2021 Annual Report and Financial Statements

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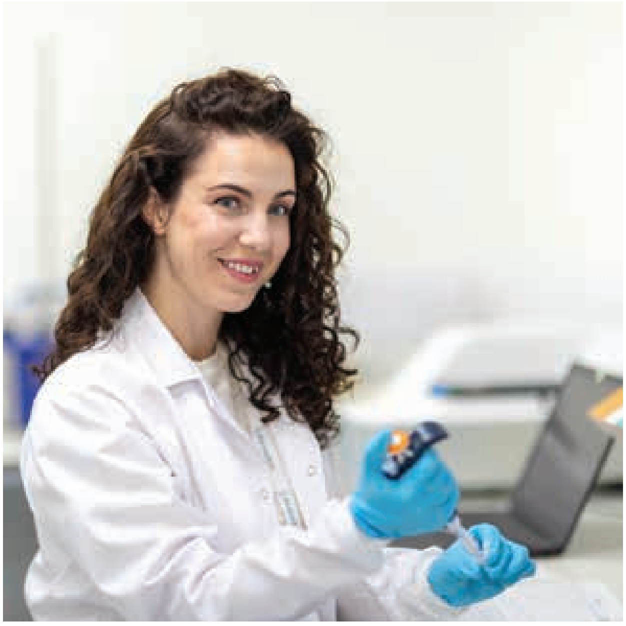

1. Highlights

- Admission to AIM
- Commenced development of clean rooms for manufacture of DNA
- Patents filings for hpDNA™, osDNA™ and Hermes™ technologies
- Evaluation Licence for muscular dystrophy vector
- Joint Development Agreement with Leucid Bio
- Strategic Research Collaboration with eTheRNA immunotherapies

2. At a glance

4basebio PLC (formerly 4basebio UK Societas) is a holding and service company for the 4basebio Group of companies ("the Group", "4basebio") and was spun out of 2Invest AG in 2020 and subsequently listed on AIM on 17 February 2021.

In July 2021, following shareholder approval, 4basebio PLC converted from a UK Societas to a Public Limited Company and changed its name from 4basebio UK Societas to 4basebio PLC.

4basebio is now engaged in the development and manufacture of synthetic DNA and RNA products, targeted non-viral vector solutions and early stage AAV services. The group's near-term focus is the commercial supply of DNA and mRNA to partners for a range of gene therapy and vaccine applications, initially at research grade and in due course under GMP guidelines. 4basebio is also working to commercialise its targeted Hermes™ delivery technology across a range of indications and a breadth of tissue and cell types. It offers development services in addition to the development of its own portfolio of programs in conjunction with partners.

3. Chairman's statement

Performance

2021 was a year of considerable progress for 4basebio in its operational and strategic development. Much of the year focussed on the continuing validation and scaling of its DNA and non-viral delivery platform technologies. As 4basebio entered Q4, the Group's attention moved toward commercialisation, with the development of manufacturing suites near Cambridge.

The Group invested heavily during 2021, with resultant net loss for the year of £3.2million. With this increasing activity, recruitment was a key priority both in R&D and manufacturing teams and the group ended the year with strong growth in headcount during the year and into Q1 2022.

4basebio will continue to be loss making during 2022 and will rely on its cash resources, recognising it also has access to a Euro 25million loan facility with 2Invest AG, its former parent.

Strategy
4basebio remains focussed on becoming a leading provider of synthetic DNA and RNA products and non-viral delivery technology for the cell & gene therapy and vaccines markets.

The Group is potentially unique in developing customisable synthetic DNA constructs which can be adapted for specific gene therapy and vaccine applications. It is also apparent that 4basebio is well placed to manufacture not only DNA but other RNA constructs, such as mRNA. Alongside this, the Hermes™ technology offers cell and tissue specific targeting and is also able to deliver a range of nucleic acid payloads.

This breadth and depth of expertise enables 4basebio to position itself as an integrated solution provider, combining where appropriate its DNA and RNA products with its delivery platform. Through this, the Group can offer a range of solutions to customers depending on application needs.

4basebio is also working on its own programs in combination with partners. These programs showcase the Group's technology and demonstrate its wide applicability across AAVs, mRNA IVT, CAR-T and DNA vaccines, gene editing and gene therapies. As part of this, the Group recently announced strategic partnerships, collaborations and joint developments with eTheRNA immunotherapies, Royal Holloway and Leucid Bio.

Share Price
Since 4basebio debuted on AIM, the share price has seen strong growth, closing the year at £6.15 per share from its debut price of £1.18. This has been accompanied with a degree of volatility having peaked at £7.60 in October and since year end having fallen to a low of £4.60. This has also been combined with a large bid/offer spread.

A majority of 4basebio PLC's shares is closely held, with directors and the Company's two largest shareholders together holding 66%; and a large percentage of the remaining shares are held by other longer-term investors. This leads to modest trading volumes and a degree of volatility, with market makers adjusting spreads to reflect this.

The Board recognises that an increase in liquidity is desirable and a fund raising may assist in this process. At the same time, the Board is also sensitive to shareholder dilution and will only consider such a course where the Company valuation is deemed to support it. At the present time, there are no plans for this.

People and Culture
The Group has grown quickly during 2021 with overall team numbers having increased from 21 at the beginning of the year to 33 at year end. 4basebio believes it has been successful in fostering an open, supportive and enjoyable workplace where its very talented scientific teams are able to innovate and achieve remarkable progress towards the Group's overall objectives.

On behalf of the Board, I would like to extend our thanks to the whole team for their dedication over the past year.

Tim McCarthy
Chairman
6 May 2022

4. Business model

Enabling gene therapies and vaccines

The Group operates in two complementary fields in the design and supply of synthetic DNA & RNA constructs and the provision of non-viral vectors for payload delivery. 4basebio can supply synthetic DNA or mRNA as payloads for customer applications and can also design and supply the delivery vectors to encapsulate the payloads of choice for targeted delivery to the cells and tissues of interest.

4basebio believes that the most immediate commercial opportunities will present in the AAV and mRNA market segments and the commercialisation of the technologies in these areas is an important objective for 2022 and beyond. Longer term, 4basebio sees equivalent opportunities across the breadth of the gene therapies and vaccines market.

DNA

4basebio expects to manufacture its synthethic DNA products from its own facility near Cambridge for commercial sale in 2022. Whilst the company aims to rapidly expand its customer base, DNA will also continue to feed into the many collaborative projects which it continues to progress with its partners.

Alongside this it is possible that certain customers will seek to licence DNA synthesis technologies from 4basebio in order to facilitate larger scale DNA production at the customer's facility or to integrate DNA synthesis directly with the customer's preferred contract manufacturing organisation.

Delivery platform

The Group's Hermes™ technology is able to carry a range of nucleic acid payloads including DNA, mRNA, miRNA, siRNA and saRNA.

4basebio expects to provide customers with vector design services which customers will use to validate a range of nanoparticles for the targeted delivery of their payload of choice. This will generate service income. When customers decide to progress Hermes™ vectors into the clinic, this will give rise to licence and royalty streams.

In addition to developing vectors for customers, 4basebio is also focussed on developing its in-house portfolio of therapies predicated on the Hermes™ technology. These programs use a range of nucleic acid payloads. These programs typically involve partner collaborations.

5. Markets

4basebio operates in the cell and gene therapy and vaccines markets supplying its synthetic DNA and delivery platform products and technologies as key components of the eventual therapy or vaccine its customers are developing.

The Group has identified several market segments where it believes its products are highly relevant:

Market	Market Scale	4basebio Offering
AAV and Lentivirus manufacture for use in gene therapies and vaccines	The global viral vector market was valued at $350m in 2019 and is expected to grow at a CAGR of 43.4% between 2019 and 2030.[1]	hpDNA™, double stranded linear DNA, covalently closed with single strand hairpins at the 5' and 3' ends. This product format is ideally suited for viral and non-viral vector applications.
mRNA manufacture for use in gene therapies and vaccines	The demand for mRNA in therapies has exponentially grown since the success of Pfizer and Moderna's mRNA covid vaccines. There was a >400% rise in RNA vaccine study publications between 2020 and 2021[2], and there are currently 758 RNA therapies in the drug development pipeline.[3]	opDNA™ is a partially opened, linear, double stranded DNA product. A 3' open end DNA template is ideally suited for in vitro transcription processes for the production of mRNA for use in vaccines and therapeutics.
Gene editing	The gene editing market was valued at $4.4 Bn in 2019 and is forecasted to reach $15.7bn in 2027 with a CAGR of 17%.[4]	oeDNA™, or open ended DNA, is a linear, double stranded DNA product ideal for genome editing
DNA Vaccines	The global DNA vaccine industry generated $422.77 million in 2020 and is projected to reach $774.43 million by 2030.[5]	osDNA™, or open stabilized DNA, is a product incorporating nucleotide modifications within the DNA backbone. This feature not only provides resistance to exonuclease degradation, but enables tuning of the immunostimulatory properties of the construct, making osDNA™ ideally suited for DNA vaccine applications.
Therapy and vaccine non-viral payload delivery	The gene therapy sector received a record investment of $23 million in 2021, with 3,483 gene, cell, and RNA therapies in development globally.[6]	The Hermes™ proprietary delivery platform for nucleic acid and protein payloads allows for preferential uptake in a specific cell or target tissue of interest and mitigates off target effects. The particles have low immunogenicity, enabling repeat dosing strategies.

1 Schoellhammer, C. (2022, January 3). 2022 Cell and Gene Therapy Field Predictions.

2 Thomas, L. (2022). Current and future perspectives of mRNA technology.

3 Cell and Gene Therapy dashboard | Informa, January 2022.

4 Allied Market Research. (2021, December). DNA Vaccine Market Statistics 2030.

5 Emergen Research. (202). Gene Editing Market Size Worth USD 15.79 Billion By 2027.

6 Pagliarulo, N. (2022). 5 questions facing gene therapy in 2022.

6. Strategic goals

4basebio's overall strategic objective is to become a leading supplier of synthetic DNA and non-viral vectors for the cell and gene therapy and vaccines markets and at the same time secure wide adoption of these technologies across these markets. This is being done by demonstrating to partners and customers the relative benefits of these technologies.

This strategy requires the validation of the group's technologies across a range of applications such as AAV gene therapies, mRNA vaccines, CAR-T or gene editing, recognising that many existing customer processes are optimised for plasmid DNA in particular.

To achieve this, 4basebio has established its own in-house expertise across all these applications to enable it to optimise its own technologies for specific market segments. The group then works with partners and prospective customers to demonstrate the benefits of these technologies while continuously seeking to improve them.

7. Key performance indicators

The directors monitor the progress towards the Group's objectives through the assessment and review of operational plans, achievement of internal development milestones and results from activities undertaken with partners or prospective customers.

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 2022 as the Group invests further in staff, infrastructure and commercialisation of its activities. This includes the development of clean rooms near Cambridge as well as further research laboratories at its head office and related staff recruitment.
Net cash: **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 closely monitors its cash position to ensure that its activities are developing as expected and that 4basebio continues to have available funding for the foreseeable future.
Employees (year end): **Description**: The Group uses headcount as a measure of investment in its activities	**Performance**: The Group continues to invest in its technologies and is now preparing for the manufacture and sale of DNA from its clean rooms. As a result, it is expected that headcount will increase during 2022.

8. 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 and therefore the valuation of the Group.	The Group constantly monitors its patents and potential challenges and retains patent lawyers for the purpose of maintaining existing patents and filing new patents. The Group also monitors the publication of new patent applications which may directly affect its own intellectual property and will take action where it considers it is in conflict with 4basebio intellectual property.
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 synthetic DNA or Hermes™ solutions.	The Group is working with a range of partners and prospective customers to enable optimisation and validation of its technologies. Alongside this, 4basebio has a business development function focussed on extending the awareness and acceptance of the products and services.
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 commercial opportunity available to 4basebio.	The Group constantly reviews its programs with a view to ensuring progress is as swift as possible. This has led to ongoing growth in the business both in research and development and manufacturing functions.
Macro-economic risks to the business	The Group's progress is reliant on its scientific teams being able to continue their laboratory-based work without disruption arising from macro-economic impacts such as disease or war.	The Group monitors risks as they arise and puts measures in place to mitigate those risks.

9. Chief Executive Officer's statement

Over the course of 2021, 4basebio has spent increasing time with partners and prospective customers and the Group sees real commercial traction for the supply of synthetic DNA and Hermes™ platform technology.

While plasmid DNA and viral vectors remain prevalent, it is apparent that many companies are seeking alternative solutions. As 4basebio continues to highlight, there are clear benefits associated with synthetic DNA and non-viral vectors around safety, repeat dosing strategies, cost and speed of supply.

During 2021, the intellectual property portfolio of the Group expanded with four patent filings around hpDNA™ and osDNA™ and Hermes™ nanoparticle technologies; and this is expected to continue this in 2022. More recently, 4basebio announced an expansion of its DNA product range to include opDNA™ and oeDNA™ two constructs protected by existing patent filings.

Synthetic DNA
4basebio's considerable expertise in the synthesis of DNA has enabled the Group to develop intellectual property around synthetic DNA, with constructs which are highly customisable with modifications that can be made which enable application specific optimisation. 4basebio also continues to develop new constructs where it believes application specific performance can be further enhanced. The directors believe 4basebio's capacity to customise its synthetic DNA in this way is unique and offers a clear competitive advantage.

4basebio announced in February 2022 that it has taken its first order for hpDNA™, which has now been fulfilled. The group expects to gradually establish and grow a pipeline of customers for its DNA products which is likely to include pharma, biotech and CDMOs. Initial customer purchases are expected to be in low milligram quantity for research grade product. This will facilitate customer testing of the products. As customer's validate these products and progress their development programs, they will move to GMP grades with increasing batch sizes and sales values.

The DNA sales in the near term are likely to be DNA templates used in the manufacture of mRNA or AAV viral vectors, two markets where the Group believes 4basebio technologies will secure early adoption. 4basebio's processes and capabilities also allow for early-stage engagement with customers in the supply of DNA as it offers both rapid small-scale production as well as clinical scale batch sizes. The Group sees also current lead times for the supply of plasmid DNA stretching beyond a year, while 4basebio is able to manufacture and deliver DNA within weeks.

DNA Manufacturing
In 2021, 4basebio announced the commencement of the development of its clean rooms near Cambridge. This will provide for seven synthesis suites where it is expected to be able to manufacture GMP product once completed and licensed by the UK Medicines & Healthcare products Regulatory Agency ("MHRA").

The group is delighted to have now taken possession of the clean rooms and continue to progress with validation, with a view to manufacturing and selling DNA in the second half of 2022. 4basebio is also extremely pleased to have been able to swiftly develop a manufacturing and quality assurance team, which presently stands at over 10 staff and which is led by the Group's new head of manufacturing, Mark Cooper. Mark brings many years' experience from previous roles including Abcam PLC.

Hermes™ Delivery platform
The cell and tissue targeting of 4basebio's technology distinguishes Hermes™ from the commonly accepted lipid-nano particle technology ("LNPs") used, for example, in the Moderna or Pfizer-BioNTech Covid vaccines. By being able to target specific cells or tissue, 4basebio is working to overcome challenges which exist in the systemic administration of therapies, where off-target effects are a significant hurdle to overcome. As Hermes™ is also non-immunogenic, it enables repeat dosing, unlike viral vectors.

During 2021, 4basebio has built up its in-house expertise and resources, with the Discovery team growing to 11 staff at year end. This has enabled 4basebio to initiate a range of collaborations focussed on payload delivery to muscle, kidney, heart, cartilage and liver as well as exploring its use for cancer treatments.

It is expected a number of these projects will lead to service work from partners, with the prospect of this then being followed by licensing arrangements and eventual royalty streams. As with synthetic DNA, the precise timing of these revenue streams is difficult to assess.

Brexit
Consistent with many companies in the UK, the impact of Brexit has been potentially to extend lead times on labour and equipment and cost inflation. In other respects, the impact has been modest.

Coronavirus
The direct impact of Covid on the UK and Spanish businesses has been very limited as both businesses have continued to operate throughout the course of 2021 and 2022. The effect of Covid was more noticeable in the development of the Group's clean rooms, with those challenges now behind us.

Outlook
The Group expects to record its first revenues in 2022 from both the sale of synthetic DNA and non-viral vector services. However, the overall near-term revenues from these sources is uncertain and depends in part on 4basebio's preparedness for GMP manufacture as well as the speed at which prospective customers are willing to adopt 4basebio technology into their products. 2022 revenues are expected to be modest; nevertheless, 4basebio believes it will offer significant commercial validation of its technologies.

Alongside this, the Group continues to invest in research and development as well as manufacturing and quality assurance, with an ongoing investment in people to continue in 2022. The Group expects to continue incurring operating losses and cash outflows over the coming year. As 4basebio has built out its R&D, manufacturing and quality assurance infrastructure, expenditure for 2022 is likely to be well above 2021 levels.

The Group considers this investment to be essential in positioning 4basebio as a leader in synthetic DNA and non-viral vectors and ensuring 4basebio commercialises its technologies as quickly and as cost effectively as possible. The Group believes these steps will translate, in due course, into significant growth in shareholder and overall stakeholder value.

10. Financial Review

10.1 Introduction

Overall results for 2021 were in line with management expectations, with the investments in R&D, capital and collaborations enabling 4basebio to support its overall operational and strategic objective of commercialising its technologies in conjunction with partners and prospective customers .

As a result, the Group recorded a loss for the year of £3.2million (2020: £719k). The Group closed the year with £9.6 million cash on hand and has further access to Euro 25million loan facility with 2Invest AG, its former parent.

The comparative information for 2020, as explained in the Financial Statements for that year, include the results of 4basebio SLU for the whole year but only include the results of the UK subsidiaries of 4basebio PLC from the date of the spin out occurring, which was 8 December 2020. As a result, the consolidation does not reflect expenditure incurred in UK subsidiaries prior to that date.

10.2 Revenues

Revenues were £338k for the year (2020: £462k) arising from the sales of research kits, bulk enzymes and licence income. These are business streams undertaken by 4basebio S.L.U. and are legacy revenue streams which are not core to the longer-term strategy of the Group.

10.3 Cost of sales

Cost of sales comprises primarily the amortisation of previously capitalised development costs associated with the products sold from 4basebio S.L.U..

10.4 Sales and marketing

Sales and distribution expenditure of £132k for the year (2020: £141k). The sales strategy of the group is driven by business development engagement instead of direct selling approaches. As a result, the investment in business development is very targeted.

10.5 Administration

Administration expenditure was £1.7million for the year (2020: £516k). As noted above, the prior year results reflect primarily the expenditure incurred in the Company's Spanish subsidiary and consequently was considerably lower than the current year.

10.6 Research and Development

Total expenditure for the year was £1.6 million for the year (2020: £343k) in addition to capitalised development costs of £506k. 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 and no deferred tax assets have been 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 have been recognised, totalling £405k.

10.8 Balance Sheet
Total assets stood at £14.7million (2020: £17.8 million). Cash on hand fell to £9.6 million from £15million in 2020. At the same time, total non-current assets increased to £4.1million from £2.3million reflecting the investment in property and equipment, in particular the clean room development near Cambridge and capitalised platform development expenditure. Current assets were £10.6million (2020: £15.5 million), reflecting primarily the cash outflows during the year, alongside an increase in other current assets relating to the £405k of R&D tax credits. Total liabilities as at 31 December 2021 were £3million (2020: £2.4million). Total soft loan and lease liabilities were £1.8 million (2020: £1.7m) as Spanish softloans continued to be repaid, offset by the increase in lease liability reflecting the long lease acquired in relation to the development of clean rooms. Trade payables and other current liabilities increased to £1.1million (2020: 397k), in part due to capital expenditure supplier liabilities of £176k and more generally the increase in business activity.

10.9 Cashflow
Net change in cash was an outflow of £4.7 million for 2021 against an inflow of £14.9 million for 2020. The 2020 movement reflects primarily the capital contributions of £15.6 million arising from the spin out process. Net cash outflows from operating activities were £2.7million (2020: £1 million). Cashflows from investing activities were a negative £1.5 million (2020: £1.4 million inflow), with expenditure on clean rooms and equipment and capitalised development costs. Cash outflows from investing activities were £467k (2020: 14.4 million inflow), the prior year reflecting the capital contribution as part of the spin out process.

Closing cash stood at £9.6million, with foreign exchange movements of £696k on euro denominated assets. Of this amount, approximately £223k were realised losses arising from foreign exchange movements in the year.

10.10 Going Concern
As the Group continues to invest in its activities and sustain cash outflows, the Directors have considered the adequacy of available funds to meet the needs of the business for the period to 31 December 2023. The Directors are satisfied that the Group has adequate cash resources through a combination of cash on hand and funding available from its Euro 25million loan facility with 2Invest AG.

10.11 Financial Outlook
During the course of 2022, the Group expects to secure revenues in line with the previous year relating to kit sales, bulk enzymes and royalties. It also expects to recognise modest revenues from its synthetic DNA and Hermes™ technologies. However, the development programmes, operating commitments and ongoing funding requirements of the Group are expected to be considerably greater, giving rise to significant cash outflows over the foreseeable future. The Group is well placed to meet those cash requirements.

Heikki Lanckriet
Chief Executive Officer
6 May 2022

11. 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 2021 related primarily to Company's admission to AIM and the continued investment in the Group's R&D activities and its decision to approve the development of manufacturing suites near Cambridge. 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 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 21 and 33 staff during 2021. 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.

The strategic report was approved on 6 May 2022 by order of the Board.

Heikki Lanckriet
Chief Executive Officer
6 May 2022

Corporate Governance

The Board of directors recognises 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 managing the organisation's risk profile. Further, the Board is cognisant of the key role it plays in setting the tone and culture of the entire group and receives regular reports on these matters.

Within the Board, the role of the Chair is to maintain high standards of corporate governance and ensure the Board is equipped to carry out duties set out above, spending sufficient time on key areas that enable the delivery of the Group's strategic objectives.

The Board comprises 6 directors, 2 of which are executive and 4 are non-executive. The executive directors act in a full time capacity; the Chair of the Board typically spends a minimum of one to two days per month in his capacity, while other non-executive directors commit the time necessary to fulfil their duties.

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 included on the Company website at https://www.4basebio.com/investors/corporate-governance/.

In accordance with Principal 7 of the Code an internal evaluation of the Board, the Audit Committee and Remuneration Committee will be undertaken during the course of 2022 with a regular review process to be established to monitor the Board on a number of fronts thereafter.

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

Board of Directors

HEIKKI LANCKRIET, – Chief Executive Officer

Tenure
Eighteen months

Skills and experience
Heikki holds a PhD in Biochemical Engineering from the University of Cambridge . He has over 20 years commercial & scientific experience in life sciences and has a track record of developing high growth technology businesses. Heikki has published scientific papers and is named inventor on a multitude of patents.

DAVID ROTH, – Chief Financial Officer

Tenure
Eighteen months

Skills and experience
David is a chartered accountant with a background in both private equity and listed companies, where he has held senior positions over the past 20 years. He has been focussed on growth companies, with experience in operational execution. David holds a BA from the University of Hertfordshire.

TIM MCCARTHY, – Non-Executive Chairman

Tenure
Eighteen months

Skills and experience
Tim has over 40 years' international senior level business experience in the healthcare, biotech and technology sectors. He is also the Chairman of Incanthera plc and CEO of ImmuPharma plc and a former CEO and Finance Director 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. Tim is a Fellow of the Association of Chartered Certified Accountants and also holds an MBA from Cranfield School of Management.

Committee membership
Chair of the Audit Committee
Remuneration Committee

PILAR DE LA HEURTA, – Non-Executive Director

Tenure
Eighteen months

Skills and experience
Pilar de la Huerta has 20 years' experience in the pharma and biotech industries and has held a number of CEO positions over that time. Pilar has also acted as a strategic consultant to several companies, such as Viamed Salud Group. Pilar holds a Masters Degree in Business and Administration by the Universidad Complutense de Madrid.

Committee memberships
Chair of the Remuneration Committee
Audit Committee

JOE FERNÁNDEZ, – Non-Executive Director

Tenure
Eighteen months

Skills and experience
Joseph 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 (now part of Thermo Fisher Scientific).

Joseph holds a number of Board positions including Active Motif, Chromeon GmbH and Protein Fluidics Inc.

Committee memberships
Audit Committee
Remuneration Committee

HANSJÖRG PLAGGEMARS, – Non-Executive Director

Tenure
Eighteen months

Skills and experience
Hansjörg Plaggemars is an independent consultant (Value Consult) as is appointed to a number of boards including Enapter AG, Altech Advanced Material AG, Alpha Cleantec AG, Ming Le Sports AG and Strawtec Group AG. Previously he was Managing Director and Chief Financial Officer at CoCreate Software GmbH, KAMPA AG, Unister Holding GmbH and Müller Holding Ltd. & CO. KG. He holds a degree in Business Administration from the University of Bamberg.

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.

In 2021 the Board held four Board meetings with additional ad hoc meetings as required, with all directors in attendance. 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.

During the year, both the audit committee and remuneration committee met twice, with all non-executive directors in attendance.

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. Hansjörg Plaggemars is the CEO of 2Invest AG, a significant investor in 4basebio PLC and hence is not considered independent. Joe Fernandez is a significant shareholder in 4basebio PLC and hence is not considered independent.

Tim McCarthy is Chair of the Committee and is considered to have recent relevant financial experience being a qualified accountant and having previously held the role of CFO in both private and listed 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 19.

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 pages 20 to 21.

2.4 Engagement with shareholders

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, management prepares presentations and recordings from time to time. Links to the Company's presentations and recordings are published on the Company's website. Further, finnCap, the Group's broker, also provides research coverage with research notes 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 22. Separate resolutions are proposed at the Annual General Meeting for each substantially separate issue and a resolution is proposed for approval of the annual report. Proxy voting is available for general meetings of the Company.

Tim McCarthy
Chairman
6 May 2022

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.

The Audit Committee met twice during the year with all members in attendance.

3.2 Activities of the Audit Committee

During 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. The Board also 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.

The Audit Committee also reviewed and approved for publication the Annual Report for the year ended 31 December 2020 and the Interim Report for the half year ended 30 June 2021.

3.3 External audit

The Group's external auditor, Crowe U.K. LLP, is engaged to provide its independent opinion on the Group's financial statements. The Senior Statutory Auditor for 2021 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
6 May 2022

Directors’ Remuneration Report

I am pleased to present the Directors’ remuneration report for the year ended 31 December 2021. The Remuneration Committee recognises the importance of shareholder engagement in relation to Executive remuneration. Accordingly, the Committee has prepared this report as a matter of best practice and has taken account of those regulations in doing so.

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

The Remuneration Committee met twice during the year with all members in attendance.

4.2 Key remuneration principles

The group’s remuneration arrangements for Executive Directors are based on the key principles set out below. The Group has articulated how those principles are addressed within the remuneration policy.

Key principle	How this reflects in the 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 2021

Executive Director remuneration was approved by the Remuneration Committee. The base salary and a performance related bonus of up 60% of basic salary for the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) remained unchanged from 2020.

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. The share options awards have vesting conditions which are linked to either share price performance or time served.

As of 31 December 2021, 47,600 share options awarded to Heikki Lanckriet had vested and 35,800 share options awarded to David Roth had vested. No options have been exercised.

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

	2021				2020		
[£'000] Name	Salary or fees	Bonus	Benefits in kind	Total	Salary or fees	Other	Total
Executive							
Heikki Lanckriet	267.0	160.2	0.4	**427.6**	22.3	–	22.3
David Roth	192.3	115.3	0.6	**308.2**	16.0	–	16.0
	459.3	275.5	1.0	**735.8**	38.3	–	38.3

4.4 Non-Executive remuneration 2021

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.

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

	2021			2020		
[£'000] Name	Salary or fees	Other	Total	Salary or fees	Other	Total
Tim McCarthy	36.0	–	**36.0**	1.0	–	1.0
Pilar de la Huerta	27.0	**10.0**	**37.0**	0.7	–	0.7
Joe Fernandez	18.0	–	**18.0**	0.5	–	0.5
Hansjörg Plaggemars	18.0	–	**18.0**	0.5	–	0.5
	99.0	**10.0**	**109.0**	2.7	–	2.7

Mrs de la Huerta provides support and advice from time to time in Spain to 4basebio S.L.U. in relation to domestic matters which benefit from application of Spanish language as well as knowledge of legal processes. Fees in respect of this advice were £10k during the year.

4.5 Directors' service contracts

Details of the service contracts of Directors in office at the date of approval of this report are set out below. At the 2021 Annual General Meeting, all Directors were subject to reappointment by voting shareholders. A third of Directors are then subject to reappoint at each 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

Pilar de la Huerta
Remuneration Committee Chair
6 May 2022

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 2021.

5.1 Principal activities

4basebio is engaged in the development and manufacture of synthetic DNA and RNA products and targeted non-viral vector solutions.

5.2 Strategic report

The strategic report is set out on pages 1 to 14. The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable.

5.3 Future development

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

5.4 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.

5.5 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 £3.2million. The Directors are unable to recommend the payment of a dividend in respect of the year ended 31 December 2021.

5.6 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.

5.7 Re-election of Directors

At the AGM held in June 2021, as all Directors had been appointed for the first time during the year, all Directors offered themselves for re-election and all appointments were approved. In accordance with Articles of the Company, at the AGM to be held on 9 June 2022, one third of the Directors will be standing for re-election.

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 31 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 year.

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 27 to the financial statements.

5.13 Corporate governance report

The Company's corporate governance report can be found on page 18 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 PLC:

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

5.15 Power to allot shares

Each year at the AGM, the Directors seek authority to allot shares for the following year. At the last AGM held on 30 June 2021, shareholders authorised the Directors to allot relevant securities up to an aggregate nominal value of €8,211,648 representing approximately two thirds of the issued share capital, and 50% of this authority was reserved only for a fully pre-emptive rights issue, in accordance with ABI guidance.

Directors were authorised to allot for cash equity securities having a nominal value not exceeding in aggregate €1,231,747 (being 10% of issued share capital), and to further allot for cash equity securities having a nominal value not exceeding in aggregate €615,873 for the purpose of financing acquisitions and capital investments, in each case without first offering the securities to existing shareholders. The authorities expire at the conclusion of the next AGM. At the forthcoming AGM, authorities will be sought from shareholders similar to those sought at the 2021 AGM.

5.16 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 U.K. LLP have expressed their willingness to continue as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

5.17 Annual General Meeting

The Annual General Meeting of the Company will be held at 9:00am on Thursday 9 June 2022 at Cambridge Belfry Hotel, Back Lane, Cambridge, CB23 6BW. By order of the Board

Heikki Lanckriet
Chief Executive Officer
6 May 2022

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. They have elected to prepare the Group financial statements in accordance with UK adopted International Accounting Standards and applicable law and the parent company financial statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosures Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 UK;
- 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.

The Directors 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
6 May 2022

Independent Auditor's Report
to the Members of 4basebio Plc

Opinion

We have audited the financial statements of 4basebio Plc (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2021 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 UK adopted International Accounting Standards ('UK IFRS'). 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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK IFRS;
- 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:

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 and confirmed the availability of committed borrowing facilities.

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 group and 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.

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.

- £300,000 (2020: £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.
- £225,000 (2020: £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

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

a lower level, such as, for related party transactions and directors' remuneration.

- £15,000 (2020: £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 (2020: £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 (2020: £172,500) and triviality was £11,500 ((2020: £11,500).

Overview of the scope of our audit

There are three significant components in the group, the parent company, 4basebio S.L.U. and 4basebio UK Limited. We audited the parent company and 4basebio UK Limited and our 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 during the period of the audit fieldwork, and international travel restrictions in general, meant that it 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. 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.

We did not identify any matters which we considered to be Key Audit Matters.

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 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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

6 May 2022

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2021

[in £'000]	Note	2021	2020 (note 3)
Revenues	5	**338**	462
Cost of goods sold	6	**(69)**	(188)
Gross profit		**269**	274
Sales and marketing expenses	6	**(132)**	(141)
Administration expenses	6	**(1,725)**	(516)
Research and non-capitalised development expenses	6	**(1,622)**	(343)
Other operating expenses	8	**(400)**	(1)
Other operating income	9	**83**	105
Loss from operations		**(3,527)**	(622)
Finance expense	10	**(113)**	(94)
Financial result		**(113)**	(94)
Loss before tax		**(3,640)**	(716)
Income tax	11	**405**	(3)
Loss for the year		**(3,235)**	(719)
Items that may be reclassified to the income statement in subsequent periods			
Exchange differences on translation of foreign operations		**(608)**	162
Total comprehensive income		**(3,843)**	(557)
Loss per share	12		
– Basic and diluted (in £/share)		**(0.26)**	(0.08)

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 2021

[in £'000]	Note	2021	2020 (note 3)
Assets			
Intangible assets	14	**1,271**	785
Property, plant and equipment	16	**2,759**	1,478
Other non-current assets	20	**30**	34
Non-current assets		**4,060**	2,297
Inventories	18	**156**	131
Trade receivables	19	**46**	39
Other current assets	20	**854**	341
Cash and cash equivalents	21	**9,586**	15,001
Current assets		**10,642**	15,512
Total assets		**14,702**	17,809
Liabilities			
Soft loans and leases	23	**(432)**	(416)
Trade payables		**(353)**	(96)
Other current liabilities	24	**(738)**	(301)
Current liabilities		**(1,523)**	(813)
Soft loans and leases	23	**(1,326)**	(1,301)
Other liabilities	24	**(158)**	(237)
Non-current liabilities		**(1,484)**	(1,538)
Total liabilities		**(3,007)**	(2,351)
Net assets		**11,695**	15,458
Share capital	22	**11,130**	11,130
Share premium	22	**706**	706
Merger reserve	22	**688**	688
Capital reserve	22	**13,179**	13,099
Foreign exchange reserve	22	**(433)**	175
Profit and loss reserve	22	**(13,575)**	(10,340)
Total Equity		**11,695**	15,458

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 6 May 2022 and were signed by Heikki Lanckriet and David Roth.

Company statement of financial position

31 December 2021

[in £'000]	Note	2021	2020
Assets			
Investments	15	**7,817**	7,817
Amounts due from subsidiary undertaking		**3,635**	3,913
Non-current assets		**11,452**	11,730
Amounts due from subsidiary undertaking		**–**	13
Other current assets		**–**	–
Cash and cash equivalents		**25**	106
Current assets		**25**	119
Total assets		**11,477**	11,849
Liabilities			
Current liabilities		**(741)**	–
Non-current liabilities		**–**	–
Total liabilities		**(741)**	–
Net assets		**10,736**	11,849
Share capital	22	**11,130**	11,130
Share premium	22	**706**	706
Capital reserve		**80**	–
Profit and loss reserve		**(1,180)**	13
Total Equity		**10,736**	11,849

The loss for the year to 31 December 2021 for the Company was £1.2 million (result for the year to 31 December 2020: net profit of £13k). The above statement of financial position should be read in conjunction with the accompanying notes.

The Financial Statements of 4basebio PLC (company number 13519889) were approved by the Board of Directors on 6 May 2022 and were signed by Heikki Lanckriet and David Roth.

Consolidated statement of changes in equity

for the year ended 31 December 2021

[in £'000]	Share capital	Share premium	Merger reserve	Capital reserve	Foreign exchange	Profit and loss reserve	Total equity
Balance at 1 January 2021	**11,130**	**706**	**688**	**13,099**	**175**	**(10,340)**	**15,458**
Loss for the year	–	–	–	–	–	(3,235)	(3,235)
Foreign Exchange difference arising on translation of 4basebio S.L.U.	–	–	–	–	(608)	–	(608)
Share based payments	–	–	–	80	–	–	80
Balance at 31 December 2021	**11,130**	**706**	**688**	**13,179**	**(433)**	**(13,575)**	**11,695**

[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 for the year	–	–	–	–	–	(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**

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 2021

[in £'000]	Share capital	Share premium	Capital reserve	Profit and loss reserve	Total equity
Balance at 1 January 2021	**11,130**	**706**	**–**	**13**	**11,849**
Loss after income tax and total comprehensive income for the year	–	–	–	(1,193)	(1,193)
Share based payments	–	–	80	–	80
Balance at 31 December 2021	**11,130**	**706**	**80**	**(1,180)**	**10,736**

[in £'000]	Share capital	Share premium	Capital reserve	Profit and loss reserve	Total equity
Balance at 1 January 2020	**104**	**–**	**–**	**–**	**104**
Profit after income tax and total comprehensive income for the year	–	–	–	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**

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 2021

[in £'000]	Note	2021	2020 (note 3)
Net loss for the period		**(3,235)**	(719)
Adjustments to reconcile net loss for the period to net cashflows			
Income taxes	11	**(405)**	3
Interest charge	10	**113**	94
Depreciation of property, plant and equipment	6	**242**	83
Amortisation and impairment of intangible assets	6	**78**	194
Other non-cash items		**12**	25
Working capital changes:			
(Increase)/decrease in trade receivables and other current assets		**(126)**	91
Increase/(decrease) in trade payables and other current liabilities		**615**	(876)
Increase in inventories		**(34)**	(24)
Tax receipt		**–**	107
Net Cash flows from operating activities		**(2,740)**	(1,022)
Investments in property, plant and equipment and intangible assets		**(884)**	(351)
Investments in capitalised development	14	**(628)**	(498)
Cash acquired with 4basebio Limited (now 4basebio UK Limited)		**–**	2,295
Cash flows from investing activities		**(1,512)**	1,446
Repayment of loans		**(331)**	(1,024)
Capital contributions by way of cash		**–**	15,626
Interest paid		**(76)**	(116)
Capital lease payments		**(60)**	(59)
Cash flows from financing activities		**(467)**	14,427
Net change in cash and cash equivalents		**(4,719)**	14,851
Exchange differences		**(696)**	70
Cash and cash equivalents at the beginning of the period	21	**15,001**	80
Cash and cash equivalents at the end of the period	21	**9,586**	15,001

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 2021

1. General information

4basebio PLC (formerly 4basebio UK Societas) (the "Company" or "4basebio") is registered in England and Wales.

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. Subsequently, the Company moved 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. Following approval from the Annual General Meeting of 30 June 2021 for conversion of the Company to a public limited company, this was recorded with Companies House on 20 July 2021, with the company number changing to 13519889.

The Company is domiciled in England and the registered office of the Company is 25 Norman Way, Over, Cambridge CB24 5QE. 4basebio PLC is the parent of a group of companies (together, "the Group"). 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 GB00BMCLYF79; its ticker symbol is 4bb.l.

2. Adoption of new and revised standards

The following new standards were mandatory for adoption for periods ending 31 December 2021; however, these standards do not affect the Group:

— Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
— Covid-19-Related Rent Concessions (Amendments to IFRS 16)

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective and they are not expected to have a material impact on the Group financial statements.

3. Significant accounting policies

3.1 Company
Basis of preparation
The Company's financial statements of 4basebio PLC for the financial year ending 31 December 2021 have been prepared in accordance with the historical cost convention and in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101) and the Companies Act 2006. Those financial statements present information about the Company as an individual entity. Accounting policies have been applied consistently throughout the year.

In preparing its financial statements the Company has taken advantage of certain disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

— certain comparative information as otherwise required by international accounting standards;
— a statement of cash flows;
— the effect of future accounting standards not yet adopted;
— the disclosure of the remuneration of key management personnel; and
— disclosure of intercompany transactions with wholly owned subsidiary companies.

In addition, and in accordance with FRS101 further disclosure exemptions have been adopted because equivalent disclosures are included in these consolidated financial statements and hence do not include Company only disclosures in respect of:

— financial instruments;
— fair value measurement.

Notes to the financial statements
(continued)

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own income statement. The loss for the financial year per the accounts of the Company was £1.2 million.

The principal accounting policies adopted are set out below.

Investments in subsidiaries
Investments in subsidiaries and joint ventures are stated at cost less, where appropriate, provisions for impairment. The Company tests the investment balances for impairment annually or when there are indicators of impairment.

Share-based payments
The fair value of employee share option plans is calculated at the grant date using the Black-Scholes model. The resulting cost is charged to the Company income statement over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting.

Financial instruments
Financial assets and financial liabilities are recognised in the Company balance sheet when the Company becomes party to the contractual provisions of the instrument.

3.2 Group
Basis of preparation
The consolidated financial statements of 4basebio UK PLC (or "the Group") for the financial year ending 31 December 2021 have been prepared in accordance with UK adopted International Accounting Standards and applicable law.

Consolidated financial statements
The directors, having considered the circumstances giving rise to the formation of the Group on 8 December 2020 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.

The consolidated financial statements for 2021 comprise the results of 4basebio PLC, 4basebio S.L.U., 4basebio UK Limited and 4basebio Discovery Limited for the whole year and for 2020 comprise the results of 4basebio PLC, 4basebio S.L.U. for the full year and 4basebio UK Limited and 4basebio Discovery Limited (then dormant) from 8 December 2020 the date of the transaction.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

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.

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 12 months from the date of approval of the financial statements. 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 executive directors of the Company. The

Notes to the financial statements (continued)

CODM are responsible for the allocation of resources to operating segments and assessing their performance. For the years ended 31 December 2021 and 31 December 2020, 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 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.

Notes to the financial statements (continued)

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. 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 part of soft loans and leases 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).
— 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

The right-of-use assets are presented as part of property, plant and equipment 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.

Notes to the financial statements (continued)

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.

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

	Closing exchange rate		Average exchange rate	
[in GBP]	31.12.2021	31.12.2020	2021	2020
Euro	0.8403	0.8994	0.8594	0.8895
US Dollar	0.7420	0.7327	0.7269	0.7797

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.

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.

Share-based payments
Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The fair value of options granted is recognised as an expense of employment in the statement of comprehensive income with a corresponding increase in equity.

The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The fair value of options granted under the share option schemes is measured using a Black Scholes model taking into account the performance conditions under which such options were granted. At each financial year end, the Group revises its estimate of the number of options that are expected to become exercisable based on forfeiture such that at the end of the vesting period the cumulative charge reflects the actual options that have vested, with no charge for those options which were forfeit prior to vesting. When share options are exercised the proceeds received are credited to equity.

Notes to the financial statements (continued)

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.

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 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	5 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

Notes to the financial statements (continued)

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").

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 impairment test is carried out where a change in circumstances warrants such consideration. 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.

Notes to the financial statements (continued)

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

	Patents and 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 licences
The expenditure associated with the granting of a patent or licence is 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.

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.

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.

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

Notes to the financial statements (continued)

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.

4. Critical accounting judgements, estimates and assumptions

The following are the critical judgements 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 was in determining the accounting acquiror as at 8 December 2020 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 UK Limited (formerly 4basebio Limited) was that it formed part of the spin out of the 4basebio AG subsidiaries to 4basebio PLC (formerly 4basebio UK Societas). The assets and liabilities of 4basebio S.L.U. and 4basebio UK 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 2021 the carrying amount of capitalised development costs amounted to £1.1 million (31 December 2020: £683k).

Notes to the financial statements (continued)

5. Revenues

Revenue by type [in £'000]	2021	2020
Revenue from sales of kits and other products	**321**	428
Revenue from licences and royalties	**17**	34
Total revenue	**338**	462

Geographic markets [in £'000]	2021	2020
Europe	**82**	115
USA	**235**	347
Rest of World	**21**	–
Total revenue	**338**	462

The analysis of geographic markets is based on the country of destination of product shipment or the source of royalty and licence income payments.

Timing of revenue recognition [in £'000]	2021	2020
At a point in time	**338**	462
Over a period of time	**–**	–
Total revenue	**338**	462

Information on significant customers [in £'000]	2021	2020
Revenues from significant customers (customers who represent at least 10% of Group revenue)	**220**	266
Other revenues	**118**	196
Total revenue	**338**	462

Notes to the financial statements (continued)

6. Expenses

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

[in £'000]	2021	2020
Cost of goods		
Amortisation of capitalised development expenses	**69**	188
Sales and marketing expenses		
Employee costs	**54**	129
Other	**78**	12
	132	141
Administration expenses		
Employee costs	**824**	116
Professional fees	**326**	276
Share based payments	**80**	–
Depreciation and amortisation	**127**	69
(Former Group) Management charges	**–**	4
Other	**368**	51
	1,725	516
Research and non-capitalised development expenses		
Employee costs	**1,068**	496
Consumables	**597**	205
Consultancy	**2**	54
Depreciation and amortisation	**184**	19
Capitalised development expenses	**(545)**	(463)
Other	**316**	32
	1,622	343

7. Staff numbers and costs

[in £'000]	2021	2020
Salaries	**1,663**	621
Social security costs	**262**	112
Pension costs	**21**	8
Staff costs	**1,946**	741

Average FTE headcount by function	2021	2020
Sales and marketing	**1.2**	1.0
GF&A	**6.8**	2.4
R&D	**18.0**	9.1
Operations	**0.6**	–
Total	**26.6**	12.5

8. Other operating expenses

[in £'000]	2021	2020
Expenditure relating to AIM admission	**339**	–
Other	**61**	1
Other operating expenses	**400**	1

Notes to the financial statements (continued)

9. Other operating income

[in £'000]	2021	2020
Government grants	**81**	94
Other	**2**	11
Other operating income	**83**	105

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 other 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]	2021	2020
Interest expense on loans	**99**	88
Interest on lease liabilities	**14**	6
Finance expenses	**113**	94

11. Income taxes

[in £'000]	2021	2020
Current tax expense (-) or income (+)	**405**	-3
Deferred tax expense (-) or income (+)	**–**	–
Total income tax	**405**	-3

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 19.6% was used for 2021 (2020: 23%) and was multiplied by the loss before taxes.

[in £'000]	2021	2020
Loss before tax	**(3,640)**	(716)
Expected tax expense (-) or income (+)	**+715**	+165
Adjustments:		
Losses where no deferred tax asset recognised	**(304)**	(161)
Other	**(6)**	(7)
Total adjustments	**(310)**	(168)
Income tax credit / (expense)	**405**	(3)

12. Earnings per share

	2021	2020
Numerator [in £'000]		
Result for the period	**(3,235)**	(719)
Denominator [number of shares]		
Weighted average number of registered shares in circulation (ordinary shares) for calculating the basic earnings per share	**12,317,473**	9,197,193
Basic and diluted earnings per share	**(0.26)**	(0.08)

Notes to the financial statements
(continued)

4basebio PLC (formerly 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 UK Limited (formerly 4basebio Limited).

The calculation of the basic and diluted 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 average number of share options outstanding during the period was 522,860 which have not been included in the calculation of the diluted Earning per share because they would be anti-dilutive since the business is loss making.

See note 13 for further details relating to the business combination.

13. Business combinations - 2020

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 (now 4basebio PLC) 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.

Acquisition of 4basebio Limited (now 4basebio UK 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.

Notes to the financial statements (continued)

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 £291k 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]	Development costs	Patents and licences	Total
Cost or acquisition value			
01.01.2021	**1,987**	**128**	**2,115**
Exchange differences	(142)	(11)	(153)
Additions	545	83	628
Disposals	–	–	–
31.12.2021	**2,390**	**200**	**2,590**
01.01.2020	**1,434**	**86**	**1,520**
Exchange differences	90	7	97
Additions	463	35	498
Disposals	–	–	–
31.12.2020	**1,987**	**128**	**2,115**
Cumulative amortisation and impairment			
01.01.2021	1,304	26	1,330
Exchange differences	(87)	(2)	(89)
Amortisation	69	9	78
Disposals	–	–	–
31.12.2021	**1,286**	**33**	**1,319**
01.01.2020	**1,052**	**18**	**1,070**
Exchange differences	64	2	66
Amortisation	188	6	194
Disposals	–	–	–
31.12.2020	**1,304**	**26**	**1,330**
Net book value			
31.12.2021	**1,104**	**167**	**1,271**
31.12.2020	**683**	**102**	**785**

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

	2021	2020
Cost		
1 January	**7,817**	–
Additions (8,622,231 €1 par value shares issued, note 13)	**–**	7,817
31 December	**7,817**	7,817

The present consolidated financial statements include 4basebio PLC 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 another 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	31.12.2021	31.12.2020
4basebio S.L.U.	R&D	Madrid, Spain	**100**	100
4basebio UK Limited	Manufacturing	Cambridge, UK	**100**	100
4basebio Discovery Limited	R&D	Cambridge, UK	**100**	100

On 31 August 2021, the shareholding in 4basebio Discovery Limited transferred to 4basebio PLC from 4basebio UK Limited

Both 4basebio UK Limited and 4basebio Discovery Limited have elected to make use of the audit exemption, for non-dormant subsidiaries, under section 479A of the Companies Act 2006. In order to fulfil the conditions, set out in the regulations, the Company has given a statutory guarantee of all outstanding liabilities to which the subsidiaries are subject at the end of the financial year to 31 December 2021.

Notes to the financial statements (continued)

16. Property, plant and equipment

[in £'000]	Operating equipment	Land and buildings	Right of use assets	Assets under construction	Total
Cost or acquisition value					
01.01.2021	**598**	**997**	**166**	**–**	**1,761**
Exchange differences	(24)	–	(9)	–	(33)
Additions	308	–	478	751	1,537
Disposals	–	–	–	–	–
31.12.2021	**882**	**997**	**635**	**751**	**3,265**
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)
01.01.2020	**598**	**997**	**166**	**–**	**1,761**
Cumulative amortisation and impairment					
01.01.2021	**249**	**5**	**29**	**–**	**283**
Exchange differences	(16)	–	(3)	–	(19)
Depreciation	124	46	72	–	242
Disposals	–	–	–	–	–
31.12.2021	**357**	**51**	**98**	**–**	**506**
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**
Net book value					
31.12.2021	**525**	**946**	**537**	**751**	**2,759**
31.12.2020	**349**	**992**	**137**	–	**1,478**

As at 31 December 2021, a total of £388k remained outstanding under contractual commitments in relation to assets categorised as land and buildings and which were under construction.

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 £13.4 million (31 December 2020: £10.0 million).

Notes to the financial statements (continued)

18. Inventories

[in £'000]	31.12.2021	31.12.2020
Raw materials	**101**	41
Finished goods	**55**	90
Inventories	**156**	131

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 £1k (2020: £1k) was recognised in 2021.

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 reporting 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]	31.12.2021	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	**46**	–	15	23	5	3	–
Expected credit loss	**1**	–	–	–	1	–	–

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	–	–

20. Other assets

[in £'000]	31.12.2021	31.12.2020
Short term deposit	**228**	219
Income tax receivable	**403**	–
VAT recoverable	**155**	63
Other	**68**	59
Other current assets	**854**	**341**
Long term Deposit	**30**	34
Other non-current assets	**30**	**34**

Notes to the financial statements (continued)

21. Cash and cash equivalents

[in £'000]	31.12.2021	31.12.2020
Bank balances and cash in hand	**9,586**	15,001
Cash and cash equivalents	**9,586**	15,001

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

22. Equity

The share capital of 4basebio PLC as of 31 December 2021 amounts to a total of €12,317,473 (31 December 2020: €12,317,473), divided into 12,317,473 (31 December 2020: 12,317,473) €1 shares. These are all registered ordinary shares (31 December 2020: ordinary shares). There are no shares with special rights or other restrictions on voting rights.

Share Capital

[in £'000]	31.12.2021	31.12.2020
Authorised:	**Number**	Number
ordinary shares of €1 each	**20,529,121**	12,317,473
Issued and fully paid:		
At 1 January (€1 each)	**12,317,473**	12,317,473
Issued during the year for cash	**–**	120,000
Issued during the year in consideration of acquisition of 4basebio	**–**	3,575,242
S.L.U. and 4basebio UK Limited	**–**	8,622,231
At 31 December (€1 each)	**12,317,473**	**12,317,473**

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). At that time the new Group's functional currency became the British Pound and the share capital was fixed in GBP at an exchange rate of euro to GBP of 1.107.

The Annual General Meeting of 30 June 2021 conferred authority to the board of directors to issue up to an additional 8,211,648 ordinary shares of €1 each, with such authority to expire on the earlier date of the next Annual General Meeting or 15 months following the previous Annual General Meeting.

4,105,824 of those shares were generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006; a further 4,105,824 of those shares were generally and unconditionally authorised pursuant to section 560 of the Companies Act 2006. As part of such authorities totalling 8,211,648 shares, up to 1,231,747 shares were also authorised to be issued pursuant to section 570 of the Companies Act 2006 for cash consideration and 615,873 shares were also authorised to be issued pursuant to section 570 of the Companies Act 2006 as part of an acquisition.

Share Premium

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.

Merger Reserve

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 (now 4basebio PLC). The merger reserve represents the difference between the net equity of 4basebio UK Societas (now 4basebio PLC), 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

The capital reserve represents the capital contribution from 4basebio AG (now 2Invest AG) of £11.7million in 2020 along with the share based payments accounting arising in 2021.

Notes to the financial statements
(continued)

Foreign Exchange translation reserve
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.

Profit and loss reserve
The reserve represents historic losses from 4basebio S.L.U. prior to the 2020 spin out as explained in note 3 to the financial statements, along with consolidated losses arising since that date.

23. Soft loans and leases

[in £'000]	31.12.2021			31.12.2020		
	Current	Non-current	Total	Current	Non-current	Total
Soft loans	**356**	**860**	**1,216**	349	1,229	1,578
Lease Liability (IFRS16)	**76**	**466**	**542**	67	72	139
Soft loans and leases	**432**	**1,326**	**1,758**	**416**	**1,301**	**1,717**

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 other liabilities. This benefit is amortised over the life of each loan giving rise to grant income recorded in other operating income.

24. Other liabilities

[in £'000]	31.12.2021	31.12.2020
Expected credit loss provision	**1**	1
Payroll accruals	**308**	37
Audit costs	**25**	25
Professional services	**108**	143
Other accruals and provisions	**296**	95
Other current liabilities	**738**	301
Grant income not yet recognised	**158**	237
Other long term liabilities	**158**	237

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 £133k (2020: £120k) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2021, contributions of £15k (2020: £12k) due in respect of the current reporting period had not been paid over to the plans.

Notes to the financial statements (continued)

25. Share based payments

The Group operates a share option scheme under which it grants and has granted share options in share capital to eligible employees of Group companies. These are accounted for as equity settled in the consolidated financial statements. The scheme is recognised as an Enterprise Management Incentive Scheme in the UK for tax purposes. Under the scheme both HMRC-approved and unapproved options were issued to employees of the Group on 25 January 2021 and 30 April 2021, with a contract life of 10 years. The weighted average contract years remaining is 9.1 years, with an average exercise price of £1.36.

Of the 597,500 share options awarded on 25 January 2021, 92,475 vested on grant and 68,500 have lapsed. Of the remaining number, 244,600 options will vest equally on the first, second, third and fourth anniversary of award; 177,075 options will vest on certain share price targets being achieved after the first anniversary of the award; and 14,850 options will vest on a combination of time served and share price target.

Of the 42,500 share options awarded on 30 April 2021, 3,000 vested on grant. Of the remaining number, 12,000 options will vest equally on the first, second, third and fourth anniversary of award; 27,500 options will vest on a share price target.

The following table summarises the valuation of each option award using a Black Scholes valuation model:

	Number of options	Share price on grant £	Expected volatility	Risk-free interest rate	Fair value of option £
Granted 25 January 2021					
Time served target	244,600	1.18	50%	1%	0.362
Share price target	177,075	1.18	50%	1%	0.330
Combination of targets	14,850	1.18	50%	1%	0.407
Granted 30 April 2021					
Time served target	12,000	3.65	50%	1%	1.119
Share price target	27,500	3.65	50%	1%	1.443

26. 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 2021			Financial year 2020		
[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	**349**	**1,229**	**139**	397	2,142	49
Lease inception / IFRS 16 adoption	**–**	**–**	**478**	–	–	144
Cash flows	**(331)**	**–**	**(60)**	(274)	(750)	(59)
Exchange rate differences	**(7)**	**(24)**	**(15)**	12	51	5
Reclassification	**345**	**(345)**	**–**	214	(214)	–
31 December	**356**	**860**	**542**	349	1,229	139

Notes to the financial statements (continued)

27. 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.

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.

The credit risk from credit balances with banks and financial institutions is managed in accordance with Group guidelines which requires a distribution of Group deposits across at least two banks.

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 reviews this position.

Liquidity risk
The 4basebio Group monitors the risk of a possible liquidity shortfall 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.

	31.12.2021				31.12.2020			
[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	353	–	–	**353**	96	–	–	**96**
Soft loans	355	890	156	**1,401**	349	1,167	333	**1,849**
Lease liabilities	76	99	367	**542**	67	72	–	**139**
Other liabilities	738	114	44	**896**	234	109	56	**399**
Total	**1,522**	**1,103**	**567**	**3,192**	**746**	**1,348**	**389**	**2,483**

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 risk.

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. The assets and liabilities of the 4basebio Group reported in foreign currency largely relate to assets and liabilities denominated in euros, which essentially result from the Group's business activities. The 4basebio Group

Notes to the financial statements (continued)

reviews currency requirements in the course of the year in order to reduce currency risk if needed with the use of forward contracts from time to time.

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:

	EUR development against GBP			
Sensitivity analysis [in £'000]	Exchange rate movement	Impact on loss before tax	Impact on equity	Impact on cash balances
2021	**+5%**	**(15)**	**362**	**345**
	-5%	**14**	**(345)**	**(345)**
2020	+5%	(21)	469	667
	-5%	21	(469)	(667)

	Carrying amount per valuation category (IFRS 9)				
	Financial assets		Financial liabilities		
Categories of financial instruments as at 31.12.2021 [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	–	46	–	–	**46**
Other financial assets	–	413	–	–	**413**
Cash and cash equivalents	–	9,586	–	–	**9,586**
Non-current liabilities					
Financial liabilities	–	–	–	860	**860**
Other liabilities	–	–	–	158	**158**
Current liabilities					
Financial liabilities	–	–	–	356	**356**
Trade payables	–	–	–	353	**353**
Other liabilities	–	–	–	738	**738**

	Carrying amount per valuation category (IFRS 9)				
	Financial assets		Financial liabilities		
Categories of financial instruments as at 31.12.2020 [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	–	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

Contingent liabilities and other financial obligations
As explained in note 30 of the 2020 financial statements, the Company was notified in March 2021 of legal action against it in Germany. It is aware 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 PLC). 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.

Notes to the financial statements (continued)

Shareholders with about 40,000 shares objected to the spin out at the time. Consequently, these claims are seeking from 4basebio PLC compensation in excess of the €1.30 per share, such amount yet to be specified.

As noted in the 2020 financial statements, the directors are aware 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 and has incurred fees of €11k to date. The process remains ongoing.

Management is not aware of any events that would have a material adverse effect on earnings, liquidity, or financial position.

28. Directors' remuneration

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

[in £'000]	2021	2020
Salaries	**844**	41
Other benefits	**1**	–
Directors' remuneration	**845**	41

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

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 (note 25). The share options awards have vesting conditions which are linked to either share price performance or time served. As of 31 December 2021, 47,600 share options awarded to Heikki Lanckriet had vested and 35,800 share options awarded to David Roth had vested. No options have been exercised.

29. 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 PLC. 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 28.

30. Auditor's fees and services

Crowe U.K. LLP acts as auditor to the Company and the Group. £35k (2020: £25k) was payable to the auditor for the audit of the Company and its UK subsidiaries according to legislation. In addition, £8k (2020: £7k) 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 £93k were payable in 2020 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 £0k (2020: £9k) for other advisory services.

31. Events after the reporting period

The directors consider there to be no material events post 31 December 2021 which warrant disclosure in these financial statements.

32. Approval of the financial statements

The financial statements were approved by the board of directors and authorised for issue on 6 May 2022.

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london@blackandcallow.com
www.blackandcallow.com
020 3794 1720

4basebio Plc
25 Norman Way, Over
Cambridge
CB24 5QE
United Kingdom
Phone: +44 01223 967943
Email: info@4basebio.com