Company Registration No. 01435584 (England and Wales)

N4 Pharma Plc

("N4 Pharma" or the "Company")

Annual Report and Consolidated Financial Statements

Year Ended 31 December 2019

N4 Pharma Plc

Table of contents

N4 Pharma plc

Directors, Company Secretary and Advisors

Company Number 01435584 (England and Wales)

Directors:

Nigel Theobald (Chief Executive Officer)
Dr David Templeton (Executive Director)
Dr John Chiplin (Non-Executive Chairman)
Luke Cairns (Non-Executive Director)
Dr Christopher Britten (Non-Executive Director)

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Company's website www.n4pharma.com

Chairman's Report

N4 Pharma Plc (the "Company"), is the holding company of N4 Pharma UK Limited ("N4 UK") and N4 Biotech Limited ("N4 Biotech") which together at the date of these accounts form the group (the "Group"). N4 Biotech was dissolved on 14 January 2020. N4 UK is a specialist pharmaceutical company engaged in the development of a mesoporous silica nanoparticle delivery system ("Nuvec®") to improve the cellular delivery and potency of cancer treatments and vaccines.

Review of operations for the financial year ended 31 December 2019

During the year to 31 December 2019, as anticipated, no revenue was generated by the Group.

The operating loss for the year was £947,340 (31 December 2018: £1,417,089 loss).

In the year, £1,050,000 of new funds were raised through the placing of 10,500,000 new ordinary shares (the "Placing").

Cash at the year-end stood at £965,752 (31 December 2018: £793,141).

Board Changes

During the period the Company appointed John Chiplin as non-executive Chairman and Chris Britten as a non-executive Director. Paul Titley stood down as a director and employee of the Company. David Templeton became an executive director, taking responsibility for the technical aspects of Nuvec®'s development. These changes bring considerable experience and expertise to the Board in order to take the Group forward.

Key Operational Events and Opportunities

The Group continues to confirm and extend the Nuvec® dataset to enable it to undertake discussions with large pharmaceutical and Biotech companies to license Nuvec® for their own pre-clinical and clinical programs using nucleic acids. We now have a significant amount of positive data giving a clear understanding that:

- a range of DNA and mRNA antigens can be loaded onto the Nuvec® particles and successfully transfect cells *in vitro*;
- Nuvec®'s mechanism of action to transfect cells is via endocytosis into the cell and the release of payload into the cytoplasm;
- Nuvec® has a good safety profile - it degrades naturally in the body and does not track to the liver;
- importantly, Nuvec® works for pDNA and mRNA having shown an *in vivo* antibody response for both; and
- Nuvec® currently delivers a good response from two or three injections but has shown inconsistent or negative responses when just one injection is used.

The data we have generated so far is encouraging and shows that Nuvec® has the potential to be an effective delivery system for nucleic acids.

Due to inconsistencies identified in third party pre-clinical studies, the Company decided to undertake a repeat of its pre-clinical study with the University of Queensland, using OVA pDNA. The repeat study added an additional arm to investigate responses from one injection as well as three injections. The repeat study confirmed a good response using Nuvec® at higher doses using three injections but no response with just one injection. This was a significant finding, as the previous studies showing inconsistencies had all used just one injection, indicating that the inconsistencies shown in the previous studies may have been as a result of the dosing.

This work also showed that once the Nuvec® particles were loaded with OVA pDNA, the formulation was not ideally dispersed. This lack of dispersion is not an issue for *in vitro* work as the particles are well dispersed in the experiment but, due to the concentrations used for *in* vivo experiments, the dispersion is likely to be a further explanation for the inconsistency seen when using Nuvec® *in vivo*.

On 20th August 2019, the Company announced that it would undertake a program of work to investigate how to improve the dispersity of Nuvec® formulations once loaded with DNA and RNA. By improving dispersity, the Company believes it will be able to demonstrate a stronger more consistent *in vivo* response which will make it much more attractive to third-parties for licensing opportunities.

The focus of this work is not to alter the basic silica nanoparticle, but rather to look at the processes of how we load a linker to the silica particle to enable DNA or RNA to be loaded to the particle and also how the DNA or RNA itself is then loaded onto the Nuvec® particle. The objective of the work is to improve these processes so that a more even dispersion of DNA loaded Nuvec® is achieved.

As announced in January 2020, we have now successfully completed the first two phases of this work, with alterations to the manufacturing process, demonstrating improved dispersion of Nuvec® and how best to measure this dispersion. We have now begun the phase to investigate how to add the DNA and maintain this improved dispersion with the ongoing work programme, the expected timings of which are as follows:

- Q1 2020 - Nuvec® improved DNA loading process
- Q2 2020 - *in vitro* testing of improvements
- Q2-Q3 2020 - *in vivo* testing of improved transfection and immune response
- Q3-Q4 2020 - conduct *in vivo* cancer model

Assuming a successful conclusion to this program of work, the Directors believe the subsequent data pack and improved consistency will put the Group in a much stronger position to embark on licensing discussions with prospective partners.

At the end of 2018, the Company announced the Nuvec® delivery system was accepted for characterisation by the European Nanomedicine Characterisation Library ("EUNCL"). Due to delays at EUNCL's end, the actual work did not start until the end of Q3 2019 and initially focused on endotoxin assessments and dispersion. The endotoxin assay used by EUNCL was discovered not to be suitable for Nuvec® so no results were possible. The Company has separately undertaken its own endotoxin tests on Nuvec® and found no endotoxins present so this is not considered by the Directors to be an issue. EUNCL's dispersion tests confirmed what the Company had already discovered, namely that there appears to be agglomeration of the Nuvec® particle.

Unfortunately, funding for the EUNCL programme has not been continued beyond 2019 so we will not undertake any further work with EUNCL. The Group is yet to receive a final report from EUNCL, however it is not expected to contain any further significant information above what has already been shared with us around endotoxin analysis and dispersion. In light of the work we are now doing, which addresses a lot of the EUNCL findings, the Directors do not believe that the closure of the program will negatively impact the Group, its Nuvec® work or the Group's prospects.

Following the successful completion of the first phase of the CMC program showing the ability to improve Nuvec® dispersion, in January 2020 the Company entered into a research collaboration agreement with Nanomerics Ltd, who have considerable expertise in the field of nanoparticle formulation and development. This provides the Group with access to the laboratories at the London School of Pharmacy, part of the University College of London (UCL), where we can undertake more accelerated work on the development of Nuvec® and perform our planned *in vivo* efficacy studies.

The agreement with Nanomerics will allow the Group to build on the previously announced work and undertake full formulation assessment, including freeze drying, reconstitution and stability of the formulation. Achieving a stable formulation capable of being re-constituted for injection is an important aspect of making Nuvec® easier to use and will allow the Group to broaden how it can interact with potential partners as the access to UCL labs will allow us to do the formulation and testing work ourselves rather than relying on partners, thereby giving greater control over the early phases of collaborative research agreements.

Future Prospects

The Company is restructuring its chemistry, manufacturing and controls ("CMC") operations and Dr Allan Hey will be stepping down as Head of CMC Development at the end of February 2020. Allan will be replaced by Rob Harris, a CMC Consultant with considerable experience of working with nanoparticles. Rob will advise the Company on all the strategic aspects of the Nuvec® CMC program.

The Group has already demonstrated that Nuvec® is capable of loading and transfecting both DNA and mRNA and producing antibodies. The next phase of work is focused on making Nuvec® more consistent, easier to handle and therefore more efficacious.

The use of DNA and RNA in the life science sector is a major growth area and a consistent theme in all discussions about the potential for DNA and RNA is the need for a safe and effective delivery system. The Board remains very optimistic about the future of the Group and its prospects and believes the successful conclusion of its CMC and *in vivo* efficacy studies will make it an attractive alternative to current delivery systems being used in this area.

In addition to our primary focus of optimizing Nuvec®, the Board has considered a number of investment and acquisition opportunities to widen our asset base. Whilst discussions have not resulted in the conclusion of any transaction, we remain open to diversifying our portfolio if an attractive proposition presents itself on favourable terms.

On behalf of the Board, I would like to thank all of our shareholders for their continued patient support and look forward to providing further updates on our progress.

By order of the Board

John Chiplin
Chairman

24 February 2020

N4 Pharma plc

Board of Directors

Nigel Theobald (Chief Executive Officer)

Nigel has over 25 years' experience in healthcare and in building businesses, strategy development and its implementation and a strong network covering all aspects of pharmaceutical product development and commercialisation. He was the head of healthcare brands at Boots Group Plc in 2002 before leaving to set up a series of successful businesses, including Oxford Pharmascience Group Plc, which he grew over five years into an AIM quoted company with a market capitalisation of £40 million upon departure. Nigel formed N4 Pharma UK Limited in 2014.

Dr David Templeton (Executive Director)

David is an experienced R&D manager who has worked in major pharmaceutical, biotech and in the generic industry with specific expertise in early clinical development and translational biology, toxicology and safety pharmacology, lead selection, candidate characterisation, PK/PD analysis and bioanalysis. David has worked in various pharmacology and pre-clinical drug discovery roles for Pfizer, Xenova, Smithkline Beecham and GSK and was the head of non-clinical development at Celltech Limited from 2003 to 2004 before moving to Merck Generics UK as head of biometrics. He was appointed as director of clinical pharmacology of Eisai Limited in 2007 until in 2010 setting up his own consulting business offering discovery and early development advice to several pharmaceutical companies.

John Chiplin (Non-Executive Chairman)

Dr John Chiplin has significant operational, investment and transaction experience in the life science and technology industries. Between 1995 and 2014, Dr Chiplin served as CEO of three leading publicly listed software, biotechnology and cancer immunotherapy companies in the US. Based in London, Dr Chiplin's current board roles include Adalta, Cynata, Regeneus and Scancell Holdings plc (AIM: SCLP). He is also Managing Director of Newstar Ventures Ltd, an international private equity firm focused on emerging companies.

Christopher Britten (Non-Executive Director)

Dr Christopher Britten is an experienced pharmaceutical executive and is currently Head of M&A at Neuraxpharm, a privately-owned European CNS specialty pharmaceutical company. He has over 20 years' experience in R&D, corporate development and investment banking. Previous roles include Global Head of M&A at Sandoz (Munich), Managing Director at Torreya Partners (London), Head of Business Development at Sanofi Pasteur MSD (Lyon) and Director, Life Sciences at Deloitte Corporate Finance (London). Christopher also spent many years at GSK in both drug discovery and corporate development.

Luke Cairns (Independent Non-Executive Director)

Luke has spent over 20 years working in corporate finance and is a former head of corporate finance and managing director at Northland Capital Partners, an FCA regulated stockbroking firm. Having left Northland in 2014, Luke founded LSC Advisory Limited to provide advisory and consultancy services to growth companies. He has worked with many growth companies across a number of sectors and regions on a wide range of transactions, including IPOs, secondary fundraisings, corporate restructurings and takeovers. He is an Associate of the Chartered Institute of Secretaries.

Directors' Report

The Directors present their report together with the consolidated financial statements of the Group.

N4 Pharma Plc (the "Company"), is the holding company and parent for N4 Pharma UK Limited ("N4 UK"), and N4 Biotech Limited ("N4 Biotech"), and together form the group (the "Group").

Performance review

The Group made a total comprehensive loss of £876,373 during the year ended 31 December 2019 (2018: £1,184,843).

Background and principal activities

N4 Pharma UK Limited is a specialist pharmaceutical company which improves the delivery of novel vaccines and cancer therapeutics. The nature of the business is not deemed to be impacted by seasonal fluctuations and as such performance is expected to be consistent.

The Company is domiciled in England and Wales and was incorporated and registered in England and Wales on 6 July 1979 as a public limited company and its shares are admitted to trading on AIM (LSE: N4P). The Company's registered office is located at 6th Floor, 60 Gracechurch Street, London EC3V 0HR.

Dividends

The Board has not declared a dividend for the year ended 31 December 2019 (2018: nil).

The Directors who held office during the year and/or at the time of signing these consolidated financial statements are as listed below.

Directors' remuneration and interests

2019	Remuneration			Interests	
Director	Cash-based payments	Share-based payments	Totals	Shares	Options
	£	£	£	No.	No.
Nigel Theobald (Chief Executive Officer)	70,000	-	70,000	16,981,319	-
Paul Titley (resigned 20 May 2019)	15,282	-	15,282	142,857	717,143
David Templeton	38,310	-	38,310	-	717,143
Luke Cairns	24,000	-	24,000	142,857	1,392,445
Christopher Britten (appointed 20 May 2019)	14,923	-	14,923	-	717,143
John Chiplin (appointed 20 May 2019)	14,667	-	14,667	-	717,143
	177,182	-	177,182	17,267,033	4,261,017

The above remuneration relates to N4 Pharma Plc (and N4 Pharma UK Limited) directors. There is no other Key Management Personnel remuneration.

Statement of Directors' responsibilities

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

Company law and AIM Rules require the directors to prepare consolidated financial statements for each financial year. Under that law, they have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law. Under company law, the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the loss of the Group for that period. In preparing these consolidated financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006 and the AIM Rules. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are 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 the consolidated financial statements may differ from legislation in other jurisdictions.

The Company is compliant with AIM Rule 26 regarding the Company's website.

Directors' confirmation

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. The Directors consider that the Group will have access to adequate resources, as set out below, to meet both operational requirements for at least 12 months from the date of approval of these consolidated financial statements. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

The Group currently has no source of operating cash inflows, other than interest and grant income, and has incurred net operating cash outflows for the year ended 31 December 2019 of £806,004 (2018: £1,344,247 outflow). At 31 December 2019, the Group had cash balances of £965,752 (2018: £793,141) and a surplus in net working capital (current assets, including cash, less current liabilities) of £987,338 (2018: £879,944).

Going concern (cont'd)

The Group continues to take steps to manage operational expenditure effectively and to manage the cash required for budgeted activities and working capital for at least 12 months from the date of approval of the consolidated financial statements. Close monitoring of current and forecast expenditure is undertaken by the board and key executive decisions discussed at monthly board meetings.

On behalf of the Board

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Nigel Theobald
Director

24 February 2020

Corporate Governance Statement

The Company's ordinary shares are admitted to trading on AIM, a market operated by the London Stock Exchange and the Company is subject to the continuing requirements of the AIM Rules. The UK Corporate Governance Code sets out the principles of good practice in relation to corporate governance which should be followed by companies with a full listing on the London Stock Exchange. Although the Company is not required to comply with the UK Corporate Governance Code by virtue of being an AIM-quoted company, during the period under review the Board sought to apply the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies ("QCA Guidelines") to the extent appropriate and practical for a company of its nature and size. With effect from September 2018, the Company adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the "QCA Code"). This section provides general information on the Group's adoption of the QCA Guidelines and the QCA Code. In addition, further detail about how the Company complies with the ten principles of the QCA Code can be found on the Company's website.

The Board

During the year Paul Titley resigned as executive Director of the Company and was replaced by David Templeton who stepped down as Non-Executive Chairman. Two new Non-Executive Directors were recruited to reflect our corporate governance requirement for a minimum of two NEDs and a balance of skills on the Board. During the recruitment process consideration was given to the diversity needs of the board and a wide range of applicants were considered.

The Board now consists of five Directors, three of whom are Non-Executive and are considered to be independent in character and judgement, and there are no relationships or circumstances which could materially affect or interfere with the exercise of their judgement save only in respect of their holding of ordinary shares and options in the Company as set out on page 8. The ordinary shares and options held by these directors are not thought to be material, and therefore are not considered to affect the independence of the directors. The names of the Directors, together with their biographical details, are set out on page 7.

The roles of Chairman and Chief Executive Officer are held by separate directors and there is clear division of responsibilities between them. The Chairman is responsible for the leadership of the board and is pivotal in fostering a culture that adopts good corporate governance. The Chairman together with the rest of the board sets direction for the Company through a formal schedule of matters reserved for its decision. The two executive directors have particular roles and areas of responsibility and continually engage with the Company's shareholders and stakeholders. The board has a schedule of matters reserved for its review and approval, such items include strategy, approval of major capital expenditure projects, approval of the annual and interim results, annual budgets, dividend policy and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets, their performance in relation to those budgets and their capital expenditure. The Board delegates day-to-day responsibility for managing the business to the Executive Directors and the senior management team.

In 2019, the Board met formally seven times and each Director attended each board meeting. In addition, the Board has ad hoc meetings as required and regular management meetings. Each of the Directors is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. Any Directors appointed by the Board are subject to election by shareholders at the first Annual General Meeting ("AGM") after their appointment.

Non-Executive directors are expected to devote such time as is necessary for the proper performance of their duties. This includes attendance at Board meetings, the AGM, meetings with the directors, meetings with shareholders, and committee meetings.

David Templeton is a part time executive director working two days per week. Nigel Theobald is a full-time executive director.

The Board composition is reviewed from time to time as appropriate. The Board considers that, collectively the Directors have the necessary mix of experience, skills, personal qualities and

capabilities, with the appropriate balance of Executives and Non-Executives, to deliver the strategy of the Company for the benefit of its Shareholders over the medium term. As work continues on Nuvec® it is the Directors' intention to add to broaden the Board's skill set particularly in the areas of oncology and virology delivery systems. The non-executive directors use the board meetings to review and assess the performance of the executive Directors.

Risk Management and Internal Control

The Directors are aware of their responsibility for establishing and communicating a system to manage risk and implement internal controls.

Operational risks are identified and assessed by management and any significant risks are reported to the Board. Financial and commercial risks are reviewed by the Board on a regular basis.

The Company's internal control systems are designed to provide the directors with reasonable assurance that any problems are identified on a timely basis and dealt with appropriately. The Board considers the internal controls to be effective, but no system of internal control can provide absolute assurance against material misstatement or loss.

The key risks facing the Company together with any mitigation taken are considered further in note 2 and 12 of this document.

Committees

The Audit Committee consists of non-executive Directors, John Chiplin, Chris Britten and Luke Cairns, and is chaired by Luke Cairns. The Audit Committee, *inter alia*, determines and examines matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the annual audit. It receives and reviews reports from management and the Company's auditors relating to the half yearly and annual accounts and the accounting and internal control systems in use throughout the Group. It also monitors and is responsible for ongoing compliance by the Company with the AIM Rules for Companies. The audit committee met once during the year and had full attendance at this meeting.

The Remuneration Committee consists of non-executive Directors, John Chiplin, Chris Britten and Luke Cairns, and is chaired by Chris Britten. The Remuneration Committee *inter alia*, reviews and makes recommendations in respect of the Directors' remuneration and benefits packages, including share options and the terms of their appointment. The remuneration committee met once during the year to review salaries and decided to leave them unaltered.

Given the Company's current size, the Board has not considered it necessary to constitute a nomination committee and the Board, as a whole, will consider the appointment of directors and other senior employees of the Company as and when required.

In light of the size and stage of the Company the Board has reviewed and still considers it is not appropriate to publish an audit committee or remuneration committee report in this annual report and accounts but will again consider the matter annually as the Company grows.

Communication with shareholders and stakeholders

Details of the Company's current strategy and business model can be found in pages 4 to 6 of this document and is reflective of where the Company sits in the research and development cycle with Nuvec®.

As an AIM company, the Company seeks to update investors on material matters through announcements via RNS supplemented by presentations and the engagement of a PR firm. Historical company documents can be found on the Company's website.

In addition, all shareholders can attend the Company's Annual General Meeting, where there is an opportunity to question the Directors as part of the agenda, or more informally after the meeting. Communication with shareholders is seen as an important part of the Board's responsibilities, and care is taken to ensure all price-sensitive information is made available to all shareholders at the same time, in accordance with the AIM Rules, which, by definition, means the Board may not always be able to answer questions as directly or immediately as shareholders may like.

Principal risks and uncertainties

The Group is exposed to a variety of financial risks including market risk, liquidity risk, tax risk and credit risk. These risks are discussed in detail in Note 2.

Financial instruments and associated risks:

The Board of Directors is committed to effective risk management and is responsible for ensuring that the Group has an appropriate framework in place to identify and effectively manage business risks and to monitor business performance and the Group's financial position. The Board is also responsible for overseeing compliance with regulatory, prudential, legal and ethical standards. These risks are discussed in detail in Note 12.

By order of the Board

John Chiplin
Chairman

24 February 2020

Independent auditor's report to the members

Opinion

We have audited the financial statements of N4 Pharma plc (the Company') and its subsidiary (the 'Group') for the year ended 31 December 2019 set out on pages 19 to 44. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2019 and its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 SME 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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) we identified, including 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 statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Independent auditor's report to the members (Cont'd)

Key Audit Matter	How our audit addressed the key audit matter
Nuvec® delivery system The Company and Group are focused on one business segment. The success of this delivery system is therefore of critical importance to the Group.	Our audit procedures included the following: • We discussed progress management have made with pre-clinical studies; • We reviewed board minutes for all references to Nuvec®; and • We considered information in the public domain. We concurred with Management that the project remains viable at the date of signing the financial statements and the continued investment by the company in Nuvec®.
Going concern The going concern assumption is a fundamental principle in the preparation of financial statements. The Group is loss making and yet to generate revenue, other than research and development (R&D) tax credits. There is the risk that the Group could run out of cash whilst investing and developing its Nuvec® delivery system. The going concern assumption has been recognised as a key audit matter.	Our audit procedures included the following: • We have obtained and critically appraised the Directors' going concern assessment and management's strategic plans to generate revenue and profitability; • We have reviewed projected cash flows and other available evidence to assess the ability of the Group and the Company to continue in operation for the 12 months after the date of signing; • We have discussed post balance sheet events with the Directors to assess their impact on the going concern assumption; and • We have performed a sensitivity analysis on the key assumptions underlying management's going concern assessment. Based on our procedures we consider that the disclosures relating to going concern have been made appropriately.
Capitalisation of research and development expenditure The Group is incurring significant expenditure in respect of R&D. There is a risk that the treatment applied in the financial statements is incorrect.	Our audit procedures included the following: • We have discussed the treatment of R&D expenditure and future probable income streams with the Directors; • We have tested a sample of R&D expenses and corroborated the accounting treatment; and • We have considered the claim for R&D tax credits. Based on our procedures performed we consider that the expenditure on R&D has been appropriately treated.

Independent auditor's report to the members (Cont'd)

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. Our overall objective as auditor is to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We consider a misstatement to be material where it could reasonably be expected to influence the economic decisions of the users of the financial statements.

We have determined a materiality of £50,000. This is based on 5% of loss before tax for the year ended 31 December 2019.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the 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.

Independent auditor's report to the members (Cont'd)

Matters on which we are required to report by exception

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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.

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.

Independent auditor's report to the members (Cont'd)

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.

……

Alistair Hunt (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

Chartered Accountants
Statutory Auditors

Unex House
Burges Boulevard
Peterborough
PE1 1NG

24 February 2020

N4 Pharma Plc
Consolidated Statement of Comprehensive Income for the year ended 31 December 2019

	Notes	2019	2018
		£	£
Government grant income		-	72,832
Gross profit		**-**	**72,832**
Research and development costs		(216,948)	(846,176)
General and administration costs		(730,392)	(643,745)
Operating loss for the year		(947,340)	(1,417,089)
Finance expenditure		(1,385)	(981)
Gain on sale of investment		-	27,693
Loss for the year before tax	4	(948,725)	(1,390,377)
Taxation	5	72,352	205,534
Loss for the year after tax		(876,373)	(1,184,843)
Other comprehensive income net of tax		-	-
Total comprehensive loss for the year attributable to equity owners of N4 Pharma Plc		**(876,373)**	**(1,184,843)**
Loss per share attributable to owners of the parent			
Weighted average number of shares:			
Basic		100,168,016	89,440,373
Diluted		100,168,016	91,305,287
Basic loss per share		**(0.87p)**	**(1.32p)**
Diluted loss per share		**(0.87p)**	**(1.30p)**

All activities derive from continuing operations.

The notes on pages 26 to 44 are an integral part of the consolidated financial statements

N4 Pharma Plc
Consolidated Statement of Financial Position as at 31 December 2019

	Notes	2019 £	2018 £
Assets			
Non-current assets			
Investments	6	-	-
			-
Current assets			
Trade and other receivables	7	99,269	276,926
Cash and cash equivalents		965,752	793,141
		1,065,021	1,070,067
Total Assets		1,065,021	1,070,067
Liabilities			
Current liabilities			
Trade and other payables	8	(51,547)	(159,666)
Accruals and deferred income		(26,136)	(30,457)
		(77,683)	(190,123)
Total assets less current liabilities		987,338	879,944
Net Assets		**987,338**	**879,944**
Equity			
Share capital	10	8,676,675	8,634,675
Share premium	10	10,327,258	9,328,848
Share option reserve	10	25,266	81,909
Reverse acquisition reserve		(14,138,244)	(14,138,244)
Merger reserve		279,347	279,347
Retained earnings		(4,182,964)	(3,306,591)
Total Equity		**987,338**	**879,944**

The notes on pages 26 to 44 are an integral part of the consolidated financial statements.

The consolidated financial statements were approved by the board of directors on 24 February 2020 and signed on its behalf:

Nigel Theobald

N4 Pharma Plc
Company Statement of Financial Position as at 31 December 2019

	Notes	2019 £	2018 £
Assets			
Non-current assets			
Investments	6	1,094,847	1,094,847
Intercompany loan receivable	13	2,659,000	2,009,000
		3,753,847	3,103,847
Current assets			
Trade and other receivables	7	247,045	122,896
Cash and cash equivalents		760,085	646,398
		1,007,130	769,294
Total Assets		4,760,977	3,873,141
Liabilities			
Current liabilities			
Trade and other payables	8	(8,742)	(5,244)
Accruals and deferred income		(23,196)	(18,907)
		(31,938)	(24,151)
Total assets less current liabilities		4,729,039	3,848,990
Net Assets		**4,729,039**	**3,848,990**
Equity			
Share capital	10	8,676,675	8,634,675
Share premium	10	10,327,258	9,328,848
Share option reserve	10	25,266	81,909
Merger reserve		279,347	279,347
Retained earnings		(14,579,507)	(14,475,789)
Total Equity		**4,729,039**	**3,848,990**

The Company recorded a pre-tax loss of £103,718 for the year (31 December 2018: £137,216 loss).

The notes on pages 26 to 44 are an integral part of the consolidated financial statements.

The financial statements were approved by the board of directors on 24 February 2020 and signed on its behalf:

Nigel Theobald

N4 Pharma Plc
Consolidated Statement of Changes in Equity for the year ended 31 December 2019

(i) Year ended 31 December 2019	Share Capital	Share Premium	Share Option Reserve	Reverse Acquisition Reserve	Merger Reserve	Retained Earnings	Total Equity
	£	£	£	£	£	£	£
Balance at 1 January 2019	**8,634,675**	**9,328,848**	**81,909**	**(14,138,244)**	**279,347**	**(3,306,591)**	**879,944**
Total comprehensive loss for the year	-	-	-	-	-	(876,373)	(876,373)
Share issue	42,000	998,410	-	-	-	-	1,040,410
Share option reserve	-	-	(56,643)	-	-	-	(56,643)
At 31 December 2019	**8,676,675**	**10,327,258**	**25,266**	**(14,138,244)**	**279,347**	**(4,182,964)**	**987,338**

(ii) Year ended 31 December 2018	Share Capital	Share Premium	Share Option Reserve	Reverse Acquisition Reserve	Merger Reserve	Retained Earnings	Total Equity
	£	£	£	£	£	£	£
Balance at 1 January 2018	**8,579,396**	**8,513,670**	**147,635**	**(14,138,244)**	**299,045**	**(2,121,748)**	**1,279,754**
Total comprehensive loss for the year	-	-	-	-	-	(1,184,843)	(1,184,843)
Share issue	55,279	815,178	-	-	(19,698)	-	850,759
Share option reserve	-	-	(65,726)	-	-	-	(65,726)
At 31 December 2018	**8,634,675**	**9,328,848**	**81,909**	**(14,138,244)**	**279,347**	**(3,306,591)**	**879,944**

The notes on pages 26 to 44 are an integral part of the consolidated financial statements.

N4 Pharma Plc
Company Statement of Changes in Equity for the year ended 31 December 2019

(i) Year ended 31 December 2019	Share Capital	Share Premium	Share Option Reserve	Merger Reserve	Retained Earnings	Total Equity
	£	£	£	£	£	£
Balance at 1 January 2019	**8,634,675**	**9,328,848**	**81,909**	**279,347**	**(14,475,789)**	**3,848,990**
Total comprehensive loss for the year	-	-	-	-	(103,718)	(103,718)
Share issue	42,000	998,410	-	-	-	1,040,410
Share option reserve	-	-	(56,643)	-	-	(56,643)
At 31 December 2019	**8,676,675**	**10,327,258**	**25,266**	**279,347**	**(14,579,507)**	**4,729,039**

(ii) Year ended 31 December 2018	Share Capital	Share Premium	Share Option Reserve	Merger Reserve	Retained Earnings	Total Equity
	£	£	£	£	£	£
Balance at 1 January 2018	**8,579,396**	**8,513,670**	**147,635**	**299,045**	**(14,338,573)**	**3,201,173**
Total comprehensive loss for the year	-	-	-	-	(137,216)	(137,216)
Share issue	55,279	815,178	-	(19,698)	-	850,759
Share option reserve	-	-	(65,726)	-	-	(65,726)
At 31 December 2018	**8,634,675**	**9,328,848**	**81,909**	**279,347**	**(14,475,789)**	**3,848,990**

The notes on pages 26 to 44 are an integral part of the consolidated financial statements.

N4 Pharma Plc
Consolidated Statement of Cash Flow for the year ended 31 December 2019

	2019 £	2018 £
Operating activities		
Loss before tax	(948,725)	(1,390,377)
Finance expenditure	1,385	981
Share based payments to employees	3,767	629
Gain on sale of investments	-	(27,693)
Operating loss before changes in working capital	**(943,573)**	**(1,416,460)**
Movements in working capital:		
Decrease/(increase) in trade and other receivables	29,441	(9,266)
(Decrease)/increase in trade, other payables and accruals	(112,440)	10,905
Taxation	220,568	70,574
Cash used in operations	(806,004)	(1,344,247)
Net cash flows used in operating activities	**(806,004)**	**(1,344,247)**
Investing activities		
Sale of investments	-	27,693
Net cash flows from investing activities	**-**	**27,693**
Financing activities		
Finance expenditure	(1,385)	(981)
Net proceeds of ordinary share issue	980,000	784,404
Net cash flows from financing activities	**978,615**	**783,423**
Net increase/(decrease) in cash and cash equivalents	**172,611**	**(533,131)**
Cash and cash equivalents at beginning of the year	793,141	1,326,272
Cash and cash equivalents at 31 December	**965,752**	**793,141**

The notes on pages 26 to 44 are an integral part of the consolidated financial statements

N4 Pharma Plc
Company Statement of Cash Flow for the year ended 31 December 2019

	2019 £	2018 £
Operating activities		
Loss before tax	(103,718)	(137,216)
Interest	(124,103)	(70,784)
Realised gain on sale of investment	-	(27,693)
Share based payments to employees	3,767	629
Operating loss before changes in working capital	**(224,054)**	**(235,064)**
Movements in working capital:		
Increase in trade and other receivables	(124,149)	(71,867)
Increase in trade and other payables	7,787	3,627
Cash used in operations	(340,416)	(303,304)
Net cash flows used in operating activities	**(340,416)**	**(303,304)**
Investing activities		
Proceeds from sale of investments	-	27,693
Acquisition of investment	-	(100)
Loan receivable advancements	(650,000)	(1,200,000)
Net cash flows used investing activities	**(650,000)**	**(1,172,407)**
Financing activities		
Interest received	124,103	70,784
Net proceeds of ordinary share issue	980,000	784,404
Net cash flows from financing activities	**1,104,103**	**855,188**
Net increase/(decrease) in cash and cash equivalents	**113,687**	**(620,523)**
Cash and cash equivalents at beginning of the year	646,398	1,266,921
Cash and cash equivalents at 31 December	**760,085**	**646,398**

The notes on pages 26 to 44 are an integral part of the consolidated financial statements

1. Accounting policies

1.1 Reporting entity

N4 Pharma Plc (the "Company"), is the holding company for N4 Pharma UK Limited ("N4 UK"), and N4 Biotech Limited ("N4 Biotech"), and together form the group (the "Group"). N4 Pharma UK Limited is a specialist pharmaceutical company engaged in the development of mesoparticulate silica delivery systems to improve the cellular delivery and potency of vaccines. The nature of the business is not deemed to be impacted by seasonal fluctuations and as such performance is expected to be consistent.

The Company is domiciled in England and Wales and was incorporated and registered in England and Wales on 6 July 1979 as a public limited company and its shares are admitted to trading on AIM (LSE: N4P). The Company's registered office is located at 6th Floor, 60 Gracechurch Street, London, EC3V 0HR.

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The consolidated financial statements comply with the Companies Act 2006 and give a true and fair view of the state of affairs of the Group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

1.2 Measurement convention

The consolidated financial statements are prepared on the historical cost basis, except for the following items:

- Share-based payments related to investment acquisition are measured at fair value shown in the Merger Reserve.
- Share-based payments related to employee costs are measured at fair value shown in the Statement of Comprehensive Income.
- Share Warrants and Options are measured at fair value using the Black Scholes model (see note 9).
- Equity investments are measured at fair value.

The consolidated financial statements are presented in Great British Pounds ("GBP" or "£").

1.3 Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. The Directors consider that the Group will have access to adequate resources, as set out below, to meet both operational requirements for at least 12 months from the date of approval of these consolidated financial statements. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

The Group prepares regular business forecasts and monitors its projected cash flows, which are reviewed by the Board. Forecasts are adjusted for reasonable sensitivities that address the principal risks and uncertainties to which the Group is exposed, thus creating a number of different scenarios for the Board to challenge. In those cases, where scenarios deplete the Group's cash resources too rapidly, consideration is given to the potential actions available to management to mitigate the impact of one or more of these sensitivities, in particular the discretionary nature of costs incurred by the Group, in order to ensure the continued availability of funds.

As the Group did not have access to bank debt and future funding is reliant on issues of shares in the parent Company, the Board has derived a mitigation plan for the scenarios modelled as part of the going concern review.

On the basis of this analysis, the Board has concluded that there is a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future being a period of at least twelve months from the balance sheet date.

1. Accounting policies (Cont'd)

1.3 Going concern (Cont'd)

The Group currently has no source of operating cash inflows, other than interest and grant income, and has incurred net operating cash outflows for the year ended 31 December 2019 of £806,004 (2018: £1,344,247 outflow). At 31 December 2019, the Group had cash balances of £965,752 (2018: £793,141) and a surplus in net working capital (current assets, including cash, less current liabilities) of £987,338 (2018: £879,944).

The Group continues to take steps to manage operational expenditure effectively and to manage the cash required for budgeted activities and working capital for at least 12 months from the date of approval of the consolidated financial statements. Close monitoring of current and forecast expenditure is undertaken by the board and key executive decisions discussed at monthly board meetings.

1.4 Basis of consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

1.5 Revenue

Revenue is recognised to the extent this it is probable that economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the lower of value of the consideration received or receivable for the sale of goods or services, excluding discounts, rebates, VAT and other sales taxes and duties.

The Group has not recognised any revenue to date.

1.6 Government grant income

Government grants are recognised only when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the consolidated statement of comprehensive income on a systematic basis over the periods in which the Group recognises and expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the consolidated statement of comprehensive income in the period in which they become receivable.

1.7 Expenses

Financing income and expenses
Financing expenses comprise interest payable and finance charges and net foreign exchange losses that are recognised in the consolidated statement of comprehensive income (see foreign currency accounting policy note 1.13). Financing income comprises interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in the consolidated statement of comprehensive income as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1. Accounting policies (Cont'd)

1.7 Expenses (Cont'd)

Research and development
Research costs are charged against the consolidated statement of comprehensive income as they are incurred. Certain development costs will be capitalised as intangible assets when it is probable that the future economic benefits will flow to the Group. Such intangible assets will be amortised on a straight-line basis from the point at which the assets are ready for use, over the period of the expected benefit, and are reviewed for impairment at each year end date. Other development costs are charged against income as incurred since the criteria for their recognition as an asset is not met.

The criteria for recognising expenditure as an asset are:

- It is technically feasible to complete the product;
- Management intends to complete the product and use or sell it;
- There is an ability to use or sell the product;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources are available to complete the development, use and sale of the product; and
- Expenditure attributable to the product can be reliably measured.

The costs on an internally generated intangible asset comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include employee costs incurred on technical development, testing and certification, materials consumed and any relevant third-party cost. The costs of internally generating developments are recognised as intangible assets and are subsequently measured in the same way as externally acquired intangible assets. However, until completion of the development project, the assets are subject to impairment testing only.

1.8 Taxation

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax
Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the consolidated statement of financial position date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the consolidated statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in consolidated financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1. Accounting policies (Cont'd)

1.9 Earnings per share

The Group presents basic and diluted earnings or loss per share data for its ordinary shares. Basic earnings/loss per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings/loss per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options and warrants granted.

1.10 Operating segments

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire plant and equipment, and intangible assets other than goodwill.

The Group operated in one business segment, that of the development and commercialisation of medicines via its delivery system called Nuvec®. No revenue has yet been generated by any of the work undertaken by the Group.

The Directors consider that there are no identifiable business segments that are subject to risks and returns different to the core business. The information reported to the Directors, for the purposes of resource allocation and assessment of performance, is based wholly on the overall activities of the Group.

1.11 Classification of financial instruments issued by the Group

In accordance with IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these consolidated financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

1.12 Non-derivative financial instruments

Non-derivative financial instruments comprise investments, trade and other receivables, cash and cash equivalents and trade and other payables.

Investments
Investments are equity investments recognised initially at cost and subsequently revalued to their fair value. Fair value is determined by reference to published price quotations in the AIM market. Gains and losses arising from changes in the fair value are recognised in profit or loss within other income or other expenses.

1. Accounting policies (Cont'd)

1.12 Non-derivative financial instruments *(Cont'd)*

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents are basic financial assets and comprise cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Any overdrafts are shown within borrowings in current liabilities.

1.13 Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

1.14 Impairment

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

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

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generated units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (Group of units) on a pro rata basis.

1. Accounting policies (Cont'd)

1.14 Impairment (Cont'd)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.15 Share based payment arrangements

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

Share-based transactions, other than those with employees, are measured at the value of goods or services received where this can be reliably measured. Where the services received are not identifiable, their fair value is determined by reference to the grant date fair value of the equity instruments provided. Should it not be possible to measure reliably the fair value of identifiable goods and services received, their fair value shall be determined by reference to the fair value of the equity instruments provided measured over the period of time that the goods and services are received.

The expense is recognised in the consolidated statement of comprehensive income or capitalised as part of an asset when the goods are received or as services are provided, with a corresponding increase in equity.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no "true-up" for differences between expected and actual outcomes.

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to recipients is recognised as an expense, with a corresponding increase in liabilities, over the period in which the recipients become unconditionally entitled to payment. The liability is re-measured at each consolidated statement of financial position date and at settlement date. Any changes in the fair value of the liability are recognised in the consolidated statement of comprehensive income.

1. Accounting policies (Cont'd)

1.16 Adoption of new and revised International Financial Reporting Standards

The following IFRS standards, amendments or interpretations became effective during the year ended 31 December 2019 but have not had a material effect on this consolidated financial information:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 9	Prepayments Features with Negative Compensation
IAS 28	Long-term Interests in Associates and Joint Ventures
IAS19	Plan amendment, Curtailment and Settlement

All new standards and amendments to standards and interpretations effective for annual periods beginning on or after 1 January 2019 that are applicable to the Group have been applied in preparing these consolidated financial statements.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Standard	Effective date
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3 Business Combinations	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Interest Rate Benchmark Reform: amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020

The Directors are continuing to assess the potential impact that the adoption of the standards listed above will have on the consolidated financial statements for the year ended 31 December 2019.

1.17 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses during the period. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Group's accounting policies, management has decided the following estimates and assumptions are material to the carrying amounts of assets and liabilities recognised in the consolidated financial statements.

Critical judgements
Research and development expenditure
The key estimates and judgements surrounding the capitalisation of Research & Development expenditure is such that this expenditure will only be capitalised when the recognition criteria is met and is otherwise written off to the consolidated statement of comprehensive income. The recognition criteria include the identification of a clearly defined project with separately identifiable expenditure where the outcome of the project, in terms of its technical feasibility and commercial viability, can be measured or assessed with reasonable certainty and that sufficient resources exist to complete a profitable project. In the event that these criteria are met, and it is probable that future economic benefit attributable to the product will flow to the Group, then the expenditure will be capitalised.

1. Accounting policies (Cont'd)

1.17 Use of estimates and judgements (Cont'd)

Impairment of investments and intercompany debtors
The subsidiary has sustained losses and the balance sheet is in deficit. This is a potential indicator of impairment. The recoverability of intercompany debtor and the cost of investment is dependent on the future profitability of the entity. No provision for impairment has been made in these accounts and this is a significant judgement.

2. Risk management

Overview
The Group has exposure to the following risks:

- Credit risk;
- Liquidity risk;
- Tax risk;
- Market risk; and
- Operational risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and its management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework
The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and developing and monitoring the Group's risk management policies. Key risk areas have been identified and the Group's risk management policies and systems will be reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's bank deposits and receivables. See note 12 for further detail. The risk of non-collection is considered to be low. This risk is deemed low at present due to the Group not yet trading and generating revenue but is a consideration for future risks.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Tax risk
Any change in the Group's tax status or in taxation legislation or its interpretations could affect the value of the investments held by the Group or the Group's ability to provide returns to shareholders or alter post-tax returns to shareholders.

Market risk and competition
The Group operates as a specialist pharmaceutical company engaged in the development of mesoparticulate silica delivery systems to improve the cellular delivery and potency of vaccines. The Group is entering into a market with existing competitors and the prospect of new entrants entering the current market. There is no guarantee that current competitors or new entrants to the market will not appeal to a wider portion of the Group's target market or command broader band awareness.

2. Risk management (Cont'd)

In addition, the Group's future potential revenues from product sales will be affected by changes in the market price of pharmaceutical drugs and could also be subject to regulatory controls or similar restrictions.

Operational risk
The Group is at an early stage of development and is subject to several operational risks. The commencement of the Group's material revenues is difficult to predict and there is no guarantee the Group will generate material revenues in the future.

Operational risk (Cont'd)
The Group has a limited operational history upon which its performance and prospects can be evaluated and faces the risks frequently encountered by developing companies. The risks include the uncertainty as to which areas of pharmaceuticals to target for growth.

Regulatory and legislative risk
The operations of the Group are such that it is exposed to the risk of litigation from its suppliers, employees and regulatory authorities. Exposure to litigation or fines imposed by regulatory authorities may affect the Group's reputation even though monetary consequences may not be significant.

Changes to legislation, regulations, rules and practices may change and is often the case in the pharmaceutical industry which is highly regulated and susceptible to regular change. Any changes may have an adverse effect on the Group's operations.

Protection of intellectual property
The Group's ability to compete significantly relies upon the successful protection of its intellectual property, in particular its licenced and owned patent applications for Nuvec®. The Group seeks to protect its intellectual property through the filing of worldwide patent applications, as well as robust confidentiality obligations on its employees. However, this does not provide assurance that a third party will not infringe on the Group's intellectual property, release confidential information about the intellectual property or claim technology which is registered to the Group.

Capital management
The Group has no loans or borrowings and has sufficient resources, in the view of the Directors, to meet its working capital requirements for the next 12 months.

The Group manages its capital through the preparation of detailed forecasts, and tracks actual receipts and outlays against the forecasts on a regular basis, to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders.

The capital structure of the Group consists of cash and cash equivalents and equity comprising, capital, reserves and accumulated losses.

3. Employees and directors

The average monthly number of employees during the year was 5(2018: 4). The directors of the Group are employed by N4 Pharma UK Limited UK and as such are included in the employee figure. Total directors remuneration is detailed in note 13 of these consolidated financial statements.

	Year to 31 December 2019 £	Year to 31 December 2018 £
Wages and Salaries	270,472	233,282
Social security costs	34,956	22,556
Pension costs	1,209	807
	306,637	256,645

4. Loss before tax

	Year to 31 December 2019	Year to 31 December 2018
	£	£
Loss before taxation is arrived after charging:		
Fees payable to the Group's auditors for the audit of the Group's financial statements	21,200	20,600
Other fees payable to auditors:		
- Other assurance services	700	1,000
- Tax advisory services	-	3,550

5. Taxation

	2019 £	2018 £
Current tax		
Research and development tax credit receivable for the current period	(72,352)	(222,066)
Adjustments in respect of prior periods	-	16,532
	(72,352)	(205,534)
Deferred tax		
Origination and reversal of temporary differences	-	-
Tax in income statement	(72,352)	(205,534)

5. Taxation (Cont'd)

The tax charge for the year can be reconciled to the loss in the Consolidated Statement of Comprehensive Income as follows:

	2019	2018
	£	£
Loss before taxation	(948,725)	(1,390,377)
Tax at the UK corporation tax rate of 19% (2018: 19%)	(180,258)	(264,171)
Expenses not deductible	-	(5,320)
Net Research and development tax credits	(72,352)	(96,406)
Changes in unrecognized deferred tax	180,258	143,831
Prior year adjustment	-	16,532
Tax charge for the year	(72,352)	(205,534)

At the year end the Group had trading losses carried forward of £1,706,986 (2018: £1,257,239) for use against future profits.

6. Investments

Inventory of securities

The Company held 1,388,889 Ferring warrants and 542,233 Valirx warrants both of which had no value as at the year-end 31 December 2018. These were legacy holdings from Onzima Plc prior to the RTO. These warrants expired during the financial year ended 31 December 2019.

Investment in subsidiary

Company

	2019	2018
Cost	£	£
Balance at 1 January	1,094,847	1,094,747
Additions	-	100
Balance at 31 December	1,094,847	1,094,847

6. Investments (Cont'd)

Investment in subsidiary (cont'd)

Details of the Company's subsidiaries at 31 December 2019 are as follows:

	Place of incorporation and operation	Principal activity	Proportion of ownership and voting rights held
N4 Pharma UK Limited	England and Wales	Delivery of vaccines and therapeutics	100%
N4 Biotech Limited	England and Wales	Wholesale of pharmaceutical goods	100%

The accounting reference date of the subsidiaries are co-terminus with that of the Company. N4 Biotech Limited was dissolved on 14 January 2020. The registered office of N4 Pharma UK Limited is The Mills, Canal Street, Derby, DE1 2RJ.

7. Trade and other receivables

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Prepayments	11,758	11,861	10,478	10,534
VAT receivable	13,660	42,998	3,575	6,002
Corporation tax debtor	72,352	220,568	-	-
R&D expenditure credit	1,499	1,499	-	-
Loan interest receivable	-	-	229,492	103,960
Other debtors	-	-	3,500	2,400
	99,269	276,926	247,045	122,896

8. Trade and other payables

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade creditors	27,157	113,093	7,512	4,844
Employee creditors	8,152	9,107	1,230	400
Loan due to directors	16,000	36,000	-	-
Other creditors	238	1,466	-	-
	51,547	159,666	8,742	5,244

9. Share-based payments

a) Options

The Company has the ability to issue options to Directors to compensate them for services rendered and incentivise them to add value to the Group's longer-term share value. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined is unwound on a straight-line basis over the vesting period based on the Group's estimate of the number of shares that will vest and recognised as share premium. The value of the change is adjusted to reflect the expected and actual levels of vesting.

Cancellations of equity instruments are treated as an acceleration of the vesting period and any outstanding charge is recognised in full immediately.

Fair value is measured using a Black Scholes pricing model. The key assumptions used in the model have been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations. The inputs into model were as follows:

	2017 Options	2018 Options	2019 Options
Share price	6.375p	6.6p	3.55p
Exercise price	7p	6.6p	3.55p
Expected volatility	27.2%	45.2%	37.4%
Expected option life	3 years	6.5 years	6.5 years
Risk free rate	4.75%	5.00%	5.00%

As at 31 December 2019, there were 7,679,370 (2018: 7,249,084) options in existence over ordinary shares of the Company allocated as follows:

Name	Date of Grant	Ordinary shares under option	Expiry Date	Exercise Price £
2015 Options				
Gavin Burnell	14.10.15	2,701,210	14.10.25	0.028
Luke Cairns	14.10.15	675,302	14.10.25	0.028
2017 Options				
Luke Cairns	03.05.17	717,143	14.10.25	0.070
David Templeton	03.05.17	717,143	14.10.25	0.070
Paul Titley	03.05.17	717,143	14.10.25	0.070
2018 Options				
Alan Hey	26.09.18	717,143	26.09.28	0.066
2019 Options				
John Chiplin	21.05.19	717,143	21.05.29	0.0355
Christopher Britten	21.05.19	717,143	21.05.29	0.0355
Total options		7,679,370		

9. Share-based payments (Cont'd)

a) Options (Cont'd)

The aggregate fair value of the share options issued is as follows:

	2019	2018
	£	£
2015 Options	17,831	20,910
2017 Options	3,037	6,040
2018 Options	2,999	630
2019 Options	1,399	-
	25,266	27,580

Each option entitles the holder to subscribe for one ordinary share in N4 Pharma Plc. Options do not confer any voting rights on the holder.

In the case of the 2017 share options granted to Paul Titley, a total of 1,434,286 were granted, the exercise of options over 717,143 ordinary shares were subject to certain performance conditions. These options were exercisable at a price of 7 pence per share (post-Share Re-Organisation) at any time before 14 October 2025. However, these share options lapsed prior to the final reporting date of 31 December 2019 due to his departure from the Company and those targets not being met. This leaves Paul Titley with 717,143 options which are exercisable on the 3rd anniversary of Admission, being 3 May 2020.

On 26 September 2018 a further 1,004,000 options over ordinary shares were granted under the Company's share option scheme to Andrew Leishman and Alan Hey, and are exercisable at a price of 6.60p per share.

The share options granted to Andrew Leishman lapsed on 1 January 2019 due to his departure from the Company.

The share options granted to Alan Hey lapsed subsequent to year end 31 December 2019 due to his departure from the Company.

On 21 May 2019 717,143 options over ordinary shares were granted to both John Chiplin and Christopher Britten under the Company's share option scheme and are exercisable at a price of 3.55p per share.

b) Warrants

As part of the Placing on 3 May 2017 which raised £1,500,000 before fees and expenses, the Company issued warrants on a 1 for 1 basis at an exercise price of 8.5p per warrant. This resulted in the issue of 21,428,571 warrants exercisable at 8.5p. The Company also issued warrants, exercisable at 8.5p, to the Company's brokers on the transaction in lieu of fees (together, the "Placing Warrants"). This resulted in the total number of Placing Warrants in issue immediately following the Placing being 22,710,923.

The warrants entitled holders to subscribe for new ordinary shares at any time in the period of two years following the grant of the warrants. The expiry date of the placing warrants was 3 May 2019.

2019

Date of Grant	Warrant balance at 1 January 2019	Expiry Date	Exercise Price £	Exercised Warrants	Number of Shares issued (1:1)	Remaining Warrants at 31 December 2019
03.05.2017	11,054,071	03.05.2019	0.085	-	-	-

9. Share-based payments (Cont'd)

b) Warrants (Cont'd)

2018

Date of Grant	Warrant balance at 1 January 2018	Expiry Date	Exercise Price £	Exercised Warrants	Number of Shares issued (1:1)	Remaining Warrants at 31 December 2018
03.05.2017	20,282,351	03.05.2019	0.085	9,228,280	9,228,280	11,054,071

During the year ended 31 December 2019 none of the warrants issued on 3 May 2017 were exercised (2018: 9,228,280). The remaining balance of the warrants totaling 11,054,071 expired on 3 May 2019.

During the year, an amount of £54,329 (2018: £792,846), representing the expired warrants (2018: exercised warrants), has been recognised against share premium and £nil (2018: £36,913) to share capital. The fair value of the warrants in issue and not yet exercised was determined using the Black Scholes model. The fair value of the warrants at 31 December 2019 is £nil (2018: £54,329).

10. Capital and reserves

	2019	2018
	£	£
101,462,537 Ordinary Shares of 0.4p each *(2018: 90,962,537 Ordinary Shares of 0.4p each)*	405,850	363,850
137,674,431 Deferred Shares of 0.4p each *(2018: 137,674,431 Deferred Shares of 0.4p each)*	5,506,977	5,506,977
279,176,540 Deferred Shares of 0.099p each *(2018: 279,176,540 Deferred Shares of 0.099p each)*	2,763,848	2,763,848
	8,676,675	8,634,675

All ordinary shares rank equally in all respects, including for dividends, shareholder attendance and voting rights at meetings, on a return of capital and in a winding-up.

During the year 10,500,000 new ordinary shares of 0.4p each were issued.

The 137,674,431 deferred shares of 0.4p, have no right to dividends nor do the holders thereof have the right to receive notice of or to attend or vote at any general meeting of the Company. On a return of capital or on a winding up of the Company, the holders of the deferred shares shall only be entitled to receive the amount paid up on such shares after the holders of the ordinary shares have received the sum of £1,000,000 for each ordinary share held by them.

The 279,176,540 deferred shares of 0.099p shall be entitled to receive a special dividend, which is payable upon the repayment to the Company of any amount owed under certain loan agreement, after which the Company shall, in priority to any distribution to any other class of share, pay to the holders of the Special Deferred Shares an aggregate amount equal to the amount repaid pro rata according to the number of such shares paid up as to their nominal value held by each shareholder. They shall be entitled to no other distribution save for a special dividend and shall not be entitled to receive notice of or attend or vote at a general meeting of the Company. On a return of capital on a winding up of the Company, shall only be entitled to receive the amount paid up on such shares up to a maximum of 0.9 pence per share after the holders of the Ordinary Shares and the Deferred Shares have received their return on capital.

10. Capital and reserves (Cont'd)

Reserves
Share premium reserve
The share premium reserve comprises the excess of consideration received over the par value of the shares issued, plus the nominal value of share capital at the date of redesignation at no par value.

Share option reserve
The share option reserve comprises the fair value of warrants and options granted, less the fair value of lapsed and expired warrants and options.

Reserves in the consolidated statement of financial position comprise the share option reserve, reverse acquisition reserve and the merger reserve.

11. Earnings per share

The calculation of basic loss per share at 31 December 2019 was based on the loss of £876,373 (2018: £1,184,843), and a weighted average number of ordinary shares outstanding of 100,168,016 (2018: 89,440,373), calculated as follows:

	2019 £	2018 £
Losses attributable to ordinary shareholders	**876,373**	**1,184,843**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	89,440,373	64,783,082
Effect of shares issued during the year	10,727,643	24,657,291
Weighted average number of shares at 31 December	100,168,016	89,440,373

	2019 pence per share	*2018 pence per share*
Basic loss per share	(0.87)	(1.32)

Diluted loss per share
Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares, namely share options. All of the options existing at 31 December 2019 have an exercise price that is greater than the market price of the shares and as a result are non dilutive and excluded from the diluted loss per share calculation.The calculation of diluted loss per share at 31 December 2019 was based on the loss of £876,373 (31 December 2018: £1,184,843), and a weighted average number of ordinary shares outstanding of 100,168,016 (2018: 91,305,287).

	2019 pence per share	*2018 pence per share*
Diluted loss per share	(0.87)	(1.30)

12. Financial instruments

(a) Fair values of financial instruments

The fair values of all financial assets and financial liabilities are equal to their carrying amounts shown in the consolidated statement of financial position.

12. Financial instruments (Cont'd)

Trade and other receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date if the effect is material.

Trade and other payables
The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date if the effect is material.

Cash and cash equivalents
The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(b) Credit risk

Financial risk management
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables and cash and cash equivalents. The carrying amount of cash, cash equivalents and term deposits represents the maximum credit exposure on those assets. The cash and cash equivalents are held with UK bank and financial institution counterparties which are rated at least A.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the reporting date of the Group was £99,269 (2018: £276,926), being the total of the carrying amount of financial assets, shown in the consolidated statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Group:

Financial liabilities	Carrying amount £	Contractual cash flows £	6 months or less £	6-12 months £	1 -2 years £
31 December 2019					
Trade and other payables	51,547	51,547	51,547	-	-
31 December 2018					
Trade and other payables	159,666	159,666	159,666	-	-

Company:

Financial liabilities	Carrying amount £	Contractual cash flows £	6 months or less £	6-12 months £	1 -2 years £
31 December 2019					
Trade and other payables	8,742	8,742	8,742	-	-
31 December 2018					
Trade and other payables	5,244	5,244	5,244	-	-

12. Financial instruments (Cont'd)

(d) Currency risk

The Group does not have significant exposure to foreign currency risk at present. The Group does not have any monetary financial instruments which are held in a currency that differs from that entity's functional currency.

(e) Interest rate risk

Profile
At the reporting date the interest rate profile of interest-bearing financial instruments was:

	Carrying amount	
Group:	**2019 £**	**2018 £**
Variable rate instruments		
Cash and cash equivalents	965,752	793,141

	Carrying amount	
Company:	**2019 £**	**2018 £**
Variable rate instruments		
Cash and cash equivalents	760,085	646,398

Cash flow sensitivity analysis for variable rate instruments
The Group's interest-bearing assets at the reporting date were invested with financial institutions in the United Kingdom with a S&P rating of A2 and comprised solely bank accounts.

A change in interest rates would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular, foreign currency rates, remain constant. This analysis is performed on the same basis for 2018.

Group:	**2019**		**2018**	
	Profit or loss		**Profit or loss**	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	9,658	(9,658)	7,931	(7,931)

Company:	**2019**		**2018**	
	Profit or loss		**Profit or loss**	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	7,601	(7,601)	6,464	(6,464)

13. Related parties

Key management personnel

As at the year end, there are no key management personnel employed by the Group in addition to the Directors.

13. Related parties (Cont'd)

Directors' remuneration and interests

2019	Remuneration			Interests	
Director	Cash-based payments	Share-based payments	Totals	Shares	Options
	£	£	£	No.	No.
Nigel Theobald (Chief Executive Officer)	70,000	-	70,000	16,981,319	-
Paul Titley (resigned 20 May 2019)	15,282	-	15,282	142,857	717,143
David Templeton	38,310	-	38,310	-	717,143
Luke Cairns	24,000	-	24,000	142,857	1,392,445
Christopher Britten	14,923	-	14,923	-	717,143
John Chiplin	14,667	-	14,667	-	717,143
	177,182	-	177,182	17,267,033	4,261,017

The above remuneration relates to N4 Pharma Plc (and N4 Pharma UK Limited) directors.

An amount of £16,000 (2018: £36,000) is payable to Nigel Theobald by N4 Pharma UK Limited. This forms part of the Trade and Other payables.

No contributions are paid by the Group to a pension scheme on behalf of the Directors.

N4 Pharma PLC has a loan receivable from N4 Pharma UK Limited at 31 December 2019 of £2,659,000 (2018: £2,009,000). It is repayable in December 2025 and interest is receivable at 5%.

There are no further related parties identified.

14. Subsequent events

N4 Biotech Limited was dissolved on 14 January 2020.

The share options granted to Alan Hey totaling 717,143 options lapsed subsequent to year end 31 December 2019 due to his departure from the Company.