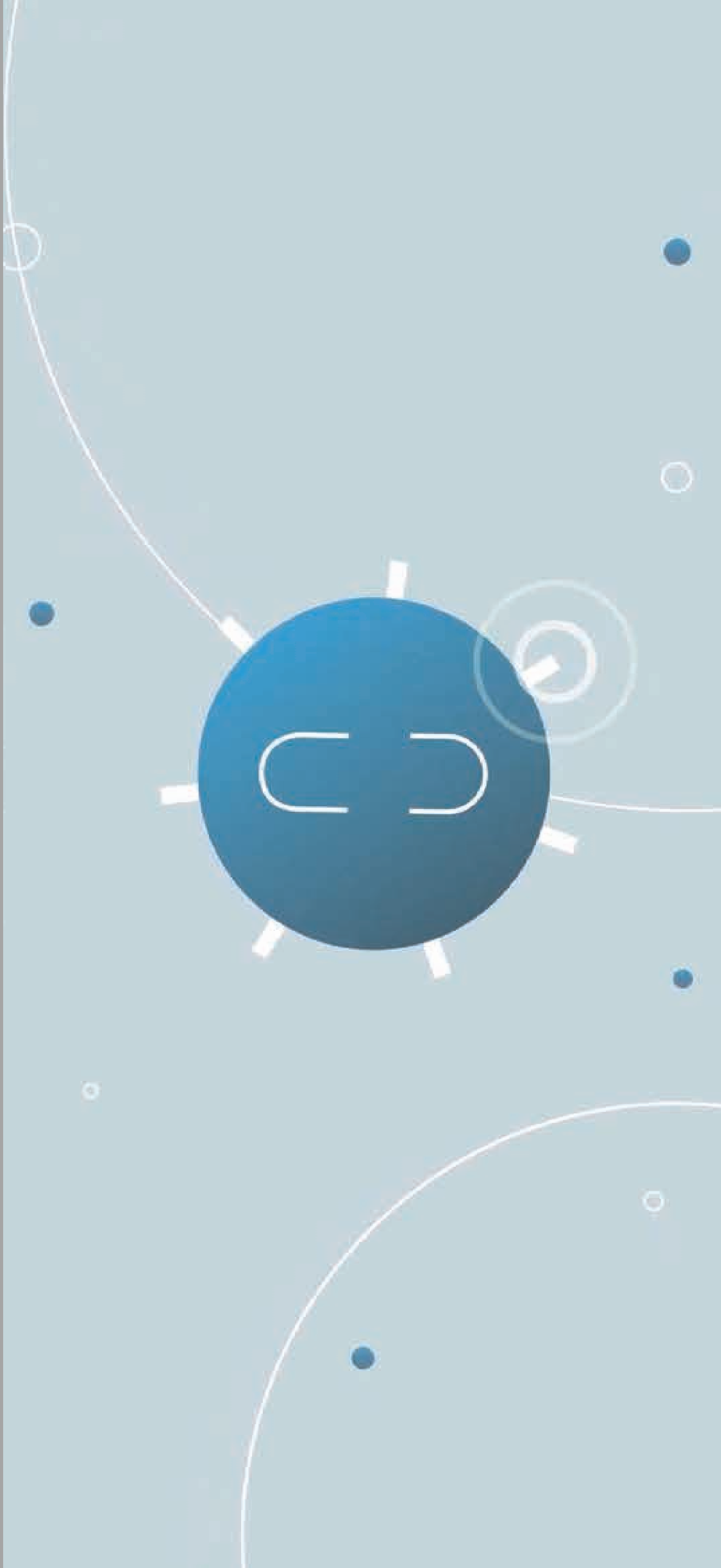
2022 Annual Report and Financial Statements

Contents



1. Highlights

- First commercial revenues from DNA
- First commercial revenues from Hermes™ non-viral vectors
- Clean rooms for manufacture of GMP DNA commissioned
- Six novel patent filings between January 2022 and February 2023
- Continued growth with headcount increasing to 61 staff from 33 at the beginning of the year

2. At a glance

4basebio PLC is a Cambridge UK based AIM listed holding and service company for the 4basebio group of companies ("the Group"), which includes manufacturing and research and development subsidiaries across Cambridge, UK and Madrid, Spain.

4basebio is engaged in the research and development, manufacture and commercialisation of synthetic DNA and RNA products and targeted non-viral vector solutions. With its first revenues from these activities during 2022, the Group is now focussed on the scaling of its commercial activities across a range of gene therapy and vaccine applications, with a particular focus on mRNA and AAV markets.

The Group is able to offer its customers application specific solutions; it also continues to invest in research and development activities to further develop its technology platforms and expand its product offering.

3. Chairman's statement

Performance

During the course of 2022, 4basebio made significant progress in the commercialisation of its platform technologies and the strengthening of the Group's research and development, manufacturing and business development capabilities.

4basebio secured commercial validation of its technologies through first revenues of both its synthetic DNA and Hermes™ non-viral vectors, an important step on which it continues to build.

Alongside that, the Group commissioned its manufacturing clean rooms, offering seven manufacturing suites with an overall capacity of three hundred customer batches per year, and able to manufacture at GMP grade ("good manufacturing practice").

The continued commercial development of the business is naturally a key objective. Alongside this, the Board considers there to be significant intrinsic value in the Group's intellectual property and it remains a key focus with continued investment in its platforms. To that end, six new patent applications were filed between January 2022 and February 2023, with further filings due in 2023. The Group also appointed a Director of Intellectual Property to focus on this aspect.

With the objectives outlined above, the Group continued to invest during 2022 with a resultant net loss for the year of £5.2 million. As in 2021, recruitment was a key priority both in research and development and manufacturing teams and with overall headcount of 61 at year end. The Group continues to recruit into roles within commercial, research and development and manufacturing.

4basebio will be loss making during 2023 and the Group will utilise its loan facility with 2Invest AG, a major shareholder and former parent company, to fund activities. Immediately, prior to year end, 4basebio drew down an initial €2million from this loan facility and it will continue to draw down further tranches in 2023.

Strategy
4basebio's principal objective is to become a leading provider of synthetic DNA and RNA products and non-viral delivery technology for the cell & gene therapy and vaccines markets. In order to achieve this, the Group is focussed on differentiating its product and technology solutions from existing alternatives.

This differentiation is achieved by developing novel, highly flexible and widely applicable platform technologies which in turn provide optimised products and solutions for individual customers.

4basebio's payload and delivery platform technologies are synergistic and enable offering of integrated services to customers, as appropriate, by incorporation of client specific nucleic acid payloads in delivery solutions tailored to client needs. Consequently, the Group offers a wide range of solutions for customers depending on their application needs. 4basebio seeks to establish early development stage relationships with its customers. The Group anticipates that early revenues will be derived from selling research grade and HQ grade synthetic DNA products used in early stage therapy discovery and preclinical development.

As customers progress their programs into the clinic, larger quantities of the higher quality standard 'GMP product' will be required and in due course, 4basebio expects this will lead to significant GMP manufacturing batches. The Group is therefore focussed on engaging with as many potential customers as possible, recognising there may be a degree of attrition as individual clients may be unable to progress their clinical development program.

Share Price
Consistent with 2021, the share price experienced some volatility during the year. The directors believe this in part reflects the modest trading volumes which consequently can have a relatively large impact on the price. During the course of the year about 4% of shares in issue changed hands, with a typical daily trading volume of 2,000 shares.

At year end, approximately 68% of the Company's shares were closely held between the Company's two largest shareholders and Board directors. The Board believes that a significant portion of the remaining shares is owned by long term shareholders.

The share price opened the year at 615p, before it softened in the middle of the year, reaching a closing price of 460p. From there it increased to 710p at year end.

The Board recognises that an increase in liquidity is desirable and continues to consider how this might be achieved.

People and Culture
4basebio places great emphasis on creating a positive and supportive workplace centred around its people and the science. Currently, over 75% of 4basebio's workforce hold scientific degrees, with a third holding PhDs. This fosters an environment focussed on problem solving, innovation and progress.

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
10 May 2023

4. Business model

In-house development

The Group continues to develop and expand its in-house resources and expertise which enables it to take a product or technology from concept through commercialisation to customer sale. While the Group will use consultants from time to time and continues to progress strategically important collaborations, the directors believe that 4basebio has developed the requisite resources and expertise in-house to execute its business strategy.

Research and development activities are conducted in the UK and Spain, while manufacturing occurs primarily in the UK. Commercial and business development teams are based in the UK.

Value Drivers
In the near term, the Group is building out its contract manufacturing capabilities with an emphasis on the supply of DNA for the AAV viral vector, mRNA and vaccine markets; the Group is also supporting customers in other market segments. As the company progresses its commercial development, customer revenue is expected to increase with the Group moving into profitability in due course. However, as 4basebio is in the early stages of commercial development it is difficult to forecast accurately at this stage.The Group also believes its technologies are highly valuable in their own right, with significant future opportunity for revenue generation either by way of product sales or, alternatively, the sale of technology rights. Therefore, while the Group is developing its contract manufacturing business as noted, there are alternative routes to value generation, over which the Board maintains an open mind.

Technology Platforms
As noted, the Group has two core technology platforms in synthetic DNA and non-viral vectors. The research and development, commercialisation and revenues from these technologies are progressing along two different timescales, with the nucleic acid part of the business further advanced. Consequently, while the Group has recorded non-viral delivery sales, it is expected that in the near-term DNA and RNA products will be the main driver of revenue generation.

Many customers express an interest in both technologies and there is therefore clear overlap. It is expected that the revenue generation models of the two parts of the business will evolve over time, with DNA revenue stemming from product supply, while non-viral delivery is more likely to use a fee-for-service and licensing model.

With these differences in development timelines and revenue generation, it is conceivable that maximising value may require the two platforms to become stand-alone business units at some point in the future. The Board is mindful of this but sees no near term need to do this.

5. Markets

4basebio operates in the cell & 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 clients and partners 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 is expected to exceed $730m by the end of 2023 and is expected to grow at a CAGR of 18.7% between 2023 and 2033.[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 global mRNA therapeutics market was variously estimated to be about $30bn-$40bn in 2021[2]. Overall market growth is expected to be modest due to the decline in Covid vaccines but with strong uptake in other areas. Market size by 2030 is expected to be $38bn - $45bn.	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 $5.1 bn in 2021 and is forecasted to reach $21.3bn by 2030 with a CAGR of 17%.[3]	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.[4]	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 global gene, cell and RNA therapy pipeline grew by 7% in 2022 to 3,726 projects or programs.[5] The overall cell and gene therapy market is expected to grow from $6.6bn in 2021 to $21.3bn in 2026, CAGR of 25.6%.[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 Future Market Insights, Viral Vector Development Market.

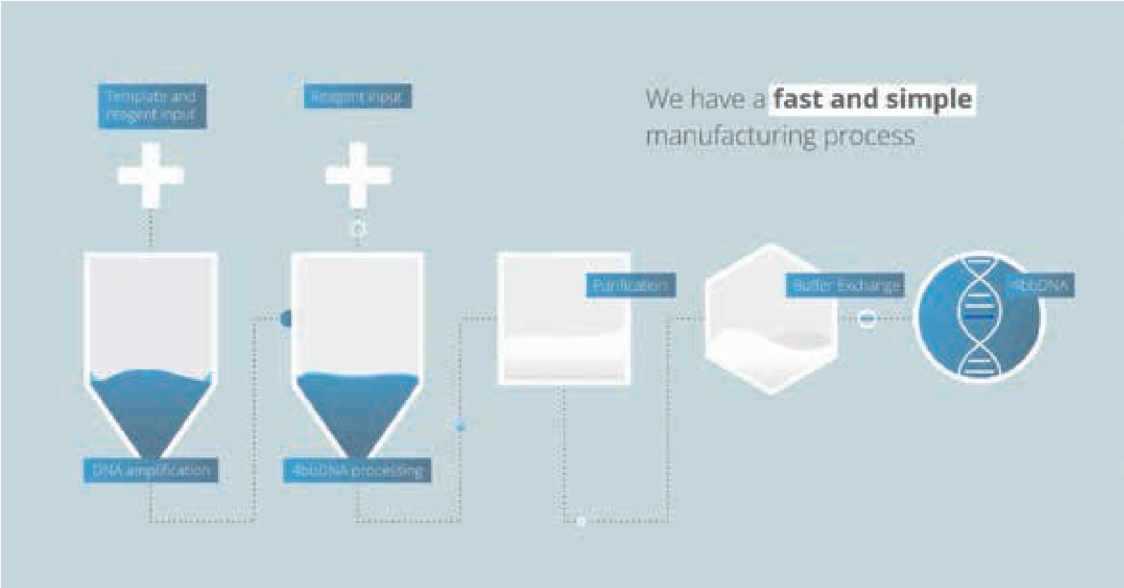
2 Grand View Research, mRNA Therapeutics Market Size; Spherical Insights, Global mRNA Therapeutics Market Size.

3 Strategic Market Research, Genome Editing Market.

4 Allied Market Research, DNA Vaccine Market 2021.

5 Gene, cell, & RNA Therapy Landscape, CELL & GENE THERAPY & Citeline.

6 Research and Markets, Global Cell and Gene Therapy Markets.


We have a **fast and simple** manufacturing process
Template and reagent input
Reagent input
DNA amplification
4bbDNA processing
Purification
Buffer Exchange
4bbDNA


Ideally suited for
VIRAL & NON-VIRAL
vector applications


Ideally suited for the **production of mRNA** for use in
VACCINES & THERAPEUTICS

6. Strategic goals

As noted, 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.

In the near term, the Group will continue to invest in the development of its technology platforms, continuing to demonstrate the flexibility and application specific benefits of those technologies and strengthening its patent portfolio.

In addition, 4basebio will continue to establish itself as a contract manufacturer of synthetic DNA as a clear alternative to plasmid DNA, in particular. Although the overall objective is to grow revenues to reach break-even and subsequent profitability, this is in part dependent on discretionary decisions around levels of research and development spend which the Group will continue to make.

7. Key performance indicators

The Board monitors 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 2023 as the Group continues to invest in staff and infrastructure to further advance its technologies and support its commercial development.
Revenues: **Description:** The Group revenues measure its progress in securing market and commercial validation.	**Performance:** The Group expects to grow revenues in 2023, after initial sales in 2022. It is expected that customer relationships will commence with lower value projects before moving to larger revenues opportunities. As a result, it is difficult to determine how revenues will evolve over the near term.
Intellectual Property: **Description:** Patent applications offer an indication of the progress in research and development activities of the Group and the value inherent in its technology platforms.	**Performance:** After having filed three patents in 2021, a further six patent applications were made between January 2022 and February 2023. Further filings are expected to occur in 2023.
Cash flows: **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. The Group budgets carefully and is mindful of available cash resources. The Group will draw on the 2Invest AG facility as part of its cash management plans in 2023.
Employees: **Description:** The Group uses headcount as a measure of investment in its activities	**Performance:** The Group continues to scale its resources in research and development, customer onboarding, business development, manufacturing and quality assurance. As a result, headcount in 2023 is expected to increase.

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 those applications conflict with 4basebio intellectual property.
Commercialisation of technology is too slow	If the Group is slow in commercialising its technology, the opportunity to grow revenues or realise value may be restricted by competitors or alternative technologies which may emerge. This would diminish the value of 4basebio.	The Group constantly reviews its programs with a view to ensuring progress is as swift as possible. This includes collaborations with key partners. The Group recognises the urgency in commercialising its technology, which has led to ongoing growth in the business both in research and development, client onboarding, manufacturing and quality assurance functions.
Access to funding to support strategic objectives	The Group requires near term funding in order to pursue its strategic objectives until such time as the Group reaches break-even or an alternative valuation event.	The Group monitors its cash position very closely and will draw on the 2Invest AG facility over the course of 2023 and beyond.

9. Chief Executive Officer's statement

9.1. Synthetic DNA platform
The competitive landscape around DNA is consistent with 2021. Plasmid DNA continues to be the primary source of DNA supply, with CDMOs quoting significant lead times and batches of DNA attracting high prices.

While the safety aspects of synthetic DNA continue to outweigh plasmid, the principal USP ("unique selling point") of synthetic DNA is speed of delivery, with synthetic DNA manufacturers able to supply product within weeks, while supply times for plasmid DNA continue to be measured in months. Alongside this, 2022 saw the first approval for the use of synthetic DNA in a clinical trial in France. This is welcome evidence for prospective customers of regulators' willingness to approve the use of synthetic DNA as an alternative to plasmid.

While the competitive picture continues to be very positive, there remains an ongoing need for investment in the optimisation of 4bbDNA for customer specific applications. Synthetic DNA and plasmid DNA behave differently, and customer processes are optimised for plasmid DNA. Consequently, it is essential that 4basebio continues to evidence the merits of synthetic DNA to customers and then collaborates with those customers in optimising the parameters which are being used for synthetic DNA.

We believe the investment in the in-house expertise to undertake this work has enabled 4basebio to accelerate its customer programs and will continue to be an important benefit over time as 4basebio is able to collaborate with clients to optimise construct design.

During the year, the primary focus has been on the optimisation of 4bbDNA for application specific use, with 4basebio now offering a suite of four DNA constructs optimised for AAV, mRNA IVT, gene editing and vaccines. This has underscored the platform's flexibility.

Ongoing work continues to generate innovation, with patent filings in 2022 and further filings expected with new products emerging in 2023. In this regard, 4basebio expects also to make mRNA available for sale alongside DNA during 2023. This represents a natural extension of its expertise in the nucleic acid synthesis field.

It was previously anticipated that commercial traction would be most likely in the AAV and mRNA markets and early commercial opportunities have arisen in both areas. In addition, the Group is seeing interest in gene editing and CAR-T in particular. With the decision taken to invest in its in-house expertise across these areas, scientific progress has been swift, and the Group believes it has significantly progressed its commercial readiness.

A key objective for 2023 is now to build out commercial and client onboarding teams to be able to manage and grow the number of prospects and opportunities which are emerging, ranging from large pharma to start-up biotechs.

9.2 Manufacturing readiness
During 2022, the Company completed its clean rooms and built out its manufacturing and quality assurance team. This team has been heavily committed in the development of the quality management system ("QMS") and the commissioning of the clean rooms. The progression towards GMP has required substantial resourcing, particularly around the QMS, so that GMP readiness is anticipated in 2023.

9.3 Non-viral delivery platform
The Group continues to invest in, and develop, the platform. While the USP of Hermes™ is cell and tissue targeting, interest has emerged due to evidence of particle stability with partners seeking alternatives to LNP existing solutions ("lipid nanoparticle").

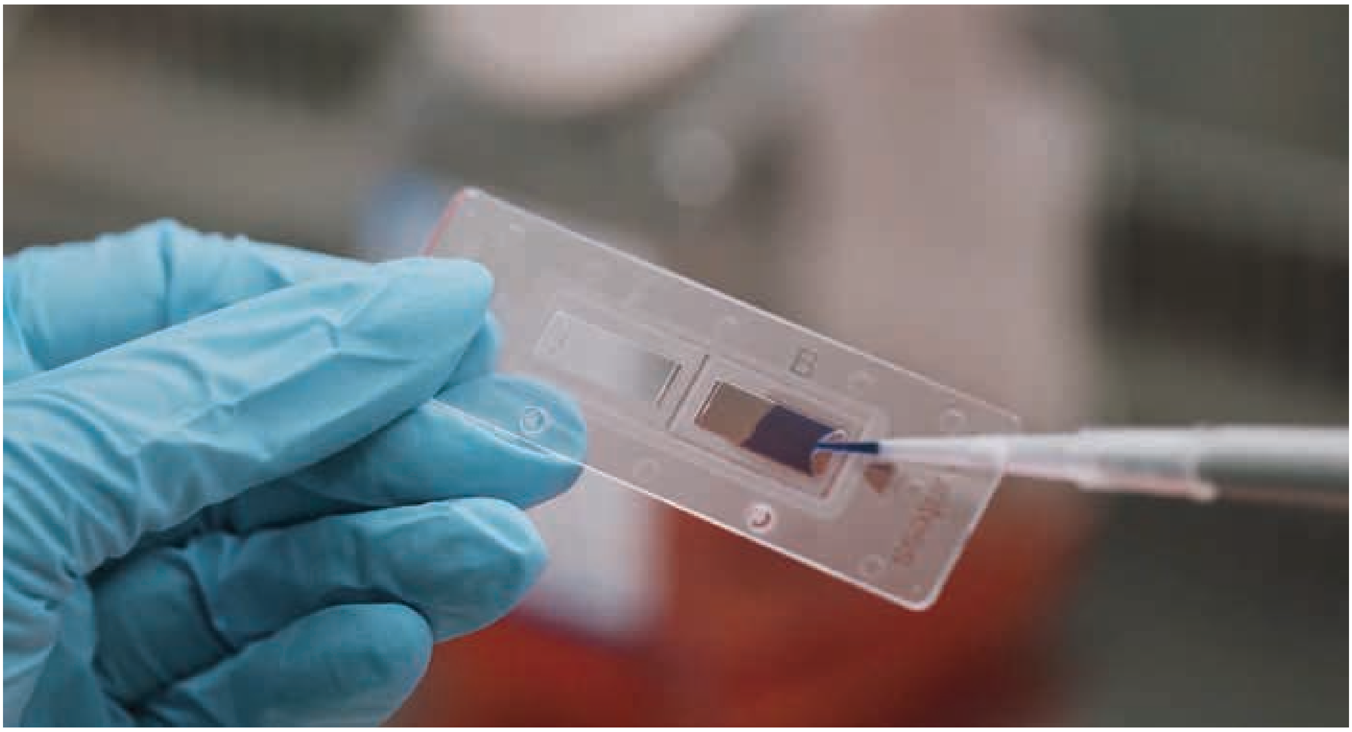
The near-term objective for Hermes™ is in vivo screening of particle formulations to demonstrate efficacy and affinity for more tissue types. In addition, 4basebio will continue to extend its formulation stability studies which are progressing well.

9.4 Outlook
The Group expects to grow its revenues during the course of 2023 from both the sale of synthetic DNA and non-viral vector services. However, the overall near-term revenue 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.

The Group will continue to invest in research and development, commercial as well as manufacturing and quality assurance teams in 2023. The Group expects to continue incurring operating losses and cash outflows over the coming year. As 4basebio has built out its research and development, manufacturing and quality assurance infrastructure, expenditure for 2023 will be above 2022 levels.

The Group continues to see this investment as 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 2022 were in line with management expectations, with the investments in commercial, manufacturing and research and development continuing during the year.

As a result, the Group recorded a loss for the year of £5.2 million (2021: £3.2 million). The Group closed the year with £4.4 million cash on hand, which includes a £1.8 million draw down under the 2Invest AG loan facility.

10.2 Revenues
Revenues were £268k for the year (2021: £338k); the lower figure reflects a decline in legacy revenue sales from Spain which are now largely unsupported, offset by new revenue streams.

10.3 Cost of sales
Cost of sales comprises direct labour and materials associated with sales of synthetic DNA and non-viral vectors as well as 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 was £245k for the year (2021: £132k). The Group focusses primarily on business development activity instead of direct selling methods. Consequently, expenditure on sales and marketing is very targeted.

10.5 Administration
Administration expenditure was £2.7 million for the year (2021: £1.7 million) reflecting primarily an increase in staff costs, professional fees and depreciation and amortisation as highlighted in note 6 to the financial statements.

10.6 Operations
Operations includes expenditure associated with the manufacturing and quality assurance teams which 4basebio has established over the course of 2022. Expenditure relates primarily to staffing costs and associated consumption of consumables in clean room commissioning.

10.7 Research and Development
Total expenditure for the year was £2.1 million for the year (2021: £1.6 million) in addition to capitalised development costs of £0.5 million (2021: £0.5 million). The Group continues to capitalise DNA development expenditure arising in Spain in relation to the platform development which is undertaken.

10.8 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 the UK and Spain have been recognised, totalling £0.8 million (2021: £0.4 million).

10.9 Balance Sheet
Total assets stood at £11.7million (2021: £14.7 million). Cash on hand fell to £4.4 million from £9.6 million in 2021. At the same time, total non-current assets increased to £5.8 million from £4.1 million reflecting the investment in property and equipment, in particular

the clean room development near Cambridge and capitalised platform development which increased by £0.5 million. Current assets were £5.9 million (2021: £10.6 million), reflecting the cash outflows during the year; this included other assets which increased to £1.4 million (2021: £0.9 million) as a result of a £0.4 million increase in recoverable research and development tax credits. Total liabilities as at 31 December 2022 were £4.6 million (2021: £3.0 million), with the principal change relating to an increase in long term financial liabilities following the drawdown of £1.8 million under the 2Invest AG loan facility. (The terms of this facility are shown in note 22 to the financial statements.)

10.10 Cashflow

Net change in cash was an outflow of £5.4 million for 2022 (2021: outflow of £4.7 million). Operating cash outflows increased to £4.7 million in the year (2021: £2.7 million), reflecting the increase in the net loss for the year.

The Group continued to invest in its clean rooms, laboratories and equipment with cash outflows of £1.2 million for the year (2021: £0.9 million). Expenditure on capitalised development costs and other intangible assets was £0.8m (2021: £0.6 million).

Cash inflows from financing activities was £1.2 million (2021: outflow of £0.5 million), with the drawdown from the 2Invest AG loan facility offsetting the repayment of soft loans during the year.

Closing cash stood at £4.4 million (2021: £9.6 million), with favourable foreign exchange movements of £166k on euro denominated cash assets in the period.

10.11 Going Concern

As the Group continues to invest in its activities and sustain cash outflows, the Board has considered the adequacy of available funds to meet the needs of the business for at least 12 months from the date of approval of the financial statements. The Board of Directors is satisfied that the Group has adequate cash resources through a combination of cash on hand and funding available from its loan facility with 2Invest AG.

10.12 Financial Outlook

During the course of 2023, the Group expects to increase its revenues in comparison with 2022; it is expected that most revenues will derive from smaller initial customer evaluation projects so that overall revenue growth is expected to be modest. Alongside this, the Group will continue to invest in its technology platforms with a resultant net increase in cash outflows during the course of 2023. The Group is well placed to meet those cash requirements.

Heikki Lanckriet
Chief Executive Officer
10 May 2023

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 2022 related primarily to Company's continued investment in the Group's research and development activities the establishment of its Operations team, comprising manufacturing and quality assurance, and ongoing increase in headcount across a number of functions. The Board considers these decisions to be in the best long-term interests of shareholders.

Approximately 68% 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 33 and 61 staff during 2022. 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 10 May 2023 by order of the Board.

Heikki Lanckriet
Chief Executive Officer
10 May 2023

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.

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

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

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

Board of Directors

HEIKKI LANCKRIET – Chief Executive Officer

Tenure
December 2020 – current

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. Heikki is a director of i2i Limited and holds non-executive director positions at Biofrontera AG, Epigenomics AG, Neophore Limited and Kither Biotech s.r.l..

DAVID ROTH – Chief Financial Officer

Tenure
December 2020 - current

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. David holds a non-executive director position at Heqet Therapeutics s.r.l..

TIM MCCARTHY – Non-Executive Chairman

Tenure
December 2020 - current

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

Corporate Governance

PILAR DE LA HEURTA – Non-Executive Director

Tenure
December 2020 - current

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
December 2020 - current

Skills and experience
Joseph Fernández is the founder of Active Motif which specialises in novel tools and platform technologies for genomics-driven cell biology and epigenetic pathway elucidation. Before starting Active Motif, Joseph was a co-founder of Invitrogen (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
December 2020 - current

Skills and experience
Mr Plaggemars is an experienced company director with over 25 years of experience in corporate finance, corporate strategy and governance.
Mr Plaggemars is currently a Non-Executive Director of ASX listed Azure Minerals Limited, Altech Chemicals Limited, PNX Metals Limited, Gascoyne Resources Limited, Geopacific Resources Ltd, KIN Mining NL, Wiluna Mining Corporation Limited as well as a supervisory board member of Neon Equity AG. He is also Management Board member of Altech Advanced Minerals AG, MARNA Beteiligungen AG and 2invest AG, companies listed on the German regulated market.

During the past three years, Mr Plaggemars also served as a Non- Executive Director of South Harz Potash Limited (resigned 31 December 2022).

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 2022 the Board held three formal Board meetings with additional ad hoc meetings as required. A full briefing pack is circulated to the Board for review prior to each meeting. The Board delegates authority as appropriate to its committees and members of the Group's management team.

AIM-quoted companies are required to apply a recognised corporate governance code. The Company has adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code").

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 18.

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 19 and 20.

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
10 May 2023

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

In December 2022, the Committee 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 2021 and the Interim Report for the half year ended 30 June 2022.

3.3. External audit

The Group's external auditor, Crowe LLP, is engaged to provide its independent opinion on the Group's financial statements. The Senior Statutory Auditor for 2022 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
10 May 2023

Directors' Remuneration Report

I am pleased to present the Directors' remuneration report for the year ended 31 December 2022. 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 2022

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 2021.

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 2022, 166,600 share options awarded to Heikki Lanckriet had vested and 125,300 share options awarded to David Roth had vested. No options have been exercised.

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

	2022				2021			
[£'000] Name	Salary or fees	Bonus	Benefits in kind	Total	Salary or fees	Bonus	Benefits in kind	Total
Executive								
Heikki Lanckriet	300.0	148.5	0.4	**448.9**	267.0	160.2	0.4	427.6
David Roth	216.0	106.9	0.2	**323.1**	192.3	115.3	0.6	308.2
	516.0	255.4	0.6	**772.0**	459.3	275.5	1.0	735.8

Directors' Remuneration Report (continued)

4.4 Non-Executive remuneration 2022

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 tables below detail total remuneration earned by each Director in respect of the year:

	2022			2021		
[£'000] Name	Salary or fees	Other	Total	Salary or fees	Other	Total
Tim McCarthy	40.0	**-**	**40.0**	36.0	-	36.0
Pilar de la Huerta	30.0	**10.0**	**40.0**	27.0	10.0	37.0
Joe Fernandez	20.0	**-**	**20.0**	18.0	-	18.0
Hansjörg Plaggemars	20.0	**-**	**20.0**	18.0	-	18.0
	110.0	**10.0**	**120.0**	99.0	10.0	109.0

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
10 May 2023

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 2022.

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 21 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 27. The Group's loss after taxation for the year was £5.2 million. The Directors are unable to recommend the payment of a dividend in respect of the year ended 31 December 2022.

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

David Roth undertakes the role of Company Secretary.

Directors' remuneration is shown in the Directors' Remuneration Report in the previous section 4.

5.7. Re-election of Directors

In accordance with Articles of the Company, at the AGM held on 9 June 2022, one third of the Directors, namely Dr. Heikki Lanckriet and David Roth, stood for re-election. At the forthcoming AGM to be held on 14 June 2023, a further one third of Directors will stand 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 30 to the financial statements.

5.10. Research and development

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

5.11. Political donations

The Group made no political donations during the course of the current and prior 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 26 to the financial statements.

5.13. Corporate governance report

The Company's corporate governance report can be found on pages 15 to 17 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 Group, 22.2%

Directors' Report (continued)

- Heikki Lanckriet (CEO), 10.2%
- Joe Fernandez (Non-executive director), 3.6%

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 9 June 2022, 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.

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 UK 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 09:00pm on Wednesday 14 June 2023 at 25 Norman Way, Over, CB24 5QE. By order of the Board

Heikki Lanckriet
Chief Executive Officer
10 May 2023

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

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period.

In preparing the parent company financial statements, the Directors are required to:

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

In preparing the Group financial and parent company financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. Each of the serving Directors, whose names and functions are set out on pages 15 to 16, confirm that, to the best of their knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

David Roth
Company Secretary
10 May 2023

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 period ended 31 December 2022 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 2022 and of the group's loss for the period 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We evaluated the directors' assessment of the ability of the group and company to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment. We confirmed the unutilised existing loan facility to the loan agreement and considered the availability of funds to fulfil the facility.

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

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

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

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.

- £380,000 (2021: £340,000) is the group level of materiality determined for the financial statements as a whole. This was determined at the planning stage based on approximately 7% of loss before tax and we did not consider it necessary to adjust the level on completion. The objective of the group is to generate profit/loss we determined that a results based metric was the most appropriate to use for determining materiality.
- £304,000 (2021: £250,000) is the group level of performance materiality. Performance materiality is used to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

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

- £19,000 (2021: £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 £250,000 (2021: £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 £200,000 (2021: £172,500) and triviality was £19,000 ((2021: £11,500).

Overview of the scope of our audit

There are three components group in addition to the parent company. Of the three components, 4basebio S.L.U. was determined to be a significant component and 4basebio UK Limited and 4basebio Discovery Limited were determined to be material but not significant components. We audited the parent company, and for group audit purposes, 4basebio UK Limited & 4basebio Discovery Limited. Our audit was conducted from the UK. Audit work on the significant non-UK component, 4basebio.S.L.U., was carried out by a component auditor under our direction and control.

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.

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.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 23, 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

10 May 2023

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2022

[in £'000]	Note	2022	2021
Revenues	5	**268**	338
Cost of goods sold		**(29)**	(69)
Gross profit		**239**	269
Sales and marketing expenses	6	**(245)**	(132)
Administration expenses	6	**(2,711)**	(1,725)
Operation expenses	6	**(928)**	0
Research and non-capitalised development expenses	6	**(2,081)**	(1,622)
Other operating expenses	8	**(181)**	(400)
Other operating income	9	**67**	83
Loss from operations		**(5,840)**	(3,527)
Finance expense	10	**(89)**	(113)
Financial result		**(89)**	(113)
Loss before tax		**(5,929)**	(3,640)
Income tax income / (expense)	11	**779**	405
Loss for the year		**(5,150)**	(3,235)
Loss per share			
– Basic and diluted (in £/share)	12	**(0.42)**	(0.26)
Items that may be reclassified to the income statement in subsequent periods			
Exchange differences on translation of foreign operations		**447**	(608)
Total comprehensive income		**(4,703)**	(3,843)

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 2022

[in £'000]	Note	2022	2021
Assets			
Intangible assets	13	**2,124**	1,271
Property, plant and equipment	15	**3,633**	2,759
Other non-current assets	19	**35**	30
Non-current assets		**5,792**	4,060
Inventories	17	**133**	156
Trade receivables	18	**54**	46
Other current assets	19	**1,359**	854
Cash and cash equivalents	20	**4,351**	9,586
Current assets		**5,897**	10,642
Total assets		**11,689**	14,702
Liabilities			
Financial liabilities	22	**(415)**	(432)
Trade payables		**(490)**	(353)
Other current liabilities	23	**(613)**	(738)
Current liabilities		**(1,518)**	(1,523)
Financial liabilities	22	**(2,935)**	(1,326)
Other liabilities	23	**(116)**	(158)
Non-current liabilities		**(3,051)**	(1,484)
Total liabilities		**(4,569)**	(3,007)
Net assets		**7,120**	11,695
Share capital	21	**11,130**	11,130
Share premium	21	**706**	706
Merger reserve	21	**688**	688
Capital reserve	21	**13,307**	13,179
Foreign exchange reserve	21	**14**	(433)
Profit and loss reserve	21	**(18,725)**	(13,575)
Total Equity		**7,120**	11,695

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 10 May 2023 and were signed by Heikki Lanckriet and David Roth.

Company statement of financial position
31 December 2022

[in £'000]	Note	2022	2021
Assets			
Investments	14	**7,817**	7,817
Amounts due from subsidiary undertaking		**2,121**	3,635
Non-current assets		**9,938**	11,452
Other current assets		**60**	–
Cash and cash equivalents		**2,021**	25
Current assets		**2,081**	25
Total assets		**12,019**	11,477
Liabilities			
Current liabilities		**(475)**	(741)
Non-current liabilities		**(1,772)**	–
Total liabilities		**(2,247)**	(741)
Net assets		**9,772**	10,736
Share capital	21	**11,130**	11,130
Share premium	21	**706**	706
Capital reserve	21	**208**	80
Profit and loss reserve		**(2,272)**	(1,180)
Total Equity		**9,772**	10,736

The loss for the year to 31 December 2022 for the Company was £1.1 million (result for the year to 31 December 2021: loss of £1.2 million). 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 10 May 2023 and were signed by Heikki Lanckriet and David Roth.

Consolidated statement of changes in equity

for the year ended 31 December 2022

[in £'000]	Share capital	Share premium	Merger reserve	Capital reserve	Foreign exchange reserve	Profit and loss reserve	Total equity
Balance at 1 January 2022	**11,130**	**706**	**688**	**13,179**	**(433)**	**(13,575)**	**11,695**
Loss for the year	–	–	–	–	–	(5,150)	(5,150)
Foreign Exchange difference arising on translation of 4basebio S.L.U.	–	–	–	–	447	–	447
Share based payments	–	–	–	128	–	–	128
Balance at 31 December 2022	**11,130**	**706**	**688**	**13,307**	**14**	**(18,725)**	**7,120**

[in £'000]	Share capital	Share premium	Merger reserve	Capital reserve	Foreign exchange reserve	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**

For further information on the composition of equity see note 21 in the notes to the consolidated financial statements.

Company statement of changes in equity
for the year ended 31 December 2022

[in £'000]	Share capital	Share premium	Capital reserve	Profit and loss reserve	Total equity
Balance at 1 January 2022	**11,130**	**706**	**80**	**(1,180)**	**10,736**
Loss after income tax and total comprehensive income for the period	–	–	–	(1,092)	(1,092)
Share based payments	–	–	128	–	128
Balance at 31 December 2022	**11,130**	**706**	**208**	**(2,272)**	**9,772**

[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**

For further information on the composition of equity see note 21 in the notes to the consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2022

[in £'000]	2022	2021
Net loss for the period	**(5,150)**	(3,235)
Adjustments to reconcile net loss for the period to net cashflows		
Income taxes	**(779)**	(405)
Interest charge	**89**	113
Depreciation of property, plant and equipment	**404**	242
Amortisation and impairment of intangible assets	**27**	78
Other non-cash items	**136**	12
Working capital changes:		
(Increase)/decrease in trade receivables and other current assets	**140**	(126)
Increase/(decrease) in trade payables and other current liabilities	**(2)**	615
(Increase)/decrease in inventories	**30**	(34)
Tax receipt	**401**	–
Net Cash flows from operating activities	**(4,704)**	(2,740)
Investments in property, plant and equipment	**(1,155)**	(884)
Investments in capitalised development and intangible assets	**(786)**	(628)
Cash flows from investing activities	**(1,941)**	(1,512)
Net receipt/(payment) of loans	**1,412**	(331)
Interest paid	**(93)**	(76)
Capital lease payments	**(75)**	(60)
Cash flows from financing activities	**1,244**	(467)
Net change in cash and cash equivalents	**(5,401)**	(4,719)
Exchange differences	**166**	(696)
Cash and cash equivalents at the beginning of the period	**9,586**	15,001
Cash and cash equivalents at the end of the period	**4,351**	9,586

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 2022

1. General information

4basebio PLC (the "Company" or "4basebio") is registered in England and Wales with company number 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.

The consolidated financial statements of 4basebio PLC and its subsidiaries for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 10 May 2023.

2. Significant accounting policies

2.1 Company

Basis of preparation

The Company's financial statements of 4basebio PLC for the financial year ending 31 December 2022 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

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 £1.1 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.

Notes to the financial statements (continued)

2.2 Group

Basis of preparation

The consolidated financial statements of 4basebio UK PLC (or "the Group") for the financial year ending 31 December 2022 have been prepared using UK adopted international accounting standards.

The consolidated financial statements for 2022 and 2021 comprise the results of 4basebio PLC, 4basebio S.L.U., 4basebio UK Limited and 4basebio Discovery Limited for the whole year.

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

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

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, taking into account the unutilised existing loan facility with 2Invest AG, a shareholder in 4basebio PLC, referred to in note 22, that the Group has adequate resources to continue in operational existence for at least 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 board of directors. The CODM are responsible for the allocation of resources to operating segments and assessing their performance. For the years ended 31 December 2022 and 31 December 2021, the Group comprised one operating segment.

Business combinations

The 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 a 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.

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.

Notes to the financial statements (continued)

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

The Group checks contracts with customers to see whether the contracts contain other commitments which represent separate performance obligations to which a part of the transaction price must be allocated (e.g. warranties). In determining the transaction price for products, 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; and
— Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in note 22.

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

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

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

The 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 British Pound (GBP/£):

	Closing exchange rate		Average exchange rate	
[in GBP]	31.12.2022	31.12.2021	2022	2021
Euro	0.8869	0.8403	0.8524	0.8594
US Dollar	0.8267	0.7420	0.8088	0.7269

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.

Notes to the financial statements (continued)

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

Buildings	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

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 finite useful life. These are amortised over their useful economic life and tested for possible impairment if there are indications that the intangible asset may be impaired. In the case of capitalised development costs, amortisation begins upon completion of the development phase and from the point at which the asset can be used. During the development phase, an annual impairment test is carried out. Amortisation is recognised for capitalised development costs within cost of sales and for all other intangible assets within the expense category that corresponds to the function of the intangible asset in the 4basebio Group. Depreciation periods and methods are reviewed at least at the end of each reporting period. If changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in an intangible asset necessitate changes in the amortisation

Notes to the financial statements (continued)

method or amortisation period, these changes are treated as changes in accounting estimates and recognised prospectively in profit or loss for the period.

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

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

	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. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

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

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

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.

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.

Notes to the financial statements (continued)

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

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

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

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

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

When some or all 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.

3. Adoption of new and revised standards

The following new standards were mandatory for adoption for periods ending 31 December 2022; however, these standards do not affect the Group:

- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. Critical accounting judgements, estimates and assumptions

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

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 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 2022 the carrying amount of capitalised development costs amounted to £1.7 million (31 December 2021: £1.1 million).

Notes to the financial statements (continued)

5. Revenues

Revenue by type [in £'000]	2022	2021
Revenue from sales of products	**248**	321
Revenue from licences and royalties	**20**	17
Total revenue	**268**	338

Geographic markets [in £'000]	2022	2021
Europe	**85**	82
USA	**162**	235
Rest of World	**21**	21
Total revenue	**268**	338

Timing of revenue recognition [in £'000]	2022	2021
At a point in time	**268**	338
Over a period of time	**–**	–
Total revenue	**268**	338

Information on significant customers [in £'000]	2022	2021
Revenues from significant customers (customers which represent at least 10% of Group revenue)	**174**	220
Other revenues	**94**	118
Total revenue	**268**	338

Notes to the financial statements (continued)

6. Expenses

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

[in £'000]	2022	2021
Sales and marketing expenses		
Employee costs	**81**	54
Other	**164**	78
	245	132
Administration expenses		
Employee costs	**912**	824
Professional fees	**772**	326
Share based payments	**128**	80
Depreciation and amortisation	**404**	127
Other	**495**	368
	2,711	1,725
Operations expenses		
Employee costs	**588**	–
Consumables	**248**	–
Other	**92**	–
	928	–
Research and non-capitalised development expenses		
Employee costs	**1,646**	1,068
Consumables	**794**	597
Consultancy	**10**	2
Depreciation and amortisation	**27**	184
Capitalised development expenses	**(499)**	(545)
Other	**103**	316
	2,081	1,622

7. Staff numbers and costs

[in £'000]	2022	2021
Salaries	**2,759**	1,663
Social security costs	**392**	262
Pension costs	**76**	21
Staff costs	**3,227**	1,946

Average employee numbers by function	2022	2021
Sales and marketing	**1.0**	1.2
GF&A	**8.6**	6.8
R&D	**29.0**	18.0
Operations	**10.0**	0.6
Total	**48.6**	26.6

8. Other operating expenses

[in £'000]	2022	2021
Expenditure relating to AIM admission	**–**	339
Foreign Exchange	**171**	–
Other	**10**	61
Other operating expenses	**181**	400

Notes to the financial statements (continued)

9. Other operating income

[in £'000]	2022	2021
Government grants	**51**	81
Other	**16**	2
Other operating income	**67**	83

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

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

10. Financial expense

[in £'000]	2022	2021
Interest expense on loans	**56**	99
Interest on lease liabilities	**33**	14
Finance expenses	**89**	113

11. Income taxes

[in £'000]	2022	2021
Current tax expense (-) or income (+)	**779**	405
Deferred tax expense (-) or income (+)	**–**	–
Total income tax	**779**	405

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 20% was used for 2022 (2021: 23%) and was multiplied by the loss before taxes.

[in £'000]	2022	2021
Loss before tax	**(5,929)**	(3,640)
Expected tax expense (-) or income (+)	**+1,170**	+715
Adjustments:		
Losses where no deferred tax asset recognised	**(391)**	(304)
Other	**–**	(6)
Total adjustments	**(391)**	(310)
Income tax credit / (expense)	**779**	405

12. Earnings per share

	2022	2021
Numerator [in £'000]		
Result for the period	**(5,150)**	(3,235)
Denominator [number of shares]		
Weighted average number of registered shares in circulation (ordinary shares) for calculating the undiluted earnings per share	**12,317,473**	12,317,473
Basic and diluted earnings per share	**(0.42)**	(0.26)

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

Notes to the financial statements (continued)

share options outstanding during the period was 642,878 (2021: 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.

13. Intangible assets

[in £'000]	Development costs	Patents and licences	Total
Cost or acquisition value			
01.01.2022	**2,390**	**200**	**2,590**
Additions	499	287	786
Disposals	–	–	–
Exchange differences	151	17	168
31.12.2022	**3,040**	**504**	**3,544**
01.01.2021	**1,987**	**128**	**2,115**
Additions	545	83	628
Disposals	–	–	–
Exchange differences	(142)	(11)	(153)
31.12.2021	**2,390**	**200**	**2,590**
Cumulative amortisation and impairment			
01.01.2022	**1,286**	**33**	**1,319**
Amortisation	9	18	27
Disposals	–	–	–
Exchange differences	72	2	74
31.12.2022	**1,367**	**53**	**1,420**
01.01.2021	**1,304**	**26**	**1,330**
Amortisation	69	9	78
Disposals	–	–	–
Exchange differences	(87)	(2)	(89)
31.12.2021	**1,286**	**33**	**1,319**
Net book value			
31.12.2022	**1,673**	**451**	**2,124**
31.12.2021	**1,104**	**167**	**1,271**

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)

14. Investments

Company

	2022	2021
Cost		
1 January and 31 December	**7,817**	7,817

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

			Equity held (in %)	
Company name	Principal activities	Place of incorporation	31.12.2022	31.12.2021
4basebio S.L.U.	R&D and manufacturing	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 2022.

Notes to the financial statements (continued)

15. Property, plant and equipment

[in £'000]	Operating equipment	Land and buildings	Usage rights from leases	Assets under construction	Total
Cost or acquisition value					
01.01.2022	**882**	**997**	**635**	**751**	**3,265**
Additions	1,152	43	143	–	1,338
Transfer	751	–	–	(751)	–
Disposals	–	–	(143)	–	(143)
Exchange differences	18	–	8	–	26
31.12.2022	**2,803**	**1,040**	**643**	**–**	**4,486**
01.01.2021	**598**	**997**	**166**	**–**	**1,761**
Additions	308	–	478	751	1,537
Disposals	–	–	–	–	–
Exchange differences	(24)	–	(9)	–	(33)
31.12.2021	**882**	**997**	**635**	**751**	**3,265**
Cumulative amortisation and impairment					
01.01.2022	**357**	**51**	**98**	**–**	**506**
Depreciation	298	89	87	–	474
Disposals	–	–	(143)	–	(143)
Exchange differences	15	–	1	–	16
31.12.2022	**670**	**140**	**43**	**–**	**853**
01.01.2021	**249**	**5**	**29**	**–**	**283**
Depreciation	124	46	72	–	242
Disposals	–	–	–	–	–
Exchange differences	(16)	–	(3)	–	(19)
31.12.2021	**357**	**51**	**98**	**–**	**506**
Net book value					
31.12.2022	**2,133**	**900**	**600**	**–**	**3,633**
31.12.2021	**525**	**946**	**537**	**751**	**2,759**

As at 31 December 2022, a total of £0k (31 December 2021: £388k) remained outstanding under contractual commitments in relation to assets categorised as land and buildings and which were under construction.

16. 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 £22.5 million (31 December 2021: £13.4 million).

17. Inventories

[in £'000]	31.12.2022	31.12.2021
Raw materials	**72**	101
Finished goods	**61**	55
Inventories	**133**	156

Notes to the financial statements (continued)

18. 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 (2021: £1k) was recognised in 2022.

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

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

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

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

Impairment matrix (simplified approach)			Trade receivables				
[in £'000]	31.12.2022	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%	5.00%
Net book value	**54**	–	1	–	28	–	25
Expected credit loss	**1**	–	–	–	–	–	1

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	–	–

19. Other assets

[in £'000]	31.12.2022	31.12.2021
Short term deposit	**240**	228
Income tax receivable	**805**	403
VAT recoverable	**164**	155
Other	**150**	68
Other current assets	**1,359**	**854**
Long term deposit	**35**	30
Other non-current assets	**35**	**30**

20. Cash and cash equivalents

[in £'000]	31.12.2022	31.12.2021
Bank balances and cash in hand	**4,351**	9,586
Cash and cash equivalents	**4,351**	**9,586**

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

Financial Statements

Notes to the financial statements (continued)

21. Equity

The share capital of 4basebio PLC as of 31 December 2022 amounts to a total of €12,317,473 (31 December 2021: €12,317,473), divided into 12,317,473 (31 December 2021: 12,317,473) €1 shares. These are all registered ordinary shares (31 December 2021: ordinary shares). There are no shares with special rights or other restrictions on voting rights.

Share Capital

[in £'000]	31.12.2022	31.12.2021
Authorised:	**Number**	Number
ordinary shares of €1 each	**20,529,121**	20,529,121
Issued and fully paid:		
At 1 January (€1 each) and 31 December (€1 each)	**12,317,473**	12,317,473

Authorised Share Capital
The Annual General Meetings of 30 June 2021 and 9 June 2022 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 share premium represents the excess of the capital contributions over and above the number of €1 par value shares issued to date.

Merger Reserve
The merger reserve arises from the spin out accounting as described in note 13 of the 2021 financial statements 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 2022 and 2021.

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 2, 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 2021 financial statements, along with consolidated losses arising since that date.

Notes to the financial statements (continued)

22. Financial liabilities

[in £'000]	31.12.2022			31.12.2021		
	Current	Non-current	Total	Current	Non-current	Total
Soft loans	**321**	**642**	**963**	356	860	1,216
Loan from 2Invest AG	**–**	**1,772**	**1,772**	–	–	–
Lease Liability (IFRS16)	**94**	**521**	**615**	76	466	542
Financial liabilities	**415**	**2,935**	**3,350**	**432**	**1,326**	**1,758**

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

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

On 28 December 2022, 4basebio PLC utilised part of its existing loan facility with 2Invest AG, a shareholder in 4basebio PLC with a draw-down of €2 million. Subsequently on 10 May 2023, the loan facility was amended by reducing the available facility by €2 million in consideration for extending the repayment date. As a result, the loan facility with 2Invest, which is denominated in Euros is for up to €23 million which can be drawn, with notice, at the discretion of 4basebio PLC until 31 October 2026. Interest is charged at 5% per annum on all loan amounts outstanding and compounds annually on all loan tranches outstanding. The capital and interest are due to be repaid in a single payment on 31 October 2028. Early repayment is permitted. No other fees are due under this facility.

23. Other liabilities

[in £'000]	31.12.2022	31.12.2021
Payroll accruals	**389**	308
Audit costs	**35**	25
Professional services	**40**	108
Other accruals and provisions	**149**	297
Other current liabilities	**613**	738
Grant income not yet recognised	**116**	158
Other long term liabilities	**116**	158

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 £190k (2021: £133k) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2022, contributions of £22k (2021: £15k) due in respect of the current reporting period had not been paid over to the plans.

24. 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 as follows:

Notes to the financial statements
(continued)

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.

In relation to 48,000 share options awarded on 11 January 2022, options will vest equally on the first, second, third and fourth anniversary of award.

In relation to 5,000 share options awarded on 2 February 2022, options will vest equally on the first, second, third and fourth anniversary of award.

In relation to 60,000 share options awarded on 29 September 2022, options will vest equally on the first, second, third and fourth anniversary of award.

In relation to 28,000 share options awarded on 1 November 2022, options will vest equally on the first, second and third anniversary of award.

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%	0.362
Share price target	177,075	1.18	50%	1.0%	0.330
Combination of targets	14,850	1.18	50%	1.0%	0.407
Granted 30 April 2021:					
Time served target	12,000	3.65	50%	1.0%	1.119
Share price target	27,500	3.65	50%	1.0%	1.443
Granted 11 January 2022	48,000	5.60	69%	1.2%	2.280
Granted 2 February 2022	5,000	5.50	69%	1.3%	2.242
Granted 29 September 2022	60,000	5.10	69%	3.3%	2.152
Granted 1 November 2022	28,000	5.50	69%	3.4%	2.197

25. Notes to the consolidated statement of cash flows

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

	Financial year 2022			Financial year 2021		
[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	**356**	**860**	**542**	**349**	**1,229**	**139**
Lease inception	–	–	143	–	–	478
Cash flows	(360)	1,772	(75)	(331)	–	(60)
Exchange rate differences	39	68	5	(7)	(24)	(15)
Reclassification	286	(286)	–	345	(345)	–
31 December	**321**	**2,414**	**615**	**356**	**860**	**542**

Notes to the financial statements (continued)

26. Additional information on financial instruments

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

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

The 4basebio Group is exposed to various financial risks in the course of its business activities. These include credit, liquidity and market risks. The management of these risks is the responsibility of the management of the 4basebio Group. 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. On the basis of the positive experience to date, the 4basebio Group estimates the probability of occurrence to be low and the financial impact to be extremely low.

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

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

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

	31.12.2022				31.12.2021			
[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	490	–	–	**490**	353	–	–	**353**
Soft loans	321	735	48	**1,104**	356	890	156	**1,402**
Loan from 2Invest AG	–	–	1,772	**1,772**	–	–	–	**–**
Lease liabilities	132	282	438	**852**	76	99	367	**542**
Other liabilities	613	116	–	**729**	738	131	320	**1,189**
Total	**1,556**	**1,133**	**2,258**	**4,947**	**1,523**	**1,120**	**843**	**3,486**

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument are exposed to fluctuations due to changes in exchange rates. Exchange rate fluctuations have an impact on the presentation of assets and liabilities in the consolidated financial statements of 4basebio PLC prepared in GBP, insofar as assets and liabilities are denominated in currencies other than GBP. To control currency risk the 4basebio Group tries to carry out foreign cash flows in and out as promptly as possible and in a

Notes to the financial statements (continued)

manner appropriate to that currency. Hedging transactions are not currently used. The assets and liabilities of the 4basebio Group reported in foreign currency largely relate to assets and liabilities denominated euros, which essentially result from the Group's business activities. The 4basebio Group reviews currency requirements in the course of the year in order to reduce currency risk if needed.

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
2022	**+5%**	**(37)**	**396**	**200**
	-5%	**34**	**(438)**	**(181)**
2021	+5%	(15)	362	345
	-5%	14	(345)	(345)

	Carrying amount per valuation category (IFRS 9)				
	Financial assets		Financial liabilities		
Categories of financial instruments as at 31.12.2022 [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	–	54	–	–	**54**
Other financial assets	–	240	–	–	**240**
Cash and cash equivalents	–	4,351	–	–	**4,351**
Non-current liabilities					
Financial liabilities	–	–	–	2,414	**2,414**
Lease liabilities	–	–	–	94	**94**
Current liabilities					
Financial liabilities	–	–	–	321	**321**
Trade payables	–	–	–	490	**490**
Lease liabilities	–	–	–	521	**521**

	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**
Lease liabilities	–	–	–	76	**76**
Current liabilities					
Financial liabilities	–	–	–	356	**356**
Trade payables	–	–	–	353	**353**
Lease liabilities	–	–	–	466	**738**

All financial assets and liabilities are held at amortised cost.

Contingent liabilities and other financial obligations

As explained in note 27 of the 2021 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.

Notes to the financial statements (continued)

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

As noted in the 2021 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 €15k 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.

27. Directors' remuneration

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

[in £'000]	2022	2021
Salaries and fees	**891**	844
Other benefits	**1**	1
Directors' remuneration	**892**	845

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 24). The share options awards have vesting conditions which are linked to either share price performance or time served. As of 31 December 2022, 166,600 share options awarded to Heikki Lanckriet had vested and 125,300 share options awarded to David Roth had vested. No options have been exercised.

28. Related parties

Related parties as defined by IAS 24 are legal or natural persons that can exert influence on the 4basebio Group or are subject to control, joint management or significant influence by 4basebio 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 14. Disclosures relating to key management personnel are set out in note 27.

At year end, the Group held a lease for a property which is included in right of use assets as set out in note 15. Further, after the end of the year, as set out in note 30, the Group entered into a further lease. The properties concerned are part owned by persons related to Dr. Heikki Lanckriet.

29. Auditor's fees and services

Crowe U.K. LLP acts as auditor to the Company and the Group. £38k (2021: £35k) was payable to the auditor for the audit of the Company and its UK subsidiaries according to legislation. In addition, in 2021: £8k 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 £8k were payable in 2022 for other assurance services (2021: £0k).

30. Events after the reporting period

On 31 March 2023, 4basebio UK Limited entered into a lease agreement in relation to a property adjacent to its existing clean rooms facility. The future lease annual lease obligation is approximately £39,000 for an initial five-year term, with subsequent rents reviews. The lease expires in October 2036, although the company may exercise break clauses after five and ten years.

31. Approval of the financial statements

The financial statements were approved by the board of directors and authorised for issue on 10 May 2023.

Printed by Black&Callow
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