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 2021

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)
Luke Cairns (Executive Director)
Dr John Chiplin (Non-Executive Chairman)
Dr Christopher Britten (Non-Executive Director)

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United Kingdom

Company Secretary
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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").

N4 UK is a specialist pharmaceutical company engaged in the development of silica nanoparticle delivery systems to improve the cellular delivery of cancer treatments and 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 2021

During the year to 31 December 2021, as anticipated, no revenue was generated by the Group (31 December 2020: £nil).

The operating loss for the year was £1,843,290 (31 December 2020: £1,564,421 loss). Expenditure was broadly in line with budget and increased in line with study results determining the next expenditure requirements to progress work streams.

Cash at the year-end stood at £1,784,024 (31 December 2020: £3,555,579). Despite raising no further funds in the period our cash position remains good and leaves us well positioned to complete our current work streams and the year ahead.

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 Group's core project, 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 Group and Company;
- the need to foster the Group's business relationships with suppliers, customers and others – the Group is reliant on third party providers such as clinical research organisations ("CROs") to progress the business and maintains good work relationships with all its counterparties;
- the impact of the Group's 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 Group.

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.

Key Operational Events and Opportunities

Following the optimisation of Nuvec® with the improved manufacture and dispersion of the particle in 2020, 2021 focussed on *in vivo* studies with Nuvec® for both vaccines and in oncology as well as the pursuit of material transfer agreements ('MTAs') with partners to begin exploring potential collaborations.

In Vivo study results

The optimised Nuvec® *in vivo* studies in mice were 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 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 involved the Coronavirus plasmid and another generic plasmid. In vitro performance with the optimised Nuvec® loaded with a new SARS-COV-2 plasmid demonstrated an improved response in terms of transfection and SARS-COV-2 spike protein secretion in HEK 293 cells. In addition this combination also showed a dose-related SARS-COV-2 spike protein production.

Whilst the in vitro results were very positive using the SARS-COV-2 plasmid the results from the mouse in vivo immunogenicity studies carried out by Evotec did not show any meaningful immunological response. In addition, the initial mRNA OVA in vivo immunogenicity study showed sub optimal responses. These results again highlighted that a number of variables such as dose, route of administration, timing of injection and formulation could require extensive optimisation for each plasmid loaded onto Nuvec®. With the Company now getting traction with MTAs (as detailed further below) the strategic decision was taken to concentrate ongoing vaccine work on specific products linked to proprietary DNA or mRNA sequences under MTA.

Aside from the *in vivo* work, The Medicines Catapult has recently assessed, *in vitro*, Nuvec® loaded with DNA that had been stored at room temperature for six months. Cell transfections was successful demonstrating the stability of the Nuvec® loaded with DNA and the potential storage advantages of Nuvec®. Thus, it has been shown that both mRNA and DNA loaded on Nuvec® are conferred a high level of stability which may be an important feature in the MTA related studies.

Oncology programme

In December, the Company announced it had successfully completed an *in vivo* confirmatory oncology study which reinforced the results from a pilot study earlier in the year. The initial pilot study was designed to test the ability to use a monodispersed Nuvec® formulation in an *intra venous* ("i.v") route of administration using a DNA plasmid (pDNA) encoding TNF alpha to assess the tolerance of different doses and to look at tumour regression.

The confirmatory study incorporated the following control and test groups: TNF alpha pDNA alone, unloaded Nuvec®, Nuvec® loaded with 50ug of the TNF alpha pDNA and Nuvec® loaded with 20ug of TNF alpha pDNA. The study was conducted in untreated tumour-bearing mouse models with dosing for each cohort completed intravenously.

The results showed a clear inhibition of tumour progression for the groups where Nuvec® was loaded with TNF alpha pDNA when compared to the other three groups. In addition, the use of Nuvec® was shown to improve animal survival rates in the life of the study.

These excellent findings show that injection of a TNF alpha plasmid loaded onto Nuvec® into tumour bearing mice successfully leads to the transfection and release of TNF alpha which results in the suppression of tumour growth and increased survival rates.

Oncology programme (continued)

The results from the successful oncology study open up the field of gene therapy and *in vivo* protein production as a key opportunity for Nuvec®. This will become an important area of focus moving forward as discussed further in Future Prospects below. This advancement is the result of the ongoing optimisation work to produce a consistently monodispersed product, presenting potentially huge market opportunities for Nuvec®.

MTAs

During 2020 the Company entered into three MTAs covering vaccine delivery and gene therapy. The MTAs are subject to strict confidentiality which means the Company is limited in any meaningful information it can divulge. Since the year end, work on one of these MTAs has recently ceased as the partner has decided to stop investigating alternative delivery systems to the one it is already using in respect of the delivery of its proprietary Covid pDNA plasmid. In addition, the Company has been informed by the Gene Therapy MTA partner that, following the departure of the individuals engaged on working on the MTA, they do not intend to undertake any further work under the MTA. Work on the third MTA continues.

The MTAs have shown us that the level of engagement is entirely dependent on the personnel and resource deployed by partners which, sometimes in very large organisations, can vary greatly and sees the Company at the mercy of the partner as to timings and advancement of such studies. However, the pursuit of MTAs remains a key strategy as a means to see how Nuvec® may work with proprietary technologies.

As soon as the Company is in a position to publicly disclose material progression or otherwise in respect of MTAs it will do so. In the meantime, it will only announce further MTAs when able to without restrictions of confidentiality or in respect of a defined commercial agreement.

Intellectual Property

2021 was a very productive year in the advancement of the protection of our intellectual property. The University of Queensland ("UQ") has seen the granting of (or notice of intention to grant) patents now in Europe, Australia, Japan, China and in January of this year the critical market of the US. N4 Pharma has the exclusive worldwide rights to Nuvec® for therapeutic uses in humans and animals.

Future Prospects

Following our most extensive *in* vivo work to date and the commencement of MTAs in 2021 we have a clear focus in 2022 as to where best to deploy our resources in the short term. As a result of the very positive findings from the evaluation studies looking at the potential of Nuvec® as a nano-carrier of a DNA plasmid expressing TNFalpha, which demonstrated a significant inhibition of tumour growth derived from a human cell line, the Company has commenced work with Medicines Discovery Catapult to extend the observations to allow us to identify suitable loads to add to Nuvec® to take to clinic.

To date, the Company has established that Nuvec® can deliver an appropriate biological load and this new study will help determine the mechanism of action that produced the tumour suppression. Amongst other things, it will seek to identify whether the Nuvec® loaded with TNF alpha was directly taken up by the tumour cells to produce the active TNF within the tumour or whether other organs such as the liver took up the Nuvec® and produced the TNF and released it systemically to suppress the tumour. If it can be demonstrated that Nuvec® can selectively deliver the plasmid to the tumour this may indicate the potential use of Nuvec® to deliver to tumours with a reduced systemic effect and inform the scope of any clinical studies or collaboration discussions. In addition, studies will use labelled Nuvec® particles to allow the organ and tissue distribution of Nuvec® to be followed.

Future Prospects (Continued)

The Company is also in the process of identifying alternatives to TNF as immunomodulators or gene therapy which may use Nuvec® as a delivery system. The selection process is expected to conclude shortly and the Company intends to conduct a study programme similar to the work being undertaken using TNF.

The oncology, gene therapy and protein replacement markets are huge and we believe will provide us with the quickest route for Nuvec® to move into clinical trials with a product and far quicker than with vaccines. That said, the potential for Nuvec's® use in the delivery of vaccines remains but we feel any advance in this area will be best done via MTAs. In addition, through our grant with UQ, we continue our longer term proof of concept work in respect of oral applications for Nuvec®.

2021 has been a mixed year for the Company. We felt from the outset it could be a pivotal year for the Company and believe it has proved to be so. On the back of increased data and results we are now in a position to narrow our focus onto the hugely exciting oncology and gene therapy market. In parallel, we are working with a number of MTA partners assessing how Nuvec® may enhance their proprietary technologies. Whilst we are not there yet and it will be results driven, our path to the commercialisation of Nuvec® is clearer now than perhaps at any time previously.

The opportunity for Nuvec® as a delivery system for immune-oncology is substantial. Market Watch 2022* highlights that the global Immuno-oncology therapy market size is expected to grow from $US 1.23 billion in 2020 to $US 1.65 billion by 2027; an expected CAGR of 4.5% during 2022-2027.

* *Immuno-oncology Therapy Market 2022 Research Report Analysis by Competition, Countries Data, Sales, Revenue, Industry Size, Share and Forecasted 2027*

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

22nd February 2022

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 (Executive Director)

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

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 Senior Vice President of M&A at Advanz Pharma, a private equity-backed specialty pharmaceutical company. He has over 25 years' experience in R&D, corporate development and investment banking. Previous roles include Global Head of M&A at both Neuraxpharm and Sandoz, Managing Director at Torreya Partners, Head of Business Development at Sanofi Pasteur MSD and Director, Life Sciences at Deloitte Corporate Finance. 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").

Performance review

The Group made a total comprehensive loss of £1,544,346 during the year ended 31 December 2021 (2020: total comprehensive loss of £1,304,843).

Background and principal activities

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 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.

Detail of the Group's exposure to risk management and control is detailed in the Corporate Governance statement on page 12.

Dividends

The Board has not declared a dividend for the year ended 31 December 2021 (2020: nil).

Directors

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.

2021	Remuneration			Interests	
Director	Cash-based payments	Share-based payments	Totals	Shares	Options
	£	£	£	No.	No.
Nigel Theobald (Chief Executive Officer)	75,000	-	75,000	16,981,319	-
David Templeton	45,000	4,538	49,538	-	1,434,286
Luke Cairns	40,000	4,537	44,537	142,857	2,109,588
Christopher Britten	24,000	3,795	27,795	-	717,143
John Chiplin	24,000	3,795	27,795	-	717,143
	208,000	16,665	224,665	17,124,176	4,978,160

Directors' remuneration and interests (Continued)

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

Significant shareholders

The below details the significant shareholders of the Company.

Shareholder	Number of shares held	Percentage of issued share capital
Nigel Theobald	16,981,319	9.38%
David Farrier	12,175,510	6.72%

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, 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 before tax for the year ended 31 December 2021 of £1,772,232 (2020: £1,503,595 outflow). At 31 December 2021, the Group had cash balances of £1,784,024 (2020: £3,555,579) and a surplus in net working capital (current assets, including cash, less current liabilities) of £2,129,654 (2020: £3,657,334).

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 the issue 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 continues to consider the current worldwide pandemic ("COVID-19") and the impact it may have on its operations. COVID-19 continued to not have 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 12 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.

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 UK adopted 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

22nd February 2022

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

The Board 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 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 2021, 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 the Principal risks and uncertainties section of this statement and note 2 and 13 of the consolidated 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 8 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.

Overview
The Group has exposure to the following risks:

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

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

Risk management framework
The Board 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 13 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 to the Company, but not to the Group.

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.

Corporate Governance Statement (Continued)

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.

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.

Corporate Governance Statement (Continued)

Capital management (Continued)

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

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 13.

By order of the Board

John Chiplin
Chairman

22 February 2022

Opinion

We have audited the financial statements of N4 Pharma plc (the 'parent company') and its subsidiary (the 'group') for the year ended 31 December 2021 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 Flows, the Company Statement of Cash Flows 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 UK-adopted international accounting standards.

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 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 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.

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, the group's accounting processes and controls and the industry in which the group and parent company operate.

As part of planning 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 amounts that involve making assumptions and when 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. A full scope audit was undertaken on each entity with no work undertaken by component auditors.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
Going concern The going concern assumption is a fundamental and pervasive principle in the preparation of financial statements. The group is loss making and is currently in the research and development phase of developing the Nuvec delivery system, and is therefore yet to generate income other than research and development (R&D) tax credits. The long-term performance of the business will depend on the viability 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' below. We have further discussed the progress of the development of the Nuvec delivery system with management, including future plans with the goal of commercialising their product. We have also reviewed board minutes and publicly available information regarding the development of the product. We concluded that the project remains viable and supports the going concern assumption. Based on our procedures, we concluded that there is no material uncertainty in relation to going concern and that the continued adoption of the going concern basis of accounting in these financial statements remains appropriate.
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 an incorrect assessment of the phase of the project would in turn, lead to the adoption of an incorrect accounting treatment Due to the significance of the development expenditure to the financial statements, this has been determined as a key audit matter.	Our audit procedures included the following: • We reviewed the directors' assessment of whether the expenditure meets the conditions for capitalisation set out in IAS 38, challenging the assumptions within this assessment; and • When substantively testing a sample of research and development expenses to underlying records, we corroborated the accounting treatment given; and Based on our procedures performed, we consider that the expenditure on research and development has been appropriately accounted for.
Risk of impairment of intercompany investments and loan balances In the books of N4 Pharma plc, the investment in and intercompany balance debtor due from N4 Pharma UK Limited are both highly material balances. N4 Pharma UK Limited has net liabilities. The recoverable amount of the investment and debtor recorded in the books of N4 Pharma plc is dependent upon estimates and judgements as to the expected financial performance of N4 Pharma UK Limited in the future.	Our audit procedures included the following: • We obtained the directors assessment of whether there were indicators of impairment relating to these balances and compared this to the requirements of IFRS 9. • We scrutinised, sensitised and challenged the assumptions under IFRS 9 and compared to our own expectations. • We critically assessed the director's future plans for the business and viability of the product under development upon which the recoverability of these balances depends. Based on the procedures performed, we concluded that there is no impairment with regard to the investment and intercompany balance. We recognise that there is uncertainty over the timing of future income, however we understand from the progress made in the current year that there is currently no indication that the research will not generate a viable product, and on this basis the investment carrying amount should not be impaired.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of misstatements and in forming our opinion. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the qualitative nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the group financial statements as a whole was set at £68,000 (2020: £60,000). This was determined by reference to reported loss before tax, which we consider to be the principal consideration in assessing the financial performance of the group. Materiality cannot be based on revenue or assets because the group is not yet generating revenue or capitalising development costs. In line with ISA (UK) 600 component materiality must be less than the materiality of the group and as such, the materiality threshold for both the parent company and the subsidiary have been capped at 90% of the group materiality (£61,000).

Performance materiality was set at 80 percent of the above materiality level, being £54,000 for the group (2020: £48,000) and £49,000 for the parent and subsidiary companies. We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £3,000 (2020: £3,000), being 5% of parent materiality. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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 group and 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 in particular:
  - assessing their longer term strategic plans to develop and market a product which will generate revenue and profitability;
  - 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 reviewing projected cash flows, post year end cash balances compared to the projections and other available evidence to assess further the ability of the group and the parent company to continue in operation for at least 12 months after the date of approval of the financial statements; and
- discussing post balance sheet events with the directors to assess their potential impact on the going concern assumption

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the group and parent company 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 by 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 as it relates to research and development.

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.

As group auditors, our assessment of matters relating to non-compliance with laws or regulations and fraud differed at group and component level according to their particular circumstances. Our communications included a request to identify instances of non-compliance with laws and regulations and fraud that could give rise to a material misstatement of the group financial statements in addition to our risk assessment.

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.

……..

Simon Hall (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

Chartered Accountants
Statutory Auditors

Westpoint
Peterborough Business Park
Lynch Wood
Peterborough
PE2 6FZ

22 February 2022

N4 Pharma Plc
Consolidated Statement of Comprehensive Income for the year ended 31 December 2021

	Notes	2021	2020
		£	£
Research and development costs		(1,179,425)	(900,410)
General and administration costs		(663,865)	(664,011)
Operating loss for the year		(1,843,290)	(1,564,421)
Net finance income/(expenditure)	4	677	(1,963)
Loss for the year before tax	5	(1,842,613)	(1,566,384)
Taxation	6	298,267	261,541
Loss for the year after tax		(1,544,346)	(1,304,843)
Other comprehensive income net of tax		-	-
Total comprehensive loss for the year attributable to equity owners of N4 Pharma Plc		**(1,544,346)**	**(1,304,843)**
Loss per share attributable to owners of the parent	12		
Weighted average number of shares:			
Basic		181,080,349	136,303,141
Diluted (restated, see note 12)		181,080,349	136,303,141
Basic loss per share		**(0.85)**	**(0.96)**
Diluted loss per share (restated, see note 12)		**(0.85)**	**(0.96)**

All results were derived from continuing operations.

The notes on pages 30 to 48 are an integral part of the Consolidated Financial Statements

N4 Pharma Plc
Consolidated Statement of Financial Position as at 31 December 2021

	Notes	2021 £	2020 £
Current assets			
Trade and other receivables	8	558,359	270,837
Cash and cash equivalents		1,784,024	3,555,579
		2,342,383	3,826,416
Total assets		2,342,383	3,826,416
Liabilities			
Current liabilities			
Trade and other payables	9	(184,820)	(142,484)
Accruals and deferred income		(27,910)	(26,598)
Total liabilities		(212,730)	(169,082)
Total assets less current liabilities		2,129,653	3,657,334
Net assets		**2,129,653**	**3,657,334**
Equity			
Share capital	11	8,995,146	8,995,146
Share premium	11	13,945,602	13,945,602
Share option reserve	11	79,955	63,290
Reverse acquisition reserve	11	(14,138,244)	(14,138,244)
Merger reserve	11	279,347	279,347
Retained earnings	11	(7,032,153)	(5,487,807)
Total equity		**2,129,653**	**3,657,334**

The notes on pages 30 to 48 are an integral part of the Consolidated Financial Statements.

The Consolidated Financial Statements were approved by the Board of Directors on 22 February 2022 and signed on its behalf:

Nigel Theobald

N4 Pharma Plc
Company Statement of Financial Position as at 31 December 2021

	Notes	2021 £	2020 £
Assets			
Non-current assets			
Investments	7	1,094,747	1,094,747
Intercompany loan receivable	14	5,259,000	3,659,000
		6,353,747	4,753,747
Current assets			
Trade and other receivables	8	629,113	417,313
Cash and cash equivalents		1,538,615	3,411,817
		2,167,728	3,829,130
Total assets		8,521,475	8,582,877
Liabilities			
Current liabilities			
Trade and other payables	9	(8,966)	(23,348)
Accruals and deferred income		(19,493)	(19,790)
Total liabilities		(28,459)	(43,138)
Total assets less current liabilities		8,493,016	8,539,739
Net assets		**8,493,016**	**8,539,739**
Equity			
Share capital	11	8,995,146	8,995,146
Share premium	11	13,945,602	13,945,602
Share option reserve	11	79,955	63,290
Merger reserve	11	279,347	279,347
Retained earnings	11	(14,807,034)	(14,743,646)
Total equity		**8,493,016**	**8,539,739**

The Company recorded a loss of £63,388 for the year (31 December 2020: £164,139 loss).

The notes on pages 30 to 48 are an integral part of the Consolidated Financial Statements.

The Company Financial Statements were approved by the Board of Directors on 22nd February 2022 and signed on its behalf:

Nigel Theobald

N4 Pharma Plc
Consolidated Statement of Changes in Equity for the year ended 31 December 2021

(i) Year ended 31 December 2021	Share capital	Share premium	Share option reserve	Reverse acquisition reserve	Merger reserve	Retained earnings	Total equity
	£	£	£	£	£	£	£
Balance at 1 January 2021	**8,995,146**	**13,945,602**	**63,290**	**(14,138,244)**	**279,347**	**(5,487,807)**	**3,657,334**
Total comprehensive loss for the year	-	-	-	-	-	(1,544,346)	(1,544,346)
Share issue	-	-	-	-	-	-	-
Share based payment charge	-	-	16,665	-	-	-	16,665
At 31 December 2021	**8,995,146**	**13,945,602**	**79,955**	**(14,138,244)**	**279,347**	**(7,032,153)**	**2,129,653**

(ii) 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 based payment charge	-	-	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**

The notes on pages 30 to 48 are an integral part of the Consolidated Financial Statements.

N4 Pharma Plc
Company Statement of Changes in Equity for the year ended 31 December 2021

(i) Year ended 31 December 2021	Share capital	Share premium	Share option reserve	Merger reserve	Retained earnings	Total equity
	£	£	£	£	£	£
Balance at 1 January 2021	**8,995,146**	**13,945,602**	**63,290**	**279,347**	**(14,743,646)**	**8,539,739**
Total comprehensive loss for the year	-	-	-	-	(63,388)	(63,388)
Share issue	-	-	-	-	-	-
Share based payment charge	-	-	16,665	-	-	16,665
At 31 December 2021	**8,995,146**	**13,945,602**	**79,955**	**279,347**	**(14,807,034)**	**8,493,016**

(ii) 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 based payment charge	-	-	38,024	-	-	38,024
At 31 December 2020	**8,995,146**	**13,945,602**	**63,290**	**279,347**	**(14,743,646)**	**8,539,739**

The notes on pages 30 to 48 are an integral part of the Consolidated Financial Statements.

N4 Pharma Plc
Consolidated Statement of Cash Flows for the year ended 31 December 2021

	Notes	2021 £	2020 £
Operating activities			
Loss after tax		(1,544,346)	(1,304,843)
Finance expenditure and other income		(677)	(1,963)
Share based payment charge		16,665	3,977
Taxation credit		(298,267)	(261,541)
Operating loss before changes in working capital		**(1,826,625)**	**(1,564,370)**
Movements in working capital:			
Decrease /(Increase) in trade and other receivables		10,745	(30,534)
Increase in trade, other payables and accruals		43,648	91,399
Cash used in operations		(1,772,232)	(1,503,595)
Taxation paid		-	120,507
Net cash flows used in operating activities		**(1,772,232)**	**(1,382,998)**
Financing activities			
Finance expenditure and other income		677	1,963
Net proceeds of ordinary share issue		-	3,970,862
Net cash flows from financing activities		**677**	**3,972,825**
Net (decrease) /increase in cash and cash equivalents		**(1,771,555)**	**2,589,827**
Cash and cash equivalents at beginning of the year		3,555,579	965,752
Cash and cash equivalents at 31 December		**1,784,024**	**3,555,579**

The notes on pages 30 to 48 are an integral part of the Consolidated Financial Statements

N4 Pharma Plc
Company Statement of Cash Flows for the year ended 31 December 2021

	2021 £	2020 £
Operating activities		
Loss before tax	(63,388)	(164,139)
Interest	(228,588)	(153,045)
Share based payment charge	16,665	3,977
Impairment of investment	-	100
Operating loss before changes in working capital	**(275,311)**	**(313,107)**
Movements in working capital:		
Increase in trade and other receivables	(211,801)	(170,268)
(Decrease) /Increase in trade and other payables	(14,678)	11,200
Cash used in operations	(501,790)	(472,175)
Net cash flows used in operating activities	**(501,790)**	**(472,175)**
Investing activities		
Loan receivable advancements	(1,600,000)	(1,000,000)
Net cash flows used in investing activities	**(1,600,000)**	**(1,000,000)**
Financing activities		
Interest received	228,588	153,045
Net proceeds of ordinary share issue	-	3,970,862
Net cash flows from financing activities	**228,588**	**4,123,907**
Net (decrease) /increase in cash and cash equivalents	**(1,873,202)**	**2,651,732**
Cash and cash equivalents at beginning of the year	3,411,817	760,085
Cash and cash equivalents at 31 December	**1,538,615**	**3,411,817**

The notes on pages 30 to 48 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 Consolidated Financial Statements have been prepared in accordance with UK-adopted international accounting standards and applied to the Parent Company Accounts in accordance with the provisions of the Companies Act 2006.

The Consolidated Financial Statements are presented in Great British Pounds ("GBP" or "£"), rounded to the nearest £.

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.
- The associated Share Options are measured at fair value using the Black Scholes model (see note 9).

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, 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 before tax for the year ended 31 December 2021 of £1,772,232 (2020: £1,503,595 outflow). At 31 December 2021, the Group had cash balances of £1,784,024 (2020: £3,555,579) and a surplus in net working capital (current assets, including cash, less current liabilities) of £2,129,653 (2020: £3,657,334).

1. Accounting policies (Continued)

1.3 Going concern (Continued)

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 continues to consider the current worldwide pandemic ("COVID-19") and the impact it may have on its operations. COVID-19 continued to not have 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 12 months from the Consolidated Statement of Financial Position date.

1.4 Basis of consolidation

The consolidated Group financial statements consist of the financial statements of Company together with the only entity controlled by the parent company (its subsidiary), N4 UK.

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of N4 UK to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the Group's financial statements from the date that control commences until the date that control ceases.

1.5 Revenue

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, and against the associated cost.

1. Accounting policies (Continued)

1.7 Expenses

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

Financing income and expenses are recognised in the Consolidated Statement of Comprehensive Income as it accrues, using the effective interest method.

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.

To date, the criteria for recognition of an internally generated intangible asset have not been met as explained in note 1.17.

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 the 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.

1. Accounting policies (Continued)

1.9 Taxation (Continued)

Deferred tax (Continued)

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.

1.9 Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rate of exchange ruling at the Consolidated Statement of Financial Position date. Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Foreign exchange gains and losses are included in the Consolidated Statement of Comprehensive Income.

1.10 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 of share options granted.

1.11 Operating segments

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.

1.12 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. Accounting policies (Continued)

1.13 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 less provision for impairment under IAS 27.

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 of cash at bank. Any overdrafts are shown within borrowings in current liabilities.

1.14 Impairment

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

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

1. Accounting policies (Continued)

1.14 Impairment (Continued)

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

1.15 Share based payment arrangements

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

Share-based payment 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.

1.16 Adoption of new and revised International Financial Reporting Standards

The following IFRS standards, amendments or interpretations became effective during the year ended 31 December 2021 but have not had a material effect on this Consolidated Financial Information:

Standard
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective periods beginning on or after 1 January 2021)
Covid 19-Related Rent Concessions Beyond 30 June 2021 (Amendment to IFRS 16 Leases) (effective periods beginning on or after 1 April 2021)

All new standards and amendments to standards and interpretations effective for annual periods beginning on or after 1 January 2021 that are applicable to the Group have been applied in preparing these Consolidated Financial Statements.

1. Accounting policies (Continued)

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

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

Standard		Effective date
Amendments to 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
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 1	Disclosure of accounting policies	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	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 2022.

1.17 Use of estimates and judgements

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

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

In the process of applying the Group's accounting policies, the Directors have 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 judgements surrounding the 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. The recoverability of the intercompany debtor and the cost of investment is dependent on the future profitability and success of the entity, which is in a research phase and has not therefore generated any revenue to date. Having considered research progress during the year and future prospects of N4 UK, the Directors do not consider that there are indicators of impairment in respect of these balances. 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

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 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 13 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 to the Company, but not to the Group.

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.

2. Risk management (Continued)

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.

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.

Regulatory and legislative risk will become more significant once the current research generates revenue.

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 (2020: 5). The Directors of the Group are employed by both the Company and N4 UK and as such are included in the employee figure. Total Directors remuneration is detailed in Note 14 of these Consolidated Financial Statements.

	2021 £	2020 £
Wages and Salaries	208,000	204,768
Social security costs	16,518	20,370
Pension costs	-	219
	224,518	225,357

4. Net finance income and (expenditure)

	2021 £	2020 £
Exchange rate losses	-	(813)
Bank charges	-	(1,150)
Interest received on financial assets measured at amortised cost	677	-
	677	(1,963)

5. Loss before tax

	2021 £	2020 £
Loss before taxation is arrived after charging:		
Fees payable to the Group's auditors for the audit of the Group's financial statements	24,675	21,600
Other fees payable to auditors:		
- Other assurance services	-	4,500

6. Taxation

	2021 £	2020 £
Current tax		
Research and development tax credit receivable for the current period	(298,267)	(214,884)
Adjustments in respect of prior periods	-	(46,657)
	(298,267)	(261,541)
Deferred tax		
Origination and reversal of temporary differences	-	-
Tax in income statement	(298,267)	(261,541)

6. Taxation (Continued)

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

	2021	2020
	£	£
Loss before taxation	(1,842,613)	(1,566,384)
Tax at the UK corporation tax rate of 19% (2020: 19%)	(350,096)	(297,613)
Net Research and development tax credits	(298,267)	(214,884)
Changes in unrecognised deferred tax	350,096	297,613
Adjustments in respect of prior periods	-	(46,657)
Tax charge for the year	(298,267)	(261,541)

At the year end the Group had trading losses carried forward of £9,011,815 (2020: £8,084,975) for use against future profits. There are no other factors which may impact future tax charges. A deferred tax asset has not been recognised on unrelieved trading losses as the timing, extent and availability of future profits is not yet certain

7. Investments

Investment in subsidiary

Company

	2021	2020
Cost	£	£
Balance at 1 January	1,094,747	1,094,847
Impairment on dissolution	-	(100)
Balance at 31 December	1,094,747	1,094,747

Details of the Company's subsidiary at 31 December 2021 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 accounting reference date of the subsidiary are co-terminous with that of the Company. The registered office address and principal place of business of N4 Pharma UK Limited is The Mills, Canal Street, Derby, DE1 2RJ.

8. Trade and other receivables

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Prepayments	7,013	16,009	6,514	15,320
VAT due	23,553	39,944	6,361	14,677
R&D tax credits receivable	513,151	214,884	-	-
Interest receivable	677	-	611,838	382,916
Other debtors	13,965	-	4,400	4,400
	558,359	270,837	629,113	417,313

Loan interest receivable relates to the intra-group loan disclosed in Note 14.

9. Trade and other payables

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade payables	180,346	116,871	7,848	-
Other payables	4,474	25,613	1,118	23,348
	184,820	142,484	8,966	23,348

10. Share-based payments

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

The vesting period is defined as the period in which the options are unable to be exercised. The period commences on the date the options are issued. For the options to vest, the holder must remain an employee of the group throughout the vesting period. Once the vesting period is complete the options may be exercised on any date up to the lapse date.

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 at the grant date were adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations.

As at 31 December 2021, there were 7,046,513 (2020: 7,046,513) options in existence over ordinary shares of the Company. Options in existence during the current and/or previous financial year are as follows:

10. Share-based payments (Continued)

Options (Continued)

Name	Date of Grant	Ordinary shares under option	Vesting Date	Expiry Date	Exercise Price £
2015 Options					
Gavin Burnell	14.10.15	1,351,210	14.10.15	14.10.25	0.0280
Luke Cairns	14.10.15	675,302	14.10.15	14.10.25	0.0280
2017 Options					
Luke Cairns	03.05.17	717,143	03.05.20	03.05.27	0.0700
David Templeton	03.05.17	717,143	03.05.20	03.05.27	0.0700
Paul Titley	03.05.17	717,143	03.05.20	03.05.27	0.0700
2019 Options					
John Chiplin	21.05.19	717,143	21.05.22	21.05.29	0.0355
Christopher Britten	21.05.19	717,143	21.05.22	21.05.29	0.0355
2020 Options					
David Templeton	18.05.20	717,143	18.05.23	18.05.30	0.0480
Luke Cairns	18.05.20	717,143	18.05.23	18.05.30	0.0480
Total options		7,046,513			

The weighted average remaining contractual life of the share options outstanding as at 31 December 2021 was 5.93 years.

Share options outstanding:

	Number of shares
At 1 January 2020	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
Exercise of options	-
Lapse of options	-
Options granted	-
At 31 December 2021	7,046,513

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

10. Share-based payments (Continued)

Options (Continued)

An amount of £16,665 has been recognised in the Consolidated Statement of Comprehensive Income in relation to the share options (2020: £3,977).

The aggregate fair value of the share options in issue was £79,955 (2020 £63,290), with amounts recorded at each balance sheet date being as follows:

	2021	2020
	£	£
2015 Options	18,492	18,493
2017 Options	26,884	26,884
2019 Options	19,861	12,270
2020 Options	14,718	5,643
	79,955	63,290

11. Capital and reserves

Issued, allotted and fully paid	2021	2020
	£	£
181,080,349 Ordinary Shares of 0.4p each *(2020: 181,080,349)*	724,321	724,321
137,674,431 Deferred Shares of 4p each *(2020: 137,674,431)*	5,506,977	5,506,977
279,176,540 Deferred Shares of 0.99p each *(2020: 279,176,540)*	2,763,848	2,763,848
	8,995,146	8,995,146

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.

Authorised ordinary shares at 31 December 2021 totalled 334,682,497 (2020:262,250,357).

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.

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.

11. Capital and reserves (Continued)

Reserves
The equity structure presented in the Consolidated Financial Statements reflects the equity structure of the Group, including the equity instruments issued as part of the Reverse Takeover transaction which occurred in 2017 and followed accounting treatment in accordance with IFRS 2.

The reverse acquisition reserve and the merger reserve are derived as part of the Reverse Takeover transaction and the balances within these reserves have had no movement since the point of the Reverse takeover in 2017.

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.

Retained earnings
Retained earnings comprises of accumulated results of the Group to date.

12. Earnings per share

The calculation of basic loss per share at 31 December 2021 was based on the loss of £1,544,346 (2020: £1,304,843), and a weighted average number of ordinary shares outstanding of 181,080,349 (2020:136,303,141), calculated as follows:

	2021 £	2020 £
Losses attributable to ordinary shareholders	**(1,544,346)**	**(1,304,843)**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	181,080,349	100,168,016
Effect of shares issued during the year	-	36,135,125
Weighted average number of shares at 31 December	181,080,349	136,303,141

	2021 pence per share	*2020 pence per share*
Basic loss per share	(0.85)	(0.96)

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. The calculation of diluted loss per share at 31 December 2021 was based on the loss of £1,544,346 (31 December 2020: £1,304,843), and a weighted average number of ordinary shares outstanding of 181,080,349 (2020: 136,303,141).

12. Earnings per share (continued)

Diluted loss per share (continued)

	2021 pence per share	*2020 pence per share*
Diluted loss per share	(0.85)	(0.96)

Management have reconsidered the effect of antidilutive potential shares on the weighted average number of shares used in the calculation of diluted EPS. Management have therefore restated the prior year disclosure in respect of diluted weighted average number of shares and diluted loss per share.

13. Risk management and analysis

(a) 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.

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 to the Company, but not to the Group.

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 £2,342,383 (2020: £3,826,416), being the total of the carrying amount of financial assets, shown in the Consolidated Statement of Financial Position.

(b) 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 2021					
Trade and other payables	184,820	184,820	184,820	-	-
31 December 2020					
Trade and other payables	142,484	142,484	142,484	-	-

Company:

Financial liabilities	**Carrying amount** £	**Contractual cash flows** £	**6 months or less** £	**6-12 months** £	**1 -2 years** £
31 December 2021					
Trade and other payables	8,966	8,966	8,966	-	-
31 December 2020					
Trade and other payables	23,348	23,348	23,348	-	-

13. Risk management and analysis (Continued)

(c) 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.

(d) Interest rate risk

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

	Carrying amount	
Group:	**2021 £**	**2020 £**
Variable rate instruments		
Cash and cash equivalents	1,784,024	3,555,579

	Carrying amount	
Company:	**2021 £**	**2020 £**
Variable rate instruments		
Cash and cash equivalents	1,538,615	3,411,817

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 2020.

Group:	**2021**		**2020**	
	Profit or loss		**Profit or loss**	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	17,840	(17,840)	35,555	(35,555)

Company:	**2021**		**2020**	
	Profit or loss		**Profit or loss**	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	15,386	(15,386)	34,118	(34,118)

14. Related parties

Key management personnel

The below remuneration relates to key management personnel, there are no key management personnel employed by the Group in addition to the Directors.

	2021	2020
	£	£
Short-term employee benefits	224,518	225,357
Share based payments	16,665	3,977
	241,183	229,334

Directors' remuneration and interests

The below remuneration relates to the Directors of the Group.

2021	Remuneration			Interests	
Director	Cash-based payments	Share-based payments	Totals	Shares	Options
	£	£	£	No.	No.
Nigel Theobald (Chief Executive Officer)	75,000	-	75,000	16,981,319	-
David Templeton	45,000	4,538	49,538	-	1,434,286
Luke Cairns	40,000	4,537	44,537	142,857	2,109,588
Christopher Britten	24,000	3,795	27,795	-	717,143
John Chiplin	24,000	3,795	27,795	-	717,143
	208,000	16,665	224,665	17,124,176	4,978,160

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

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

Nigel Theobald is the Group's highest paid director (2020: Nigel Theobald). His remuneration in each year is disclosed above.

N4 Pharma PLC has a loan receivable from N4 Pharma UK Limited at 31 December 2021 of £5,259,000 (2020: £3,659,000). It is repayable in December 2025, accrues interest at a rate of 5% and is unsecured.

There are no further related parties identified. There is no ultimate controlling party of the Company or Group.

15. Retirement benefit schemes

The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The charge to the profit and loss during the year in respect of this scheme was £Nil (2020:£219). The liability at the year end amounted to £Nil (2020:£Nil).

16. 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.