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 2020

N4 Pharma Plc

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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. Appointed as Executive Director 15 July 2020)
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 and Parent Company for N4 Pharma UK Limited ("N4 UK"), and together form the Group (the "Group").

In the comparative year results N4 Biotech also forms part of the Group. N4 Biotech was dissolved on 14 January 2020.

N4 UK is a specialist pharmaceutical company engaged in the development of mesoparticulate silica delivery systems to improve the cellular delivery and potency of vaccines.

The Board has not presented a Strategic Report for the year. All relevant information on the strategy and performance of the Group is included in the Chairman's report below and the Directors' Report on page 9.

Review of operations for the financial year ended 31 December 2020

During the year to 31 December 2020, as anticipated, no revenue was generated by the Group (31 December 2019: £nil).

The operating loss for the year was £1,564,421 (31 December 2019: £947,340 loss). Expenditure was broadly in line with budget and increased in line with study results determining the next expenditure requirements to progress work streams.

During the course of the year the Company raised in excess of £4.15m, through a placing of 50,731,250 new ordinary shares in May and a further 25,000,000 shares in December with the remainder being through the exercise of warrants and options. In total the Company issued 79,617,812 new ordinary shares of 0.4p in 2020.

Cash at the year-end stood at £3,555,579 (31 December 2019: £965,752). Our cash position is the strongest it has ever been and leaves us well positioned to complete our current work streams, plan for follow on work and fund our costs in any initial collaboration work.

Key Operational Events and Opportunities

The first part of 2020 saw the Group focus on the optimisation of Nuvec® starting with the improved manufacture and dispersion of the particle. In parallel, we entered into a research collaboration agreement with Nanomerics Limited ("Nanomerics") to focus on the stability of a number of different formulations of Nuvec® using both a well characterised plasmid DNA and a novel small interfering RNA (siRNA). Whilst these work streams remained ongoing, the advent of the Covid-19 pandemic presented significant local and global challenges but also created an opportunity as to how Nuvec® may be applied as a potential delivery technology to any of the multiple Covid-19 vaccines recently approved and in development across the world.

Whilst we did not initially envisage a material disruption to our studies, the scale of lockdown created minor but inevitable delays to our optimisation work. As working practices have evolved against the backdrop of the pandemic, these work streams are now very much on track and continue to expand our data set for Nuvec®. With such attention on Covid-19 and potential vaccines, we took the decision to undertake a proof of concept study prior to a full *in vivo* study to assess the efficacy of Nuvec® loaded with the Coronavirus plasmid DNA. This work was undertaken by an experienced contract research organisation, Evotec, and concluded having demonstrated the successful *in vitro* transfection of HEK cells resulting in the decision to move to a full *in vivo* study as set out further below.

As announced previously our current strategy has been divided across three work streams:

1. Completion of the optimisation work including the establishment of optimal dispersion, loading ratios and the tech transfer for consistent manufacture of naked nanosilica particles;

2. The scoping and implementation of our most comprehensive *in vivo* study to date; and

3. Feasibility studies on other applications for Nuvec® such as for oral vaccines and in oncology.

Updates on each stream are as follows:

Optimisation and tech transfer

Over the last 12 months, our program of optimisation work has been undertaken to further characterise Nuvec® nanoparticulate silica with the objective of developing a colloidally stable monodisperse formulation suitable for scaled manufacture. This work has been successful, and a process has been developed which results in a monodisperse nanoparticulate formulation which can be freeze dried and reconstituted without loss of colloidal stability. Importantly this formulation also retains in vitro transfection activity when stored dry for up to 14 days at 0-4C and room temperature, before reconstitution. Longer term stability assessment will be conducted in due course.

Other studies have also been conducted to optimise the PEI content, determine need for phosphonation and to assess the optimal pH and buffer capacity of the medium in which Nuvec® is dissolved.

In September we appointed Ardena as our contract development and manufacturing organisation ('CDMO') partner for the technology transfer and upscaling manufacturing of Nuvec®. Work has been on schedule and Ardena is currently working on the process optimisation and scale-up resulting in the manufacture and analysis of a non-GMP 50g batch of Nuvec® prior to moving towards the manufacture, testing and product certification of Nuvec® for GMP status.

In Vivo study plans and implementation

The *in vivo* study to compare the reactions of the original Nuvec® loaded with the Coronavirus plasmid and another generic plasmid in generating relevant antibodies, has recently commenced at the University of Queensland. The commencement of this work is a little later than originally envisaged, following delays in obtaining the relevant customs clearance to transport the Coronavirus plasmid expressing the spike protein into Australia.

Having optimised Nuvec® as described above, we are now planning the commencement of further *in vivo* studies to determine whether the improved properties noted *in vitro* can also be seen *in vivo*. These studies will be undertaken by Evotec with study initiation expect by early March.

The optimised Nuvec® *in vivo* studies in mice are planned to assess the following points:

(1) to determine antibody production following dosing with optimised Nuvec®;
(2) To explore dose relationship to determine minimum and maximum plasmid dose required for effect. This information may also provide information on dose-sparing i.e. reduced DNA use; and
(3) to confirm activity is retained after freeze drying and reconstitution at different intervals.

These studies will again involve the Coronavirus plasmid and another generic plasmid. Results from both studies should be known during the first half of 2021.

Oral and oncology applications

In November we announced the launch of our Nuvec® oncology treatment programme with Nanomerics Limited. The programme will explore the role of Nuvec® as a delivery system for DNA and SiRNA in a proof of concept preclinical tumour model. The two-stage programme will focus initially on the formulation of Nuvec® with a therapeutic DNA plasmid, whilst stage two will see the candidate formulation evaluated *in vivo* in a subcutaneous tumour model to examine tumour regression following multiple local or systemic injections.

Our work to understand the viability of Nuvec® in oral delivery remains ongoing and is currently focussed on extensive *in vitro* work. In particular we are assessing the ability to transfect epithelial cells in the gut as well as the impact of mucus and other variables. Whilst the commercial potential of successfully demonstrating Nuvec's® efficacy in oral delivery would be huge we are still at the early stages of establishing whether it is feasible. As this work continues in the background our primary focus remains Nuvec's® potential use to improve the cellular delivery and potency of vaccines.

The strengthening of our balance sheet through the funds raised in May of this year, means that we are well funded to complete all our currently planned work streams whilst the recent placing in December means we can plan for more supplementary studies whilst being able to budget for the next stage of work following the current *in vivo* studies and the oral and oncology work.

Intellectual Property

As announced on 11 February the University of Queensland ("UQ") has been notified by the European Patent Office ("EPO") of its intention to grant a European Patent in relation to Nuvec® specifically in respect of its composition, particulate materials and methods for making the particulate materials (the "Patent"). N4 Pharma has the exclusive worldwide rights to Nuvec® for therapeutic uses in humans and animals.

Having received the notification, the next steps prior to formal grant will require UQ to confirm the particulars and translations with the EPO prior to publication of the grant after which the Patent will be validated on a country by country basis throughout Europe as determined by UQ and the Company. This process, resulting in the full grant of the Patent in each chosen territory, should take six to eight months.

The Patent application process for other jurisdictions remains on course and the board is optimistic that now the Patent has successfully been processed by the EPO other jurisdictions should follow suit in due course. In line with this optimism I am delighted to announce that the Australian patent office has also notified UQ of its intention to grant an Australian Patent.

Board Changes

On 15 July 2020 Luke Cairns, previously a Non-Executive Director, became an Executive Director, overseeing the Group's finance, corporate and investor relations activities allowing Nigel Theobald, Chief Executive Officer, more time to focus on driving the Group's development programmes and potential commercial collaborations.

Future Prospects

What is increasingly clear with the ongoing Coronavirus pandemic is that even with the great success of the recently approved vaccines, as the virus evolves, so will the vaccines and there will be multiple iterations in the years to come. Cost effective storage, transportation and effective delivery are areas where any improvements could have a material impact on the successful role out of vaccines, particularly in emerging markets where wide scale accessibility to vaccines remains challenging. It is our hope that as we look to conclude our most comprehensive Nuvec® studies to date, we will be able to present Nuvec® as a viable delivery solution to vaccine developers.

It is important to stress that we see Nuvec® as a platform delivery technology and whilst it may suit some plasmids better than others it is our intention that it be used across multiple vaccines and not just those addressing Coronavirus. Through our oral studies we are also examining how Nuvec® could simplify the way vaccines are administered. Whilst the majority of our data has been gathered using plasmid DNA we are increasing our work with mRNA. Together with our oncology programme, 2021 could turn out to be a pivotal year for N4 Pharma, as our various applications for Nuvec® advance to the point where we can engage further with potential collaborators and partners. In parallel we are also exploring other assets that could be complimentary to Nuvec®.

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

23 February 2021

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.

Luke Cairns (Non-Executive Director to 14 July 2020, Executive Director from 15 July 2020)

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.

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 Biotherapy Services, 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.

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 Company for N4 Pharma UK Limited ("N4 UK"), and together form the Group (the "Group"). In the comparative year results N4 Biotech also forms part of the Group. N4 Biotech was dissolved on 14 January 2020.

Performance review

The Group made a total comprehensive loss of £1,277,734 during the year ended 31 December 2020 (2019: total comprehensive loss of £876,373).

Background and principal activities

The Company is the holding company for N4 UK and provides funding for the Group to enable business activity.

N4 UK 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.

Further information on the research and development work and future developments is detailed in the Chairman's report on page 4.

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 2020 (2019: nil).

The Directors who held office during the year and up to the time of signing these Consolidated Financial Statements are listed on page 3.

Directors' remuneration and interests

The below remuneration relates to the Directors of the Group. There is no other Key Management Personnel remuneration.

2020	Remuneration			Interests	
Director	Cash-based payments	Share-based payments	Totals	Shares	Options
	£	£	£	No.	No.
Nigel Theobald (Chief Executive Officer)	71,538	-	71,538	16,981,319	-
David Templeton	41,538	3,836	45,374	-	1,434,286
Luke Cairns	32,000	3,836	35,836	142,857	2,109,588
Christopher Britten	24,000	3,806	27,806	-	717,143
John Chiplin	24,000	3,806	27,806	-	717,143
	193,076	15,284	208,360	17,124,176	4,978,160

Directors' remuneration and interests (Continued)

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	1,330	15,282	142,857	717,143
David Templeton	38,310	1,330	38,310	-	717,143
Luke Cairns	24,000	1,330	24,000	142,857	1,392,445
Christopher Britten (appointed 20 May 2019)	14,923	2,329	14,923	-	717,143
John Chiplin (appointed 20 May 2019)	14,667	2,329	14,667	-	717,143
	177,182	8,648	177,182	17,267,033	4,261,017

Section 172 Disclosures

In discharging their duties the Directors of the Group give due regard to their duties to promote the success of the Group under Section 172(1) of the Companies Act 2006.

Given the size and nature of the Group all key decisions in the promotion of the success of the Group are taken at board level with delegation to the Executive Directors for the execution of such decisions.

All actions and decisions taken are in good faith with the long-term success of the Group in mind and in doing so the Directors have considered (amongst other matters):

- the likely consequences of any decision in the long term – all key decisions are taken at board level and are focussed on what is required to achieve commerciality for the Company's core asset, Nuvec®;
- the interests of the Group's employees – save for the Directors, the Company has no other full time employees. The interests of the Directors are very much aligned with the success of the Company;
- the need to foster the Groups business relationships with suppliers, customers and others – the Company is reliant on third party providers such as CROs to progress the business and maintains good work relationships with all its counterparties;
- the impact of the Groups operations on the community and the environment – all CROs are required to adhere to strict ethical standards particularly in the use of animals in studies;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly between stakeholders of the Company.

Where or to the extent that the purposes of the Group consist of or include purposes other than the benefit of its members, subsection (1) has effect as if the reference to promoting the success of the Group for the benefit of its members were to achieve those purposes.

The duty imposed by this section has effect subject to any enactment or rule of law requiring Directors, in certain circumstances, to consider or act in the interests of creditors of the Group.

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 the 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 2020 of £1,354,967 (2019: £806,004 outflow). At 31 December 2020, the Group had cash balances of £3,555,579 (2019: £965,752) and a surplus in net working capital (current assets, including cash, less current liabilities) of £3,657,334 (2019: £987,338).

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.

The Group has considered the current worldwide pandemic ("COVID-19") and the impact it will have on its operations. COVID-19 has not had any material negative impact on the operations of the Group during the year and it is anticipated that the Group will remain a going concern despite the unknown developments of COVID-19.

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 Consolidated Statement of Financial Position date.

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.

Auditors

The auditors, Saffery Champness LLP indicated their willingness to continue in office.

Directors' Report (Continued)

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 accounting standards (IAS) in conformity with the requirements of the Companies Act 2006. 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 results 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.

On behalf of the Board

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Nigel Theobald
Director

23 February 2021

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 Luke Cairns was appointed as an Executive Director (previously Non-Executive Director).

The Board now consists of five Directors, two 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 9. 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 8.

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 2020, the Board met formally ten 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 and Luke Cairns are part time Executive Directors. 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 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.

Corporate Governance Statement (continued)

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 the financial statements.

Committees

The Audit Committee consists of Non-Executive Directors, John Chiplin and Christopher Britten, and is chaired by Christopher Britten. 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 and Christopher Britten, and is chaired by Christopher 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

23 February 2021

Opinion
We have audited the financial statements of N4 Pharma plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flow, the Company Statement of Cash Flow and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards (IAS) in conformity with the requirements of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Group and of the Parent Company as at 31 December 2020 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006; 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 and the Parent Company 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
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Parent Company's ability to continue to adopt the going concern basis of accounting included

- obtaining and critically appraising the Directors' formal going concern assessment and managements' longer term strategic plans to develop and market a product which will generate revenue and profitability;
- reviewing 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;
- agreeing the receipts of the fund-raising in September 2020 and December 2020 to bank statements;
- performing a sensitivity analysis on the key assumptions underlying the Directors' going concern assessment including the level of development activity and the ability to reduce the cost base if required to conserve cash; and
- discussing post balance sheet events with the Directors to assess their impact on the going concern assumption including reviewing the post year end cash balances compared to forecast positions.

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

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

Our approach to the audit

We tailored the scope of our audit to ensure that we obtained sufficient evidence to support our 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.

The Group consists of the Parent Company and one subsidiary, both of which are based in the UK. Full scope audit procedures were performed for these entities. No work was undertaken by component auditors.

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.

Key audit matter	How our scope addressed this matter
Going concern The financial statements have been prepared on the going concern basis. The Group is loss making and is currently in the development phase and yet to generate revenue, other than research and development (R&D) tax credits. The availability of finance will affect the continued development of the Nuvec® delivery system. Further, the longer-term prospects of the business will depend upon the success of the Nuvec® delivery system which is currently the only product under development. Due to the significance of the going concern assumption this has been identified as a key audit matter.	Our audit procedures are set out in the 'Conclusions relating to going concern' above. We have further discussed the progress of the development of the Nuvec® delivery system with management including outcomes of pre-clinical studies and reviewed board minutes and publicly available information regarding its development. We concluded that the project remains viable at the balance sheet date and supports the use of the going concern basis of preparation. Based on our procedures we agree with the Director's use of the going concern basis of accounting and 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 research and development. When certain conditions are met there is a requirement for development costs to be capitalised in accordance with IAS. There is a risk that the accounting treatment adopted could be incorrect based upon the phase of the project. Due to the significance of the development expenditure to the financial statements this has been determined to be a key audit matter.	Our audit procedures included the following: • We discussed the treatment of research and development expenditure and future probable income streams with the Directors and compared this against the criteria for capitalisation under IAS 38; • We substantively tested a sample of research and development expenses and corroborated the accounting treatment; and • We reviewed the claim for research and development tax credits. Based on our procedures performed we consider that the expenditure on research and development has been appropriately treated.

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 determined an overall Group materiality of £60,000 (2019: £50,000) which has also been applied to the Parent Company. This is based on 3% of gross assets for the year ended 31 December 2020. This is an important measure of performance for the Group and consistent with current expectations of the users of the financial statements.

Performance materiality was set at £48,000 (2019: £40,000) for both Group and Parent Company, representing 80% of overall materiality. We agreed with the audit committee to report all individual audit differences in excess of £3,000 (2019: £2,500), being 5% of Group materiality as well as any other identified misstatements that warranted reporting on qualitative grounds.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement set out on page 12, 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 Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Identifying and assessing risks related to irregularities:
We assessed the susceptibility of the Group and Parent Company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the Group and Parent Company by discussions with directors and updating our understanding of the sector in which the Group and Parent Company operate.

Laws and regulations of direct significance in the context of the Group and Parent Company include The Companies Act 2006, the AIM Rules for Companies and UK Tax legislation including as it relates to research and development.

In addition, the Group and the Parent Company are subject to other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to their ability to operate or to avoid a material penalty. These include anti-bribery legislation, employment law and intellectual property rights.

Audit response to risks identified:
We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of Group and Parent Company financial statement disclosures. We reviewed the Parent Company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the Parent Company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent 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
Bourges Boulevard
Peterborough
PE1 1NG

23 February 2021

N4 Pharma Plc
Consolidated Statement of Comprehensive Income for the year ended 31 December 2020

	Notes	2020	2019
		£	£
Research and development costs		(900,410)	(216,948)
General and administration costs		(664,011)	(730,392)
Operating loss for the year		(1,564,421)	(947,340)
Finance expenditure		(1,963)	(1,385)
Loss for the year before tax	4	(1,566,384)	(948,725)
Taxation	5	261,541	72,352
Loss for the year after tax		(1,304,843)	(876,373)
Other comprehensive income net of tax		-	-
Total comprehensive loss for the year attributable to equity owners of N4 Pharma Plc		**(1,304,843)**	**(876,373)**
Loss per share attributable to owners of the parent			
Weighted average number of shares:			
Basic		136,303,141	100,168,016
Diluted		139,432,226	100,168,016
Basic loss per share		**(0.96)**	**(0.87p)**
Diluted loss per share		**(0.94)**	**(0.87p)**

All activities derive from continuing operations.

The notes on pages 28 to 46 are an integral part of the Consolidated Financial Statements

N4 Pharma Plc
Consolidated Statement of Financial Position as at 31 December 2020

	Notes	2020 £	2019 £
Current assets			
Trade and other receivables	7	270,837	99,269
Cash and cash equivalents		3,555,579	965,752
		3,826,416	1,065,021
Total assets		3,826,416	1,065,021
Liabilities			
Current liabilities			
Trade and other payables	8	(142,484)	(51,547)
Accruals and deferred income		(26,598)	(26,136)
		(169,082)	(77,683)
Total assets less current liabilities		3,657,334	987,338
Net assets		**3,657,334**	**987,338**
Equity			
Share capital	10	8,995,146	8,676,675
Share premium	10	13,945,602	10,327,258
Share option reserve	10	63,290	25,266
Reverse acquisition reserve		(14,138,244)	(14,138,244)
Merger reserve		279,347	279,347
Retained earnings		(5,487,807)	(4,182,964)
Total equity		**3,657,334**	**987,338**

The notes on pages 28 to 46 are an integral part of the Consolidated Financial Statements.

The Consolidated Financial Statements were approved by the board of Directors on 23 February 2021 and signed on its behalf:

Nigel Theobald

N4 Pharma Plc
Company Statement of Financial Position as at 31 December 2020

	Notes	2020 £	2019 £
Assets			
Non-current assets			
Investments	6	1,094,747	1,094,847
Intercompany loan receivable	13	3,659,000	2,659,000
		4,753,747	3,753,847
Current assets			
Trade and other receivables	7	417,313	247,045
Cash and cash equivalents		3,411,817	760,085
		3,829,130	1,007,130
Total assets		8,582,877	4,760,977
Liabilities			
Current liabilities			
Trade and other payables	8	(23,348)	(8,742)
Accruals and deferred income		(19,790)	(23,196)
		(43,138)	(31,938)
Total assets less current liabilities		8,539,739	4,729,039
Net assets		**8,539,739**	**4,729,039**
Equity			
Share capital	10	8,995,146	8,676,675
Share premium	10	13,945,602	10,327,258
Share option reserve	10	63,290	25,266
Merger reserve		279,347	279,347
Retained earnings		(14,743,646)	(14,579,507)
Total equity		**8,539,739**	**4,729,039**

The Company recorded a loss of £164,139 for the year (31 December 2019: £103,718 loss).

The notes on pages 28 to 46 are an integral part of the Consolidated Financial Statements.

The Consolidated Financial Statements were approved by the board of directors on 23 January 2021 and signed on its behalf:

Nigel Theobald

N4 Pharma Plc
Consolidated Statement of Changes in Equity for the year ended 31 December 2020

(i) Year ended 31 December 2020	Share capital	Share premium	Share option reserve	Reverse acquisition reserve	Merger reserve	Retained earnings	Total equity
	£	£	£	£	£	£	£
Balance at 1 January 2020	**8,676,675**	**10,327,258**	**25,266**	**(14,138,244)**	**279,347**	**(4,182,964)**	**987,338**
Total comprehensive loss for the year	-	-	-	-	-	(1,304,843)	(1,304,843)
Share issue	318,471	3,618,344	-	-	-	-	3,936,815
Share option reserve	-	-	38,024	-	-	-	38,024
At 31 December 2020	**8,995,146**	**13,945,602**	**63,290**	**(14,138,244)**	**279,347**	**(5,487,807)**	**3,657,334**

(ii) 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**

The notes on pages 28 to 46 are an integral part of the Consolidated Financial Statements.

N4 Pharma Plc
Company Statement of Changes in Equity for the year ended 31 December 2020

(i) Year ended 31 December 2020	Share capital	Share premium	Share option reserve	Merger reserve	Retained earnings	Total equity
	£	£	£	£	£	£
Balance at 1 January 2020	**8,676,675**	**10,327,258**	**25,266**	**279,347**	**(14,579,507)**	**4,729,039**
Total comprehensive loss for the year	-	-	-	-	(164,139)	(164,139)
Share issue	318,471	3,618,344	-	-	-	3,936,815
Share option reserve	-	-	38,024	-	-	38,024
At 31 December 2020	**8,995,146**	**13,945,602**	**63,290**	**279,347**	**(14,716,537)**	**8,539,739**

(ii) 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**

The notes on pages 28 to 46 are an integral part of the Consolidated Financial Statements.

N4 Pharma Plc
Consolidated Statement of Cash Flow for the year ended 31 December 2020

	2020 £	2019 £
Operating activities		
Loss before tax	(1,566,384)	(948,725)
Finance expenditure	1,963	1,385
Share based payments to employees	3,977	5,713
Operating loss before changes in working capital	**(1,560,444)**	**(941,627)**
Movements in working capital:		
(Increase)/Decrease in trade and other receivables	(30,534)	29,441
Decrease in trade, other payables and accruals	91,399	(112,440)
Taxation	120,507	220,568
Cash used in operations	(1,379,072)	(804,058)
Net cash flows used in operating activities	**(1,379,072)**	**(804,058)**
Financing activities		
Finance expenditure	(1,963)	(1,385)
Net proceeds of ordinary share issue	3,970,862	978,054
Net cash flows from financing activities	**3,968,899**	**976,669**
Net increase in cash and cash equivalents	**2,589,827**	**172,611**
Cash and cash equivalents at beginning of the year	965,752	793,141
Cash and cash equivalents at 31 December	**3,555,579**	**965,752**

The notes on pages 28 to 46 are an integral part of the Consolidated Financial Statements

N4 Pharma Plc
Company Statement of Cash Flow for the year ended 31 December 2020

	2020 £	2019 £
Operating activities		
Loss before tax	(164,139)	(103,718)
Interest	(153,045)	(124,103)
Share based payments to employees	3,977	5,713
Impairment of investment	100	-
Operating loss before changes in working capital	**(313,107)**	**(222,108)**
Movements in working capital:		
Increase in trade and other receivables	(170,268)	(124,149)
Increase in trade and other payables	11,200	7,787
Cash used in operations	(472,175)	(338,470)
Net cash flows used in operating activities	**(472,175)**	**(338,470)**
Investing activities		
Loan receivable advancements	(1,000,000)	(650,000)
Net cash flows used investing activities	**(1,000,000)**	**(650,000)**
Financing activities		
Interest received	153,045	124,103
Net proceeds of ordinary share issue	3,970,862	978,054
Net cash flows from financing activities	**4,123,907**	**1,102,157**
Net increase in cash and cash equivalents	**2,651,732**	**113,687**
Cash and cash equivalents at beginning of the year	760,085	646,398
Cash and cash equivalents at 31 December	**3,411,817**	**760,085**

The notes on pages 28 to 46 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 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 Accounts have been prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006 and applied to the Parent Company Accounts in accordance with the provisions of the Companies Act 2006.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Consolidated Financial Statements.

The Company has taken advantage of the exemption granted by Section 408 of the Companies Act 2006 from presenting its own Income Statement. The loss generated by the Company is disclosed under the Company Statement of Financial Position.

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).

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 the 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 2020 of £1,379,072 (2019: £804,058 outflow). At 31 December 2020, the Group had cash balances of £3,555,579 (2019: £965,752) and a surplus in net working capital (current assets, including cash, less current liabilities) of £3,657,334 (2019: £987,338).

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.

1. Accounting policies (Continued)

1.3 Going concern (Continued)

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.

The Group has considered COVID-19 and the impact it will have on its operations. COVID-19 has not had any material negative impact on the operations of the Group during the year and it is anticipated that the Group will remain a going concern despite the unknown developments of COVID-19.

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 Consolidated Statement of Financial Position date.

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 Consolidated Statement of Comprehensive Income in the period in which they become receivable.

1.7 Expenses

Financing income and expenses
Financing expenses comprise interest expense and finance charges. Financing income comprises interest receivable on funds invested.

Interest income and interest payable is recognised in the Consolidated Statement of Comprehensive Income as it accrues, using the effective interest method.

1. Accounting policies (Continued)

1.7 Expenses (Continued)

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 of 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 generated 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 (Continued)

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 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 Presentation and 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 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 investments held in subsidiaries accounted for at cost under IAS 27.

1. Accounting policies (Continued)

1.12 Non-derivative financial instruments *(Continued)*

Trade and other receivables
Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost less impairment.

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 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 the Statement of Comprehensive Income.

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.

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. Accounting policies (Continued)

1.14 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.

1.15 Adoption of new and revised International Financial Reporting Standards

The following IFRS standards, amendments or interpretations became effective during the year ended 31 December 2020 but have not had a material effect on this Consolidated Financial Information:

Standard
Amendments to References to the Conceptual Framework in IFRS Standards
Amendments to IFRS 3 Business Combinations (Definition of a Business)
Amendments to IAS 1 and IAS 8: Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
Amendments to IFRS 16: Leases (Covid-19-Related Rent Concessions)

All new standards and amendments to standards and interpretations effective for annual periods beginning on or after 1 January 2020 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.

1. Accounting policies (Continued)

1.15 Adoption of new and revised International Financial Reporting Standards (Continued)

Standard		Effective date
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property Plant and Equipment (Proceeds before intended use)	1 January 2022
Amendments to IAS 37	Onerous Contracts (Cost of fulfilling a contract)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020		1 January 2022
IFRS 17 – Insurance Contracts		1 January 2023

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 2021.

1.16 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 whether the expenditure meets the criteria for capitalisation. 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.

Impairment of investments and intercompany debtors
N4 UK has sustained losses and the Statement of Financial position 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
- Regulatory and legislative risk

2. Risk management (Continued)

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.

There is an intercompany debtor balance between the Company and N4 UK. The recoverability of this debtor is dependent on the future profitability of the entity. As N4 UK has sustained losses and the Statement of Financial position is in deficit it is currently not in a position to repay this amount and this therefore poses a credit risk.

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. The Group monitors cash flow on a monthly basis through forecasting to help mitigate this risk.

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.

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.

Market risk is monitored continuously by the Group and the Board reacts to any changes in market conditions as and when they arise.

2. Risk management (Continued)

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. 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.

Operational risk is managed by adapting the future plans of the Group based on results and feedback from employees, suppliers and contractors.

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.

Any changes to regulations or legislation are reviewed by the Board on a regular basis and the Group applies any that are relevant accordingly.

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 (2019: 5). The Directors of the Group are employed by both the Company and 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 2020 £	Year to 31 December 2019 £
Wages and Salaries	204,768	276,752
Social security costs	20,370	34,956
Pension costs	219	1,209
	225,357	312,917

4. Loss before tax

	Year to 31 December 2020	Year to 31 December 2019
	£	£
Loss before taxation is arrived after charging:		
Fees payable to the Group's auditors for the audit of the Group's financial statements	21,600	21,200
Other fees payable to auditors:		
- Other assurance services	4,500	700

5. Taxation

	2020 £	2019 £
Current tax		
Research and development tax credit receivable for the current period	(214,884)	(72,352)
Adjustments in respect of prior periods	(46,657)	-
	(261,541)	(72,352)
Deferred tax		
Origination and reversal of temporary differences	-	-
Tax in income statement	(261,541)	(72,352)

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

	2020	2019
	£	£
Loss before taxation	(1,566,384)	(948,725)
Tax at the UK corporation tax rate of 19% (2019: 19%)	(297,613)	(180,258)
Expenses not deductible	-	-
Net Research and development tax credits	(214,884)	(72,352)
Changes in unrecognized deferred tax	297,613	180,258
Prior year adjustment	(46,657)	-
Tax charge for the year	(261,541)	(72,352)

At the year end the Group had trading losses carried forward of £8,084,975 (2019: £6,868,627) for use against future profits.

6. Investments

Investment in subsidiary

Company

	2020	2019
Cost	**£**	**£**
Balance at 1 January	1,094,847	1,094,847
Impairment on dissolution	(100)	-
Balance at 31 December	1,094,747	1,094,847

Details of the Company's subsidiaries at 31 December 2020 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%

The Company's subsidiary N4 biotech Limited which was 100% owned was dissolved on 14 January 2020.

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

7. Trade and other receivables

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Prepayments	16,009	11,758	15,320	10,478
VAT due	39,944	13,660	14,677	3,575
Corporation tax due	214,884	73,851	-	-
Loan interest receivable	-	-	382,916	229,492
Other debtors	-	-	4,400	3,500
	270,837	99,269	417,313	247,045

8. Trade and other payables

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade creditors	116,871	27,157	-	7,512
Employee creditors	3,439	8,152	1,219	1,230
Loan due to directors	-	16,000	-	-
Other creditors	22,174	238	22,129	-
	142,484	51,547	23,348	8,742

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 charged to the Comprehensive Income Statement on a straight-line basis over the vesting period based on the Group's estimate of the number of shares that will vest.

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 for the current year were as follows:

	2020 Options
Share price	4.800p
Exercise price	4.800p
Expected volatility	29.9%
Expected option life	6.5 years
Risk free rate	5.00%

As at 31 December 2020, there were 7,046,513 (2019: 7,679,370) options in existence over ordinary shares of the Company allocated as follows:

Name	**Date of Grant**	**Ordinary shares under option**	**Lapse Date**	**Exercise Price £**
2015 Options				
Gavin Burnell	14.10.15	1,351,210	14.10.25	0.0280
Luke Cairns	14.10.15	675,302	14.10.25	0.0280
2017 Options				
Luke Cairns	03.05.17	717,143	03.05.20	0.0700
David Templeton	03.05.17	717,143	03.05.20	0.0700
Paul Titley	03.05.17	717,143	03.05.20	0.0700
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
2020 Options				
David Templeton	18.05.20	717,143	18.05.30	0.0480
Luke Cairns	18.05.20	717,143	18.05.30	0.0480
Total options		7,046,513		

9. Share-based payments (Continued)

a) Options (Continued)

Share options outstanding:

	Number of shares
At 1 January 2019	7,249,084
Lapse of options	(1,004,000)
Options granted	1,434,286
At 31 December 2019	7,679,370
Exercise of options	(1,350,000)
Lapse of options	(717,143)
Options granted	1,434,286
At 31 December 2020	7,046,513

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.

An amount of £3,977 has been recognised in the Statement of Comprehensive Income in relation to the share options (2019: £5,713).

On 18 May 2020 717,143 options over ordinary shares were granted to both David Templeton and Luke Cairns under the Company's share option scheme and are exercisable at a price of 4.8p per share.

On 8 September 2020 the Company received a notification to exercise 1,350,000 options from Gavin Burnell a former director representing 1,350,000 ordinary shares of 0.4 pence each, for a total consideration of £37,800. At the date of exercise, the options had a fair value of £12,319. The 1,350,000 ordinary shares issued following the exercise of options were admitted to trading on AIM on 14 September 2020. Gavin Burnell now has 1,351,210 options remaining in issue.

Options exercised in the year ended 31 December 2020 had a weighted average fair value per share of £0.0571 (2019: £0.0522).

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

	2020	2019
	£	£
2015 Options	18,493	17,831
2017 Options	26,884	3,037
2018 Options	-	2,999
2019 Options	12,270	1,399
2020 Options	5,643	-
	63,290	25,266

b) Warrants

A total of 2,536,562 placing warrants were issued as part of the Placing on 20 May 2020 which raised £2,029,250 before fees and expenses.

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 20 May 2022.

9. Share-based payments (Continued)

b) Warrants (continued)

2020

Date of Grant	Warrant balance at 1 January 2020	Expiry Date	Exercise Price £	Exercised Warrants	Number of Shares issued (1:1)	Remaining Warrants at 31 December 2020
20.05.2020	-	20.05.2022	0.04	2,536,562	2,536,562	-

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	-	-	-

During the year ended 31 December 2020 the full amount of the warrants issued on 20 May 2020 were exercised on 14 August and 26 August respectively. The total consideration for the warrants was £101,462 and resulted in the issue of 2,536,562 ordinary shares. At the date of exercise, the warrants had a fair value of £28,758.

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 2020 is £Nil (2019: £Nil).

10. Capital and reserves

	2020	2019
	£	£
181,080,349 Ordinary Shares of 0.4p each *(2019: 101,462,537 Ordinary Shares of 0.4p each)*	724,321	405,850
137,674,431 Deferred Shares of 4p each *(2019: 137,674,431 Deferred Shares of 4p each)*	5,506,977	5,506,977
279,176,540 Deferred Shares of 0.99p each *(2019: 279,176,540 Deferred Shares of 0.99p each)*	2,763,848	2,763,848
	8,995,146	8,676,675

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 79,617,812 (2019:10,500,000) new ordinary shares of 0.4p each were issued through two placings and the exercise of warrants and options.

The first placing for 50,731,250 ordinary shares on 21 May 2020 for a total consideration of £2,029,250 and the second placing for 25,000,000 ordinary shares on 9 December 2020 for a total consideration of £2,000,000 had total placing costs of £221,755.

The 137,674,431 deferred shares of 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 their return on capital.

10. Capital and reserves (continued)

The 279,176,540 deferred shares of 0.99p shall be entitled to receive a special dividend, which is payable upon the repayment to the Company of any amount owed under certain loan agreements, 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, they 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.

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 2020 was based on the loss of £1,304,843 (2019: £876,373), and a weighted average number of ordinary shares outstanding of 136,303,141 (2019: 100,168,016), calculated as follows:

	2020	2019
	£	£
Losses attributable to ordinary shareholders	**1,304,843**	**876,373**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	100,168,016	89,440,373
Effect of shares issued during the year	36,135,125	10,727,643
Weighted average number of shares at 31 December	136,303,141	100,168,016

	2020 pence per share	*2019 pence per share*
Basic loss per share	(0.96)	(0.87)

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. In 2019 options existing at 31 December 2019 had an exercise price greater than the market price of the shares and as a result were excluded from the diluted loss per share calculation.The calculation of diluted loss per share at 31 December 2020 was based on the loss of £1,304,843 (31 December 2019: £876,373), and a weighted average number of ordinary shares outstanding of 139,432,226 (2019: 100,168,016).

11. Earnings per share (Continued)

Diluted loss per share (Continued)

	2020 pence per share	*2019 pence per share*
Diluted loss per share	(0.94)	(0.87)

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.

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 £3,810,407 (2019: £1,053,263), 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 2020					
Trade and other payables	142,484	142,484	142,484	-	-
31 December 2019					
Trade and other payables	51,547	51,547	51,547	-	-

12. Financial instruments (Continued)

(c) Liquidity risk (Continued)

Company:

Financial liabilities	Carrying amount £	Contractual cash flows £	6 months or less £	6-12 months £	1 -2 years £
31 December 2020					
Trade and other payables	23,348	23,348	23,348	-	-
31 December 2019					
Trade and other payables	8,742	8,742	8,742	-	-

(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:	**2020 £**	**2019 £**
Variable rate instruments		
Cash and cash equivalents	3,555,579	965,752

	Carrying amount	
Company:	**2020 £**	**2019 £**
Variable rate instruments		
Cash and cash equivalents	3,411,817	760,085

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 of 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 remain constant. This analysis is performed on the same basis for 2019.

Group:	**2020**		**2019**	
	Profit or loss		**Profit or loss**	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	35,555	(35,555)	9,658	(9,658)

12. Financial instruments (Continued)

(e) Interest rate risk (Continued)

Company:	2020		2019	
	Profit or loss		Profit or loss	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	34,118	(34,118)	7,601	(7,601)

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.

Directors' remuneration and interests

The below remuneration relates to the Directors of the Group. There is no other Key Management Personnel remuneration.

2020	Remuneration			Interests	
Director	Cash-based payments	Share-based payments	Totals	Shares	Options
	£	£	£	No.	No.
Nigel Theobald (Chief Executive Officer)	71,538	-	71,538	16,981,319	-
David Templeton	41,538	3,836	45,374	-	1,434,286
Luke Cairns	32,000	3,836	35,836	142,857	2,109,588
Christopher Britten	24,000	3,806	27,806	-	717,143
John Chiplin	24,000	3,806	27,806	-	717,143
	193,076	15,284	208,360	17,124,176	4,978,160

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	1,330	16,612	142,857	717,143
David Templeton	38,310	1,330	39,640	-	717,143
Luke Cairns	24,000	1,330	25,330	142,857	1,392,445
Christopher Britten (appointed 20 May 2019)	14,923	2,329	17,252	-	717,143
John Chiplin (appointed 20 May 2019)	14,667	2,329	16,996	-	717,143
	177,182	8,648	185,830	17,267,033	4,261,017

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

13. Related parties (Continued)

N4 Pharma PLC has a loan receivable from N4 Pharma UK Limited at 31 December 2020 of £3,659,000 (2019: £2,659,000). It is repayable in December 2025 and interest is receivable at 5%.

Amounts owed to the Directors of the Group was nil at the year-end (2019: £16,000).

There are no further related parties identified.

14. Subsequent events

There have been no material events subsequent to the Consolidated Statement of Financial Position date that require adjustment or disclosure in these Consolidated Financial Statements.