical programmes or suspension or withdrawal of regulatory approvals for our cell therapies or manufacturing process (whether at our own facility or at the facility of any of our third party contract manufacturers).

We are planning to open a new manufacturing facility for allogeneic cell therapies during 2022 and our ability to manufacture allogeneic cell therapies on current timelines is dependent on the opening of the new facility and our ability to obtain regulatory approval for the facility and to recruit the employees required for manufacture.

Commercialisation

Our ability to commercialise any cell therapies is dependent on the progression of clinical candidates through regulatory approval processes and on the results seen in clinical trials. Clinical trials are expensive, time-consuming and difficult to implement and there is no guarantee that the results seen in any clinical trials will be sufficient to progress to the next stage of any clinical approval or ultimately to the obtaining of a marketing approval for any of our cell therapies. In addition regulatory authorities may require additional or confirmatory clinical studies as a requirement for approving any cell therapy which will increase the costs associated with bringing any product to the market.

The market opportunities for our cell therapies may be limited in terms of geographic scope or type of patients which can be treated. Our estimates of the potential patient population which can be treated may be inaccurate affecting the amount of revenue obtainable for any product. Likewise, the amount of revenue that can be obtained in relation to any cell therapies may be impacted by the nature of pricing reimbursement coverage or schemes available or in place in any specific country and the continuation of such coverage and schemes. We currently have a very limited marketing function and no sales force and we will have to establish a more comprehensive marketing capability prior to bringing any cell therapies to market. Even if we are successful in obtaining regulatory approval, our candidates may not gain market acceptance or utility.

In addition, we expect that regulatory authorities will require the development and regulatory approval of a companion diagnostic assay as a condition to approval. We do not have experience or capabilities in developing or commercialising these companion diagnostics and plan to rely in large part on third parties to perform these functions. If we or our collaborators, or any third parties that we engage to assist us, are unable to successfully develop companion diagnostic assays for use with any SPEAR T-cells or are unable to obtain regulatory approval or experience delays in either development or obtaining regulatory approval (including as a result of the impact of the COVID-19 pandemic), we may be unable to identify patients with the specific profile targeted for commercialization of our cell therapies.

Furthermore, we will face increasing competition from third parties as we proceed through clinical programmes, and such third parties may have more funding and resources than us, impacting on our end ability to bring our therapeutic candidates to market.

Regulation

Our clinical candidates are highly regulated and the regulatory process is lengthy and time-consuming. We may experience significant delays in obtaining regulatory approval or be required to make changes to our clinical programmes or therapeutic candidates by regulatory authorities. Our ability to obtain or maintain accelerated approval or orphan drug designation for any clinical candidate is difficult to predict and may require the development of additional processes or assays. Even if we are successful in obtaining regulatory approvals in one country, this does not mean that we will be successful in other countries and further clinical programmes may be required to obtain required regulatory approvals in such other countries. Should we obtain regulatory approval for any of our cell therapies we will be subject to ongoing regulatory obligations and requirements which may result in significant additional expense or delays to commercialisation of our products. Any failure to comply with regulatory requirements at any stage in the development of our cell therapies may harm our reputation and significantly affect our operating results.

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We are also subject to regulation as a company both in the United Kingdom and the United States including in relation to financial controls, anti-bribery and other internal policies and controls. If we fail to establish and maintain proper internal controls our ability to comply with applicable regulations could be impaired.

Litigation

We face an inherent risk of product liability given the nature of our business and will face an even greater risk upon commercialisation of any candidates. We cannot guarantee that any insurance coverage we obtain will be sufficient to cover any product liability that arises. We may also face claims brought by third parties in relation to the way in which we run or manage our business, report the results of our business, or the impact our operations have on such third parties.

Third Parties

Development of our allogeneic cell therapies relies on a successful research collaboration with both Universal Cells Inc and Genentech Inc. Delays in agreeing research programs under the collaboration or to perform activities under research programs may impact our ability to receive research funding and may also impact development of our underlying “off-the-shelf” platform. Development of iPSC derived cell therapies relies on performance by Astellas and there can be no assurance that such performance will be provided on a timely basis or that any cell therapies resulting from the performance of the collaboration will proceed through research, development and into clinical trials.

Certain raw materials or precursor materials used in the manufacture and supply of our cell therapies may come from sole source or limited source suppliers. For example, we rely on ThermoFisher Scientific Inc. (“ThermoFisher”) and the technology we utilise for the activation and expansion of T-cells. Inability to obtain the relevant technology from ThermoFisher would cause delays to our clinical programmes and our ability to manufacture, supply and administer our TCR therapeutic candidates. We also rely heavily on third parties to conduct our clinical trials including universities, medical institutions, Contract Research Organisations (“CROs”) and other clinical supply organisations.

Suppliers

We depend upon a limited number of suppliers, and certain components or raw materials for our cell therapies may only be available from a sole source or limited number of suppliers. Even if the key components that we source are available from other parties, the time and effort involved in obtaining any necessary regulatory approvals for substitutes could impede our ability to replace such components timely or at all. The loss of a sole or key supplier would impair our ability to deliver products to our patients or clinical sites in a timely manner, adversely affect our sales and operating results and negatively impact our reputation.

Intellectual Property

We may be forced to litigate to enforce or defend our intellectual property rights and to protect our trade secrets. We may also not be able to obtain suitable protection for our technology or products, or the cost of doing so may be prohibitive or excessive. We cannot provide any assurance that the intellectual property rights that we own or license provide protection from competitive threats or that we would prevail in any challenge mounted to our intellectual property rights. Third parties may claim that our activities or products infringe upon their intellectual property which will adversely affect our operations and prove costly and time-consuming to defend against. We have licensed, and expect to continue to license, certain intellectual property rights from third parties. We cannot provide any assurances that we will be successful in obtaining and retaining licences or proprietary or patented technologies in the future. Further, our products may infringe the intellectual property rights of others and we may be unable to secure necessary licences to enable us to continue to manufacture or sell our products.

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

Employees

We rely on the ongoing involvement of certain key employees. Our ability to further progress our clinical candidates and develop further clinical candidates is dependent on our ability to grow the size and capabilities of our organisation and we may experience difficulties in managing this growth or achieving this growth within anticipated timescales.

Facilities

If any of our existing facilities or any future facilities, infrastructure or our equipment, including our information technology systems, were damaged or destroyed, or if we experience a significant disruption in our operations for any reason, our ability to continue to operate our business could be materially harmed. For example, if our US facility or infrastructure was damaged or destroyed we may be unable to make certain cell therapies until an alternative manufacturer has been found. We may need to expand our facilities and infrastructure in order to support commercialisation of our cell therapies. There is no guarantee we will be able to fund such expansion or to obtain the resources we need for such expansion within the currently planned timescales. We maintain insurance coverage against damage to our property and equipment and business interruption and research and development.

Brexit

We are headquartered in the United Kingdom. The United Kingdom formally exited the European Union, commonly referred to as Brexit, on 31 January 2020. Under the terms of its departure, the United Kingdom entered a transition period, or the Transition Period, during which it continued to follow all European Union rules, which ended on 31 December 2020. On 30 December 2020, the United Kingdom and European Union signed the TCA, which includes an agreement on free trade between the two parties and has been provisionally applicable since 1 January 2021.

Since 1 January 2021 the United Kingdom has operated under a separate regulatory regime to the European Union. European Union laws regarding medicinal products only apply in respect of the United Kingdom to Northern Ireland (as set out in the Protocol on Ireland/Northern Ireland). The European Union laws that have been transposed into United Kingdom law through secondary legislation remain applicable. While the United Kingdom has indicated a general intention that new law regarding the development, manufacture and commercialisation of medicinal products in the United Kingdom will align closely with European Union law there are limited detailed proposals for future regulation of medicinal products. There remains political and economic uncertainty regarding to what extent the regulation of medicinal products will differ between the United Kingdom and the European Union in the future.

Since a significant proportion of the regulatory framework in the United Kingdom applicable to our business and our drug candidates is derived from European Union directives and regulations, the withdrawal has and could continue to materially impact the regulatory regime with respect to the development, manufacture, importation, approval and commercialization of our cell therapies in the United Kingdom or the European Union. Great Britain is no longer covered by the European Union's procedures for the grant of marketing authorizations (Northern Ireland is covered by the centralized authorization procedure and can be covered under the decentralized or mutual recognition procedures). A separate marketing authorization will be required to market drugs in Great Britain. Any delay in obtaining, or an inability to obtain, any marketing approvals, as a result of Brexit or otherwise, would prevent us and our collaborators or delay us in commercialising any of our products in the UK and/or the EU and may restrict our ability to generate revenue and achieve sustainable profitability.

There is a degree of uncertainty regarding the overall impact that Brexit will have in the long-term on the development, manufacturing and commercialisation of pharmaceutical products, including the process to obtain regulatory approval in the United Kingdom for drug candidates and the award of exclusivities that are normally part of the European Union legal framework (for instance Supplementary Protection Certificates, Pediatric Extensions or Orphan exclusivity). Any divergence between the regulatory environments in place in the European Union and the United Kingdom could lead to increased costs and delays in bringing drug candidates to market.

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Performance during the period

Revenue

Revenue increased by £1.3 million to £4.4 million for the year ended 31 December 2021 from £3.1 million for the year ended 31 December 2020 due to an increase in development activities under our collaboration agreements.

Research and Development Expenses

Research and development expenses increased by £14.3 million to £119.3 million for the year ended 31 December 2021 from £105.0 million for the year ended 31 December 2020, primarily due to the following:

- an increase of £4.1 million in salaries, materials, equipment, depreciation of property, plant and equipment and other employee-related costs, primarily due to an increase in employee compensation in the year ended 31 December 2021;
- an increase of £9.1 million in subcontracted expenditures, including clinical trial expenses, contract research organization (CRO) costs and contract manufacturing expenses, largely driven by an increase in clinical trial patient costs;
- a credit of £2.4 million relating to the reversal of an impairment provision on the stock of Dynabeads® CD3/CD28 technology. Actual use in 2021 and projected use in future years has led to the removal of this uncertainty and the provision on the remaining items has been reversed in the year ended 31 December 2021; and
- an increase of £3.9 million in intercompany research and development costs.

Administrative Expenses

Administrative expenses increased by £2.9 million to £18.0 million for the year ended 31 December 2021 from £15.1 million in the same period in 2020, primarily due to the following:

- an increase of £0.9 million in salaries, depreciation of property, plant and equipment and other employee-related costs due to an increase in employee compensation;
- an increase of £0.6 million in share-based compensation expense due to additional stock grants and lower forfeitures compared to the number of options issued; and
- an increase of £1.5 million in other corporate costs due to an increase in insurance and accounting, legal and professional fees, including legal fees relating to the Genentech agreement.

Finance Income

Finance income decreased by £12.5 million to £0.0 million in the year ended 31 December 2021 compared to £12.5 million in the year ended 31 December 2020. Finance income comprises interest income and net unrealized foreign exchange gains.

Finance Expense

Finance expense increased by £10.1 million to £35.6 million in the year ended 31 December 2021 from £25.5 million in the year ended 31 December 2020. Finance expense comprises net unrealized foreign exchange losses, interest costs on lease liabilities, the loss of the modification of an intercompany loan payable and interest on group arrangements.

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Taxation

Taxation relates to tax credits received under the U.K. Research and Development Scheme for small and medium sized entities (the “SME R&D Tax Credit”). The taxation credit increased by £6.9 million to £28.3 million for the year ended 31 December 2021 from £21.4 million for the year ended 31 December 2020.

Key performance indicators (“KPIs”)

As a measurement of liquidity, the Company reviews its total liquidity position (including cash and cash equivalents). At 31 December 2021 the cash and cash equivalents was £58,843,000 (2020: £18,761,000). Due to intercompany loan arrangements in place, total liquidity (cash and cash equivalents and marketable securities) is managed on a Group basis. The Group’s total liquidity is disclosed in the consolidated financial statements.

The average number of full-time equivalent employees during the year ended 31 December 2021 was 252 (2020: 228).

Financial risk management

The Company is exposed to market risks in the ordinary course of our business, which are principally limited to interest rate fluctuations, foreign currency exchange rate fluctuations, particularly between pound sterling and U.S. dollar, and credit risk. These risks are managed by maintaining an appropriate mix of cash deposits in various currencies, placed with a variety of financial institutions for varying periods according to expected liquidity requirements.

Interest Rate Risk

The Company’s surplus cash and cash equivalents are invested in interest-bearing savings. The Company’s exposure to interest rate sensitivity is relatively limited since, as noted above, total liquidity is managed on a Group basis, and this is managed to ensure that the Company has sufficient cash and cash equivalents to meet its forthcoming expenditure. Management does not believe an immediate one percentage point change in interest rates would have a material effect on the value of the Company’s cash and cash equivalents, and therefore does not expect the operating results or cash flows to be significantly affected by changes in market interest rates.

Currency Risk

The Company is exposed to foreign exchange rate risk because we currently operate in the United Kingdom and the United States. The Company incurs significant research and development costs in U.S. dollars and, to a lesser extent, Euros. The results of operations and cash flows will be subject to fluctuations due to changes in foreign currency exchange rates, which could harm our business in the future. The Company seeks to minimize this exposure by maintaining currency cash balances at levels appropriate to meet forthcoming expenditure in U.S. dollars and pounds sterling.

To date, the Company has not used forward exchange contracts or other currency hedging products to manage exchange rate exposure, although it may do so in the future. The exchange rate as of 31 December 2021, the last business day of the reporting period, was £1.00 to \$1.35.

Credit Risk

The Company’s cash and cash equivalents are held with multiple banks and the Company monitors the credit rating of those banks.

Trade receivables were £557,000 and £102,000 as of 31 December 2021 and 2020, respectively. Trade receivables arise in relation to the Astellas Collaboration Agreement and the Genentech and GSK Collaboration and License Agreements. We have been transacting with Genentech since October 2021, Astellas since January 2020 and GSK since 2014, during which time no impairment losses have been recognised. No balances were past due as of 31 December 2021.

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Going Concern

The Company's going concern assessment is provided in the Directors' Report on pages 16 to 17.

Section 172 (1) statement

Introduction

Section 172(1) of the Companies Act 2006 sets out the director's duty to promote the success of the company. It provides that a director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

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

This section describes how the Directors have had regard to the matters set out in Section 172 (1) (a) to (f) when performing their duty to promote the success of the company.

Our strategy

Building on our leadership position with T-cell therapies in solid tumour indications, our strategic objective is to be a world leader in designing and delivering cell therapies that transform the lives of people with cancer.

Key stakeholder groups

Our key stakeholder groups and methods of engagement are designed to support our business strategy. Our key stakeholder groups, their material interests and our engagement with them, as a company and through the Board, are summarised in the following table. As noted below, Board engagement may frequently occur through our CEO, who is a Director, as well as our other directors and senior managers where appropriate. Since the advent of the COVID-19 pandemic in 2020, meetings have largely been held by videoconference and teleconference, with some meetings held in person during 2021 as restrictions eased.

Summary of key stakeholder groups and engagement

| <i>People with cancer</i> | |
|----------------------------------|--|
| Their interests | <ul style="list-style-type: none">• To find a potential therapy to cure or alleviate their condition or improve quality of life• To contribute to research into potential new cell therapies |
| How we engage | <ul style="list-style-type: none">• Engagement is primarily through the Principal Investigators and sub-investigators performing our clinical trials and who represent the patients on our clinical trials |

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| | <ul style="list-style-type: none"> • We meet with certain patient groups applicable to particular cancer indications. In 2021, we continued with meetings via videoconferencing. • We attend conferences relevant to cancer to share information from our clinical trials and engage with others in the cancer field. We continued to attend conferences that were held in virtual format. • A dedicated Patient and Family area on our web site provides resources • We support initiatives such as Cancer Immunotherapy Month and certain social media events designed at educating people around cell therapy and cell therapy trials • We have a patients communication policy which is designed to ensure that we address any questions promptly and appropriately |
| How the Board engages | <ul style="list-style-type: none"> • Our CEO and other members of our leadership team meet with members of the clinical site study conduct teams and other key stakeholders at clinical sites. During 2021, meetings continued and were held via videoconferencing. • Regular reports concerning our clinical trials are presented to Board members |
| <i>Hospital sites for our clinical trials</i> | |
| Their interests | <ul style="list-style-type: none"> • Improved scientific knowledge, education and awareness in relation to the applicable cancer indications including the ability to communicate improvements in the field to others • Ability to treat patients with new cell therapies, as part of our clinical trials, and to understand and assess the impact of those cell therapies on people with cancer • Safety and training in procedures used for administration of our cell therapies |
| How we engage | <ul style="list-style-type: none"> • Our clinical operations team builds and maintains relationships with hospital sites running our clinical trials and, in particular, with the clinical teams engaged with those clinical trials • Training is provided by our clinical operations team as part of the activation process for all clinical sites participating in our clinical trials • Publication and presentation opportunities are provided to investigators at clinical sites as clinical data emerges • We have regular meetings with the investigators on our trials to ensure they can ask questions on our clinical trials and receive updated information • We share translational and other emerging data with investigators at clinical sites in order to improve the experience for those investigators and for patients |
| How the Board engages | <ul style="list-style-type: none"> • Regular reports presented to Board members, with key updates as required |

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| | <ul style="list-style-type: none"> • Reports presented to Board members include summaries from Scientific Advisory Board (SAB) meetings. Our SAB is comprised of individuals with experience in the cancer field who meet with members of our executive team, clinical operations team and R&D team • Material findings from Safety Advisory Board meetings are included in Board reports. The Safety Advisory Board comprises third party individuals with experience in cancer field who meet to discuss safety data and ensure that clinical trials progress with a favourable risk:benefit profile for patients |
| Regulators | |
| Their interests | <ul style="list-style-type: none"> • Patient safety and compliance with regulations |
| How we engage | <ul style="list-style-type: none"> • Our regulatory team engages directly with regulatory authorities in multiple jurisdictions • Where relevant, our regulatory team engages with regulators ahead of any formal approvals for trial designs to discuss the trial design and anticipated next steps with regulatory agencies |
| How the Board engages | <ul style="list-style-type: none"> • Regular reports presented to Board members, with key updates as required |
| Employees | |
| Their interests | <ul style="list-style-type: none"> • Ability, through their work, to enable and support the development of cell therapies that could potentially make a difference to people with cancer • Training, development and prospects • Health and safety and working conditions • Diversity and inclusion • Fair pay, benefits and share plans |
| How we engage | <ul style="list-style-type: none"> • During the year ended 31 December 2021, the average number of full-time employees working in Oxfordshire and Stevenage in the UK was 252 • Diversity and Inclusion Council (“D&I Council”) established in 2021 with membership comprising diverse employees from all levels in the Company. A Diversity and Inclusion Plan has been established by D&I Council and championed across the business by the CEO and executive team. D&I progress updates are reviewed regularly by Board members. • Management development training including “Lunch and Learn” sessions • Executive training programme for senior leaders • Project First programme enhances collaborations across departments and ensures multi-function approaches to critical projects |

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

| | |
|-----------------------|--|
| | <ul style="list-style-type: none"> • Health and safety committee led by employees and attended by executive team members • COVID-19 Taskforce led by executive team members and representatives from the Health and Safety, HR, Legal and Communications functions has continued to manage the Company's operational response to the COVID-19 pandemic during 2021 and to date • Recruitment policy focused on merit and ability has attracted highly-skilled employees representing approximately 29 different nationalities • Performance based reward; bonus scheme and share option plans open to all employees • Staff intranet with multiple articles covering the business; weekly newsletter • Global town halls with our CEO, other directors and employees as presenters. These global town halls have continued mostly via online conferencing in 2021 with some town halls held as hybrid meetings involving socially distanced, in-person presence and online participation • Q&A sessions with CEO • CEO video message updates • Employee engagement surveys seek employee views on important business topics and on our reward programmes • Flexible working arrangements are available to employees • Open plan working environment, combined with meeting spaces, provides a flexible infrastructure that fosters daily collaboration along with the capacity for team meetings and confidential discussions. Since the COVID-19 pandemic, our open plan working environment has been repurposed with safety screens, distanced workspaces and other appropriate measures to ensure a safe working environment for those employees whose on-site work is essential and other employees returning to the office on a flexible basis as restrictions eased. • Wellbeing room enables employees to have quiet time and focus on their mental health away from their working environment • "Help@hand" program provides optional, confidential access for employees to medical and physiotherapy support, mental health support and life, money and wellbeing support. |
| How the Board engages | <p>In addition to the engagement by our CEO, who is a Director, outlined above:</p> <ul style="list-style-type: none"> • Board members also hold one-to-one meetings with managers. • VP, Human Resources provides reports on employee matters including D&I progress updates to Board members for review |
| Shareholders | |
| Their interests | <ul style="list-style-type: none"> • Comprehensive view of financial and sustainable performance of the business |

Adaptimmune Limited

Registered number 06456741

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

| | |
|-----------------------|---|
| | <ul style="list-style-type: none"> • Share price of our parent company, Adaptimmune Therapeutics plc |
| How we engage | <ul style="list-style-type: none"> • Regular reporting on the Group's performance, including through our Annual and Quarterly Reports and press releases • Investor Relations website • Investor conferences and roadshows • Regular meetings with investors and analysts • Annual General Meeting |
| How the Board engages | <ul style="list-style-type: none"> • Regular reports on investor and analyst feedback • Quarterly conference calls hosted by our CEO and including other directors • Regular one-to-one meetings and calls with our CEO and other directors |
| Partners | |
| Their interests | <ul style="list-style-type: none"> • Development of new or enhanced technologies |
| How we engage | <ul style="list-style-type: none"> • Strategic collaborations and licensing agreements • Senior management engagement with partner senior management during negotiations and beyond • Alliance management process in place for all strategic alliances to ensure effective collaboration • Joint steering committee meetings and other committee meetings held regularly once collaboration is underway • CEO and other directors visits to partners and visits by partner senior management to Adaptimmune. In 2021, interaction with partners was maintained largely via meetings using videoconferencing with some meetings held in person as COVID-19 restrictions eased |
| How the Board engages | <ul style="list-style-type: none"> • Regular reports presented to Board members on progress of collaborations • Scoping out of relationship is approved by Board members |
| Suppliers | |
| Their interests | <ul style="list-style-type: none"> • Efficient and trusted relationship • Ongoing successful supply relationship |
| How we engage | <ul style="list-style-type: none"> • Supplier policies and supplier agreements in place with all material suppliers |

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

| | |
|---|--|
| | <ul style="list-style-type: none"> • Dedicated internal function to manage supplier relationships with material suppliers • Regular audits of significant suppliers to ensure consistency of supply and compliance with supplier requirements • Visits to engage with suppliers including in relation to new technology developments • Technology collaborations and trials of new technologies are undertaken where appropriate |
| How the Board engages | <ul style="list-style-type: none"> • Regular reports presented to Board meetings for major suppliers • Senior management engagement with supplier senior management for material suppliers • CEO and other directors visits to suppliers and visits by supplier senior management to Adaptimmune. In 2021, interaction with suppliers occurred via videoconference with some meetings held in person as COVID-19 restrictions eased. |
| <i>Communities and environment</i> | |
| Their interests | <ul style="list-style-type: none"> • Safe environment • Sustainable employer |
| How we engage | <ul style="list-style-type: none"> • Presentations at local schools and colleges • Internships • Membership of local and regional networks • Direct engagement locally with MPs and local and regional councils • Bike to Work schemes in place at our offices • Recycling programme in place at our offices • Travel policy focused on essential travel and encouragement of alternative forums for meetings other than physical meetings • Videoconferencing meetings encouraged. Since the advent of the COVID-19 pandemic, videoconferencing has been used for most meetings. • Social events allow employees to contribute to local and national charities, often with “matched” donations from the company. These events were held mainly via videoconferencing in 2021 with some events held outdoors as permitted by COVID-19 restrictions. |
| How the Board engages | <ul style="list-style-type: none"> • Supports ongoing investment in videoconferencing infrastructure as part of Budget review • High proportion of Board meetings usually held by videoconference and teleconference. |

Adaptimmune Limited

Registered number 06456741

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

The Directors continue to be committed to having regard to the matters set out in Section 172 (1) (a) to (f) when performing their duty to promote the success of the company.

The Strategic Report was approved by the Board on 23 June 2022.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'G Wood', with a long horizontal stroke extending to the right.

G Wood

Director

23 June 2022

Adaptimmune Limited

Registered number 06456741

Directors report for the year ended 31 December 2021

Results and dividends

The result for the year is set out in the Income Statement on page 22.

The directors do not propose a dividend (2020: £nil).

Qualifying third party indemnity provisions

At the time the report is approved, there are no qualifying third party indemnity provisions in place for the benefit of one or more of the directors.

Directors

The following directors have held office since the dates listed below:

| | |
|--------------------|------------------------------|
| Mr G Wood | (appointed 1 April 2020) |
| Ms M Henry | (appointed 1 September 2019) |
| Dr H Tayton-Martin | (appointed 12 January 2017) |
| Mr A Rawcliffe | (appointed 12 January 2017) |

Registered office

Adaptimmune Limited's registered office is 60 Jubilee Avenue, Milton Park, Abingdon, Oxfordshire OX14 4RX UK.

Political donations

No donations were made during the year to political organisations (2020: £nil).

Employee involvement

The Company is committed to the continued development of employee involvement by an effective communications and consultative framework.

Future outlook and Research & Development activities

Information about these items on pages 1 to 9 is provided in the Strategic Report.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Going concern

Our business activities, together with the factors likely to affect our future development, performance and position, are set out in our Strategic Report on page 1 and in the financial statements on page 26. In determining whether our financial statements can be prepared on a going concern basis, our Directors considered the Company and Group's business activities, together with the factors likely to affect our future development and performance. The review also included our financial position and cash flows.

Directors report for the year ended 31 December 2021 (Continued)

As of the date of this report, our Directors have a reasonable expectation that we have adequate resources to continue in business for at least 12 months from the signing of these accounts. Accordingly, the financial statements have been prepared on the going concern basis.

Disclosure of information to auditor

All directors in office at the time the report is approved confirm the following: So far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each director has taken all the steps that he/she ought to have taken in his/her duty as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of directors' responsibilities in respect of the Directors' Report, the Strategic Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

The Directors' Report was approved by the Board on 23 June 2022.

On behalf of the Board



G Wood
Director

23 June 2022

Independent auditor's report to the members of Adaptimmune Limited

Opinion

We have audited the financial statements of Adaptimmune Limited ("the Company") for the year ended 31 December 2021 which comprise the income statement, statement of financial position and statement of changes in equity, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or a ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included

- Enquiring of directors, the audit committee, in-house legal teams and internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud including the internal

Independent auditor's report to the members of Adaptimmune Limited

(Continued)

audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Reading Board, audit committee, disclosure committee, AGM, remuneration committee and nominating committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships. We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account recent revisions to guidance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit, we do not believe there is a fraud risk related to revenue recognition because the entity is in the pre-commercialization stage and no revenues are earned from trading.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted to unusual accounts, those posted by users who post infrequently, journals affecting expenses we would expect to be reduced in light of COVID-19, those where postings are in unusual accounting combinations and those with key words in their description.
- Evaluated the business purpose of significant unusual transactions.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of noncompliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, and clinical trial law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the auditor to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events

Independent auditor's report to the members of Adaptimmune Limited

(Continued)

and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 17, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

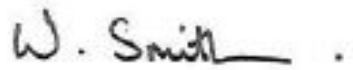
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Independent auditor's report to the members of Adaptimmune Limited (Continued)

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

A handwritten signature in black ink that reads "W. Smith" followed by a horizontal line and a period.

William Smith (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

KPMG LLP
2 Forbury Place
33 Forbury Road
READING
RG1 3AD
24 June 2022

Adaptimmune Limited

Registered number 06456741

Income Statement

| For the year ended 31 December | Note | 2021 £000 | 2020 £000 |
|---------------------------------|------|------------------|--------------|
| Revenue | 2 | 4,440 | 3,073 |
| Research & development expenses | | (119,349) | (104,979) |
| Administrative expenses | | (17,987) | (15,119) |
| Other income | 6 | 160 | 106 |
| Operating loss | 3 | (132,736) | (116,919) |
| Finance income | 7 | 2 | 12,466 |
| Finance expense | 8 | (35,556) | (25,445) |
| Loss before taxation | | (168,290) | (129,898) |
| Taxation credit | 9 | 28,259 | 21,377 |
| Loss for the year | | (140,031) | (108,521) |

All of the above figures relate to continuing operations. The Company had no other comprehensive income during the current or prior year.

The notes on pages 25 to 41 form part of these Financial Statements.

Adaptimmune Limited

Registered number 06456741

Statement of Financial Position

As at 31 December

| | Note | 2021 £000 | 2020 £000 |
|---------------------------------------|------|------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant & equipment | 10 | 11,479 | 9,649 |
| Right-of-use assets | 11 | 10,997 | 7,694 |
| Intangibles | 12 | 9,290 | 8,933 |
| Investments in subsidiaries | 13 | — | — |
| Other receivables | 16 | — | 14,135 |
| Other non-current assets | 14 | 370 | — |
| Restricted cash | 15 | 107 | 2,210 |
| | | <u>32,243</u> | <u>42,621</u> |
| Current assets | | | |
| Other current assets | 14 | 2,176 | 1,261 |
| Trade & other receivables | 16 | 10,816 | 5,486 |
| Tax receivable | | 22,799 | 17,135 |
| Cash and cash equivalents | 17 | 58,843 | 18,761 |
| | | <u>94,634</u> | <u>42,643</u> |
| Total assets | | <u>126,877</u> | <u>85,264</u> |
| Equity & liabilities | | | |
| Equity | | | |
| Share capital | 20 | 4 | 4 |
| Share premium | | 80,798 | 80,798 |
| Retained losses | | (501,826) | (386,750) |
| Share option reserve | | 22,350 | 17,126 |
| | | <u>(398,674)</u> | <u>(288,822)</u> |
| Non-current liabilities | | | |
| Trade and other payables | 18 | 287 | 282,280 |
| Deferred revenue | | 131,302 | 36,171 |
| Lease liability | 11 | 11,328 | 7,880 |
| | | <u>142,917</u> | <u>326,331</u> |
| Current liabilities | | | |
| Trade and other payables | 18 | 365,031 | 44,338 |
| Deferred revenue | | 16,447 | 2,080 |
| Lease liability | 11 | 1,156 | 1,337 |
| | | <u>382,634</u> | <u>47,755</u> |
| Total equity & liabilities | | <u>126,877</u> | <u>85,264</u> |

The notes on pages 25 to 41 form part of these Financial Statements.

The financial statements on pages 22 to 41 were approved by the Board of Directors on 23 June 2022 and are signed on its behalf by:



G Wood

Director

23 June 2022

Adaptimmune Limited

Registered number 06456741

Statement of Changes in Equity

| | Share capital | Share premium | Retained losses | Share option reserve | Total equity |
|--|------------------|------------------|--------------------|----------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 January 2020 | 4 | 80,798 | (279,639) | 13,126 | (185,711) |
| Loss for the year | — | — | (108,521) | — | (108,521) |
| <i>Transactions with owners, recorded directly in equity:</i> | | | | | |
| Capital contribution element of intercompany loan payable | — | — | 1,410 | — | 1,410 |
| Capital contribution in respect of equity-settled share-based payment transactions | — | — | — | 4,000 | 4,000 |
| Balance at 31 December 2020 | 4 | 80,798 | (386,750) | 17,126 | (288,822) |
| Balance at 1 January 2021 | 4 | 80,798 | (386,750) | 17,126 | (288,822) |
| Loss for the year | — | — | (140,031) | — | (140,031) |
| <i>Transactions with owners, recorded directly in equity:</i> | | | | | |
| Capital contribution element of intercompany loan payable | — | — | 24,955 | — | 24,955 |
| Capital contribution in respect of equity-settled share-based payment transactions | — | — | — | 5,224 | 5,224 |
| Balance at 31 December 2021 | 4 | 80,798 | (501,826) | 22,350 | (398,674) |

The notes on pages 25 to 41 form part of these Financial Statements

Adaptimmune Limited

Registered number 06456741

1 Accounting policies

Domicile

Adaptimmune Limited is a private company incorporated, domiciled and registered in England and Wales. Its registered office is 60 Jubilee Avenue, Milton Park, Abingdon, Oxfordshire OX14 4RX, UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company's ultimate parent undertaking, Adaptimmune Therapeutics Plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Adaptimmune Therapeutics Plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 60 Jubilee Avenue, Milton Park, Abingdon, Oxfordshire OX14 4RX, UK.

Statement of compliance

These financial statements have been prepared and approved by the directors in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

Basis of preparation

The financial statements have been prepared on the historical cost basis except as required by the accounting standards. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Comparative period reconciliations for tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments: Disclosures*.

As the consolidated financial statements of Adaptimmune Therapeutics Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of group settled share based payments disclosures under IFRS 2 *Share-based Payment*.

Adaptimmune Limited

Registered number 06456741

1 Accounting policies (continued)

Going concern

Notwithstanding net liabilities of £398,674,000 as at 31 December 2021, and a loss for the year then ended of £140,031,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and the impact of COVID-19, the Company will have sufficient funds, through funding from its immediate parent company, Adaptimmune Therapeutics plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on its parent company Adaptimmune Therapeutics plc not seeking repayment of the amounts currently due to it from the Company, which at 31 December 2021 amounted to £340,177,000 and providing additional financial support during that period. Adaptimmune Therapeutics plc has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Management estimates and judgements

The Company has prepared its financial statements in accordance with FRS 101 with the requirements of the Companies Act 2006. The preparation of these financial statements requires the Company to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, expenses and related disclosures at the date of the consolidated financial statements, as well as revenue and expenses during the reporting periods. The Company evaluates its estimates and judgments on an ongoing basis. It bases estimates on historical experience and on various other factors that it believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could therefore differ materially from these estimates under different assumptions or conditions.

While the Company's significant accounting policies are described in more detail below, the following accounting policies are considered to be critical to the judgments and estimates used in the preparation of our financial statements:

- The allocation of the transaction price using the relative standalone selling price;
- The determination of cost to complete; and
- The incremental borrowing rate.

These sources of estimation uncertainty and judgements are described further below.

Adaptimmune Limited

Registered number 06456741

1 Accounting policies (continued)

Management estimates and judgements (continued)

Revenue Recognition

Allocation of transaction price using the relative standalone selling price

Upfront payments are allocated between performance obligations using our best estimate of the relative standalone selling price of the performance obligation. The relative standalone selling price is estimated by determining the market values of development and license obligations. As these inputs are not directly observable, the estimate is determined considering all reasonably available information including internal pricing objectives used in negotiating the contract, together with internal data regarding the cost and margin of providing services for each deliverable, taking into account the different stage of development of each development program and adjusted-market data from comparable arrangements. This assessment involves significant judgment and could have a significant impact on the amount and timing of revenue recognition.

Determination of the cost to complete

Revenue allocated to performance obligations relating to provision of development activities is recognised using an estimate of the percentage of completion of the project based on the costs incurred on the project as a percentage of the total expected costs. The determination of the percentage of completion requires management to estimate the costs-to-complete the project. A detailed estimate of the costs-to-complete is re-assessed every reporting period based on the latest project plan and discussions with project teams. If a change in facts or circumstances occurs, the estimate will be adjusted and the revenue will be recognised based on the revised estimate. The difference between the cumulative revenue recognised based on the previous estimate and the revenue recognised based on the revised estimate would be recognised as an adjustment to revenue in the period in which the change in estimate occurs. Determining the estimate of the cost-to-complete requires significant judgment and may have a significant impact on the amount and timing of revenue recognition. However, a 10% change in the cost-to-complete at 31 December 2021, would not have a significant impact on revenue recognised in the year ended 31 December 2021.

Operating Leases (Incremental Borrowing Rate)

Since the rates implicit in our leases are not readily determinable, we use the Company's incremental borrowing rates (the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment) based on the information available at commencement date in determining the discount rate used to calculate the present value of lease payments. As we have no external borrowings, the incremental borrowing rates are determined using information on indicative borrowing rates that would be available to us based on the value, currency and borrowing term provided by financial institutions, adjusted for company and market specific factors.

Although we do not expect our estimates of the incremental borrowing rates to generate material differences within a reasonable range of sensitivities, judgement is involved in selecting an appropriate rate, and the rate selected for each lease will have an impact on the value of the lease liability and corresponding right-of-use ("ROU") asset in the Statement of Financial Position.

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1 Accounting policies (continued)

Foreign currency

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate in effect at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Intangibles

Research and development

Expenditure on research activities is recognised in the income statement as incurred. Development costs are capitalised only after technical and commercial feasibility of the asset for sale or use have been established. When making this determination the Company considers:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits can be demonstrated;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

The Company currently does not have any development projects which have met the above criteria. If the development costs do not meet the criteria for capitalisation, the costs are recognised in the income statement as incurred.

Acquired in-process research and development

Acquired research and development intangible assets, which are still under development, are recognised as In-Process Research & Development (IPR&D). IPR&D assets are stated at their purchase cost, together with any incidental expenses of acquisition.

The Company's IPR&D assets are not amortised on the basis that they are not yet available for their intended use. They are evaluated for potential impairment on an annual basis or when facts and circumstances warrant. Any impairment charge is recorded in the income statement under research & development.

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1 Accounting policies (continued)

Intangibles (continued)

Software licenses

Acquired computer software licences are capitalised as intangibles and stated at costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, which is the contractual term of the licence, typically 36 months. Amortisation cost are recognised within research & development expenses and administrative expenses in the Income statement.

Property, plant & equipment

Property, plant & equipment are stated at their purchase cost, together with any incidental expenses of acquisition, less accumulated depreciation.

Depreciation is calculated so as to write off the cost of the assets less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. Depreciation is not charged on construction in progress until the asset is completed and ready for its intended use.

The following table shows the generally applicable expected useful economic life for each category of asset:

| | |
|------------------------|---|
| Computer equipment | 3 years |
| Laboratory equipment | 5 years |
| Office equipment | 5 years |
| Leasehold improvements | the shorter of the estimated useful life and the expected duration of the lease |

Clinical Materials

Clinical materials with alternative use, which are not held for sale are capitalised as either other current assets or other non-current assets, depending on the timing of their expected consumption. At each reporting date, management considers whether the materials are impaired due to excess quantity over current forecast demand by considering manufacturing forecasts, forecasts of clinical trial enrolments, stability testing results, technological developments and future development programs. The Company also considers whether the unavoidable costs of meeting obligations for minimum purchase commitments exceed the economic benefits it expects to receive under the contract, and in such cases, a provision is recognised.

Impairment of Non-financial Assets Excluding Inventories and Deferred Tax Assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

1 Accounting policies (continued)

Financial Instruments

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss); and
- those to be measured at a mortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit and loss are expensed in profit or loss. Subsequent measurement of debt instruments depends on the Company’s business model for managing the asset and the cash flow characteristics of the asset.

(iv) Impairment

The Company recognises loss allowances for expected credit losses on financial assets measured at a mortised cost, debt investments measured at fair value through OCI, and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit losses.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at fair value through OCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Cash and cash equivalents

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9 *Financial instruments* (“IFRS 9”), no material impairment loss was identified.

Trade and other receivables

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

1 Accounting policies (continued)

Impairment excluding inventories and deferred tax assets:

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. If any such evidence exists, the amount of the impairment is determined as follows:

Financial assets measured at amortised cost (including receivables)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

Investment in subsidiaries

Investments in subsidiary undertakings are stated at cost less any impairment. Where management identify uncertainty over such investments, the investment is impaired to an estimate of its recoverable amount.

Leases

The Company determines whether an arrangement is a lease at contract inception by establishing whether the contract conveys the right to use, or control the use of, identified property, plant, or equipment for a period of time in exchange for consideration. The Company recognises an ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease. ROU assets and lease liabilities recognised in the Statement of Financial Position represent the right to use an underlying asset for the lease term and an obligation to make lease payments arising from the lease respectively.

ROU assets and lease liabilities are recognised at the lease commencement date based on the present value of minimum lease payments over the lease term. Since the rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rates (the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment) based on the information available at commencement date in determining the discount rate used to calculate the present value of lease payments.

As the Company has no external borrowings, the incremental borrowing rates are determined using information on indicative borrowing rates that would be available to the Company based on the value, currency and borrowing term provided by financial institutions, adjusted for company and market specific factors. The lease term is based on the non-cancellable period in the lease contract, and options to extend the lease are included when it is reasonably certain that the

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1 Accounting policies (continued)

Leases (continued)

Company will exercise that option. Any termination fees are included in the calculation of the ROU asset and lease liability when it is assumed that the lease will be terminated.

The Company accounts for lease components (e.g. fixed payments including rent and termination costs) separately from non-lease components (e.g. common-area maintenance costs and service charges based on utilisation) which are recognised over the period in which the obligation occurs. At each reporting date, the lease liabilities are increased by interest and reduced by repayments made under the lease agreements.

The ROU asset is subsequently measured at cost less accumulated depreciation and impairment losses. ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Company has elected not to recognise an ROU asset and lease liability for short-term leases. A short-term lease is a lease with a lease term of 12 months or less and which does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

The Company has leases in relation to property for office and research facilities. All of the leases have termination options, and it is assumed that the initial termination options for the buildings will be activated for most of these. The maximum lease term without activation of termination options is to 2041.

ROU depreciation costs are categorised within Research and development and General and administrative expenses in the Income Statement. Interest costs on lease liabilities are categorised within Finance expense in the Income Statement.

Research and Development Expenditure

Research and development expenditure includes direct and indirect costs of these activities, including staff costs and materials, as well as external contracts. All such expenditure is expensed as incurred unless the capitalisation criteria of IAS 38 *Intangible assets* have been satisfied.

Pension Costs

The Company operates a defined contribution pension scheme for its executive directors and employees. The contributions to this scheme are expensed to the Income Statement as they fall due.

Revenue

Revenue is recognised so as to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

1 Accounting policies (continued)

Revenue (continued)

The Company determines the variable consideration to be included in the transaction price by estimating the most likely amount that will be received and then applies a constraint to reduce the consideration to the amount which is probable of being received. Upfront payments are allocated between performance obligations using the Company's best estimate of the relative standalone selling price of the performance obligation.

Revenue allocated to performance obligations relating to provision of development activities is recognised using an estimate of the percentage of completion of the project based on the costs incurred on the project as a percentage of the total expected costs. Revenue allocated to performance obligations relating to material rights to designate additional collaboration targets is recognised from the point that the options are exercised and then as development progresses, in line with the treatment of the provision of development activities, or at the point in time that the rights expire. Revenue allocated to performance obligations relating to the material right to extend research terms is recognised from the point that the options are exercised and then over period of the extension, or at the point in time that the rights expire.

The Company recognises a contract asset, when the value of satisfied (or part satisfied) performance obligations is in excess of the payment due to the Company, and deferred revenue (contract liability) when the amount of unconditional consideration is in excess of the value of satisfied (or part satisfied) performance obligations. Once a right to receive consideration is unconditional, that amount is presented as a receivable.

Changes in deferred revenue typically arise due to:

- adjustments arising from a change in the estimate of the cost to complete the project, which results in a cumulative catch-up adjustment to revenue that affects the corresponding contract asset or deferred revenue;
- a change in the estimate of the transaction price due to changes in the assessment of whether variable consideration is constrained because it is not considered highly probable of being received;
- the recognition of revenue arising from deferred revenue; and
- the reclassification of amounts to receivables when a right to consideration becomes unconditional.

A change in the estimate of variable consideration constrained (for example, if a development milestone becomes highly probable of being received) could result in a significant change in the revenue recognised and deferred revenue.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the current or prior year, using tax rates enacted or substantively enacted at the balance sheet date.

Current tax includes tax credits, which are accrued for the period based on calculations that conform to the U.K. research and development tax credit regime applicable to small and medium sized companies. R&D expenditure which is not eligible for reimbursement under the UK R&D tax credits regime, such as R&D expenditure incurred on research projects for which we receive income, may be reimbursed under the UK Research and Development Expenditure Credit ("RDEC") scheme. Receipts under the UK RDEC scheme are presented within other income as they are similar in nature to grant income.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the

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1 Accounting policies (continued)

expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Share-Based Payments

The Company operates equity-settled, share-based compensation plans. Certain employees of the Company are awarded options over the shares in the parent company. The fair value of the employee services received in exchange for these grants of options is recognised as an expense, using the Black-Scholes option-pricing model, with a corresponding increase in reserves. The total amount to be expensed over the vesting year is determined by reference to the fair value of the options granted and assumptions about the number of options that are expected to vest.

Full disclosure of the share-based payment assumptions is available in the financial statements of the ultimate parent company.

Dividends

Dividends received from subsidiary undertakings are accounted for when received. Dividends paid are accounted for in the period when they are paid.

2 Revenue

Revenue from contracts with customers arises in the United Kingdom.

Revenue comprises the following categories:

| For the year ended 31 December | 2021 £'000 | 2020 £'000 |
|--------------------------------|---------------|---------------|
| Development | 4,440 | 3,073 |

Revenue of £1,100,000 recognised in the year ended 31 December 2021 was included in the opening deferred revenue balance at 1 January 2021 of £38,251,000.

3 Expenses and Auditor's remuneration

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Operating loss is stated after charging (crediting): | | |
| Lease charges | 2,073 | 2,005 |
| Realised foreign exchange (gains) losses | (5,966) | 183 |
| Depreciation of owned property, plant and equipment (note 10) | 2,315 | 3,340 |
| Amortisation of intangibles (note 12) | 67 | 103 |
| Gain on disposal of owned property, plant and equipment | (5) | (9) |
| Amounts receivable by the company's auditor and its associates in respect of: | | |
| audit of these financial statements | 171 | 143 |
| audit-related assurance services | 60 | 60 |

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4 Staff numbers and costs

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

| | 2021 Number | 2020 Number |
|-----------------------------|----------------|----------------|
| Research & Development | 200 | 181 |
| Management & Administration | 52 | 47 |
| | <u>252</u> | <u>228</u> |

The aggregate staff costs of these persons were as follows:

| | 2021 | 2020 |
|---|---------------|---------------|
| Wages and salaries | 17,850 | 15,686 |
| Social security costs | 2,055 | 1,830 |
| Share based payment – fair value of employee services | 5,224 | 4,000 |
| Pension costs – defined contribution (note 19) | 832 | 710 |
| | <u>25,961</u> | <u>22,226</u> |

5 Directors' remuneration

The Company bears compensation costs for three directors (2020: three). The compensation of one director was borne by the ultimate parent company (2020: one).

The total directors' emoluments were £1,421,000 (2020: £1,425,000), which includes employer social security contributions of £171,000 (2020: £146,000) and pension contributions of £58,000 (2020: £32,000).

One director (2020: one director) exercised share options in the Company's ultimate parent company during the year. The highest paid director did not exercise (2020: did not exercise) share options in the Company's ultimate parent company during the year.

Retirement benefits are accruing to three directors (2020: three) under the Company's pension scheme.

The total emoluments for the highest paid director were £599,000 (2020: £565,000), which includes employer social security contributions of £73,000 (2020: £57,000) and pension contributions of £29,000 (2020: £7,000).

6 Other income

| | 2021 £000 | 2020 £000 |
|---|--------------|--------------|
| Research and development expenditure credit | 160 | 106 |

7 Finance income

Recognised in the income statement:

| | 2021 £000 | 2020 £000 |
|--|--------------|---------------|
| Bank interest on cash and cash equivalents | 2 | 82 |
| Foreign exchange gains | — | 12,384 |
| | <u>2</u> | <u>12,466</u> |

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8 Finance expense

Recognised in the income statement:

| | 2021 £000 | 2020 £000 |
|---|---------------|---------------|
| Foreign exchange losses | 2,792 | — |
| Interest on group arrangements | 29,983 | 24,824 |
| Loss on modification of intercompany loan payable | 2,135 | — |
| Lease interest expense | 635 | 610 |
| Other finance expenses | 11 | 11 |
| | 35,556 | 25,445 |

9 Taxation

Recognised in the income statement:

| | 2021 £000 | 2020 £000 |
|--|---------------|---------------|
| Current tax income | | |
| UK R&D tax credit | 20,574 | 17,029 |
| Adjustments in respect of prior periods | 2,065 | — |
| Group relief | 5,620 | 4,348 |
| Total tax credit in the income statement | 28,259 | 21,377 |

Reconciliation of effective tax rate

The total tax credit is lower (2020: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

| For the year ended | 2021 £000 | 2020 £000 |
|--|----------------|----------------|
| Loss before tax | 168,290 | 129,898 |
| Tax at the UK corporation tax rate of 19% (2020: 19%) | 31,975 | 24,681 |
| Adjustments in respect of prior years | 2,065 | — |
| Non-taxable income and non-deductible expenses | (152) | (914) |
| Share options deduction | (690) | 653 |
| Deferred taxes not recognised | (13,779) | (10,363) |
| Additional allowance in respect of enhanced R&D relief | 15,258 | 12,628 |
| Surrender of tax losses for R&D tax credit refund | (6,394) | (5,291) |
| Other | (24) | (17) |
| Total tax credit in income statement | 28,259 | 21,377 |

As of 31 December 2021 the Company has unrecognised accumulated tax losses for carry forward amounting to £305,664,000 (2020: £239,910,000) and expenditure credit carry forwards of £565,000 (2020: £534,000).

Unsurrendered U.K. tax losses can be carried forward indefinitely to be offset against future taxable profits; however, this is restricted to an annual £5 million allowance in each standalone company or group and above this allowance, there will be a 50% restriction in the profits that can be covered by losses brought forward.

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No deferred tax asset is recognised in respect of accumulated tax losses on the basis that suitable future trading profits are not sufficiently certain.

The effective U.K. corporate tax rate for the years ended 31 December 2021 and 2020 was 19%. The United Kingdom's Finance Act 2021, which was enacted on 10 June 2021, maintained the corporation tax rate at 19% up until the year commencing 1 April 2023, at which point the rate will rise to 25%. As of 31 December 2021, the Company used a 25% tax rate in respect of the measurement of deferred taxes, which reflects the currently enacted tax rates and the anticipated timing of the unwinding of the deferred tax balances.

10 Property, plant & equipment

| | Computer Equipment | Office Equipment | Laboratory Equipment | Leasehold Improvements | Assets under Construction | Total |
|-------------------------------|-------------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | | |
| At 1 January 2021 | 1,375 | 401 | 14,825 | 9,592 | — | 26,193 |
| Additions to 31 December 2021 | 40 | 35 | 1,087 | 22 | 2,961 | 4,145 |
| Disposals to 31 December 2021 | — | — | (38) | — | — | (38) |
| At 31 December 2021 | 1,415 | 436 | 15,874 | 9,614 | 2,961 | 30,300 |
| Depreciation | | | | | | |
| At 1 January 2021 | 1,199 | 312 | 11,682 | 3,351 | — | 16,544 |
| Charge to 31 December 2021 | 85 | 65 | 1,381 | 784 | — | 2,315 |
| Disposals to 31 December 2021 | — | — | (38) | — | — | (38) |
| At 31 December 2021 | 1,284 | 377 | 13,025 | 4,135 | — | 18,821 |
| Carrying value | | | | | | |
| At 31 December 2020 | 176 | 89 | 3,143 | 6,241 | — | 9,649 |
| At 31 December 2021 | 131 | 59 | 2,849 | 5,479 | 2,961 | 11,479 |

11 Leases

| | 2021 | 2020 |
|--|--------------|--------------|
| | £000 | £000 |
| Lease cost: | | |
| Depreciation of right-of-use assets | 1,351 | 1,322 |
| Interest expense (included in Finance expense) | 635 | 610 |
| Low value lease cost | 2 | 1 |
| Short-term lease cost | 85 | 72 |
| | 2,073 | 2,005 |

11 Leases (continued)

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------------|--------------------------------|
| Other information: | £000 | £000 |
| Cash outflow for leases | 1,738 | 1,586 |
| | <u>31 December 2021</u> | <u>31 December 2020</u> |
| Weighted-average remaining lease term - operating leases | 9.5 years | 6.5 years |
| Weighted-average discount rate - operating leases | 6.0% | 6.5% |

Future minimum lease payments for property leases as of 31 December 2021 are presented below:

| | <u>Property leases</u> |
|---|-------------------------------|
| | <u>£000</u> |
| 2022 | 1,688 |
| 2023 | 1,783 |
| 2024 | 1,694 |
| 2025 | 1,694 |
| 2026 | 1,694 |
| after 2026 | 7,736 |
| Total lease payments | <u>16,289</u> |
| Less: Imputed interest | <u>(3,805)</u> |
| Present value of lease liability | <u>12,484</u> |

The accumulated depreciation on right-of-use assets as of 31 December 2021 was £3,997,000 (2020: £2,646,000). Right-of-use additions in the year ended 31 December 2021 were £255,000 (2020: £63,000).

The leases relate to laboratory and office property in Oxfordshire, UK and Hertfordshire, UK.

On 13 August 2021, the Company modified the lease of 60 Jubilee Avenue, Milton Park, Abingdon, Oxfordshire, UK (the “60 Jubilee Avenue lease”) and on 20 August 2021, the Company modified the lease of 39 Innovation Drive, Milton Park, Abingdon, Oxfordshire, UK (the “39 Innovation Drive lease”). The effect of the modifications extended the first break option exercisable by the Company and has resulted in a change in the lease term for both leases. The modification to the 39 Innovation Drive lease also amended the lease payments for that lease. The modifications did not result in the identification of a separate contract.

Upon modification, the lease liability has been remeasured using the current estimate of the Company’s incremental borrowing rate and the amount of the remeasurement of the lease liability has been recognised as an adjustment to the corresponding right-of-use asset. The effect of the modification was to increase the lease liability and the corresponding right-of-use asset by £3,188,000.

The modification also removed a bank guarantee, which resulted in a reduction in restricted cash of £1,980,000. The Company paid £1,255,000 to the lessor as a rent deposit.

On 24 October 2021, a rent review was performed for the 60 Jubilee Avenue lease and the 39 Innovation Drive lease which resulted in an increase in rental payments. Upon the change in lease payments, the lease liability has been remeasured using the current estimate of the Company’s incremental borrowing rate and the amount of the remeasurement of the lease

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liability has been recognised as an adjustment to the corresponding right-of-use asset. The effect of the remeasurement was to increase the lease liability and the corresponding right-of-use asset by £1,211,000.

12 Intangibles

| | Licensed technology £000 | In-Process R&D £000 | Computer Software £000 | Total £000 |
|-------------------------------|--------------------------------|---------------------------|------------------------------|---------------|
| Cost | | | | |
| At 1 January 2021 | 155 | 8,833 | 1,201 | 10,189 |
| Additions to 31 December 2021 | — | 370 | 54 | 424 |
| At 31 December 2021 | 155 | 9,203 | 1,255 | 10,613 |
| Amortisation | | | | |
| At 1 January 2021 | 150 | — | 1,106 | 1,256 |
| Charge to 31 December 2021 | 1 | — | 66 | 67 |
| At 31 December 2021 | 151 | — | 1,172 | 1,323 |
| Carrying value | | | | |
| At 31 December 2020 | 5 | 8,833 | 95 | 8,933 |
| At 31 December 2021 | 4 | 9,203 | 83 | 9,290 |

In-process R&D relates to upfront and milestone payments due to Universal Cells Inc, Alpine Immune Sciences Inc and Noile-Immune Biotech Inc under collaboration agreements.

13 Investments in subsidiaries

| | £ |
|--|-----------|
| Cost and carrying value at 31 December 2021 and 2020 | 63 |

The Company has the following interest in subsidiary undertakings throughout the current and previous period:

| Name of Company | Country of Incorporation | Holding | Proportion Held | Nature of Business | Registered Address |
|---------------------|-----------------------------|-----------------------------|--------------------|--|--|
| Adaptimmune LLC | United States of America | Ordinary shares of \$1 | 100 % | Biotechnology Research & Development | 351 Rouse Boulevard, The Navy Yard, Philadelphia, PA 19112, United States |
| Adaptimmune B.V. | The Netherlands | Ordinary shares of €0.01 | 100 % | Administrative | Zuid-Hollandlaan 7, 2596 AL, The Hague, The Netherlands |

14 Other current and non-current assets

Other current and non-current assets are clinical materials, not held for sale, which are classified as current or non-current based on whether they are expected to be consumed within twelve months.

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15 Restricted cash

As of 31 December 2021 the Company had restricted cash of £107,000 relating to security deposits for letters of credit relating to leased properties, and deposits for credit card facilities (2020: £2,210,000).

16 Trade & other receivables

| Amounts shown within current assets as at 31 December | 2021 £000 | 2020 £000 |
|---|---------------|--------------|
| Trade receivables | 557 | 102 |
| Prepayments | 4,890 | 3,523 |
| Amounts owed by group undertakings | 2,069 | 1,346 |
| Other receivables | 3,300 | 515 |
| | <u>10,816</u> | <u>5,486</u> |
| Amounts shown within non-current assets as at 31 December | 2021 £000 | 2020 £000 |
| Amounts owed by group undertakings | — | 14,135 |

17 Cash and cash equivalents

The Company's policy for determining cash and cash equivalents is to include all cash balances and overdrafts with maturities of three months or less.

18 Trade and other payables

| Amounts shown within current liabilities as at 31 December | 2021 £000 | 2020 £000 |
|--|----------------|---------------|
| Trade payables | 4,800 | 3,660 |
| Other taxation and social security | 756 | 555 |
| Accruals | 15,031 | 13,130 |
| Amounts owed to group undertakings | 344,444 | 26,993 |
| | <u>365,031</u> | <u>44,338</u> |

Amounts owed to group undertakings included a U.S. dollar denominated unsecured loan, which accrued interest at a rate of 2.38% per annum. The initial contractual term of the loan was until 31 December 2020, after which the loan was automatically renewed until January 2022. On 7 December 2021, the terms of the loan were modified to an interest free loan, repayable on demand. The modification was treated as a substantial modification which resulted in the derecognition of the original loan liability and the recognition of a new loan liability with a £2,135,000 loss on modification recognised in profit or loss. As the loan is repayable on demand, the loan liability has been classified as a current liability at 31 December 2021.

Other amounts owed to group undertakings are unsecured, have no fixed date of repayment, and are interest free.

| Amounts shown within non-current liabilities as at 31 December | 2021 £000 | 2020 £000 |
|--|--------------|----------------|
| Amounts owed to group undertakings | — | 282,004 |
| Other payables | 287 | 276 |
| | <u>287</u> | <u>282,280</u> |

Adaptimmune Limited

Registered number 06456741

19 Employee benefits

The Company operates a defined contribution pension scheme for its executive directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The unpaid contributions outstanding at 31 December 2021 were £166,000 (2020: £132,000). The pension cost charge for the period was £832,000 (2020: £710,000).

20 Capital and reserves

Share capital

| As at 31 December | 2021 £000 | 2020 £000 |
|--|--------------|--------------|
| <i>Allotted, called up and fully paid</i> | | |
| 3,572,119 (2020: 3,572,119) Ordinary shares of 0.1p each | 4 | 4 |

21 Capital commitments and contingencies

| As at 31 December | 2021 £000 | 2020 £000 |
|--|--------------|--------------|
| Future capital expenditure contracted but not provided for | 13,113 | — |

Lease commitments

Details of the company's lease commitments as of 31 December 2021 are provided in Note 11.

22 Ultimate parent company

The immediate and ultimate parent company is Adaptimmune Therapeutics Plc. This is the smallest and largest group of which the company is a member and for which group financial statements are prepared. Copies of the consolidated financial statements may be obtained from Adaptimmune Therapeutics Plc, 60 Jubilee Avenue, Milton Park, Abingdon, Oxfordshire OX14 4RX, UK.