2020 Annual Report and Financial Statements

4basebio

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Highlights

- Spin out of DNA operations from 4basebio AG (now 2Invest AG) before year end

- Expansion into 12,000 square foot freehold office, laboratory and warehousing space near Cambridge in Q3 2020

- Development of UK DNA and nanoparticle scaling and validation team Q4 2020

- Admission of newly formed 4basebio UK Societas Group to AIM in February 2021

- Signed research collaboration and evaluation license agreements with Royal Holloway University of London for development of a non-viral vector for treatment of Duchenne muscular dystrophy in April 2021

At a glance

The 4basebio UK Societas group of companies ("the Group") was spun out of 4basebio AG, a German listed company, on 8 December 2020. The Company seat was subsequently transferred to the UK and the Company was admitted to AIM on 17 February 2021.

The Group is a specialist life sciences group of companies focused on supplying therapeutic DNA for gene therapies and gene-based vaccines and providing solutions for effective and safe delivery of these DNA/RNA based products to patients.

Our focus is the validation, scaling and supply of proprietary high quality GMP[1] grade synthetic DNA as well as proprietary non-viral nanoparticles which can efficiently and safely deliver fully functional genes to patients. These products and technologies are also available for customers and partners with whom we endeavour to combine our capabilities and know-how to develop gene therapy solutions for clinical development and commercialisation.

1 Good Manufacturing Practice

Chairman's statement

Successful spin out making good progress

I am delighted to be able to deliver my first statement as Chairman of the newly formed 4basebio UK Societas Group of companies. Since the decision was taken by the 4basebio AG board in 2020 to spin out the DNA assets of that group into 4basebio UK Societas and admit its shares to trading on AIM, the Company and Group has witnessed significant change.

4basebio UK Societas, formally 4basebio SE, was a German registered European stock corporation which was used to facilitate the spin out from 4basebio AG. Following approval of the spin out by the 4basebio AG Extraordinary General Meeting of 3 November 2020 and subsequent confirmation by the German commercial register on 8 December 2020, its registered seat was moved to the UK on 22 December 2020.

Following Brexit and the requisite change to the SE legislation, the Company's status was automatically changed to a UK stock corporation, a UK Societas. The Company will seek shareholder approval at the forthcoming Annual General Meeting to become a UK PLC. This will not affect its quoted status on AIM.

This process followed acknowledgement by the Board of 4basebio AG that the market valuation of its DNA business would benefit over time from a separate listing, distinct from 4basebio AG which now acts as an investment company. To that end, the AIM Market of London Stock Exchange (AIM) was identified as a highly suitable market due to the breadth of peer companies, London's large and sophisticated investor base and the UK operational footprint of the Company, with its Head Office near Cambridge.

With the spin out and flotation process now completed, the focus of the Board is now very much on the commercialisation of the Group's technology and growing stakeholder value over time.

During the latter part of 2020, the Group made the decision to accelerate its development activities by establishing a UK science group alongside the existing Spanish team. That UK group now stands at seven staff with further hires planned over coming months.

The Group continues to focus on its validation and scaling programmes, both in house and with selected academic and commercial partners. Near term objectives are centred on the Group's proprietary synthetic hpDNA™ being validated for use in AAV (adeno-associated viral vectors) and in vitro transcription (IVT), as well as delivering GMP readiness. While we remain relatively early in this process, it is becoming increasingly clear that these specific areas present a significant supply challenge for large pharma and biotech which are seeking alternative DNA solutions, both due to existing supply constraints and certain challenges in using plasmid DNA.

The Group remains fundamentally at a pre revenue stage but the Board is optimistic that this approach will prove fruitful with revenue and market opportunities opening up during the course of 2021 and 2022 in particular.

Tim McCarthy
Chair
2 June 2021

Business model

The Group is focussed on the development and commercialisation of synthetic DNA and non-viral nanoparticles for use in gene therapies and gene vaccines.

The Group owns, and continues to develop, intellectual property centred on its synthetic DNA and non-viral nanoparticles. The intellectual property comprises patents, know-how and data. The Group's business model is to create stakeholder value by exploiting the commercial value of that intellectual property.

The Group intends to do this by developing manufacturing capability in due course to enable it to supply its products (and know how) to pharma and biotech companies which would use it in a range of applications including gene therapies, mRNA vaccines and CAR-T treatments. While this is the primary focus of the Group, it is possible that such partners may also wish to in-licence or even acquire outright the rights to certain products and know-how and the Group would consider approaches in such instances.

Markets

The Group's synthetic DNA and non-viral nanoparticles offer clear benefits over existing and commonly used plasmid DNA and viral delivery systems.

While the Group aims to supplant existing technologies, the growth in gene therapies and mRNA vaccines is expected to lead to an ever-increasing demand for DNA which existing DNA manufacturing capacity is unable to meet.

Consequently, in the near term, 4basebio is focussed on commercialising its DNA for use in AAV vectors, a common method of delivering gene therapies; and IVT, where DNA is the template for the manufacture of mRNA (e.g. for mRNA vaccines such as Pfizer-BioNTech's COVID-19 vaccine).

Longer term, the Group's DNA can feed into DNA vaccines, a nascent market, and its non-viral nanoparticles can be used in the delivery of gene therapies. The combination of 4basebio's DNA and non-viral nanoparticle technology will also enable the Group in conjunction with partners to potentially develop its own portfolio of gene therapies for specific indications.

Application	DNA use	Nanoparticle use
AAV vectors	DNA source for use in AAV production	Non-viral alternative to AAV vectors for the delivery of DNA
mRNA vaccines	Template for In Vitro Transcription (IVT)	
DNA vaccines	Payload	
Gene therapies	Payload for viral and non-viral vectors and CAR-T cells	Non-viral delivery systems

These specific markets form part of the wider cell and gene therapy market, which is expected to continue to grow rapidly year on year. The US Food and Drug Administration expects 200 cell and gene therapy IND applications each year from 2020 and 30-60 approvals by 2030[1]. The global cell and gene therapy market, valued at $1 billion in 2018, is projected to grow at a compound annual growth rate of over 36 per cent. from 2019-2025, to approximately $12 billion[2].

5.1. Benefits of 4basebio's synthetic DNA, hpDNA™

Conventional gene therapy relies upon the production of plasmid DNA by bacterial fermentation. The fermentation process usually takes place in a bioreactor typically using the bacteria Escherichia coli (E. coli). This process finishes with harvesting, purification and safety testing. The final DNA product is required to demonstrate a high level of purity and be free of process-related impurities and variants in accordance with GMP.

Production of plasmid DNA is complex, requires significant capital expenditure to produce in commercial quantities and is working at technological limits. As a result of the manufacturing process, producers face challenges including batch consistency during fermentation, variability in yield and purity of the resulting product. This can provide additional complexity for manufacturers in scaling production in addition to the significant post-production processing that is required. Currently available plasmid DNA manufacturing methods are not optimal for large-scale production with purification being considered a complicated step in the process and accounting for the largest portion of the overall manufacturing cost.

The Group considers that synthetically produced DNA, as developed by the Group, has significant advantages over plasmid DNA for a number of reasons including:

- Cost

The Group's proprietary process allows it to make synthetic DNA at far higher concentrations than would be the case for commonly used bacterial driven manufacturing processes. The Company estimates that its DNA production process requires one thousandth of the volume compared to conventional processing techniques for the same DNA output, thereby reducing capital requirements and downstream processing.

- Quality

As a result of not using bacterial fermentation, the Group's synthetic hpDNA™ does not have the contamination profile of plasmid DNA production, which, in addition to the plasmid DNA itself, includes a mix of bacterial host protein, bacterial genomic DNA, toxic bacterial contaminants and many other types of bacterial cellular debris. Furthermore, the hpDNA™ product does not contain a bacterial backbone or antibiotic

1 https://www2.deloitte.com/us/en/pages/life-sciences-and-health-care/articles/challenges-in-the-emerging-cell-therapy-industry.html

2 https://markets.businessinsider.com/news/stocks/global-cell-and-gene-therapy-market-to-reach-11-96-billion-by-2025-1028421352

resistance genes, as is the case with plasmid DNA, both of which are undesirable for in vivo uses.

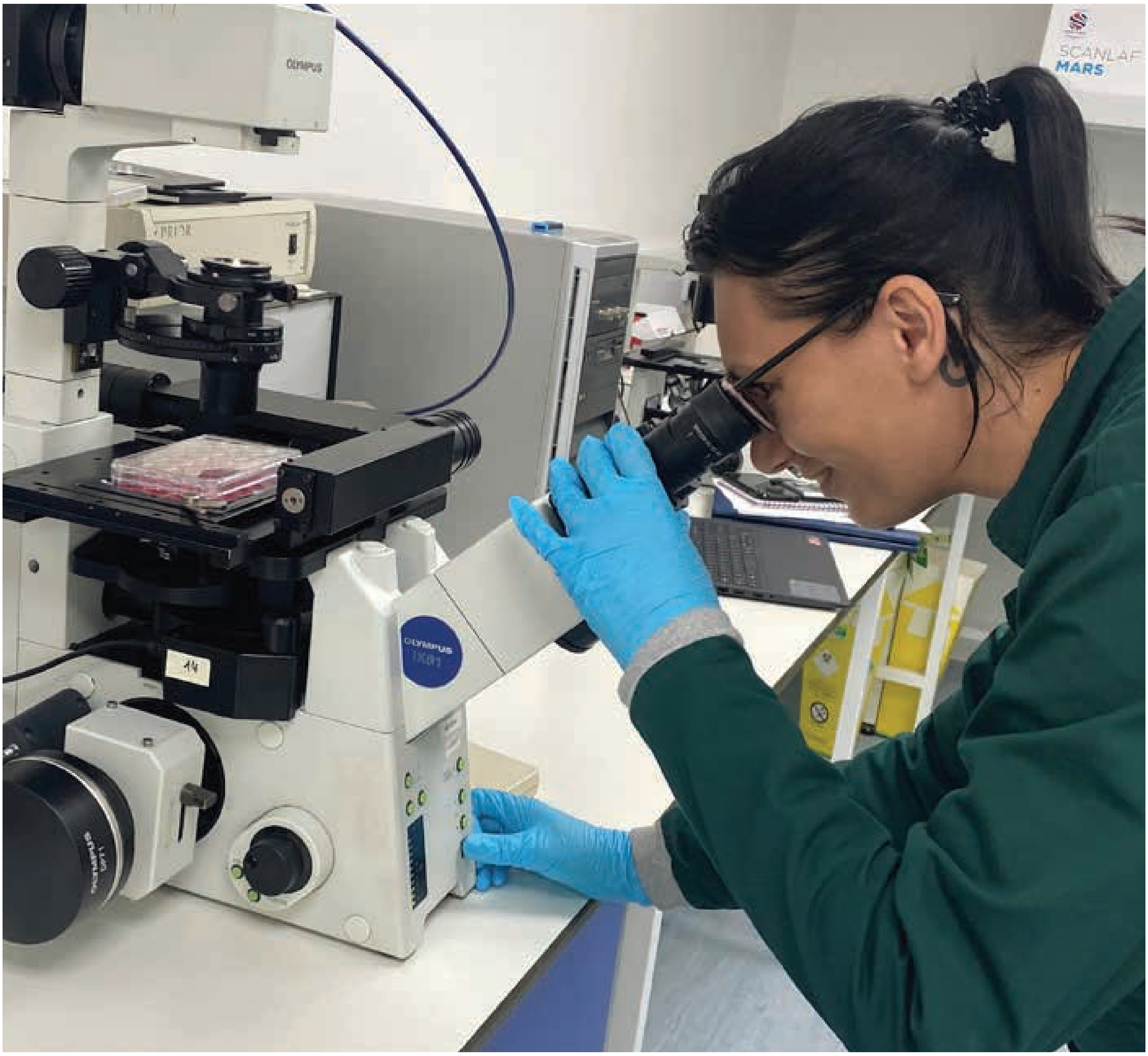
- Scalability

The enzymatic process used by the Group which generates hpDNA™ at much higher concentrations is more compact and therefore better suited to scaling and expansion.

5.2. Benefits of 4basebio's non-viral Hermes™ nanoparticles

Popular viral vectors such as AAV are limited in the size of DNA payload they can incorporate and deliver to patients. Hermes™ nanoparticles do not suffer from such limitation and are capable of delivering a variety of payloads and payload sizes. This provides opportunity to explore novel treatments for large and otherwise undeliverable genes.

Unlike viral delivery mechanisms which generate significant immune responses, the Group's non-viral delivery system are non-immunogenic, allowing repeat dosing with lower associated safety risks. Hermes™ nanoparticles can also be engineered to target particular cells and tissues, enhancing their specificity whilst minimising off-target effects which are desirable attributes when designing and developing novel gene therapy treatments.



Strategic goals

During the course of 2020, the principal objective was to establish 4basebio UK Societas as a standalone life sciences company, through executing the spin out process from 4basebio AG (now 2Invest AG), relocating the registered office of 4basebio UK Societas to the UK and quoting the Company's share on AIM.

With the admission to AIM on 17 February 2021, 4basebio UK Societas achieved this objective. Alongside this, the Directors focussed on the ongoing development and commercialisation of the Group's technologies. To that end, the Group headcount rose from 15 during Q3 2020 to 21 staff by the end of the year and the Group moved into its 12,000 square foot freehold offices and laboratories near Cambridge (previously let to a third party).

The ongoing focus for 2021 remains the validation and scaling of hpDNA™ and the translation of the commercialisation effort into a GMP ready process. This will enable the Group to commence the manufacture and sale of hpDNA™ during the course of 2022. In order to achieve this, 4basebio anticipates investing in the development of a small number of GMP suites at its office near Cambridge as well as the recruitment of Quality control staff and Regulatory consultants to develop appropriate Quality Management Systems.

The Group will also continue to invest in its development resources to support the product specific validation of hpDNA™ in AAV vectors and IVT as noted on page 6. This involves the establishment of cell tissue labs and the recruitment of further experienced laboratory staff.

By the end of 2021, the Company expects to move its headcount to approximately 30 staff across its locations in the UK and Spain.

Key performance indicators

By way of internal benchmarking, the directors monitor the progress of the Group's commercialisation objectives through the assessment and review of project plans, achievement of internal development milestones and results from validation activities undertaken with third party academic or commercial partners.

Alongside this, key indicators are as follows:

Loss for the year: **Description**: The Group's loss for the financial year measures its overall financial performance during the period.	**Performance**: Losses are expected to increase during 2021 as the Group invests further in staff, infrastructure and scaling and validation programmes.
Net cash at year end: **Description**: Given the funding requirements of the business to ensure successful commercialisation, the availability of cash is considered to be a key metric.	**Performance**: The Group's cash position was significantly strengthened as part of the spin out process from 4basebio AG, with capital contributions made by the then parent prior to the spin out.
Employees (year end): **Description**: The Group uses headcount as a measure of investment in its activities.	**Performance**: The Group continues to invest in its technology giving rise to an increase in headcount which is expected to continue to grow during 2021.

Principal risks and uncertainties and risk management

8.1. Risk management framework

The management of risk is a key responsibility of the Board of Directors. The Board ensures that the key risks are understood and appropriately managed in light of the Group's strategy and objectives, and that an effective internal risk management process, including internal controls, is in place to identify, assess, minimise and manage significant risks.

The Audit Committee oversees risk management on behalf of the Board and the Group's risk management policy and procedures to ensure they remain relevant. The key policy objectives include:

- establishing the importance of risk management in the successful operation of the business;
- ensuring that the risk tolerances of the Board are fully understood by senior executives;
- understanding the business risks that the Group faces and ensuring that they are appropriately managed or mitigated in line with the risk tolerances of the Board.

8.2. Principal risks

Risk description	Potential impact	Mitigation
Failure to protect intellectual property.	If the Group's patents are successfully challenged or the patent portfolio is insufficient to protect the key commercial benefits of its products, this may significantly diminish the value of the Group's intellectual property.	The Group constantly monitors its patents and potential challenges and retains patent lawyers for the purpose of maintaining existing patents and filing new patents.
Novel technology which may not receive market acceptance.	If the Group's technology is poorly understood or insufficiently validated against competing technologies, this would significantly impact the Group's ability to realise value from its hpDNA™ or Hermes™ product solutions.	The Group has commissioned several validation studies with academic and commercial partners and has a business development function focussed on extending the awareness and acceptance of the products and services. The Group is also expanding its in-house validation expertise across AAV and mRNA to ensure that the Group understands and addresses commercial challenges arising during these specific validation processes.
Commercialisation of technology is too slow.	If the Group is slow in commercialising its technology, competing technologies may emerge or become more widely accepted which diminish the value of the Group's intellectual property.	The Group constantly reviews its validation and scaling programmes with a view to ensuring progress is as swift as possible.
Covid-19 disrupts business operations.	The Group's progress is reliant on its scientific teams being able to continue their laboratory based work without disruption.	The Group has established and implemented strict Covid-19 protocols across its laboratories in the UK and Spain.

Chief Executive Officer’s statement

I am pleased to report a successful year for 4basebio UK Societas. Alongside the spin out from 4basebio AG, the Group continued to focus on the development of its proprietary technologies.

During the early part of 2020 and before the full impact of Covid-19 and the spin out, the board of 4basebio AG gave consideration to strengthening the genomics portfolio of assets which would potentially include the acquisition of companies, particularly with assets complementary to the then 4basebio AG Group’s intellectual property in synthetic DNA. However, as the world moved further into coronavirus lockdown, M&A activity became increasingly challenging and with valuations more uncertain. This led to a reprioritisation of internal programmes, with the establishment of a separate UK team focussed on the validation and scaling of technologies, alongside the existing Spanish team based in Madrid which focusses on enzyme production, a key input to synthetic DNA, and fundamental platform research.

As a result of this change in emphasis, in September 2020 4basebio Limited (now 4basebio UK Limited) occupied its 12,000 square feet office, warehouse and laboratory space it had previously let to a third party. This property will form the hub of 4basebio UK Societas Group’s development activity moving forward and offer ample space for the development of further laboratories and initial GMP processing suites which are planned for later in 2021.

During the course of 2020 and now 2021, the Group’s development programmes have steadily accelerated. With nine scientific staff across the group in Q3 2020, this reached 13 staff by year end, with further recruitment during 2021 bringing planned scientific staff above 20 by the end of 2021.

The Group sees near term commercial opportunities in the supply of its DNA into AAV and IVT markets. Our objective therefore is to address the technical challenges associated with potential partners moving from plasmid DNA to linear hpDNA™. The structure and packing of linear DNA varies from plasmid DNA and this requires time and effort to be focussed on the optimisation of constructs for linear DNA. While some of this work can be outsourced, it is essential that the Group has in house expertise able to work with prospective partners around validation and, importantly, optimisation. Alongside the development of GMP suites, this is a key objective for the remainder of 2021.

Early stage discussions remain ongoing with several potential customers who have expressed interest in understanding and testing our technology. This can often be a long process and the Group will report to the market as and when meaningful progress has been achieved.

We are also delighted to have signed an evaluation licence and research and collaboration agreement with Royal Holloway University of London to enable collaboration on a payload and vector and to evaluate their efficacy for treatment of muscular dystrophy. The parties will collaborate to develop a Hermes™ based non-viral vector incorporating a patented full length dystrophin gene, a significant step forward in the gene therapy models for muscular dystrophy. The initial project is expected to extend over two years, with the commercial licence terms agreed between the parties where this first stage proves successful. We believe projects such as this can offer significant validation of our Hermes™ nanoparticle with longer term value creation arising from the successful progress of the project.

We also continue to progress a range of collaboration opportunities which we expect to report on in due course.

Brexit
The impact of Brexit on operations has been minimal, with some delays in product shipments at borders. We continue to keep the position under review but do not expect further disruption.

Coronavirus
Both our UK and Spanish businesses have continued to operate throughout the course of 2020 and 2021. While non-scientific staff have from time to time necessarily worked from home, our operations have continued to progress largely unimpeded. For some of our smaller partners, the epidemic has led to some modest delays; overall however, we have seen limited disruption to our commercial development.

Outlook
We start 2021 with a very clear focus on the ongoing commercialisation objectives for our technologies. We expect to achieve GMP readiness in our DNA processes within the next six to twelve months; and we continue to develop new intellectual property both in relation to our synthetic DNA and non-viral nanoparticles.

Inevitably this progress requires significant investment in people and time and we expect to incur operating losses and cash burn over the coming year. Both the Board and I are very positive that we are steering the Group in the right direction and we continue to see exciting opportunities for the development of stakeholder value.

Financial Review

Continued investment in well funded platform

10.1 Introduction
In accordance with guidance in IFRS 3 ‘Accounting for business combinations’ and elsewhere, the spin out of 4basebio UK Societas and business combination with 4basebio S.L.U. has been accounted for on the basis that 4basebio S.L.U. was the accounting acquirer and that the substance of the acquisition of 4basebio Limited (now 4basebio UK Limited) was that it formed part of the spin out of the 4basebio AG subsidiaries to 4basebio UK Societas. Therefore, the consolidated financial statements are in substance a continuation of the financial information of 4basebio S.L.U. The assets and liabilities of 4basebio S.L.U. and 4basebio Limited are recognised and measured in the financial statements at the pre-combination carrying amounts with no goodwill arising in relation to them. The results for 2020 reflect the full year performance of 4basebio S.L.U. and the post-combination results of UK Societas and 4basebio UK Limited under acquisition accounting principles from the spin out date, 8 December 2020.

Prior period comparatives presented are for 4basebio S.L.U..

10.2 Revenues
Revenue of £462 thousand arising in the period relates to revenue from the sales of research kits, bulk enzymes and licence income, which are business streams undertaken by 4basebio S.L.U. and are incidental to the longer term strategy of the Group. Revenue for the period increased due to a one time bulk sale of enzymes of £266 thousand during the course of the year.

10.3 Cost of sales
Cost of sales comprises primarily the amortisation of previously capitalised development costs associated with the products sold from our Spanish subsidiary.

10.4 Sales and marketing
The sales strategy of the group is driven by higher level business development engagement instead of direct selling approaches. Consequently, our investment in business development, while modest, is very targeted.

10.5 Administration
Administration includes certain charges relating to the 2021 AIM admission as well as costs associated with back offices in the UK and Spain.

10.6 Research and Development
Total expenditure for the year was £343 thousand. The Group continues to capitalise DNA development expenditure arising in Spain in relation to the platform development which is undertaken.

10.7. Tax
The Group is loss making; no deferred tax assets have recognised in respect of tax loss carry forwards due to the

inherent uncertainty of recovery. Claims for tax credits in Spain and the UK for the year remain outstanding and consequently have not been recognised.

10.8.Balance Sheet

The balance sheet reflects the spin out accounting described in note 3 to the financial statements. Total assets stood at £17.8 million; in particular, the Group held £15 million of cash at the end of the 2020. The Group also occupies a freehold property near Cambridge, which in addition to further investment in its research and development laboratories meant that year end fixed assets stood at £1.5 million. Ongoing platform development in Spain also increased intangible assets to £785 thousand at year end.

Total liabilities at the end of 2020 stood at £2.4 million, of which £1.7 million related to Spanish softloans repayable between 2021 and 2028. Other liabilities included the balance of deferred grant income of £237 thousand.

10.9. Cashflow

Net cash inflows for the year stood at £14.9 million reflecting capital contributions of £15.6 million arising during the spin out process. Net cash outflows from operating activities were £1 million, of which £900 thousand related to payables and other liabilities; this related primarily to liabilities acquired with 4basebio Limited and settled pre year end.

As noted above, the Group continued to invest in research and development with outflows from investing activities of £849 thousand as well as cash accounted for on the acquisition of 4basebio Limited. Financing activities included, alongside the capital contributions, repayments of intercompany balances to the former parent as well as softloans, in total £1 million.

10.10. Going Concern

As the Group continues to invest in its activities and incur cash outflows, the Directors have considered the adequacy of available funds to meet the needs of the business for the period to 31 December 2022. The Directors are satisfied that the Group has adequate cash resources on hand for this period, in addition to which, the Group continues to maintain an unutilised loan facility with 2Invest AG for approximately £22 million.

10.11. Financial Outlook

During the course of 2021, the Group expects to secure revenues in line with the previous year relating to kit sales, bulk enzymes and royalties. However, the development programmes, operating commitments and ongoing funding requirements of the Group are expected to be significantly greater, giving rise to significant cash outflows over the foreseeable future. The Group is well placed to meet those cash requirements.

The strategic report was approved on 2 June 2021 by order of the Board.

Heikki Lanckriet
Chief Executive Officer
2 June 2021

Corporate Governance

The Directors recognise the importance of sound corporate governance. As an AIM-quoted company, the Board has concluded that the Quoted Companies Alliance Corporate Governance Code ("the QCA Code") is an appropriate code for the Company.

The Board, through its adoption of the QCA Code, believes in the value of putting the necessary systems and processes in place to support the medium to long-term delivery of the Company's strategic objectives. The Board is aware of the importance of communicating these strategic objectives to stakeholders and in reporting performance in a manner that encourages constructive dialogue to support the production of sustainable value in the long term. The Board recognises its role in setting the strategic direction of the business as well as in establishing the organisation's risk appetite.

Further, the Board is cognisant of the key role it plays in setting the tone and culture of the entire group.

The Board comprises 6 directors, 2 of which are executive and 4 are non-executive.

The Board has considered each of the 10 principles contained within the QCA Code and implemented the actions appropriate to a company of 4basebio's size and complexity. This information is included on the Company website at https://www.4basebio.com/about/corporate-governance/.

In addition, the Company has implemented a code of conduct for dealing in the shares of the Company by Directors and employees and standard committees as would be expected of an AIM company.

1. Board of Directors

Heikki Lanckriet, PhD. CEO & CSO – Chief Executive Officer

Tenure
Seven months

Skills and experience
Heikki Lanckriet (PhD) has broad expertise and commercial experience across the life science tools and reagents area. Heikki co-founded Expedeon, the predecessor to 4bb AG, of which, until recently, he was an executive board member. He accumulated a deep knowledge of the many facets of business by evolving through the roles of COO, CSO and CEO at Expedeon. Heikki holds a Bachelor's and Master's degree in Biochemical Engineering from the University of Ghent, Belgium and a PhD in Biochemical Engineering from the University of Cambridge, UK. He has published papers in high impact peer-reviewed international scientific journals and is named inventor on a multitude of patents.

David Roth – Chief Financial Officer

Tenure
Seven months

Skills and experience
David Roth is a chartered accountant having spent ten years in audit and advisory services, primarily with Arthur Andersen. Over the past twenty years, David has worked across listed and private equity backed companies primarily as CFO and with a particular focus on healthcare growth companies. This has included several successful disposal processes. In addition to general board duties, David has also undertaken a range of debt and equity raises, often with a view to delivering buy and build strategies; consequently he has also acted on various corporate acquisitions. He also holds a BA in Business Studies.

Tim McCarthy – Non-Executive Chairman

Tenure
Five months

Skills and experience
Tim has more than 35 years' international senior level business experience in the healthcare, biotech and technology sectors. He is the Executive Chairman of Incanthera plc, an AQSE quoted specialist oncology company, Non-executive Chairman of ImmuPharma plc, an AIM-quoted specialist drug discovery and development company, and formerly a Supervisory Board member of 4bb AG. He is a former CEO and Finance Director of a number of public and private companies, including Alizyme plc and Peptide Therapeutics Group plc. He has also co-founded a number of healthcare and biotechnology companies. He is also a Fellow of the Association of Chartered Certified Accountants, and has an MBA from Cranfield School of Management.

Committee membership
Chair of the Audit Committee
Remuneration Committee

Pilar de la Huerta, – Non-Executive Director

Tenure
Five months

Skills and experience
Pilar de la Huerta has accumulated extensive experience in the pharma and biotech sector over the last 20 years. She joined Genetrix group as a CEO in 2010 before, moving to SYGNIS after the merger between Xpol, Genetrix subsidiary, and SYGNIS AG in October 2012. From 2006 to 2010, 26 she was a strategic consultant within several companies, such as Viamed Salud Group, where she was responsible for R&D and New Business and was appointed CEO of two of the most innovative companies within the Group: Araclon Biotech, SL. and Viamed Technology Investments. Before that, she was CEO at Neuropharma (Noscira, Zeltia Group) and assumed various responsibilities within the Zeltia Group, (the biggest quoted biotech holding in Spain).
Pilar holds a Masters Degree in Business and Administration by the Universidad Complutense de Madrid.

Committee memberships
Chair of the Remuneration Committee
Audit Committee

Joseph Fernandez, – Non-Executive Director

Tenure
Five months

Skills and experience
Joseph Fernández is the founder of Active Motif which specialises in novel tools and platform technologies for genomics-driven cell biology and epigenetic pathway elucidation. Before starting Active Motif, Joseph was a co-founder of Invitrogen (which is now part of Thermo Fisher Scientific). At Invitrogen, he saw a need for a better way to clone pieces of DNA for expression in mammalian systems, which led to the company developing the first molecular cloning kits. Joseph holds a number of board positions.

Committee memberships
Audit Committee
Remuneration Committee

Hansjörg Plaggemars – Non-Executive Director

Tenure
Six months

Skills and experience
Hansjörg Plaggemars is a seasoned finance professional assuming operational roles in special situations. Experience includes structured debt finance, equity capital markets incl. capital increases and decreases, RTOs, restructurings and insolvencies.

After training with KPMG, he has worked for over 14 years as CFO in various industries including software, retail, prefabricated housing and e-commerce. In 2014 he joined Deutsche Balaton AG, a German investment company, and since 2017 has set-up his own consultancy firm, Value Consult. In this capacity he assists in various special situations, mainly with capital markets orientation, and assumes both executive as well as non-executive positions within projects.

Currently executive positions mainly includes:

December 2020 – 2invest AG (former 4basebio AG), Board Member

Investment firm with a focus on biotech, life science and IT, but also doing investment in other sectors such as natural resources. 2invest AG has approximately 80m EUR to invest and is listed on the German regulated market in Frankfurt.

Other executive positions include Deutsche Balaton AG related companies in the course of projects. These are projects ranging from creating a insolvency plan to create a cleaned listed shell, looking after listed and non-listed shell entities to start-ups for example in the soil & wastewater remediation.

Committee memberships
Audit Committee
Remuneration Committee

Corporate Governance Report

2.1. Leadership

2.1.1. The role of the Board

The Board is responsible for leading and controlling the activities of the Group, with overall authority for the management and conduct of the Group's business, together with its strategy and development. The Board is also responsible for ensuring the maintenance of a sound system of internal control and risk management (including financial, operational and compliance controls), reviewing the overall effectiveness of controls and systems in place, the approval of the budget and the approval of any changes to the capital, corporate and/or management structure of the Group.

Since admission to AIM, the Board holds meetings at least six times a year, with additional ad hoc meetings as required. A full briefing pack is circulated to the Board for review prior to each meeting. The Board delegates authority as appropriate to its Committees and members of the Group's management team.

AIM-quoted companies are required to apply a recognised corporate governance code. In February 2021 the Company announced that it would be adopting the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") to coincide with its admission to AIM.

2.2. Accountability

2.2.1. Composition of the Audit Committee

The Audit Committee is comprised of Tim McCarthy, Pilar de la Huerta, Hansjörg Plaggemars and Joe Fernandez. Both Tim McCarthy and Pilar de la Huerta are considered to be independent Non-Executive Directors. Tim McCarthy is Chair of the Committee and is considered to have recent relevant financial experience, having previously held the role of CFO of other companies. The Committee has written terms of reference, which are available for inspection on request to the Company Secretary. The activities of the Audit Committee, including those in relation to the Group's external auditor, are described in the audit and risk report on page 17.

2.2.2. Risk management and internal control

The Board has overall responsibility for the adequacy of the Group's internal control arrangements and consideration of its exposure to risk. It approves and adopts the annual update to the Group's risk management plan, following recommendations made by the Audit Committee. The Directors have assessed the principal risks facing the Company and actions taken to mitigate them on page 10 of the annual report.

2.3. Remuneration

The role of the Board and its Remuneration Committee in establishing a policy on Executive remuneration and an explanation of the level and components of remuneration are provided in the Directors' remuneration report on page 18.

2.4. Engagement with stakeholders

The Company endeavours to communicate with stakeholders through a number of channels. Senior management and, if required, the Non-Executive Directors meet major shareholders on a regular basis. Management also frequently holds one-to-one meetings with institutional investors, including non-shareholders. In addition on a regular basis management records video and audio interviews about the business which are distributed through a variety of portals such as PIWorld. Links to the Company's presentations and recordings are published on the Company's website. The Company is also covered by finnCap, the Group's broker, whose research notes are widely available to shareholders and potential investors.

2.4.1. General meetings

Details of the Annual General Meeting, which allows shareholders the opportunity to raise questions with the Company's Directors, are provided in the Directors' report on page 21. Separate resolutions are proposed at the Annual General Meeting for each substantially separate issue and a resolution will be proposed for approval of the annual report. Proxy voting is available for general meetings of the Company.

Tim McCarthy
Chairman
2 June 2021

Audit and Risk Report

3.1 The Audit Committee

The Audit Committee's responsibilities include:

- Oversight of the risk management framework and regular risk reviews;
- Monitoring of the financial integrity of the financial statements of the Group and the involvement of the Group's auditor in that process;
- Reviewing the effectiveness of the Group's internal controls and risk management systems and overseeing the process for managing risks across the Group, including review of the Group's corporate risk profile; and
- Oversight of the Group's compliance with legal requirements and accounting standards and ensuring that an effective system of internal financial control is maintained.

3.2. Activities of the Audit Committee

Prior to admission to AIM in 2021, the Audit Committee met to establish its Terms of Reference and approved revised Financial Position and Prospects Procedures (FPPP) and Risk Policy and Procedures documents. On the same day, the Board adopted the QCA Governance Code. The Committee also reviewed the latest risk register which had been prepared by management and circulated to the full Board.

3.3. External audit

The Group's external auditor, Crowe UK LLP, is engaged to provide its independent opinion on the Group's financial statements. The Senior Statutory Auditor for 2020 was Mr Stephen Bullock. The Audit Committee approves any non-audit services provided by the external auditor, with consideration to the threats posed to independence and safeguards in place.

3.4. Internal audit

The Committee is of the opinion that an internal audit function is not currently appropriate for the Group given its stage of development. The Committee will continue to review the appropriateness of these arrangements.

Tim McCarthy
Audit Committee Chair
2 June 2021

Directors' Remuneration Report

I am pleased to present the Directors' remuneration report for the year ended 31 December 2020. The Remuneration Committee recognises the importance of shareholder engagement in relation to Executive remuneration and has prepared this report as a matter of best practice.

4.1. Remuneration Committee membership and activities

The members of the Remuneration Committee are Pilar de la Huerta, Joe Fernandez, Hansjörg Plaggemars and Tim McCarthy. Pilar de la Huerta is the Committee Chair. The Committee is responsible for:

- Maintaining the remuneration policy;
- Reviewing and determining the remuneration packages of the Executive Directors;
- Monitoring the level and structure of remuneration of senior management, including share options and bonus awards; and
- Production of the Directors' remuneration report

4.2. Key remuneration principles

Our remuneration arrangements for Executive Directors are based on the key principles set out below. We have articulated how those principles are addressed within the remuneration policy.

Key principle	How we reflect this in our policy
To promote the long term success of the Company.	The Executive Directors' remuneration opportunity is a balance of fixed and performance based which is earned only subject to the satisfaction of performance conditions.
To provide appropriate alignment with investors' expectations in relation to the Company's strategy and outcomes.	Performance conditions for the annual bonus and any share option schemes are set such as to align with shareholders' interests.

4.3. Executive remuneration in 2020

Executive Director remuneration was approved by the Remuneration Committee. Base salary for the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) were based on their previous remuneration as the CEO and CFO of 4basebio AG, prorated for the period of contracted service during the year.

4.4. Looking forward to 2021

The Remuneration Committee expects base salaries to remain unchanged. The Executive Directors' bonus opportunity and share options award opportunity for 2021 is expected to be up to 60% of salary. On 25 January 2021, Heikki Lanckriet was awarded 238,000 share options at market price; David Roth was awarded 179,000 share options at market price.

4.5. Non-Executive remuneration 2020

The remuneration policy for the Chairman and Non-Executive Directors is to pay fees necessary to attract and retain individuals of the calibre required, taking into account the size and complexity of the business and the market in which it operates. The fees of the Non-Executive Directors are agreed by the Chairman and the CEO and the fees of the Chairman are determined by the Board as a whole. Fees are paid as a base fee as a member of the Board, together with additional fees for chairmanship of a Board Committee. All Non-Executive Directors may be reimbursed for expenses reasonably incurred in the performance of their duties. Neither the Chairman nor the Non-Executive Directors are eligible to participate in the Group's incentive arrangements.

4.6. Directors' service contracts

Details of the service contracts of Directors in office at the date of approval of this report are set out below. All Directors are subject to annual reappointment at every third Annual General Meeting and are subject to reappointment at the forthcoming Annual General Meeting.

Name	Position	Notice Period	Term of appointment
Heikki Lanckriet	CEO, CSO	One year	Open
David Roth	CFO	One year	Open
Tim McCarthy	Non-executive director (Chairman and Chair of Audit Committee)	Three months	Three years from 22 December 2020
Pilar de la Huerta	Non-executive director (Chair of Remuneration Committee)	Three months	Three years from 22 December 2020
Joe Fernandez	Non-executive director	Three months	Three years from 22 December 2020
Hansjörg Plaggemars	Non-executive director	Three months	Three years from 22 December 2020

4.7. Directors' remuneration

The table below details total remuneration earned by each Director in respect of the year:

Year ended 31 December 2020

[£'000] Name	Salary or fees	Other	Total
Heikki Lanckriet	22.3	–	**22.3**
David Roth	16.0	–	**16.0**
Tim McCarthy	1.0	–	**1.0**
Pilar de la Huerta	0.7	–	**0.7**
Joe Fernandez	0.5	–	**0.5**
Hansjörg Plaggemars	0.5	–	**0.5**
	41.0	–	**41.0**

No fees or salaries were paid in the previous year.

Pilar de la Huerta
Remuneration Committee Chair
2 June 2021

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2020.

5.1. Principal activities

The Group is a specialist life sciences group of companies focused on supplying therapeutic DNA for gene therapies and gene-based vaccines and providing solutions for effective and safe delivery of these DNA/RNA based products to patients.

5.2. Strategic report

The strategic report is set out on pages 2 to 13. The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable.

5.3. Section 172 statement

Under s172 of the Companies Act 2006 the Directors have a duty to act in good faith in a way that is most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the likely consequences of decisions for the long term, the interests of the Company's employees, the need to foster relationships with other key stakeholders, the impact on the community and the environment, maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the Company.

Key decisions made by the Board during 2020 were related primarily to the decision to move the registered office of the Company from Germany and build a scientific team in the UK. The Board considers these decisions to be in the best long term interests of shareholders.

Approximately 65% of the Company's shares are held by five investors, which include the CEO, CFO and one non-executive director, Joe Fernandez. The CEO, CFO and other members of the Board communicate from time to time with the other shareholders and have a good understanding of their interests. The CEO and CFO meet regularly with other shareholders, both institutional and private, to explain and discuss the Group's strategy and objectives and to understand the interests of smaller shareholders in the Company. The Board recognises its responsibility to act fairly between all shareholders of the Company.

The Group employed between 15 and 22 staff during 2020. The executive directors interact daily with employees. Management has implemented employee policies and procedures which are appropriate for the size of the Group.

As a relatively small organisation the Group's impact on the community and the environment is modest but the Board endeavours to ensure that the business acts ethically and in an environmentally conscious manner.

5.4. Future development

Disclosures relating to future developments are included in the Chief Executive Officer's statement and financial review.

5.5. Capital structure

Details of the Company's share capital including shares issued during the year are provided in note 22 of the financial statements. The Company has one class of Ordinary Shares listed on the AIM market of London Stock Exchange with a nominal value of €1.00. Each Ordinary Share carries the right to one vote at general meetings of the Company and carries no right to fixed income.

5.6. Results and dividend

The consolidated statement of profit and loss and other comprehensive income is set out on page 28. The Group's loss after taxation for the year was £719 thousand. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020.

5.7. Directors

The Directors of the Company during the year and up to the date of approval of the annual report were as follows:

- Heikki Lanckriet
- David Roth
- Tim McCarthy
- Pilar de la Huerta
- Joe Fernandez
- Hansjörg Plaggemars

The role of Company Secretary is undertaken by David Roth.

5.8. Directors' indemnities

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors, which remain in force at the date of this report.

5.9. Post balance sheet events

These are described in note 30 to the financial statements.

5.10. Research and development

The Group undertakes significant research and development activities relating to the development, validation and scaling of its technologies. Details of the expenditure charge to the consolidated statement of profit and loss, expenditure capitalised during the year and the accounting policy for capitalising development expenditure are provided in the financial statements.

5.11. Political donations

The Group made no political donations during the course of the current and prior years.

5.12. Financial instruments

The Company's financial risk management objectives and policies and disclosures regarding its exposure to foreign currency risk, credit risk and liquidity risk are provided in Note 26 to the financial statements.

5.13. Corporate governance report

The Company's corporate governance report can be found on page 16 of the annual report. The corporate governance report forms part of this Directors' report and is incorporated into it by cross-reference.

5.14. Major interests

As at the date of this report, the Company had been notified of the following shareholders with major interests in the shares of 4basebio UK Societas:

2Invest AG, 29.8%
Deutsche Balaton and affiliates, 20%
Heikki Lanckriet (CEO), 10.2%
Joe Fernandez (Non-executive director), 3.5%

5.15. Auditor

Each person who is a Director at the date of approval of this annual report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- The Director has taken all reasonable steps as a Director in order to make him or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006. Crowe LLP have expressed their willingness to continue as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

5.16. Annual General Meeting

The Annual General Meeting of the Company will be held at 09:00am on Wednesday 30 June 2021 at 25 Norman Way, Over, CB24 5QE. By order of the Board

Heikki Lanckriet
Chief Executive Officer
2 June 2021

Statement of Directors' Responsibilities
in respect of the annual report and the financial statements

The Directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and parent company financial statements for each financial year.

Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the United Kingdom (IFRSs as adopted by the UK) and applicable law and they have elected to prepare the parent company financial statements on the same basis.

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 Group and parent company and of their profit or loss for that period.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU;
- Assess the Group and parent 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 Group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and a Directors' report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Heikki Lanckriet
Chief Executive Officer
2 June 2021

Independent Auditor's Report
to the Members of 4basebio UK Societas

Opinion

We have audited the financial statements of 4basebio UK Societas (the "parent company") and its subsidiaries (the "group") for the period ended 31 December 2020 which comprise the Consolidated statement of profit or loss and other comprehensive income, the Consolidated and Company statements of financial position, the Consolidated and Company statements of changes in equity, the Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosures Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the ability of the group and the parent company continue to adopt the going concern basis of accounting included the following procedures:

The going concern assessment period used by the Directors was at least 12 months from the date of the approval of the financial statements. We assessed the appropriateness of the approach, assumptions and arithmetic accuracy of the model used by management when performing their going concern assessment.

We evaluated the Directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment. Additionally, we reviewed and challenged the results of management's stress testing, to assess the reasonableness of economic assumptions in light of the impact of Covid-19 on the Group's solvency and liquidity position.

Further details of the Directors' assessment of going concern is provided in Note 3.

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

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

Independent Auditor's Report
to the Members of 4basebio UK Societas (continued)

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

- £340,000 is the group level of materiality determined for the financial statements as a whole, this has been determined based on approximately 2% of the consolidated total assets. As the group was recently formed and has a limited trading history at the reporting date we determined that an asset based metric was the most appropriate to use for determining materiality.
- £250,000 is the group level of performance materiality. Performance materiality is used to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.
- £17,000 is the group level of triviality agreed with the Audit Committee. Errors above this threshold are reported to the Audit Committee, errors below this threshold would also be reported to the Audit Committee if, in our opinion as auditor, disclosure was required on qualitative grounds.

The parent company materiality was assessed as £230,000 based on approximately 2% of total assets. As the parent company does not trade in its own right we determined that an asset based metric was the most appropriate to use for determining materiality. Parent company performance materiality was £172,500 and triviality was £11,500.

Overview of the scope of our audit

There are three significant components group, the parent company, 4basebio S.L.U. and 4basebio UK Limited. We audited the parent company and 4basebio UK Limited and that audit was conducted from the UK. Audit work on the significant non-UK component, 4basebio S.L.U., was carried out by a member of the Crowe Global international network as component auditor.

We engaged with the component auditor at all stages during the audit process and directed the audit work on the non-UK subsidiary undertaking. We directed the component auditors regarding the audit approach at the planning stage, issued instructions that detailed the significant risks to be addressed through the audit procedures and indicated the information we required to be reported on.

The impact of the Covid-19 pandemic in relation to quarantine restrictions in the UK and Spain, and international travel restrictions in general, meant that is was not possible for the audit team, including the audit engagement partner, to visit the component auditors and the principal finance locations of the significant non-UK component in order to review the component auditors' working papers, discuss key findings directly with the component audit team, specialist team members and component auditor reporting partner and conclude on significant issues. Instead, regular progress calls and remote audit file reviews were considered appropriate in the circumstances.

Key Audit Matters

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

This is not a complete list of all risks identified by our audit.

Key audit matter	*How the scope of our audit addressed the key audit matter*
Accounting for the formation of the 4basebio group by the parent company including derivation of appropriate fair values *Notes 3 and 13* On 8 December 2020 the parent company acquired the entire issued share capital of each of 4basebio S.L.U., 4basebio UK Limited and 4basebio Discovery Limited as part of a spin out transaction from the parent company's former parent undertaking. As described in note 3, 4basebio SE was a shell company and did not have any operations. Because the parent company had no economic substance, the directors considered guidance in IFRS 3.B13 to IFRS 3.B17 and concluded that it was appropriate to designate 4basebio S.L.U as the deemed acquirer. As 4basebio S.L.U is the deemed acquirer and the parent company is deemed to be the acquiree this combination falls outside the scope of IFRS3 since the parent company does not meet the definition of a business. There is no defined approach under IFRS 3 for such transactions. The directors therefore concluded that this combination should be treated as a continuation of 4basebio S.L.U at historic book values rather than the legal acquirer (4basebio UK Societas). The accounting for the transaction is an area of judgement. As the acquisition accounting is complex and the associated balances are highly material, we have designated this as an audit risk in the current year.	We considered the appropriateness of the judgement made by management in relation to the acquisitions in the context of guidance in IFRS 3 and elsewhere. We considered the risk the accounting for the acquisitions was materially misstated, that assets and liabilities acquired may be recognised at inappropriate valuations and assumptions are used in making those valuations that are inappropriate or inconsistent with other assessments made. We performed audit procedures on the inputs to the acquisition accounting including: • obtaining copies of the acquisition agreements to confirm the purchase arrangements ensure that the cost of investment is correctly capitalised; • challenging managements' assessment as to the existence and valuation of assets and liabilities recognised on the acquisition and challenging the assumptions and methodologies used in arriving at fair values; and • reviewing acquisition date balance sheets of the entities acquired to ensure the fair value of assets is appropriately considered and also the completeness of liabilities. Where there were differences we obtained explanations for these.

For the parent company we identified one key audit matter:

Key audit matter	*How the scope of our audit addressed the key audit matter*
Carrying value of investments in subsidiaries *Note 13* At the reporting date the carrying value of investments in subsidiaries in the balance sheet of the parent entity was £7.8 million. We considered the risk that the carrying value of investments in subsidiaries was impaired. Any impairment of investments in subsidiaries would reduce distributable profits and potentially impact the ability of the parent company to pay dividends.	We obtained management's assessment of the impairment of investments in subsidiaries. We considered the following matters: • the appropriateness of the assumptions used by management in assessing the ability of the subsidiary companies to generate cash; and • the mathematical accuracy of the underlying forecasts

Independent Auditor's Report
to the Members of 4basebio UK Societas (continued)

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

As explained more fully in the directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We obtained an understanding of the legal and regulatory frameworks within which the Group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were relevant company law and taxation legislation in the UK and Spain. Technical, clinical or regulatory laws and regulations which are inherent risks in the development of clinical products are mitigated and managed by the Board and management generally, in conjunction with expert regulatory consultants in order to monitor the latest regulations and planned changes to the regulatory environment.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

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. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

Stephen Bullock
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

2 June 2021

Consolidated statement of profit or loss

for the year ended 31 December

[in £'000]	Note	2020 (note 3)	2019 (note 3)
Revenues	5	**462**	202
Cost of goods sold	6	**(188)**	(230)
Gross profit		**274**	(28)
Sales and marketing expenses	6	**(141)**	(118)
Administration expenses	6	**(516)**	(237)
Research and non-capitalised development expenses	6	**(343)**	(254)
Other operating expenses	8	**(1)**	(11)
Other operating income	9	**105**	228
Loss from operations		**(622)**	(420)
Finance expense	10	**(94)**	(109)
Financial result		**(94)**	(109)
Loss before tax		**(716)**	(529)
Income tax expense	11	**(3)**	106
Loss for the period		**(719)**	(423)
Loss per share	12		
– Diluted and Undiluted (in £/share)		**(0.08)**	(0.05)
Items that may be reclassified to the income statement in subsequent periods			
Exchange rate adjustments		**162**	–
Total comprehensive income		**(557)**	(423)

All of the loss for the year is from continuing operations.

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

31 December

[in £'000]	Note	2020 (note 3)	2019 (note 3)
Assets			
Intangible assets	14	**785**	450
Property, plant and equipment	16	**1,478**	78
Other non-current assets	20	**34**	29
Non-current assets		**2,297**	557
Inventories	18	**131**	102
Trade receivables	19	**39**	77
Other current assets	20	**341**	339
Cash and cash equivalents	21	**15,001**	80
Current assets		**15,512**	598
Total assets		**17,809**	1,155
Liabilities			
Financial liabilities	23	**(416)**	(446)
Trade payables		**(96)**	(101)
Other current liabilities	24	**(301)**	(19)
Current liabilities		**(813)**	(566)
Financial liabilities	23	**(1,301)**	(2,142)
Other liabilities	24	**(237)**	(337)
Non-current liabilities		**(1,538)**	(2,479)
Total liabilities		**(2,351)**	(3,045)
Net assets		**15,458**	(1,890)
Share capital	22	**11,130**	6,362
Share premium	22	**706**	0
Merger reserve	22	**688**	0
Capital reserve	22	**13,099**	1,356
Foreign exchange reserve	22	**175**	13
Accumulated loss	22	**(10,340)**	(9,621)
Total Equity		**15,458**	(1,890)

The above statement of financial position should be read in conjunction with the accompanying notes.

The Financial Statements were approved by the Board of Directors on 2 June 2021 and were signed by Heikki Lanckriet and David Roth.

Company statement of financial position
31 December

[in £'000]	Note	2020	2019
Assets			
Investments	13	**7,817**	0
Amounts due from subsidiary undertaking		**3,913**	0
Non-current assets		**11,730**	0
Amounts due from subsidiary undertaking		**13**	0
Other current assets		**0**	79
Cash and cash equivalents		**106**	25
Current assets		**119**	104
Total assets		**11,849**	104
Liabilities			
Current liabilities		**0**	0
Non-current liabilities		**0**	0
Total liabilities		**0**	0
Net assets		**11,849**	102
Share capital	22	**11,130**	104
Share premium	22	**706**	0
Accumulated profit		**13**	0
Total Equity		**11,849**	104

The profit for the year to 31 December 2020 for the Company was £13 thousand (result for the period from 11 October 2019 to 31 December 2019: £0). The pre-acquisition business combination loss (in the period 1 January 2020 to 8 December 2020) was £0 and the profit in the period since the business combination (9 December 2020 to 31 December 2020) was £13 thousand. The above statement of financial position should be read in conjunction with the accompanying notes.

The Financial Statements of 4basebio UK Societas (company number SE000143) were approved by the Board of Directors on 2 June 2021 and were signed by Heikki Lanckriet and David Roth.

Consolidated statement of changes in equity
for the year ended 31 December 2020

[in £'000]	Share capital	Share premium	Merger reserve	Capital reserve	Foreign exchange	Profit and loss reserve	Total equity
Balance at 1 January 2020	**6,362**	**–**	**–**	**1,356**	**13**	**(9,621)**	**(1,890)**
Capital contributions from 4basebio AG (now 2Invest AG)	–	–	–	11,743	–	–	11,743
Combination accounting	(6,258)	–	688	–	–	–	(5,570)
Loss after income tax	–	–	–	–	–	(719)	(719)
Shares issued for cash	3,209	706	–	–	–	–	3,915
Foreign Exchange difference arising on translation of 4basebio S.L.U.	–	–	–	–	162	–	162
Shares issued to acquire subsidiaries	7,817	–	–	–	–	–	7,817
Balance at 31 December 2020	**11,130**	**706**	**688**	**13,099**	**175**	**(10,340)**	**15,458**

[in £'000]	Share capital	Share premium	Merger reserve	Capital reserve	Foreign exchange	Profit and loss reserve	Total equity
Balance at 1 January 2019	**6,362**	**–**	**–**	**1,356**	**13**	**(9,198)**	**(1,467)**
Loss after income tax and total comprehensive income for the period	–	–	–	–	–	(423)	(423)
Balance at 31 December 2019	**6,362**	**–**	**–**	**1,356**	**13**	**(9,621)**	**(1,890)**

For further information on the composition of equity see note 22 in the notes to the consolidated financial statements.

Company statement of changes in equity

for the year ended 31 December 2020

[in £'000]	Share capital	Share premium	Profit and loss reserve	Total equity
Balance at 1 January 2020	**104**	**–**	**–**	**104**
Profit after income tax and total comprehensive income for the period	–	–	13	13
Shares issued for cash	3,209	706	–	3,915
Shares issued to acquire subsidiaries	7,817	–	–	7,817
Balance at 31 December 2020	**11,130**	**706**	**13**	**11,849**

[in £'000]	Share capital	Share premium	Profit and loss reserve	Total equity
Balance at 11 October 2019	**104**	**–**	**–**	**104**
Loss after income tax and total comprehensive income for the period	–	–	–	–
Shares issued for cash	–	–	–	–
Balance at 31 December 2019	**104**	**–**	**–**	**104**

For further information on the composition of equity see note 22 in the notes to the consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December

[in £'000]	2020 (note 3)	2019 (note 3)
Net loss for the period	**(719)**	(423)
Adjustments to reconcile net loss for the period to net cashflows		
Income taxes	**3**	(106)
Interest charge	**94**	104
Depreciation of property, plant and equipment	**83**	15
Amortisation and impairment of intangible assets	**194**	236
Other non-cash items	**25**	(57)
Working capital changes:		
Trade receivables and other current assets	**91**	116
Trade payables and other current liabilities	**(876)**	(167)
Inventories	**(24)**	13
Tax receipt	**107**	–
Net Cash flows from operating activities	**(1,022)**	(269)
Investments in property, plant and equipment and intangible assets	**(351)**	(3)
Investments in capitalised development	**(498)**	(200)
Cash acquired with 4basebio Limited (now 4basebio UK Limited)	**2,295**	0
Cash flows from investing activities	**1,446**	(203)
Cash in(out)flow due to changes in financing	**(1,024)**	629
Capital contributions by way of cash	**15,626**	0
Interest paid	**(116)**	(104)
IFRS16 leases	**(59)**	(37)
Cash flows from financing activities	**14,427**	487
Net change in cash and cash equivalents	**14,851**	16
Exchange differences	**70**	(4)
Cash and cash equivalents at the beginning of the period	**80**	69
Cash and cash equivalents at the end of the period	**15,001**	80

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements
For the year ended 31 December 2020

1. General information

4basebio UK Societas (the "Company" or "4basebio") is registered in England and Wales as a UK Societas. It is the intention to convert the Company to a plc subject to approval from shareholders at its next Annual General Meeting.

The Company was originally incorporated in Germany on 11 October 2019 as a European Company (also known as Societas Europaea or SE with the name Atrium 180. Europäische VV SE). On 11 November 2020, the Company changed its name to 4basebio SE. Subsequent to this, the Company sought to move its registered office from Germany to the UK. This was recorded with Companies House on 22 December 2020 at which time the Company became a company registered in England and Wales.

Following the departure of the United Kingdom from the European Union on 31 December 2020, the Company automatically became a UK European Company and its name automatically changed to 4basebio UK Societas.

The Company is domiciled in England and the registered office of the Company is 25 Norman Way, Over, Cambridge CB24 5QE. 4basebio UK Societas is the parent of a group of companies. The Group focusses on life sciences and in particular the development of synthetic DNA and nanoparticles suitable for inclusion in, or delivery of, therapeutic payloads for gene therapies and gene vaccines.

The Company trades on London Stock Exchange's AIM market, having been admitted on 17 February 2021. The international securities number (ISIN) number for its AIM traded shares is GB00BLD8ZL39; its ticker symbol is 4bb.l.

2. Adoption of new and revised standards

The Group has applied the below amendments to IFRS Standards and Interpretations issued by the Accounting Standards Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

Amendments to References to the Conceptual Framework in IFRS Standards:
The Group has adopted the amendments included in Amendments to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IFRS3 Definition of a business
The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of material
The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

Notes to the financial statements (continued)

Other new guidance:

Title	First application 4basebio Group	Effects on the 4basebio Group
Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7	2020	No impact
Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16	2020	No impact

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

— IFRS 17: Insurance Contracts
— IFRS 10 and IAS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
— Amendments to IAS 1: Classification of Liabilities as Current or Non-current
— Amendments to IFRS 3: Reference to the Conceptual Framework
— Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use
— Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
— Annual Improvements to IFRS: Amendments to IFRS 1 First-time Adoption of International Financial Reporting
— Standards 2018-2020 Cycle Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

3. Significant accounting policies

Basis of preparation
The consolidated financial statements of 4basebio UK Societas (or "the Group") for the financial year ending 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The directors, having considered the circumstances giving rise to the formation of the Group and relevant guidance in IFRS 3.B13 to IFRS 3.B17, have concluded that the combination in which the Company issued 8,622,231 shares to the shareholders of its former parent entity as consideration for the spin-off assets comprising shareholdings in 4basebio S.L.U. and 4basebio Limited (now 4basebio U.K. Limited), should be treated as a continuation of 4basebio S.L.U. at historic book values. Further details of this consideration are set out in note 13.

Therefore, although these consolidated financial statements have been issued in the name of 4basebio UK Societas, the legal acquirer, the Group's activity is in substance the continuation of the financial information of 4basebio S.L.U., to which the comparative financial information presented, for the year ended 31 December 2019, relates. The consolidated financial statements comprise the results of 4basebio S.L.U. and 4basebio UK Societas for the full year and 4basebio UK Limited from 8 December 2020 the date of the transaction.

The financial information included as comparatives for the year ended 31 December 2019 reflect the results and position of 4basebio S.L.U.; consequently, the financial information included as comparatives within these consolidated financial statements does not constitute statutory accounts, but has been prepared under IFRS and in accordance with the group accounting policies disclosed.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. For calculation reasons, rounding differences of +/- one unit (£'000, % etc.) may occur in the information presented in these financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16.

Notes to the financial statements (continued)

The principal accounting policies adopted are set out below.

Going concern
The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM are responsible for the allocation of resources to operating segments and assessing their performance. For the years ended 31 December 2020 and 31 December 2019, the Group comprised one operating segment.

Business combinations
Except as disclosed in **Basis of preparation**, acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

— deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
— liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
— assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are

Notes to the financial statements (continued)

adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Revenue recognition
Revenue from contracts with customers, in particular revenue from the sale of kits and enzymes, is recognised at the point that control of the goods or services is transferred to the customer. This is generally the point of delivery for kits and enzymes. Recognition amount is the amount of the consideration that the Group will likely receive in exchange for these goods or services. The usual payment period is 30 to 90 days from delivery. The Group has concluded that it acts as a principal in its sales transactions, as the Group usually has control over the goods or services before they are transferred to the customer.

The Group checks contracts with customers to see whether the contracts contain other commitments which represent separate performance obligations to which a part of the transaction price must be allocated (e.g. warranties). In determining the transaction price for the sale of kits and enzymes and other goods, the Group takes into account the effects of variable consideration, significant financing components and non-cash consideration and, if applicable, consideration payable to a customer.

If a contractual consideration contains a variable component, the Group determines the amount of the consideration that it is entitled to in exchange for the transfer of the goods to the customer. This applies in particular to some contracts for the sale of proteomics, which grant the customer a right of return or quantity discounts that result in a variable consideration. The variable consideration is estimated at the inception of the contract and included in the transaction price only when it is highly probable that the cumulative revenue recognised will not be significantly impaired once the uncertainty surrounding the variable consideration no longer exists.

Leases
The Group as lessee
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use 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 (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

— Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
— Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
— The amount expected to be payable by the lessee under residual value guarantees;
— The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
— Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

— The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
— The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

Notes to the financial statements
(continued)

— A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Foreign currencies
The functional currency of the Group is British Pounds.

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

— exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (4basebio S.L.U.) are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

The principal currency rates of the Group have developed as follows in relation to the equivalent of one pound (GBP/£):

	Closing exchange rate		Average exchange rate	
[in GBP]	31.12.2020	31.12.2019	2020	2019
Euro	0.8994	0.8500	0.8895	0.8774
US Dollar	0.7327	0.7570	0.7797	0.7839

Government grants
Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement and termination benefit costs
Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit plans are accounted for as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Notes to the financial statements (continued)

Short-term employee benefits
A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation
The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on any taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of accounting professionals and in certain cases based on specialist independent tax advice.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year
Current and deferred tax are recognised in the profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the financial statements
(continued)

Property, plant and equipment
Land and buildings held for use in the production or supply of goods or services or for administrative purposes, are stated in the statement of financial position at cost less any accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated.

Plant, machinery, fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	4 per cent per annum
Plant and machinery	10 per cent - 25 per cent per annum
Fixtures and fittings	10 per cent - 30 per cent per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Internally-generated intangible assets – research and development expenditure
The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed below. Where no internally- generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets are generally recognised initially at cost. The cost of intangible assets acquired in business combinations is the fair value at the time of acquisition. With the exception of capitalised development costs and internally generated patents, no internally generated intangible assets are recognised in the consolidated statement of financial position of the Group. Instead, the corresponding expenses are recognised as expenses in the consolidated income statement in the period in which they were incurred. Development costs are only capitalised as intangible assets if the Group can demonstrate that the specific recognition criteria according to IAS 38.57 are met.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

— 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;
— 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.

Research and non-capitalisable development costs are recorded as expenses in the period in which they are incurred and reported in a separate line in the consolidated income statement (“Research and non-capitalised development costs”).

Notes to the financial statements (continued)

For the purposes of subsequent measurement of intangible assets, IFRSs distinguish between intangible assets with finite and indefinite useful lives. The consolidated financial statements of the 4basebio Group only contain intangible assets with a definite useful life. These are amortised over their useful economic life and tested for possible impairment if there are indications that the intangible asset may be impaired. In the case of capitalised development costs, amortisation begins upon completion of the development phase and from the point at which the asset can be used. During the development phase, an annual impairment test is carried out. Amortisation is recognised for capitalised development costs within cost of sales and for all other intangible assets within the expense category that corresponds to the function of the intangible asset in the 4basebio Group. Depreciation periods and methods are reviewed at least at the end of each reporting period. If changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in an intangible asset necessitate changes in the amortisation method or amortisation period, these changes are treated as changes in accounting estimates and recognised prospectively in profit or loss for the period.

An intangible asset is derecognised either upon disposal or when no further economic benefit is expected from the continued use or sale of the recognised asset. Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period in which the intangible asset is derecognised.

The accounting and valuation methods applied to the intangible assets of the Group are summarised as follows:

	Licences	Capitalised development costs
Useful life	Finite	Finite
Amortisation method	Amortised on a straight–line basis over the term of the licence	Amortised on a straight–line basis over the period of expected future sales from the related project
Type of asset	Acquired	Internally generated

Patents and trademarks
Externally acquired patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its' carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

Notes to the financial statements (continued)

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the financial statements (continued)

4. Critical accounting judgemens, estimates and assumptions

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Acquisition accounting – identifying the accounting acquirer and fair value of assets acquired
The most significant judgement is in determining the accounting acquiror as the conclusion of this has a fundamental impact on the presentation of the financial statements. In arriving at that judgement management had regard to the revised Conceptual Framework for Financial Reporting issued in March 2018 which states that a reporting entity is not necessarily a legal entity. Management also considered the guidance in IFRS 3 to identify the accounting acquirer and on this basis determined that 4basebio S.L.U. was the accounting acquirer. Judgement was also exercised in in determining that the substance of the acquisition of 4basebio Limited (now 4basebio UK Limited) was that it formed part of the spin out of the 4basebio AG subsidiaries to 4basebio UK Societas. The assets and liabilities of 4basebio S.L.U. and 4basebio Limited are therefore recognised and measured in the Group financial statements at the pre-combination carrying amounts, without restatement to fair value and no goodwill arises in relation to them. The presentation in the financial statements is disclosed in Note 13.

Capitalisation of development expenditure
The Group capitalises the costs of product development projects if the recognition criteria according to IAS 38.57 are met. The capitalisation of development costs is based on management's assessment that the technical and economic feasibility has been demonstrated. This is generally the case when a product development project has reached a certain milestone in an existing project management model. For the purpose of determining the amounts to be capitalised, management makes assumptions about the amount of expected future cash flows from the project, the discount rates to be applied and the timing of inflow of the expected future benefit. As at 31 December 2020 the carrying amount of capitalised development costs amounted to £683 thousand (31 December 2019: £382 thousand).

5. Revenues

Revenue by type [in £'000]	2020	2019
Revenue from sales of kits and other products	**428**	173
Revenue from licences and royalties	**34**	29
Total revenue	**462**	202

Geographic markets [in £'000]	2020	2019
Europe	**115**	112
USA	**347**	90
Total revenue	**462**	202

Timing of revenue recognition [in £'000]	2020	2019
At a point in time	**462**	202
Over a period of time	**–**	–
Total revenue	**462**	202

Information on significant customers [in £'000]	2020	2019
Revenues from significant customers (customers which represent at least 10% of Group revenue)	**266**	–
Other revenues	**196**	202
Total revenue	**462**	202

Notes to the financial statements (continued)

6. Expenses

Loss for the year before income tax includes the following specific expenses:

[in £'000]	2020	2019
Cost of goods		
Amortisation of capitalised development expenses	**188**	230
Sales and marketing expenses		
Employee costs	**129**	100
Other	**12**	18
	141	118
Administration expenses		
Employee costs	**116**	53
Professional fees	**276**	43
Depreciation and amortisation	**69**	41
(Former Group) Management charges	**4**	48
Other	**51**	52
	516	237
Research and non-capitalised development expenses		
Employee costs	**496**	289
Consumables	**205**	105
Consultancy	**54**	10
Depreciation and amortisation	**19**	13
Capitalised development expenses	**(463)**	(188)
Other	**32**	25
	343	254

7. Staff numbers and costs

[in £'000]	2020	2019
Salaries	**621**	351
Social security costs	**112**	91
Pension costs	**8**	0
Staff costs	**741**	442

Average FTE headcount by function	2020	2019
Sales and marketing	**1.0**	1.0
GF&A	**2.4**	2.0
R&D	**9.1**	6.8
Total	**12.5**	9.8

8. Other operating expenses

[in £'000]	2020	2019
Loss on disposal of assets	**–**	6
Other	**1**	5
Other operating expenses	**1**	11

Notes to the financial statements (continued)

9. Other operating income

[in £'000]	2020	2019
Government grants	**94**	102
Recharge of expenditure to former group companies	**0**	110
Other	**11**	16
Other operating income	**105**	228

4basebio S.L.U receives public loans which carry either a minimal or nil interest rate, and are hence also referred to as soft loans. The benefit accruing to the Company from low interest loans has been accounted for as grant income. The fair value of loans received has been calculated on the basis of an arm's length rate of interest of 4%, with imputed interest charges being recognised over the period of the loans.

The consequential difference between funds received and the underlying fair value of the loans has been recognised as deferred grant income within financial liabilities. This benefit is amortised over the life of each loan giving rise to grant income recorded in other operating income.

10. Financial result

[in £'000]	2020	2019
Interest expense on loans	**88**	104
Interest on lease liabilities	**6**	5
Finance expenses	**94**	109

11. Income taxes

[in £'000]	2020	2019
Current tax expense (-) or income (+)	**-3**	+106
Deferred tax expense (-) or income (+)	**–**	–
Total income tax	**-3**	+106

Tax reconciliation statement

The difference between the expected income tax expense and the income tax expense actually reported is shown in the following reconciliation. To determine the expected tax expenses, a weighted average UK and Spain tax rate of 23% was used for 2020 (2019: 25% for Spain only) and was multiplied by the loss before taxes.

[in £'000]	2020	2019
Loss before tax	**(716)**	(529)
Expected tax expense (-) or income (+)	**+165**	+132
Adjustments:		
Loss carry forwards on which no deferred tax recognised	**(161)**	(24)
Other	**(7)**	(2)
Total adjustments	**(168)**	(26)
Income tax (actual tax expense)	**(3)**	106

Notes to the financial statements (continued)

12. Earnings per share

	2020	2019
Numerator [in £'000]		
Result for the period	**(719)**	(423)
Denominator [number of shares]		
Weighted average number of registered shares in circulation (ordinary shares) for calculating the undiluted earnings per share	**9,197,913**	8,622,231
Diluted and Undiluted earnings per share	**(0.08)**	(0.05)

4basebio UK Societas was incorporated on 11 October 2019 with issued share capital of 120,000 ordinary shares. On 11 November 2020, a further 3,575,242 ordinary shares were issued for cash. On 8 December 2020 a further 8,622,231 ordinary shares were issued in consideration for the acquisition of 4basebio S.L.U. and 4basebio Limited (now 4basebio UK Limited).

The calculation of the diluted and undiluted earnings per share for continuing operations was based on the weighted average number of shares as determined above. The numerator is defined as result after tax from continuing operations.

The comparative has been restated to reflect the number of shares prior to the combination which is considered to be 8,622,231; this is the number of shares adjusted for the exchange ratio of the combination. See note 13 for further details relating to the business combination.

13. Business combinations

On 8 December 2020, following the German commercial register approval of the spin out process from 4basebio AG (now 2Invest AG), the Company acquired a 100% interest in 4basebio S.L.U. and 4basebio Limited (now: 4basebio UK Limited). At that time, 4basebio Limited also held 100% of 4basebio Discovery Limited, incorporated on 29 October 2020 and dormant for the remainder of 2020.

In consideration for the acquisition of 4basebio S.L.U. and 4basebio Limited, 4basebio UK Societas issued 8,622,231 €1 euro par value shares to the shareholders of 4basebio AG.

4basebio UK Societas was acquired by 4basebio AG on 20 August 2020 as a shell company to act as the parent company of the newly formed spin out group. At that time, its assets comprised €120,000 cash on hand representing subscriptions for share capital in the shell company. On 3 November 2020, an Extraordinary General Meeting of 4basebio AG approved a capital contribution of €4,361,795 to 4basebio UK Societas as part of a broader capitalisation process of the new group prior to spin off.

Beyond the cash assets arising from the capital contribution and original share subscription, the Company held no assets or liabilities nor did it pursue any trade.

– IFRS 3.B18 states that "A new entity formed to effect a business combination is not necessarily the acquirer. If a new entity is formed to issue equity interests to effect a business combination, one of the combining entities that existed before the business combination shall be identified as the acquirer. In contrast, a new entity that transfers cash or other assets or incurs liabilities as consideration may be the acquirer."

On this basis, either 4basebio S.L.U. or 4basebio Limited should be treated as the deemed acquiror. The purpose of the spin out from 4basebio AG was to split the operational assets of the 4basebio AG group, its genomics assets, into a separate operating entity, 4basebio UK Societas. At the time of the spin out, these assets were entirely held within 4basebio S.L.U. while 4basebio Limited acted as an administrative function, providing services to 4basebio S.L.U. and 4basebio UK Societas. Consequently, the directors consider that 4basebio S.L.U. should be treated as the acquiror and the combination should be treated as a continuation of the 4basebio S.L.U. historic book values.

Notes to the financial statements (continued)

Acquisition of 4basebio Limited (now 4basebio U.K. Limited)
On 8 December 2020, as a result of the spin out of process from 4basebio AG, 4basebio UK Societas acquired 100% of the shares in 4basebio Limited (now 4basebio UK Limited). At that time, 4basebio Limited acted as a provider of support and administrative services to the 4basebio AG group, including 4basebio S.L.U. and was loss making.

The fair value of the identifiable assets and liabilities of 4basebio UK Limited at the acquisition date was as follows:

[in £'000]	Pre-combination carrying amounts
Plant, equipment and leasehold improvements	1,155
Other assets	46
Cash and cash equivalents held on own account	2,295
Total assets	**3,496**
Trade payables	(203)
Other liabilities	(934)
Total liabilities	**(1,137)**
Net assets	**2,359**

The purpose of the acquisition was to ensure continuity of administrative and service functions to the newly formed 4basebio UK Societas Group; consequently, 4basebio Limited formed part of the spin out of 4basebio AG subsidiaries to 4basebio UK Societas. In consideration for the acquisition of both 4basebio Limited and 4basebio S.L.U., 4basebio UK Societas issued 8,622,231 shares. At the time of transaction 4basebio S.L.U. undertook all operating activities and held all intangible assets significant to the newly formed group, while it was anticipated that 4basebio UK Societas would be required to continue funding ongoing losses within 4basebio Limited. The directors consider that the substance of the acquisition of 4basebio Limited was that it formed part of the spin out of the 4basebio AG subsidiaries to 4basebio UK Societas. The assets and liabilities of 4basebio Limited are therefore recognised and measured in the Group financial statements at the pre-combination carrying amounts, without restatement to fair value and no goodwill arises in relation to its acquisition.

Since the acquisition date 4basebio Limited has made no contribution to sales revenues and a loss of £291 thousand to the loss before taxes of the Group for the 2020 financial year. If the business combination had taken place at the beginning of the 2020 fiscal year, the sales revenues would have been unchanged and the loss before taxes would have been higher by £5 million.

Notes to the financial statements (continued)

14. Intangible assets

[in £'000]	Licences	Development costs	Total
Cost or acquisition value			
01.01.2020	**86**	**1,434**	**1,520**
Exchange differences	7	90	97
Additions	35	463	498
Disposals	–	–	–
31.12.2020	**128**	**1,987**	**2,115**
01.01.2019	**80**	**1,334**	**1,414**
Exchange differences	–	(80)	(80)
Additions	19	181	200
Disposals	(13)	–	(13)
31.12.2019	**86**	**1,434**	**1,520**
Cumulative amortisation and impairment			
01.01.2020	18	1,052	1,070
Exchange differences	2	64	66
Amortisation	6	188	194
Disposals	–	–	–
31.12.2020	**26**	**1,304**	**1,330**
01.01.2019	**20**	**878**	**898**
Exchange differences	–	(56)	(56)
Amortisation	6	230	236
Disposals	(8)	–	(8)
31.12.2019	**18**	**1,052**	**1,070**
Net book value			
31.12.2020	**102**	**683**	**785**
31.12.2019	**68**	**382**	**450**

Licences
Licences include the costs of acquiring third party licences.

Development costs
The development costs relate to development work undertaken in 4basebio S.L.U. in relation to enzyme formulation, application and DNA synthesis platform development.

Notes to the financial statements (continued)

15. Investments

Company

	2020	2019
Cost		
1 January	**–**	–
Additions (8,622,231 €1 par value shares issued, note 13))	**7,817**	–
31 December	**7,817**	–

The present consolidated financial statements include 4basebio UK Societas and its subsidiaries over which the Company can exercise control. Control exists if 4basebio has a risk burden from or is entitled to fluctuating returns from its involvement in an associated company and it can also use its power of disposal over the associated company to influence these returns. In general, ownership of a majority of voting rights (direct or indirect) is presumed to result in control. The financial statements of subsidiaries to be included in the consolidated financial statements are included in the consolidated financial statements from the date on which the possibility of exercising control begins until the date on which the possibility of exercising control ends.

In addition to the Company, the Group comprises the following subsidiaries:

			Equity held (in %)	
Company name	Principal activities	Place of incorporation	31.12.2020	31.12.2019
4basebio S.L.U.	R&D	Madrid, Spain	**100**	N/A
4basebio UK Limited (formerly 4basebio Limited)	Administration services	Cambridge, UK	**100**	N/A
4basebio Discovery Limited*	Dormant	Cambridge, UK	**100**	N/A

(*) indirect shareholding (shareholding held by direct subsidiary 4basebio UK Limited, Cambridge/UK)

Notes to the financial statements (continued)

16. Property, plant and equipment

[in £'000]	Operating equipment	Land and buildings	Usage rights from leases	Total
Cost or acquisition value				
01.01.2020	**243**	**–**	**75**	**318**
Exchange differences	16	–	6	21
Acquisition of subsidiary	152	997	–	1,149
Additions	187	–	163	351
Disposals	–	–	(78)	(78)
31.12.2020	**598**	**997**	**166**	**1,761**
01.01.2019	**256**	**–**	**–**	**256**
First time application of IFRS 16	–	–	43	43
Exchange differences	(16)	–	(3)	(19)
Additions	3	–	35	38
Disposals	–	–	–	–
31.12.2019	**243**	**–**	**75**	**318**
Cumulative amortisation and impairment				
01.01.2020	**209**	**–**	**32**	**241**
Exchange differences	12	–	1	14
Depreciation	30	5	47	82
Disposals	(3)	–	(51)	(54)
31.12.2020	**249**	**5**	**29**	**283**
01.01.2019	**205**	**–**	**–**	**205**
Exchange differences	(12)	–	(1)	(13)
Depreciation	16	–	33	49
Disposals	–	–	–	–
31.12.2019	**209**	**–**	**32**	**241**
Net book value				
31.12.2020	**349**	**992**	**137**	**1,478**
31.12.2019	**35**	**–**	**43**	**78**

17. Deferred tax assets and liabilities

The 4basebio Group recognises deferred tax assets if it is probable that these tax benefits will be realised in future years. Deferred tax assets are not recognised if it is not sufficiently probable that the expected benefits from the deferred taxes will be realised.

The tax loss carry forwards for which no deferred tax assets were recognised across the Group amounted to approximately £10.0 million (31 December 2019: £8.7 million).

Notes to the financial statements (continued)

18. Inventories

[in £'000]	31.12.2020	31.12.2019
Raw materials	**41**	34
Finished goods	**90**	68
Inventories	**131**	102

19. Trade receivables

Trade receivables do not bear interest and generally fall due within 30 to 90 days. An impairment on trade receivables for expected credit losses of £1 thousand (2019: £2 thousand) was recognised in 2020.

The default risk from receivables from customers is managed based on the guidelines, procedures and controls of the 4basebio Group for default risk management for customers. Outstanding receivables from customers are monitored regularly.

The need for impairment is analysed at each balance sheet date using an impairment matrix to determine the expected credit losses. The impairment rates are determined on the basis of the number of days past due for various customer segments (grouped together according to criteria such as geographic region, product type, customer type, and credit rating) with similar default patterns. The calculation includes the probability-weighted result, taking into account the interest effect as well as appropriate and reliable information on past events, current circumstances and expected future economic conditions available at the balance sheet date. Trade receivables are generally impaired if they are more than one year overdue and not subject to enforcement action.

The maximum default risk at the balance sheet date corresponds to the carrying amount of each class of financial assets reported. The 4basebio Group holds no collateral.

Information on the credit risk of trade receivables and contract assets of the 4basebio Group using an impairment matrix is shown below:

Impairment matrix (simplified approach)			Trade receivables				
[in £'000]	31.12.2020	Contract assets	Not overdue	< 30 days overdue	30 to 60 days overdue	61 to 90 days overdue	> 90 days overdue
Expected credit loss rate		0.03%	0.03%	0.03%	0.03%	2.00%	18.93%
Net book value	**39**	–	25	–	14	–	–
Expected credit loss	**1**	–	–	–	1	–	–

Impairment matrix (simplified approach)			Trade receivables				
[in £'000]	31.12.2019	Contract assets	Not overdue	< 30 days overdue	30 to 60 days overdue	61 to 90 days overdue	> 90 days overdue
Expected credit loss rate		2.11%	0.21%	0.03%	0.03%	2.04%	35.26%
Net book value	**77**		33	–	2	36	6
Expected credit loss	**2**	–	–	–	–	1	1

Notes to the financial statements (continued)

20. Other assets

[in £'000]	31.12.2020	31.12.2019
Short term deposit	**219**	196
Income tax receivable	**–**	103
VAT recoverable	**63**	–
Other	**59**	40
Other current assets	**341**	**339**
Deposit	**34**	29
Other non-current assets	**34**	**29**

21. Cash and cash equivalents

[in £'000]	31.12.2020	31.12.2019
Bank balances and cash in hand	**15,001**	80
Cash and cash equivalents	**15,001**	80

Bank balances bear interest at variable rates for daily callable deposits.

22. Equity

The share capital of 4basebio UK Societas as of 31 December 2020 amounts to a total of €12,317,473 (31 December 2019: €120,000), divided into 12,317,473 (31 December 2019: 120,000) €1 shares. These are all registered ordinary shares (31 December 2019: ordinary shares). There are no shares with special rights or other restrictions on voting rights.

Share Capital

[in £'000]	31.12.2020	31.12.2019
Authorised:	**Number**	Number
ordinary shares of €1 each	**12,317,473**	120,000
Issued and fully paid:		
At 1 January (€1 each)	**12,317,473**	
Issued during the year for cash	**120,000**	30,000
Issued during the year in consideration of acquisition of 4basebio	**3,575,242**	120,000
S.L.U. and 4basebio UK Limited	**8,622,231**	–
At 31 December (€1 each)	**12,317,473**	**120,000**

The increase in shares relates to spin out of assets from 4basebio AG (now 2Invest AG), with a capital contribution of €4,361,795 made on 3 November 2020, followed by the issue of 8.6 million shares in consideration for the acquisition of 4basebio S.L.U and 4basebio Limited (now 4basebio UK Limited).

Share Premium

[in £'000]	31.12.2020	31.12.2019
Balance at 1 January	**–**	–
Share Premium of shares issued for cash	**706**	–
Balance at 31 December	**706**	–

The increase in share premium represents the excess of the capital contribution on 3 November 2020 over and above the number of €1 par value shares issued of 3.6 million.

Notes to the financial statements (continued)

Merger Reserve

[in £'000]	31.12.2020	31.12.2019
Balance at 1 January	**–**	–
Difference arising on spin off accounting	**688**	–
Balance at 31 December	**688**	–

The merger reserve arises from the spin out accounting as described in note 13 and in relation to the acquisition of 4basebio S.L.U and 4basebio Limited (now 4basebio UK Limited) by 4basebio UK Societas. The merger reserve represents the difference between the net equity of 4basebio UK Societas, the legal acquiror, and the net equity of 4basebio S.L.U. on the date of the reverse acquisition, 8 December 2020 as well as the net assets acquired of 4basebio Limited (now 4basebio UK Limited).

Capital Reserve

[in £'000]	31.12.2020	31.12.2019
Balance at 1 January	**1,356**	1,356
Capital contributions from 4basebio AG (now 2Invest AG) during the year	**11,743**	–
Balance at 31 December	**13,099**	1,356

Foreign Exchange translation reserve

[in £'000]	31.12.2020	31.12.2019
Balance at 1 January	**13**	–
Exchange differences on translating the net assets of foreign operations	**162**	13
Balance at 31 December	**175**	13

The reserve represents the movement in pounds arising on the translation of 4basebio S.L.U. from its functional currency, the Euro.

As disclosed in note 3, for the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (4basebio S.L.U.) are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve.

Accumulated loss

[in £'000]	31.12.2020	31.12.2019
Balance at 1 January	**(9,621)**	(9,198)
Result for the period	**(719)**	(423)
Balance at 31 December	**(10,340)**	(9,621)

23. Financial liabilities

[in £'000]	31.12.2020			31.12.2019		
	Current	Non-current	Total	Current	Non-current	Total
Soft loans	**349**	**1,229**	**1,578**	280	1,412	1,692
Loans due to former parent	**–**	**–**	**–**	117	730	847
Lease Liability (IFRS16)	**67**	**72**	**139**	49	–	49
Financial liabilities	**416**	**1,301**	**1,717**	**446**	**2,142**	**2,588**

Soft loans are public loans received by 4basebio S.L.U which carry either a minimal or nil interest rate and are hence also referred to as soft loans. The benefit accruing to the Company from low interest loans has been accounted for as grant income. The fair value of loans received has been calculated on the basis of an arm's length rate of interest of 4%, with imputed interest charges being recognised over the period of the loans.

The consequential difference between funds received and the underlying fair value of the loans has been recognised as deferred grant income within financial liabilities. This benefit is amortised over the life of each loan giving rise to grant income recorded in other operating income.

Notes to the financial statements (continued)

24. Other liabilities

[in £'000]	31.12.2020	31.12.2019
Expected credit loss provision	**1**	2
Payroll	**37**	9
Audit costs	**25**	–
Consultancy costs	**143**	–
Other	**95**	8
Other current liabilities	**301**	19
Grant income not yet recognised	**237**	337
Other long term liabilities	**237**	337

Retirement benefit plans

Defined contribution plans

The Group operates a voluntary defined contribution retirement benefit plans for all qualifying employees of its UK companies. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees of the 4basebio S.L.U. are members of a state-managed retirement benefit plan operated by the government of Spain. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in profit or loss of £120 thousand (2019: £91 thousand) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2020, contributions of £12 thousand (2019: £9 thousand) due in respect of the current reporting period had not been paid over to the plans.

25. Notes to the consolidated statement of cash flows

Changes in financial liabilities for which cash flows have been or will be presented in the cash flow statement as cash flows from financing activities

	Financial year 2020			Financial year 2019		
[in £'000]	short–term interest-bearing loans	non–current interest-bearing loans	leases	short–term interest-bearing loans	non–current interest-bearing loans	leases
1 January	**397**	**2,142**	**49**	404	1,686	–
Lease inception / IFRS 16 adoption	**–**	**–**	**144**	–	–	88
Cash flows	**(274)**	**(750)**	**(59)**	(291)	920	(37)
Exchange rate differences	**12**	**51**	**5**	(32)	(148)	(2)
Reclassification	**214**	**(214)**	**–**	316	(316)	–
31 December	**349**	**1,229**	**139**	397	2,142	49

26. Additional information on financial instruments

Financial instruments

Management has determined that the carrying amounts in all measurement categories are reasonable approximations of the fair value of the respective financial instruments.

The financial liabilities of the 4basebio Group consist primarily of loans and trade payables. The main purpose of these financial liabilities is to finance the business activities of the 4basebio Group. The financial assets of the 4basebio Group essentially consist of trade receivables, cash and cash equivalents, and short-term deposits that result directly from its business activities.

The 4basebio Group is exposed to various financial risks in the course of its business activities. These include credit, liquidity and market risks. The management of these risks is the responsibility of the management of the 4basebio Group. Any derivative financial transactions entered into for risk management purposes are managed centrally by the finance department. The guidelines for managing the risks described below are reviewed and approved by management.

Notes to the financial statements (continued)

Credit risks

Credit risk is the risk that a business partner fails to meet its obligations under a financial instrument or customer contract and this leads to a financial loss. The 4basebio Group is exposed to credit risks in the course of its operating activities (in particular with regard to trade receivables) as well as risks in the course of its financing activities, including those from deposits with banks and financial institutions, foreign exchange transactions, and other financial instruments. On the basis of the positive experience to date, the 4basebio Group estimates the probability of occurrence to be low and the financial impact to be extremely low.

The credit risk from credit balances with banks and financial institutions is managed in accordance with Group guidelines.

Concentrations of risk arises when several counterparties engage in similar business activities or activities in the same geographic region or have economic characteristics that cause them to be equally affected in their ability to meet their contractual obligations in the event of changes in the economic or political situation or other conditions. The Group does not consider there to be undue risk concentration presently but regularly review this position.

Liquidity risk

The 4basebio Group monitors the risk of a possible liquidity bottleneck using regular budget and planning measures. The aim of the 4basebio Group is to ensure adequate liquidity in order to bridge short-term liquidity bottlenecks.

The following table shows the financial liabilities by maturity class based on the remaining time to maturity at the respective balance sheet date. A reconciliation of the amounts shown in the consolidated balance sheet is not possible, as the table shows non-discounted cash flows.

	31.12.2020				31.12.2019			
[in £'000]	Maturity <1 year	Maturity >1 < 5 years	Maturity > 5 years	Total	Maturity <1 year	Maturity >1 < 5 years	Maturity > 5 years	Total
Trade payables	96	–	–	**96**	101	–	–	**101**
Soft loans	349	1,167	333	**1,849**	263	1,253	494	**2,009**
Other liabilities	301	181	56	**538**	19	242	94	**355**
Total	**746**	**1,348**	**389**	**2,483**	**383**	**1,495**	**588**	**2,465**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk includes currency and interest rate risks.

Currency risk is the risk that the fair value or future cash flows of a financial instrument are exposed to fluctuations due to changes in exchange rates. Exchange rate fluctuations have an impact on the presentation of assets and liabilities in the consolidated financial statements of 4basebio AG prepared in euros, insofar as assets and liabilities are denominated in currencies other than euros. To control currency risk the 4basebio Group tries to carry out foreign cash flows in and out as promptly as possible and in a manner appropriate to that currency. Hedging transactions are not currently used. The assets and liabilities of the 4basebio Group reported in foreign currency largely relate to assets and liabilities denominated euros, which essentially result from the Group's business activities. The 4basebio Group reviews currency requirements in the course of the year in order to reduce currency risk if needed.

Notes to the financial statements
(continued)

The following table shows the effects on the result for the period before taxes and equity, which result from a five percent positive or negative development of the euro against the pound, the most important currency in which the 4basebio Group carries out transactions in addition to the pound:

Sensitivity analysis		EUR development against GBP	
[in £'000]	Exchange rate movement	Impact on loss before tax	Impact on equity before tax
2020	**+5%**	**(21)**	**469**
	-5%	**21**	**(469)**
2019	+5%	(26)	(95)
	-5%	26	95

	Carrying amount per valuation category (IFRS 9				
	Financial assets		Financial liabilities		
	At fair value through profit or loss	At amortised cost	At fair value through profit or loss	At amortised cost	Total
Current assets					
Trade receivables	–	39	–	–	**39**
Other financial assets	–	309	–	–	**309**
Cash and cash equivalents	–	15,001	–	–	**15,001**
Non-current liabilities					
Financial liabilities	–	–	–	1,229	**1,229**
Other liabilities	–	–	–	237	**237**
Current liabilities					
Financial liabilities	–	–	–	349	**349**
Trade payables	–	–	–	96	**96**
Other liabilities	–	–	–	301	**301**

	Carrying amount per valuation category (IFRS 9)				
	Financial assets		Financial liabilities		
Categories of financial instruments as at 31.12.2019 [in £'000]	At fair value through profit or loss	At amortised cost	At fair value through profit or loss	At amortised cost	Total
Current assets					
Trade receivables	–	77	–	–	77
Other financial assets	–	250	–	–	250
Cash and cash equivalents	–	80	–	–	80
Non-current liabilities					
Financial liabilities	–	–	–	1,430	1,430
Other liabilities	–	–	–	334	334
Current liabilities					
Financial liabilities	–	–	–	280	280
Trade payables	–	–	–	101	101
Other liabilities	–	–	–	19	19

Contingent liabilities and other financial obligations
As explained in further detail in note 30, subsequent to year end, the Company was notified of legal action against it in Germany. Management is not aware of any events that would have a material adverse effect on earnings, liquidity, or financial position.

Notes to the financial statements (continued)

27. Directors' remuneration

The aggregate compensation made to directors of the Group is set out below:

[in £'000]	2020	2019
Salaries	41	–
Other benefits	–	–
Directors' remuneration	41	–

The Group made payments to directors only following the spin out (note 3) in December 2020.

28. Related parties

Related parties as defined by IAS 24 are legal or natural persons that can exert influence on the 4basebio Group or are subject to control, joint management or significant influence by 4basebio UK Societas. Related parties are also members of management in key positions, their close family members and companies that are controlled, jointly controlled or significantly influenced by this group of persons.

Interests in subsidiaries are set out in note 15. Disclosures relating to key management personnel are set out in note 27.

With regard to the 4basebio Group, transactions with related parties concern business transactions with the companies included in the consolidated financial statements. In 2019 and 2020, Dr Heikki Lanckriet had pledged 400,000 of his shares in 4basebio AG (now 2Invest AG) for security on a softloan that 4basebio S.L.U. received in Spain. In accordance with the agreement between the 4basebio AG and 4basebio S.L.U. and Dr Heikki Lanckriet, it was agreed that the 4basebio AG would compensate Dr Heikki Lanckriet for this pledge as security for the fulfilment of its obligation from the soft loan by paying a so-called share pledge fee. This fee amounted to €6,664 in 2020 and €10,000 in 2019. The pledged shares were released in July 2020.

29. Auditor's fees and services

Crowe UK LLP acts as auditor to the Company and the Group. £25 thousand (2019: £0) was payable to the auditor for the audit of the Company and its UK subsidiaries according to legislation. In addition, £7 thousand was payable to associates of Crowe UK LLP for the audit of the financial statements of non-UK subsidiaries according to local legislation. Further amounts of £93 thousand were payable to Crowe UK LLP for other assurance services in relation to acting as reporting accountant to the Company's admission to the AIM market, with services provided before and after the reporting date, and £9 thousand (2019: £0) for other advisory services.

30. Events after the reporting period

Admission to AIM
On 17 February 2021, the Company's shares were admitted to trading on the AIM market of London Stock Exchange.

Forward exchange contracts
Subsequent to year end and prior to the approval of these financial statements, the Group entered into a number of foreign exchange forward contracts to sell Euros and buy Pounds. The Group's cash balances are primarily held in Euros following the spin out of activities from 4basebio AG, while a significant proportion of its expenditure is incurred in Pounds. During the remainder of 2021, the Group is contracted to sell €2 million at an average price of £0.8659.

Legal action versus Company
Subsequent to year end, the Company received notification in respect of four separate legal actions being commenced by shareholders in 4basebio AG (now 2Invest AG) in relation to the spin out process of 4basebio SE (now 4basebio UK Societas). These actions are being pursued in Germany.

The spin out process approved by the Extraordinary General Meeting of 4basebio AG provided for shareholders in 4basebio AG to receive one share in 4basebio SE for every six shares held by each shareholder in 4basebio AG on the specified settlement date. Under German law, shareholders of 4basebio AG were entitled to seek compensation in lieu of receiving shares in 4basebio SE, such compensation set at €1.30 per share where an objection was made at the time of the Extraordinary General Meeting. Shareholders with about 40,000 shares objected to the spin out at the time. Consequently, these claims are seeking from 4basebio UK Societas compensation in excess of the €1.30 per share, such amount yet to be specified.

Notes to the financial statements
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The directors note that such claims processes are common in Germany and are often prolonged and consider these actions to be without merit. The Company has engaged German legal counsel to advise on these matters.

Royal Holloway evaluation licence and research and collaboration agreement
On 27 April 2021, 4basebio Discovery signed an evaluation licence and research and collaboration agreement with Royal Holloway University of London to enable collaboration on a payload and vector and to evaluate their efficacy for treatment of muscular dystrophy. The initial project is expected to extend over two years, with an option for 4basebio Discovery to enter into a commercial licence under terms already agreed between the parties.

31. Approval of the financial statements

The financial statements were approved by the board of directors and authorised for issue on 2 June 2021.

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