RNS Number : 3561S
N4 Pharma PLC
09 March 2023

9 March 2023

N4 Pharma plc

("N4 Pharma" or the "Company")

Final Results

N4 Pharma Plc (AIM: N4P), the specialist pharmaceutical company developing Nuvec®, a novel delivery system for cancer treatments and vaccines, is pleased to announce its audited results for the year ended 31 December 2022.

Highlights:

- Nuvec® as a delivery system has consistently been shown to deliver DNA and RNA payloads into the cell where the compound is able to escape the endosome and be released into the cell
- Strategic review highlighted that Nuvec® was best suited to applications where intra cellular delivery by itself was a key element of product development
- The Company has designed an experimental plan to develop, formulate and deliver a double loaded Nuvec with siRNA against EGFR and BCL-2 and test this in a xenograft cancer model
- The Company to start business development outreach of its siRNA data working alongside a US company, Partner International, who have extensive biotech business development experience
- The Company has filed its own patent on using Nuvec® to enhance the performance of viral vectors which is now entering the national phases of patent execution
- Operating loss for the year was reduced to £1,029,261 (2021: £1,843,290)
- Cash balance at period end of approximately £1.9m (2021: £1.8m)

Nigel Theobald, Chief Executive Officer of the Company, commented:

"It is important that the Company is able to react to the fast changing nature of the vaccines and oncology treamtment markets and, by focusing our internal development work on the significant opportunity for siRNA delivery, this will allow us to be best placed to do this.

"The work we have done with monodisperse formulations of Nuvec® show how well suited it is to the intracellular delivery of siRNA and our longer term R&D on oral delivery and the use of Nuvec® to enhance viral vector delivery shows the wide potential of its application in this space."

Enquiries:

N4 Pharma plc
Nigel Theobald, CEO
Luke Cairns, Executive Director
Via IFC Advisory

SP Angel Corporate Finance LLP
Nominated Adviser and Joint Broker
Matthew Johnson/Kasia Brzozowska (Corporate Finance)
Vadim Alexandre/Abigail Wayne/Rob Rees (Corporate Broking)
Tel: +44(0)20 3470 0470

Turner Pope Investments (TPI) Limited
Joint Broker
Andy Thacker
James Pope
Tel: +44(0)20 3657 0050

IFC Advisory Ltd
Financial PR
Graham Herring
Zach Cohen
Tel: +44(0)20 3934 6630

About N4 Pharma

N4 Pharma is a specialist pharmaceutical company developing a novel delivery system for cancer and vaccine treatments using its unique silica nanoparticle delivery system called Nuvec®.

N4 Pharma's business model is to partner with companies developing novel antigens for cancer and vaccine treatments to use Nuvec® as the delivery vehicle to get their antigen into cells to express the protein needed for the required immunity. As these products progress through preclinical and clinical programs, N4 Pharma will seek to receive up front payments, milestone payments and ultimately royalty payments once products reach the market.

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.

Review of operations for the financial year ended 31 December 2022

During the year to 31 December 2022 no revenue was generated by the Group (31 December 2021: £nil).

The operating loss for the year was reduced to £1,029,261 (31 December 2021: £1,843,290 loss). Expenditure was broadly in line with budget and decreased as less work was undertaken on in vivo vaccine and oncology studies in 2022 compared to 2021.

Cash at the year-end stood at £1,919,529 (31 December 2021: £1,784,024) having raised £1,054,000 towards the end of 2022. Our cash position remains good and leaves us well positioned to complete our current work streams for the year ahead.

Key Operational Events and Opportunities

2022 saw further significant changes in the field of vaccine and oncology product. The success of the mRNA lipid nanoparticle covid vaccines from Pfizer and Moderna firmly established RNA products in this field however their success also led others such as Astra Zeneca to reassess their approach in this area. Having launched covid vaccines the key players in this area turned their attention to launching new vaccines addressing other illnesses such as influenza using their existing lipid delivery systems, meaning opportunities for novel delivery systems other than lipid nanoparticles in the vaccine space would be in less demand. However there remains significant opportunities for novel delivery system in earlier stage development using RNA in oncology, especially siRNA products of which there are over 200 in clinical development and delivery is often cited as a major issue in product development in this field.

The Company therefore undertook a strategic review of all the findings from the Nuvec® proof of concept *in vivo* and *in vitro* work including its vaccine work, the successful intravenous tumour reduction study and a series of *in vitro* experiments looking at the ability to bind Nuvec® with multiple siRNA compounds for gene silencing to determine the most appropriate commercial area where it is most likely to be able to secure a commercial licensing deal.

Strategic review of Nuvec® as a delivery system

Nuvec® has consistently been shown to deliver DNA and RNA payloads into the cell where the compound is able to escape the endosome and be released into the cell. Its unique structure allows strong binding and protection of RNA/DNA leading to good stability for the formulated product. It is also able to be formulated into a monodisperse formulation making it suitable for intravenous injection as well as sub-cutaneous or intra muscular injection. It is also much cheaper to make and formulate than lipid nanoparticles.

The field of vaccine development is complex and delivery of RNA into the cell is just the first step on the medical pathway of a successful product. Once inside the cell, for a successful vaccine sufficient RNA needs to produce the right amount of protein which in turn needs to attract the right amount and type of antibodies to teach the body to ultimately fight an invading virus. The review clearly highlighted that as well as being able to deliver RNA/DNA into a cell Nuvec® would require optimisation with a partner's payload in order to achieve these downstream effects and the studies to do this are extremely expensive.

The review highlighted that Nuvec® was best suited to applications where intra cellular delivery by itself was a key element of product development. The tumour suppression work also showed that monodisperse Nuvec® could be delivered intravenously and be safe and effective. The Company therefore decided to focus its internal development work on loading and delivering siRNA intra cellularly for applications in the field of oncology treatments and gene therapy since once inside the cell, the payload needs to silence a gene inside the cell and a successful product is not dependent on multiple downstream pathways.

The Company's work also highlighted that Nuvec® can load multiple siRNA onto each particle and deliver each into the cell allowing a product to work intra cellularly on different pathways within the same cell. This is a novel and highly differentiated aspect of Nuvec® as a delivery system.

siRNA programme

In September 2022, the Company announced a research programme looking to extend its work with siRNA and load two clinically relevant siRNAs onto Nuvec® with the goal to test *in vivo* the ability for tumour regression.

After several discussions with opinion leaders in oncology, lung cancer was identified as the most appropriate target cancer type for this test. Most of these cancers are characterised by overexpressing a receptor called the Epidermal growth factor receptor (EGFR), which prevents apoptosis. Apoptosis is a type of cell death which the body uses to get rid of unneeded or abnormal cells. The process of apoptosis may be blocked in cancer cells which are then prevented from naturally dying and this can lead to uncontrolled growth. Silencing this mutated receptor would lead to re-establishing apoptosis in the tumor cells and could potentially restore sensitivity to other treatments.

This work has been researched extensively however often the body develops a resistance to such single siRNA treatments. To strengthen the effect, the Company identified another target protein BCL-2, which it would simultaneously load onto the same Nuvec® particle alongside EGFR to give a second line of defence against the cancer cells growing.

The Company chose BCL-2 which belongs to the family of proteins that regulate apoptosis. This mechanism is controlled by the ratio between the anti-apoptotic BCL-2 and the pro-apoptotic protein BH3-only. When silencing BCL-2, BH3-only proteins will not be blocked and are therefore more likely to induce apoptosis.

By targeting both EGFR and BCL-2 a double loaded Nuvec® can combat both the mechanism that causes uncontrolled cell growth and the mechanism that prevents cell death which it believes will give a greater chance to push the tumor cell into apoptosis and lead to tumour regression.

The Company has designed an experimental plan to develop, formulate and deliver a double loaded Nuvec with siRNA against EGFR and BCL-2 and test this in a xenograft cancer model. This work will provide relevant clinical proof of concept data which the Company believes will greatly showcase Nuvec®'s potential in this space and lead to a better chance of establishing a commercial license deal with one of the many companies operating in this space. The programme of work is as follows:

Step 1: Loading, characterisation and formulation of Nuvec with EGFR and BCL-2 siRNA.
Step 2: *In vitro* testing of delivery and ratios of the siRNAs
Step 3: Biodistribution and preliminary toxicology in both tumour and non-tumour models
Step 4: *In vivo* efficacy model of tumour regression

Globally, there is a shortage and delays in acquiring research grade materials and the Company suffered delays towards the end of 2022 in getting the materials to start the work. These materials have now arrived and the work is underway. Full results are expected by the end of Q2 2023.

Material Transfer Agreements ("MTAs")

MTAs are seen by the Company as a good means of establishing relationships with potential partners but are totally dependent on the speed and ability of the partner to prioritise the research and subject to strict confidentiality which means the Company is limited in any meaningful information it can divulge. The Company still has one active MTA and the pursuit of MTAs remains a key strategy as a means to see how Nuvec® may work with a potential partner's proprietary technology. However, the field of siRNA gives the Company greater ability to undertake its own clinically relevant work to establish how Nuvec® behaves in this space, hence its decision to operate both elements together so it is not overly exposed to one particular MTA partner.

Intellectual Property

The Company has the exclusive worldwide rights for therapeutic uses in humans and animals for technology developed by The University of Queensland ("UQ"). 2022 now sees this technology having patents granted in Europe, Australia, Japan, China and the US.

The Company has also filed its own patent on using Nuvec® to enhance the performance of viral vectors which is now entering the national phases of patent execution.

Future Prospects

The Company is well funded to deliver its siRNA programme and will now start business development outreach of its siRNA data working alongside a US company, Partner International, who have extensive biotech business development experience.

Alongside the siRNA programme the Company, in conjunction with UQ, is continuing to research the application of Nuvec® as an oral delivery system. Recent work has shown how Nuvec® can be loaded with DNA and encapsulated by a pH-controlled polymer to deliver the DNA and transfect cells locally in the intestine. The work will continue to test the ability to produce a localised intestinal effect *in vivo* which could have applications either in the vaccine field or more likely as a locally delivered intestinal medicine.

The Company also announced in 2022 work to support its patent for viral vector improvements whereby loading a lentivirus or adenovirus onto Nuvec® could reduce the amount of vector required to deliver an enhance effect. Importantly, Adeno-Associated Virus (AAV) is seen as a key improvement on other viral vectors and products have been developed to treat various conditions, including hepatitis. However, due to the nature of the AAV, these products are very expensive and can have toxicity issues. The Company intends to continue working in collaboration with Brunel University to investigate improving Associated-Adeno Virus (AAV) as AAVs are at the forefront of approved products in this area.

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
8 March 2023

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2022

	Notes	2022	2021
		£	£
Research and development costs		(577,525)	(1,179,425)
General and administration costs		(615,735)	(663,865)
		(1,193,260)	(1,843,290)

Operating loss for the year			
Net finance income	4	1	677
Loss for the year before tax	5	(1,193,259)	(1,842,613)
Taxation	6	163,998	298,267
Loss for the year after tax		(1,029,261)	(1,544,346)
Other comprehensive income net of tax		-	-
Total comprehensive loss for the year attributable to equity owners of N4 Pharma Plc		**(1,029,261)**	**(1,544,346)**
Loss per share attributable to owners of the parent	12		
Weighted average number of shares:			
Basic		186,422,541	181,080,349
Diluted		186,422,541	181,080,349
Basic loss per share		**(0.55)**	**(0.85)**
Diluted loss per share		**(0.55)**	**(0.85)**

All results were derived from continuing operations.

Consolidated Statement of Financial Position

as at 31 December 2022

	Notes	**2022 £**	**2021 £**
Current assets			
Trade and other receivables	8	246,518	558,359
Cash and cash equivalents		1,919,529	1,784,024
		2,166,047	2,342,383
Total assets		2,166,047	2,342,383
Liabilities			
Current liabilities			
Trade and other payables	9	(40,722)	(184,820)
Accruals and deferred income		(37,167)	(27,910)
Total liabilities		(77,889)	(212,730)
Total assets less current liabilities		2,088,158	2,129,653

Net assets		**2,088,158**	**2,129,653**
Equity			
Share capital	11	9,205,946	8,995,146
Share premium	11	14,698,569	13,945,602
Share option reserve	11	103,954	79,955
Reverse acquisition reserve	11	(14,138,244)	(14,138,244)
Merger reserve	11	279,347	279,347
Retained earnings	11	(8,061,414)	(7,032,153)
Total equity		**2,088,158**	**2,129,653**

The Consolidated Financial Statements were approved by the Board of Directors on 8 March 2023 and signed on its behalf:

Nigel Theobald

Company Statement of Financial Position
as at 31 December 2022

	Notes	2022 £	2021 £
Assets			
Non-current assets			
Investments	7	1,094,747	1,094,747
Intercompany loan receivable	14	5,659,000	5,259,000
		6,753,747	6,353,747
Current assets			
Trade and other receivables	8	992,325	629,113
Cash and cash equivalents		1,761,330	1,538,615
		2,753,655	2,167,728
Total assets		9,507,402	8,521,475
Liabilities			
Current liabilities			
Trade and other payables	9	(13,381)	(8,966)
Accruals and deferred income		(20,465)	(19,493)
Total liabilities		(33,846)	(28,459)
Total assets less current liabilities		9,473,556	8,493,016

Net assets		**9,473,556**	**8,493,016**
Equity			
Share capital	11	9,205,946	8,995,146
Share premium	11	14,698,569	13,945,602
Share option reserve	11	103,954	79,955
Merger reserve	11	279,347	279,347
Retained earnings	11	(14,814,260)	(14,807,034)
Total equity		**9,473,556**	**8,493,016**

The Company recorded a loss of £7,226 for the year (31 December 2021: £63,388 loss).

The Company Financial Statements were approved by the Board of Directors on 8 March 2023 and signed on its behalf:

Nigel Theobald

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

(i) Year ended 31 December 2022	**Share capital**	**Share premium**	**Share option reserve**	**Reverse acquisition reserve**	**Merger reserve**
	£	**£**	**£**	**£**	**£**
Balance at 1 January 2022	**8,995,146**	**13,945,602**	**79,955**	**(14,138,244)**	**279,347**
Total comprehensive loss for the year	-	-	-	-	-
Share issue	210,800	843,200	-	-	-
Share issue costs	-	(90,233)	-	-	-
Share based payment charge	-	-	23,999	-	-
At 31 December 2022	**9,205,946**	**14,698,569**	**103,954**	**(14,138,244)**	**279,347**

(ii) Year ended 31 December 2021	**Share capital**	**Share premium**	**Share option reserve**	**Reverse acquisition reserve**	**Merger reserve**
	£	**£**	**£**	**£**	**£**
Balance at 1 January 2021	**8,995,146**	**13,945,602**	**63,290**	**(14,138,244)**	**279,347**
Total comprehensive loss for the year	-	-	-	-	-
Share based payment charge	-	-	16,665	-	-
At 31 December 2021	**8,995,146**	**13,945,602**	**79,955**	**(14,138,244)**	**279,347**

Company Statement of Changes in Equity for the year ended 31 December 2022

(i) Year ended 31 December 2022	Share capital	Share premium	Share option reserve	Merger reserve	R e
	£	£	£	£	£
Balance at 1 January 2022	**8,995,146**	**13,945,602**	**79,955**	**279,347**	**(**
Total comprehensive loss for the year	-	-	-	-	(
Share issue	210,800	843,200	-	-	-
Share issue costs	-	(90,233)	-	-	-
Share based payment charge	-	-	23,999	-	-
At 31 December 2022	**9,205,946**	**14,698,569**	**103,954**	**279,347**	**(**

(ii) Year ended 31 December 2021	Share capital	Share premium	Share option reserve	Merger reserve	Reta earni
	£	£	£	£	£
Balance at 1 January 2021	**8,995,146**	**13,945,602**	**63,290**	**279,347**	**(14,74**
Total comprehensive loss for the year	-	-	-	-	(63,38
Share based payment charge	-	-	16,665	-	-
At 31 December 2021	**8,995,146**	**13,945,602**	**79,955**	**279,347**	**(14,80**

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

	Notes	2022 £	2021 £
Operating activities			

Loss after tax	(1,029,261)	(1,544,346)
Finance expenditure and other income	(1)	(677)
Share based payment charge	23,999	16,665
Taxation credit	(163,998)	(298,267)
Operating loss before changes in working capital	**(1,169,261)**	**(1,826,625)**
Movements in working capital:		
(Increase)/decrease in trade and other receivables	(37,312)	10,745
(Decrease)/increase in trade, other payables and accruals	(134,841)	43,648
Cash used in operations	(1,341,414)	(1,772,232)
Taxation credit received	513,151	-
Net cash flows used in operating activities	**(828,263)**	**(1,772,232)**
Financing activities		
Finance expenditure and other income	1	677
Proceeds of ordinary share issue	1,054,000	-
Costs of share issue	(90,233)	-
Net cash flows from financing activities	**963,768**	**677**
Net increase/(decrease) in cash and cash equivalents	**135,505**	**(1,771,555)**
Cash and cash equivalents at beginning of the year	1,784,024	3,555,579
Cash and cash equivalents at 31 December	**1,919,529**	**1,784,024**

Company Statement of Cash Flows

for the year ended 31 December 2022

	2022 **£**	**2021** **£**
Operating activities		
Loss before tax	(7,226)	(63,388)
Interest	(271,772)	(228,588)
Share based payment charge	23,999	16,665

Operating loss before changes in working capital	**(254,999)**	**(275,311)**
Movements in working capital:		
(Increase)/decrease in trade and other receivables	(91,440)	16,787
Increase/(decrease) in trade and other payables	5,387	(14,678)
Cash used in operations	(341,052)	(273,202)
Net cash flows used in operating activities	**(341,052)**	**(273,202)**
Investing activities		
Loan receivable advancements	(400,000)	(1,600,000)
Net cash flows used in investing activities	**(400,000)**	**(1,600,000)**
Financing activities		
Net proceeds of ordinary share issue	1,054,000	-
Costs of share issue	(90,233)	-
Net cash flows from financing activities	**963,767**	**-**
Net increase/(decrease) in cash and cash equivalents	**222,715**	**(1,873,202)**
Cash and cash equivalents at beginning of the year	1,538,615	3,411,817
Cash and cash equivalents at 31 December	**1,761,330**	**1,538,615**

Notes to the Consolidated Financial Statements
for the year ended 31 December 2022

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.
- Share-based payments related to share issue costs are measured at fair value shown in Share Premium.
- The associated Share Options and Warrants are measured at fair value using the Black Scholes model (see note 10).

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 2022 of £828,263 (2021: £1,772,232 outflow). At 31 December 2022, the Group had cash balances of £1,919,529 (2021: £1,784,024) and a surplus in net working capital (current assets, including cash, less current liabilities) of £2,088,158 (2021: £2,129,653).

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

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

On the basis of this analysis, the Board has concluded that there is a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future being a period of at least 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 the Company together with the only entity controlled by the parent company (its subsidiary), N4 UK.

All financial statements are made up to 31 December 2022. 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.

1.7 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.

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.

1.13 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.

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 2022 but have not had a material effect on this Consolidated Financial Information:

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

All new standards and amendments to standards and interpretations effective for annual periods beginning on or after 1 January 2022 that are applicable to the Group have been applied in preparing these Consolidated Financial Statements.

The standards and interpretations that are issued and relevant to the Group, 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 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.

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 (2021: 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.

	2022 £	2021 £

Wages and Salaries	213,333	208,000
Social security costs	17,562	16,518
	230,895	224,518

4. Net finance income and (expenditure)

	2022 £	2021 £
Interest received on financial assets measured at amortised cost	1	677
	1	677

5. Loss before tax

	2022 £	2021 £
Loss before taxation is arrived after charging:		
Fees payable to the Group's auditors for the audit of the Group's financial statements	28,640	24,675

6. Taxation

	2022 £	2021 £
Current tax		
Research and development tax credit receivable for the current period	(163,998)	(298,267)
Adjustments in respect of prior periods	-	-
	(163,998)	(298,267)
Deferred tax		
Origination and reversal of temporary differences	-	-
Tax in income statement	(163,998)	(298,267)

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

	2022 £	2021 £
Loss before taxation	(1,029,261)	(1,842,613)
Tax at the UK corporation tax rate of 19% (2021: 19%)	(195,560)	(350,096)
Net Research and development tax credits	(163,998)	(298,267)
Changes in unrecognised deferred tax	195,560	350,096
Adjustments in respect of prior periods	-	-
Tax charge for the year	(163,998)	(298,267)

At the year end the Group had trading losses carried forward of £9,969,504 (2021: £9,011,815) 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

Cost	2022 £	2021 £
Balance at 1 January	1,094,747	1,094,747
Balance at 31 December	1,094,747	1,094,747

Details of the Company's subsidiary at 31 December 2022 are as follows:

	Registered Office	Principal activity	Proportion of ownership and voting rights held
N4 Pharma UK Limited	The Mills, Canal Street, Derby, DE1 2RJ	Delivery of vaccines and therapeutics	100%

The accounting reference date of the subsidiary are co-terminous with that of the Company.

8. Trade and other receivables

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Prepayments	36,888	7,013	36,029	6,514
VAT due	18,632	23,553	13,352	6,361
R&D tax credits receivable	163,998	513,151	-	-
Interest receivable	-	677	883,610	611,838
Other debtors	27,000	13,965	59,334	4,400
	246,518	558,359	992,325	629,113

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

9. Trade and other payables

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade payables	35,756	180,346	12,196	7,848
Other payables	4,966	4,474	1,185	1,118
	40,722	184,820	13,381	8,966

10. Share-based payments

Options

The Company has the ability to issue options to Directors to compensate them for services rendered and recognised 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 2022, there were 7,046,513 (2021: 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:

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 2022 was 4.93 years (2021: 5.93 years).

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

An amount of £12,006 has been recognised in the Consolidated Statement of Comprehensive Income and in the Share Option Reserve in relation to the share options (2021: £16,665).

The aggregate fair value of the share options in issue was £91,961 (2021 £79,955), with amounts recorded at each reporting date being as follows:

	2022	2021
	£	£
2015 Options	18,492	18,492
2017 Options	26,884	26,884
2019 Options	22,793	19,861
2020 Options	23,792	14,718
	91,961	79,955

Warrants

As part of the placing in November 2022 which raised £1,054,000 before fees and expenses, the Company issued 3,162,000 warrants at an exercise price of 2p per warrant to the Company's brokers on the transaction as part of their fees.

The warrants entitle holders to subscribe for new ordinary shares at any time in the period of three years following the grant of the warrants. The expiry date for the warrants is 23 November 2025.

Fair value is measured using a Black Scholes pricing model.

An amount of £11,993 has been recognised in the Share Premium and in the Share Option Reserve in relation to the warrants (2021: £nil).

Date of Grant	Ordinary shares under option	Expiry Date	Exercise Price £	Fair value at 31 December 2022 £
25.11.22	3,162,000	24.11.25	0.02	11,993

11. Capital and reserves

Issued, allotted and fully paid	2022	2021
	£	£
233,780,349 Ordinary Shares of 0.4p each *(2021: 181,080,349)*	935,121	724,321
137,674,431 Deferred Shares of 4p each *(2021: 137,674,431)*	5,506,977	5,506,977

279,176,540 Deferred Shares of 0.99p each *(2021: 279,176,540)*	2,763,848	2,763,848
	9,205,946	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 2022 totalled 334,682,497 (2021:334,682,497).

During the year 52,700,000 new ordinary shares of 0.4p each were issued through two placings in November 2022 at a share price of 2p per share.

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.

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 options granted, less the fair value of lapsed and expired 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 2022 was based on the loss of £1,029,261 (2021: £1,544,346), and a weighted average number of ordinary shares outstanding of 186,422,541 (2021:181,080,349), calculated as follows:

	2022 £	2021 £
Losses attributable to ordinary shareholders	**(1,029,261)**	**(1,544,346)**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	181,080,349	181,080,349
Effect of shares issued during the year	5,342,192	-
Weighted average number of shares at 31 December	186,422,541	181,080,349

	2022 pence per share	***2021 pence per share***
Basic loss per share	(0.55)	(0.85)

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 and warrants. The calculation of diluted loss per share at 31 December 2022 was based on the loss of £1,029,261 (31 December 2021: £1,544,346), and a weighted average number of ordinary shares outstanding of 186,422,541 (2021: 181,080,349).

	2022 pence per share	***2021 pence per share***
Diluted loss per share	(0.55)	(0.85)

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 £2,002,049 (2021: £2,342,383),

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 2022					
Trade and other payables	40,722	40,722	40,722	-	-
31 December 2021					
Trade and other payables	184,820	184,820	184,820	-	-

Company:

Financial liabilities	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1 -2 years**
	£	£	£	£	£
31 December 2022					
Trade and other payables	13,381	13,381	13,381	-	-
31 December 2021					
Trade and other payables	8,966	8,966	8,966	-	-

(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:	**2022**	**2021**
	£	**£**
Variable rate instruments		
Cash and cash equivalents	1,919,529	1,784,024

	Carrying amount	
Company:	**2022**	**2021**
	£	**£**
Variable rate instruments		
Cash and cash equivalents	1,761,330	1,538,615

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 2021.

Group:	**2022**		**2021**	
	Profit or loss		**Profit or loss**	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	19,195	(19,195)	17,840	(17,840)

Company:	**2022**		**2021**	
	Profit or loss		**Profit or loss**	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	17,613	(17,613)	15,386	(15,386)

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.

	2022	**2021**
	£	**£**
Short-term employee benefits	230,895	224,518
Share based payments	12,006	16,665
	242,901	241,183

Directors' remuneration and interests

The below remuneration relates to the Directors of the Group.

2022	**Remuneration**			**Interests**	
Director	**Cash-based payments**	**Share-based payments**	**Totals**	**Shares**	**Options**
	£	£	£	No.	No.
Nigel Theobald (Chief Executive Officer)	77,500	-	77,500	16,981,319	-
David Templeton	46,500	4,537	51,037	-	1,434,286
Luke Cairns	41,333	4,537	45,870	142,857	2,109,588
Christopher Britten	24,000	1,466	25,466	-	717,143
John Chiplin	24,000	1,466	25,466	-	717,143

	213,333	12,006	225,339	17,124,176	4,978,160

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

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 (2021: 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 2022 of £5,659,000 (2021: £5,259,000). 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. 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.

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