4basebio

2023 Annual Report and Financial Statements

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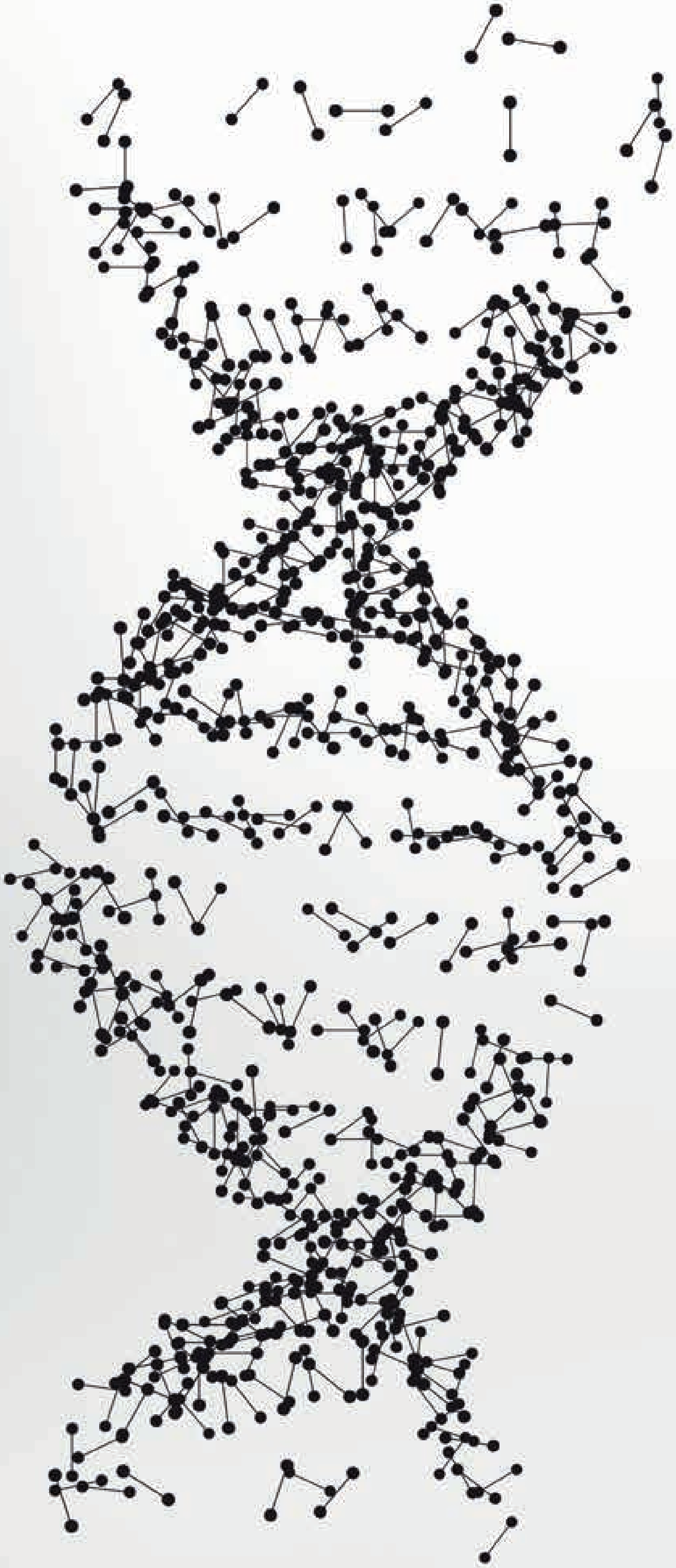

1. Highlights

- First sale of HQ synthetic DNA batch
- First order for GMP synthetic DNA
- Six novel patent filings
- Delivered over 25 customer projects during 2023

2. At a glance

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

4basebio is a technology group, which is a market leader in the development and commercialisation of large scale manufacture of synthetic DNA as well as nanoparticle delivery solutions. The Group continues to expand its commercial platform. Its customers are active in the cell & gene therapy and vaccine markets, across mRNA therapeutics and vaccines, AAV, gene editing and DNA vaccines.

The Group‘s technology platforms offer its customers application specific product and performance benefits, with its synthetic DNA also benefitting from much faster turnaround times relative to incumbent plasmid DNA. It also continues to invest in research and development activities to further develop its platforms and expand its product offering, particularly focussed on different DNA modalities including single stranded and circular synthetic DNA constructs.

3. Chairman's statement

Performance

During the course of 2023, 4basebio continued to scale up its commercial activities alongside ongoing product innovation. The emphasis during the year was on its synthetic DNA platform, with the Group recognising revenue on approximately 25 customer projects including the sale of its first High Quality DNA; it also took receipt of orders for GMP ("Good Manufacturing Practice") grade product due for delivery in 2024.

The manufacture and sale of GMP grade synthetic DNA is a significant milestone for 4basebio with the receipt of GMP orders an important step. While the Group's journey to GMP has not been without its challenges, it is pleasing to reflect on the significant progress made. Evidence of the Group's development also came in the form of its client, HelixNano Technologies Inc., announcing in March 2024 approval of its mRNA vaccine product for first in human trials in Australia. 4basebio opDNA™ was used in manufacturing the vaccine.

The Group also continued to develop its non-viral delivery platform, Hermes™. As announced during the year, 4basebio received grant funding from the Bill & Melinda Gates Foundation to pursue a research program to further advance its nanoparticle platform with enhanced thermostability for use in infectious disease vaccine applications.

Thermo-stability was an important consideration in the use of mRNA vaccines used during the Covid-19 epidemic. Those vaccines required -80C freezer storage to remain effective, presenting significant logistical challenges and cost considerations in the distribution of vaccines for pandemic response.

Preliminary findings demonstrate the Hermes™ product offers superior particle stability at higher temperatures, a commercially significant consideration in the context of meeting future vaccine demands, particularly in countries where cold supply chain logistics are challenging.

Alongside these commercial developments, the Group continues to invest in its intellectual property. During 2023 and early 2024, six new patent applications were filed and this is expected to continue. The Group now has 17 patent families around its DNA platform and a further four patent families centred on its Hermes™ technology.

It is important that the Group acts to protect its intellectual property. As a result it has pursued legal action in Spain to protect against infringement and/or misappropriation of its intellectual property. This has led to belated counter claims during the year which the Board and its legal advisors consider unfounded and without merit and is further described in note 26 to the financial statements.

With the objectives outlined above, the Group continued to invest during 2023 with a resultant net loss for the year of £7.7 million.

Strengthening the Group's commercial, client onboarding and operations teams was an important focus in the year, with overall headcount of 84 at year end.

The Board is pleased with the commercial progress made during 2023 and believes 4basebio is well placed to grow revenues strongly in 2024. Nevertheless, 4basebio will remain loss making during 2024 and the Group will utilise its loan facility with 2Invest AG, a major shareholder and former parent company, to fund its activities.

Strategy
4basebio's principal objective is to become the leading provider of synthetic DNA products and non-viral delivery technology for the cell & gene therapy and vaccines markets. The Board believes the Group is well placed to do this, with a combination of a uniquely flexible synthetic DNA technology alongside its nanoparticle platform, a key competitive differentiator.

The flexibility in its DNA platform has facilitated the development of application specific products, which offer valuable performance benefits over alternative solutions. The overall objective is to continue developing and commercialising the most efficient and highest performant DNA products for each application.

An excellent example of this is supply of DNA for mRNA production; for this market, 4basebio manufactures and supplies the requisite linearised open ended DNA, its opDNA™, required for in vitro transcription, the process of converting DNA into mRNA. This compares highly favourably with other products which require a further step of linearisation (in the case of plasmid DNA) or de-ending (in the case of alternative synthetic DNA).

Alongside this, the Group has also focussed on developing internal application relevant expertise, enabling the preparation and provision of data packages for prospective clients highlighting the benefits of 4basebio products in their specific field of application.

As a result, the Group has generated a breadth of highly relevant commercial data which it can share with customers. It also means that 4basebio understands how its products will perform in the hands of its customers, a key consideration in meeting customer expectations.

The Group continues to focus on working with each customer along their journey from research use through high quality batches and eventual GMP grade synthetic DNA. As the customer progresses, so does the requirement for both higher quality and quantity of product. As customers advance through their therapeutic development programs, the Group expects significant revenues to be generated from these projects.

Share Price
The share price opened the year at 710 pence and softened during the course of the year to recover in November and December, to close at 680 pence. Trading volumes during the year represented approximately 4% of shares in issue, with a typical daily trading volume of 2,270 shares

At year end, approximately 70% of the Company's shares were closely held between the Company's largest shareholders and Board directors. Whilst the Board has limited visibility on holdings below the reporting threshold of 3%, given shares are typically held in nominee accounts, the Board believes that a significant portion of the remaining shares is owned by long term shareholders.

People and Culture
As an innovative life sciences Group, 4basebio is science led, with over three-quarters of its workforce holding scientific degrees. This has facilitated the rapid development of the Group's technology platforms, as well as commercial and manufacturing teams.

The Group strives to maintain an open, informal and supportive organisational culture. With the growth in headcount, maintaining the Group's core values becomes ever more important and is a focus of staff at all levels of the organisation.

The Board would like to thank all staff for their commitment and dedication over the past year which has been instrumental in 4basebio's continued progress.

Tim McCarthy
Chairman
4 June 2024

4. Business model

Value Drivers

The business is focussed on developing and exploiting its portfolio of intellectual property by producing and commercialising application specific products underpinned by its technology. While the Group's primary aim is the commercial exploitation of its technologies, the Board considers its intellectual property to have significant value in its own right.

The Group expects over time to develop a substantial contract manufacturing business, primarily supplying DNA for a range of customer applications within the cell & gene therapy and vaccine markets. The Group further expects that revenues will start to grow significantly as more of its clients progress towards GMP clinical product and eventually GMP commercial product.

In-house development
The Group has consistently adopted an in-house development approach, ensuring it has the expertise to develop and improve its products and technologies progressing into the manufacture and sale of those products. This has been complemented with in-house application validation and client onboarding teams which has provided a deep understanding and confidence about 4basebio's product performance.

As a result, the Group has over time built up considerable expertise across all aspects of its business from research and development through to final manufacture and sale.

Technology Platforms
The Group continues to seek to exploit its complementary technology platforms in synthetic DNA and non-viral vectors. While research and development, commercialisation and revenues from these technologies are progressing along different timescales, many customers express an interest in both payload and delivery solutions demonstrating the commercial synergies of the platforms.

The revenue generation models of the two parts of the business may diverge over time, with DNA revenue stemming from a contract manufacturing business model, while non-viral delivery is more likely to use a fee-for-service and licensing model in due course.

5. Markets

4basebio operates in the cell & gene therapy and vaccines markets, supplying its synthetic DNA and delivery platform products and technologies as key components of the eventual therapy or vaccine its customers are developing.

The Group has identified several market segments where it believes its products are highly relevant:

Market	Market Scale	4basebio Offering
AAV and Lentivirus manufacture for use in gene therapies and vaccines	The viral vector manufacturing market size is estimated to be worth USD $1.5 billion in 2023 and is projected to reach USD $5.5 billion by 2035, growing at CAGR of 11% during the forecast period 2023-2035.[1]	hpDNA™, double stranded linear DNA, covalently closed with single strand hairpins at the 5' and 3' ends. This product format is ideally suited for viral and non-viral vector applications.
mRNA manufacture for use in gene therapies and vaccines	The mRNA Synthesis and Manufacturing Services Market Size is valued at USD $49 billion in 2022 and is predicted to reach USD 51.6 billion by 2031 at a 0.8% CAGR during the forecast period for 2023-2031[2]. Overall market growth is expected to be modest due to the decline in Covid vaccines but with strong uptake in other areas.	opDNA™ is a partially opened, linear, double stranded DNA product. A 3' open end DNA template is ideally suited for in vitro transcription processes for the production of mRNA for use in vaccines and therapeutics.
Gene editing	The global gene editing market size is estimated to reach around USD $29.93 billion by 2032, increasing from USD $6.94 billion in 2022.[3]	oeDNA™, or open ended DNA, is a linear, double stranded DNA product ideal for genome editing
DNA Vaccines	The global DNA vaccine industry generated $433 million in 2021 and is expected to grow at a CAGR of 6.18% during 2022-2028 to reach US$ ~654 million in 2028.[4]	hpDNA™, described above is highly suitable for this application, along with osDNA™, or open stabilized DNA, a product incorporating nucleotide modifications within the DNA backbone. This feature not only provides resistance to exonuclease degradation but enables tuning of the immunostimulatory properties of the construct, making osDNA™ ideally suited for DNA vaccine applications.
Therapy and vaccine non-viral payload delivery	The global cell and gene therapy market size surpassed USD 15.[5] billion in 2022 and is estimated to be worth around USD 82 billion by 2032, growing at a healthy CAGR of 18.3% between 2023 and 2032.[5]	The Hermes™ proprietary delivery platform for nucleic acid and protein payloads appears to offer an enhanced thermo-stable alternative to traditional lipid based delivery systems presently used. Like those lipid based systems, the particles have low immunogenicity, enabling repeat dosing strategies, unlike viral vectors.

1 Roots Analysis, "Viral Vector Manufacturing Market"

2 Insightaceanalytic.com, "Global mRNA Synthesis and Manufacturing Services Market Research Report"

3 Precedence Research, "Gene editing market size by 2032"

4 Stratview Research, "DNA Vaccines Market Size...: 2022-2028"

5 Precedence Research, "Cell and Gene Therapy Market Size...By 2032"


MARS

6. Strategic goals

As noted, 4basebio's overall strategic objective is to become a leading supplier of synthetic DNA and non-viral vectors for the cell & gene therapy and vaccines markets and, at the same time, secure wide adoption of these technologies across these markets.

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

In addition, 4basebio will establish contract manufacturing capabilities underpinned by the planned MHRA certification of its clean rooms for GMP manufacture.

The near term objective is to grow revenues to reach break-even and subsequent profitability; the timing of this is dependent on revenue growth as well as discretionary decisions around levels of research and development spend which the Group will continue to make.

7. Key performance indicators

The Board monitors the progress towards the Group's objectives through the assessment and review of operational plans, achievement of internal development milestones and results from activities undertaken with customers and partners.

Key indicators for the business are as follows:

Loss for the year: **Description:** The Group's loss for the financial year measures its overall financial performance during the period.	**Performance:** The Group expects to incur losses whilst investment in the business outpaces revenues. In the near term, the Group expects to reach break-even and profitability.
Revenues and Projects: **Description:** The number of projects measures the long term trend in overall customer acquisition and revenue growth. Group revenues measure its progress in securing market and commercial validation.	**Performance:** The Group expects strong revenue growth in 2024 compared to 2023. The expectation is to onboard significantly more projects, whilst also producing more HQ and GMP grade material than the previous year. Scheduling of projects and consequent revenue recognition is however dependent on customer planning, so the precise timing of revenues remains difficult to predict.
Intellectual Property: **Description:** Patent applications offer an indication of the progress in research and development activities of the Group and the value inherent in its technology platforms.	**Performance:** The Group now maintains 21 patent families, with further filings anticipated during 2024.
Cash flows: **Description:** Given the funding requirements of the business to ensure successful commercialisation, the availability of cash is a key metric.	**Performance:** The Group closely monitors its cash position to ensure that its activities are developing as expected and that 4basebio continues to have available funding for the foreseeable future. The Group budgets carefully and is mindful of the available cash resources. The Group will continue to draw on the 2Invest AG facility as part of its cash management plans in 2024.
Employees: **Description:** The Group uses headcount as a measure of investment in its activities and its underlying commercial capabilities.	**Performance:** The Group will continue to build out its headcount during 2024, with headcount expansion expected to slow from 2025 onwards.

8. Principal risks and uncertainties and risk management

8.1 Risk management framework

The management of risk is a key responsibility of the Board of Directors. The Board ensures that the key risks are understood and appropriately managed in light of the Group's strategy and objectives, and that an effective internal risk management process, including internal controls, is in place to identify, assess, minimise and manage significant risks.

The Audit Committee oversees risk management on behalf of the Board and the Group's risk management policy and procedures to ensure they remain relevant. The key policy objectives include:

- establishing the importance of risk management in the successful operation of the business;
- ensuring that the risk tolerances of the Board are fully understood by senior executives;
- understanding the business risks that the Group faces and ensuring that they are appropriately managed or mitigated in line with the risk tolerances of the Board.

8.2 Principal risks

Risk description	Potential impact	Mitigation
Failure to protect intellectual property	If the Group's patents are successfully challenged or the patent portfolio is insufficient to protect the key commercial benefits of its products, this may significantly diminish the value of the Group's intellectual property and therefore the valuation of the Group.	The Group constantly monitors its patents and potential challenges and retains patent lawyers for the purpose of maintaining existing patents and filing new patents. The Group also monitors the publication of new patent applications which may directly affect its own intellectual property and has and will take action where it considers those applications conflict with 4basebio intellectual property.
Commercialisation of technology is slow or delayed	If the Group is slow in commercialising its technology, the opportunity to grow revenues or realise value may be restricted by competitors or alternative technologies which may emerge. This would diminish the value of 4basebio.	The Group constantly reviews its programs with a view to ensuring progress is as swift as possible. This includes collaborations with key partners. The Group recognises the urgency in commercialising its technology, which has led to establishment of its client onboarding, manufacturing and quality assurance teams, alongside its business development activity.
Access to funding to support strategic objectives	The Group requires near term funding in order to pursue its strategic objectives until such time as the Group reaches break-even or an alternative valuation event.	The Group monitors its cash position very closely and will draw on the 2Invest AG facility over the course of 2024 and beyond.

9. Chief Executive Officer's statement

9.1 Synthetic DNA platform

The demand for DNA continues to grow, with compound annual growth rate expected to exceed 20% for the foreseeable future. The market for DNA is expected to reach approximately $15bn by 2034, presenting an enormous opportunity for synthetic DNA to acquire market share, given the benefits it presents over the incumbent plasmid DNA.

There is clear momentum building in the adoption of synthetic DNA across various applications. During 2023 and early 2024, several announcements were made across the synthetic DNA market on the progression of the technology into clinical programs. This included 4basebio announcements relating to HelixNano Technologies, Inc. and the supply of HQ and GMP grade synthetic DNA into a tier one pharma company's vaccine program.

It is clear that a key consideration for many customers is the speed of delivery, with synthetic DNA able to be supplied in a matter of weeks. Additionally, there are application specific product and performance benefits that 4basebio's synthetic DNA offers, emphasising the significance of the platform flexibility.

The manufacture of mRNA via in vitro transcription or IVT, for example, is also an entirely synthetic process, so the adoption of synthetic DNA in this market is a natural progression. Meanwhile, for AAV production, the use of 4basebio synthetic DNA mitigates the risk of reverse packaging of plasmid backbone into viral vectors, a significant challenge for this market.

4basebio is now very focussed on its commercial development following the construction of its clean rooms. The Group is engaged with a multitude of clients requiring GMP in the near term, with the expectation that this level of demand will continue to grow as the Group secures its GMP certification and continues to supply product into clinical trials.

Alongside this, as in previous years, 4basebio sees significant future value in continued innovation, both through development of intellectual property and bringing novel products to market. The Group will continue to invest into research and development alongside its commercial activities, including client onboarding, business development and project management capabilities.

This approach has enabled the Group to progress from the production of research grade product at nanogram scale (1 billionth of a gram) to clinical grade product at multi-gram scale in a matter of a few years. The Board expects this rate of progress to continue with appropriate investment in the Group's capabilities.

The evolution of the Group since its admission to AIM in February 2021 has been profound and it is very satisfying to reflect on the progress made to date. The Board believes that 4basebio is now on the cusp of strong commercial growth and 2024 promises to be a very exciting year.

9.2 Non-viral delivery platform

The Group continues to invest in the development of the platform. The enhanced particle stability is a potentially highly significant commercial step for Hermes™ and with the support of the Bill & Melinda Gates Foundation, platform development has been expedited.

Hermes™ is being considered by customers as an alternative to conventional lipid nanoparticles, electroporation or viral vectors. The Hermes™ platform remains early in its development, but there are several very promising avenues to pursue.

The near-term objectives include the continued in vivo evaluation of particle formulations for a range of applications including vaccines, cancer therapy and other types of gene therapy, as well as completion of the initial Bill & Melinda Gates Foundation project.

9.3 Outlook

The Group expects to strongly grow its revenues in 2024, primarily through the sale of synthetic DNA. While the group has gained significantly improved commercial visibility during the course of 2023 and early 2024, a level of uncertainty remains around the timing of near-term revenue, in particular those projects requiring High Quality or GMP grades of material, given the dependency on clients' development timelines.

Alongside the anticipated commercial progression, 4basebio will continue to invest in its technologies and commercial development during 2024. By the end of the year, the Group expects to have in excess of 100 staff, which it considers a strong foundation on which to further expand its manufacturing and commercial activities.

The Group expects to continue to incur operating losses and cash outflows over the coming year; the Board remains confident these steps will provide strong growth in overall shareholder and stakeholder value.

10. Financial Review

10.1 Introduction
The Group recorded a loss for the year of £7.7 million (2022: £5.2 million), consistent with its internal budgeting and closed the year with £3.1 million cash on hand, having utilised the 2Invest AG loan facility during the year.

10.2 Revenues
Revenues were £506k for the year (2022: £268k), with a doubling of DNA and Hermes™ sales against the previous year; legacy revenue sales from Spain represent less than £100k of overall revenues in the year.

10.3 Cost of sales
Cost of sales for the year was £166k (2022: £29k) and comprises primarily labour, materials and overheads associated with sales of synthetic DNA and non-viral vectors, along with the amortisation of previously capitalised development costs associated with the products sold from 4basebio S.L.U..

10.4 Sales and marketing
Sales and distribution expenditure was £586k for the year (2022: £245k), reflecting ongoing investment in the Group's business development and project management teams.

10.5 Administration
Administration expenditure was £3.3 million for the year (2022: £2.7 million) reflecting headcount increases during year as well as general scaling of the business.

10.6 Operations
Operations expenditure was £1.4 million for the year (2022: £928k), again reflecting the additional investment in headcount, property and overall resources to support the Group's progression towards GMP manufacture.

10.7 Research and Development
Total expenditure for the year was £3.6 million for the year (2022: £2.1 million) in addition to capitalised development costs of £0.6 million (2022: £0.5 million) in relation to platform development in Spain. The growth in expenditure was across all R&D functions including platform development, client onboarding and application validation teams.

10.8 Tax
The Group is loss making and no deferred tax assets have been recognised in respect of tax loss carry forwards due to the inherent uncertainty of recovery. Claims for tax credits in the UK and Spain have been recognised, totalling £0.7 million (2022: £0.8 million), with the reduction reflecting the new R&D tax credit regime in the UK.

10.9 Balance Sheet
Total assets stood at £11.9 million (2022: £11.7 million). Cash on hand was £3.1 million, down from £4.4 million in 2022. Total non-current assets increased to £6.9 million from £5.8 million reflecting additions in property and equipment and intangible assets. Current assets were £5.0 million (2022: £5.9 million), reflecting the cash outflows during the year; this included other assets of £1.5 million (2022: £1.4 million) comprising primarily R&D tax credits and short term deposits. Total liabilities were £12.4 million (2022: £4.6 million), reflecting the funding of business operations during the year through drawdowns under the 2Invest AG loan facility. (The terms of this facility are shown in note 22 to the financial statements.)

10.10 Cashflow
Net change in cash was an outflow of £1.2 million for the year (2022: outflow of £5.4 million). Operating cash outflows increased to £6.2 million in the year (2022: £4.7 million), reflecting the increase in the net loss for the year.

The Group's investment in capital expenditure reduced from the previous year, despite refurbishment of additional laboratories and offices to accommodate the expanding operations team. Cash outflows were £0.9 million for the year (2022: £1.2 million). Expenditure on capitalised development costs and other intangible assets was £0.6 million (2022: £0.8 million).

Cash inflows from financing activities was £6.4 million (2022: inflow of £1.2 million), with the utilisation of the 2Invest AG loan facility during the year. Closing cash stood at £3.1 million (2022: £4.4 million).

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

10.12 Financial Outlook
During the course of 2024, the Group expects to significantly improve revenues in comparison with 2023 primarily from synthetic DNA product sales. Nevertheless the Group expects to continue to incur operating losses for the year and will draw on the 2Invest AG facility during the period.

Heikki Lanckriet
Chief Executive Officer
4 June 2024

11. Section 172 statement

Under s172 of the Companies Act 2006 the Directors have a duty to act in good faith in a way that is most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the likely consequences of decisions for the long term, the interests of the Company's employees, the need to foster relationships with other key stakeholders, the impact on the community and the environment, maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the Company.

Key decisions made by the Board during 2023 related primarily to Company's operating activities and allocation of expenditure across operations, research and development and commercial activity, in particular increases in headcount across those functions. The Board considers these decisions to be in the best long-term interests of shareholders.

Approximately 70% of the Company's shares are held by five investors, which include the CEO, CFO and one non-executive director, Joe Fernandez. The executive directors and other members of the Board communicate from time to time with other shareholders and have a good understanding of their interests. The executive directors meet regularly with other shareholders, both institutional and private, to explain and discuss the Group's strategy and objectives and to understand the interests of smaller shareholders in the Company. The Board recognises its responsibility to act fairly between all shareholders of the Company.

The Group employed between 61 and 84 staff during 2023. The executive directors interact daily with employees. Management has implemented employee policies and procedures which are appropriate for the size of the Group.

As a relatively small organisation the Group's impact on the community and the environment is modest but the Board endeavours to ensure that the business acts ethically and in an environmentally conscious manner.

The strategic report was approved on 4 June 2024 by order of the Board.

Heikki Lanckriet
Chief Executive Officer
4 June 2024

Corporate Governance

The Board of directors recognises the importance of sound corporate governance. As an AIM-quoted company, the Board has concluded that the Quoted Companies Alliance Corporate Governance Code ("the QCA Code") is an appropriate code for the Company.

The Board, through its adoption of the QCA Code, believes in the value of putting the necessary systems and processes in place to support the medium to long-term delivery of the Company's strategic objectives. The Board is aware of the importance of communicating these strategic objectives to stakeholders and in reporting performance in a manner that encourages constructive dialogue to support the production of sustainable value in the long term. The Board recognises its role in setting the strategic direction of the business as well as in managing the organisation's risk profile. Further, the Board is cognisant of the key role it plays in setting the tone and culture of the entire group.

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

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

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

1. Board of Directors

HEIKKI LANCKRIET – Chief Executive Officer

Tenure
December 2020 – current

Skills and experience
Heikki holds a PhD in Biochemical Engineering from the University of Cambridge . He has over 20 years commercial & scientific experience in life sciences and has a track record of developing high growth technology businesses. Heikki has published scientific papers and is named inventor on a multitude of patents. Heikki is a director of i2i Limited and holds non-executive director positions at Biofrontera AG, Biofrontera Inc., Neophore Limited and Kither Biotech s.r.l..

DAVID ROTH – Chief Financial Officer

Tenure
December 2020 – current

Skills and experience
David is a chartered accountant with a background in both private equity and listed companies, where he has held senior positions over the past 20 years. He has been focussed on growth companies, with experience in operational execution. David holds a BA from the University of Hertfordshire. David holds a non-executive director positions at Heqet Therapeutics s.r.l. and Neomatrix s.r.l..

TIM MCCARTHY – Non-Executive Chairman

Tenure
December 2020 – 2024 AGM

Skills and experience
Tim has over 40 years' international senior level business experience in the healthcare, biotech and technology sectors. He is also the Chairman of Incanthera plc and CEO of ImmuPharma plc and a former CEO and Finance Director of public and private companies, including Alizyme plc and Peptide Therapeutics Group plc. He has also co-founded a number of healthcare and biotechnology companies. Tim is a Fellow of the Association of Chartered Certified Accountants and also holds an MBA from Cranfield School of Management.

Committee membership
Chair of the Audit Committee
Remuneration Committee

Corporate Governance (continued)

PILAR DE LA HEURTA – Non-Executive Director

Tenure
December 2020 – 2024 AGM

Skills and experience
Pilar de la Huerta has over 25 years' experience in the pharma and biotech industries and has held a number of CEO positions over that time. Pilar currently holds a number of board positions including Biofrontera AG, Biofrontera Pharma and Bioscience, Sarcorem S.L., and Epidisease S.L.. Pilar holds a Masters Degree in Business and Administration by the Universidad Complutense de Madrid.

Committee memberships
Chair of the Remuneration Committee
Audit Committee

JOE FERNÁNDEZ – Non-Executive Director

Tenure
December 2020 – 2024 AGM

Skills and experience
Joseph Fernández is the founder of Active Motif which specialises in novel tools and platform technologies for genomics-driven cell biology and epigenetic pathway elucidation. Before starting Active Motif, Joseph was a co-founder of Invitrogen (now part of Thermo Fisher Scientific). Joseph holds a number of Board positions including Active Motif where he is chairman and Protein Fluidics Inc.

Committee memberships
Audit Committee
Remuneration Committee

HANSJÖRG PLAGGEMARS – Non-Executive Director

Tenure
December 2020 – 2024 AGM

Skills and experience
Hansjörg Plaggemars is an experienced company director with over 25 years of experience in corporate finance, corporate strategy, and governance and holds a number of board positions including Epigenomics AG, 2invest AG and Delphi Unternehmensberatung AG.

Committee memberships
Audit Committee
Remuneration Committee

2. Corporate Governance Report (continued)

2.1. Leadership

2.1.1. The role of the Board

The Board is responsible for leading and controlling the activities of the Group, with overall authority for the management and conduct of the Group's business, together with its strategy and development. The Board is also responsible for ensuring the maintenance of a sound system of internal control and risk management (including financial, operational and compliance controls), reviewing the overall effectiveness of controls and systems in place, the approval of the budget and the approval of any changes to the capital, corporate and/or management structure of the Group.

In 2023 the Board held three formal Board meetings with additional ad hoc meetings as required. A full briefing pack is circulated to the Board for review prior to each meeting. The Board delegates authority as appropriate to its committees and members of the Group's management team.

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

2.2. Accountability

2.2.1. Composition of the Audit Committee

The Audit Committee is comprised of Tim McCarthy, Pilar de la Huerta, Hansjörg Plaggemars and Joe Fernandez. Both Tim McCarthy and Pilar de la Huerta are considered to be independent Non-Executive Directors. Hansjörg Plaggemars is the CEO of 2Invest AG, a significant shareholder in 4basebio PLC and hence is not considered independent. Joe Fernandez is a significant shareholder in 4basebio PLC and hence is not considered independent. Tim McCarthy is Chair of the Committee and is considered to have recent relevant financial experience being a qualified accountant and having previously held the role of CFO in both private and listed companies. The Committee has written terms of reference, which are available for inspection on request to the Company Secretary. The activities of the Audit Committee, including those in relation to the Group's external auditor, are described in the audit and risk report on page 18.

2.2.2. Risk management and internal control

The Board has overall responsibility for the adequacy of the Group's internal control arrangements and consideration of its exposure to risk. It approves and adopts the annual update to the Group's risk management plan, following recommendations made by the Audit Committee. The Directors have assessed the principal risks facing the Company and actions taken to mitigate them on page 10 of the annual report.

2.3. Remuneration

The role of the Board and its Remuneration Committee in establishing a policy on Executive remuneration and an explanation of the level and components of remuneration are provided in the Directors' remuneration report on pages 19 and 20.

2.4. Engagement with shareholders

The Company endeavours to communicate with stakeholders through a number of channels. Senior management and, if required, the Non-Executive Directors meet major shareholders on a regular basis. Management also frequently holds one-to-one meetings with institutional investors, including non-shareholders. In addition, management prepares presentations and recordings from time to time. Links to the Company's presentations and recordings are published on the Company's website. Further, Cavendish, the Group's broker, also provides research coverage with research notes widely available to shareholders and potential investors.

2.4.1. General meetings

Details of the Annual General Meeting, which allows shareholders the opportunity to raise questions with the Company's Directors, are provided in the Directors' report on page 22. Separate resolutions are proposed at the Annual General Meeting for each substantially separate issue and a resolution is proposed for approval of the annual report. Proxy voting is available for general meetings of the Company.

Tim McCarthy
Chairman
4 June 2024

3. Audit and Risk Report

3.1. The Audit Committee

The Audit Committee's responsibilities include:

- Oversight of the risk management framework and regular risk reviews.
- Monitoring of the financial integrity of the financial statements of the Group and the involvement of the Group's auditor in that process.
- Reviewing the effectiveness of the Group's internal controls and risk management systems and overseeing the process for managing risks across the Group, including review of the Group's corporate risk profile; and
- Oversight of the Group's compliance with legal requirements and accounting standards and ensuring that an effective system of internal financial control is maintained.

The Audit Committee met twice during the year with all members in attendance.

3.2. Activities of the Audit Committee

In December 2023, the Committee reviewed the latest risk register which had been prepared by management and circulated to the full Board.

The Audit Committee also reviewed and approved for publication the Annual Report for the year ended 31 December 2022 and the Interim Report for the half year ended 30 June 2023.

3.3. External audit

The Group's external auditor, Crowe LLP, is engaged to provide its independent opinion on the Group's financial statements. The Senior Statutory Auditor for 2023 was Mr Stephen Bullock. The Audit Committee approves any non-audit services provided by the external auditor, with consideration to the threats posed to independence and safeguards in place.

3.4. Internal audit

The Committee is of the opinion that an internal audit function is not currently appropriate for the Group given its stage of development. The Committee will continue to review the appropriateness of these arrangements.

Tim McCarthy
Audit Committee Chair
4 June 2024

4. Directors' Remuneration Report

I am pleased to present the Directors' remuneration report for the year ended 31 December 2023. The Remuneration Committee recognises the importance of shareholder engagement in relation to Executive remuneration. Accordingly, the Committee has prepared this report as a matter of best practice and has taken account of those regulations in doing so.

4.1. Remuneration Committee membership and activities

The members of the Remuneration Committee are Pilar de la Huerta, Joe Fernandez, Hansjörg Plaggemars and Tim McCarthy. Pilar de la Huerta is the Committee Chair. The Committee is responsible for:

- Maintaining the remuneration policy;
- Reviewing and determining the remuneration packages of the Executive Directors;
- Monitoring the level and structure of remuneration of senior management, including share options and bonus awards; and
- Production of the Directors' remuneration report

The Remuneration Committee met twice during the year with all members in attendance.

4.2. Key remuneration principles

The Group's remuneration arrangements for Executive Directors are based on the key principles set out below. The group has articulated how those principles are addressed within the remuneration policy.

Key principle	How this reflects in the policy
To promote the long-term success of the Company.	The Executive Directors' remuneration opportunity is a balance of fixed and performance based which is earned only subject to the satisfaction of performance conditions.
To provide appropriate alignment with investors' expectations in relation to the Company's strategy and outcomes.	Performance conditions for the annual bonus and any share option schemes are set such as to align with shareholders' interests.

4.3. Executive remuneration in 2023

Executive Director remuneration was approved by the Remuneration Committee. The base salary and a performance related bonus of up 60% of basic salary for the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) remained unchanged from 2022.

On 25 January 2021, Heikki Lanckriet was awarded 238,000 share options at market price; David Roth was awarded 179,000 share options at market price. As reported at the time, on 1 February 2024, Heikki Lanckriet exercised his rights over 211,863 share options. On the same date, David Roth exercised his rights over 179,000 share options.

On the same date, the Remuneration Committee resolved that the long-term incentivisation for senior management in the event of a future sale of the Company will comprise a cash bonus calculated as to a percentage of any future sale price achieved for the Company that exceeds £85 million. The quantum that would be awarded to Heikki Lanckriet and David Roth in the event of a sale of the Company is 0.52 per cent. and 0.44 per cent. of the sale price in excess of £85 million, respectively.

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

	2023				2022			
[£'000] Name	Salary or fees	Bonus	Benefits in kind	Total	Salary or fees	Bonus	Benefits in kind	Total
Executive								
Heikki Lanckriet	314.6	116.6	10.0	**441.2**	300.0	148.5	0.4	**448.9**
David Roth	233.3	84.0	0.6	**317.9**	216.0	106.9	0.2	**323.1**
	547.9	200.6	10.6	**759.1**	516.0	255.4	0.6	**772.0**

Directors' Remuneration Report (continued)

4.4. Non-Executive remuneration 2023

The remuneration policy for the Chairman and Non-Executive Directors is to pay fees necessary to attract and retain individuals of the calibre required, taking into account the size and complexity of the business and the market in which it operates. The fees of the Non-Executive Directors are agreed by the Chairman and the CEO and the fees of the Chairman are determined by the Board as a whole. Fees are paid as a base fee as a member of the Board, together with additional fees for chairmanship of a Board Committee. All Non-Executive Directors may be reimbursed for expenses reasonably incurred in the performance of their duties. Neither the Chairman nor the Non-Executive Directors are eligible to participate in the Group's incentive arrangements.

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

	2023			2022		
[£'000] Name	Salary or fees	Other	Total	Salary or fees	Other	Total
Tim McCarthy	40.0	–	**40.0**	40.0	–	40.0
Pilar de la Huerta	30.0	10.0	**40.0**	30.0	10.0	40.0
Joe Fernandez	20.0	–	**20.0**	20.0	–	20.0
Hansjörg Plaggemars	20.0	–	**20.0**	20.0	–	20.0
	110.0	10.0	**120.0**	110.0	10.0	120.00

Pilar de la Huerta provides support and advice from time to time in Spain to 4basebio S.L.U. in relation to domestic matters which benefit from application of Spanish language as well as knowledge of legal processes. Fees in respect of this advice were £10k during the year.

4.5. Directors' service contracts

Details of the service contracts of Directors in office at the date of approval of this report are set out below. At the 2021 Annual General Meeting, all Directors were subject to reappointment by voting shareholders. A third of Directors are then subject to reappoint at each Annual General Meeting.

Name	Position	Notice Period	Term of appointment
Heikki Lanckriet	CEO, CSO	One year	Open
David Roth	CFO	One year	Open
Tim McCarthy	Non-executive director (Chairman and Chair of Audit Committee)	Three months	Three years from 22 December 2020 until the following AGM
Pilar de la Huerta	Non-executive director (Chair of Remuneration Committee)	Three months	Three years from 22 December 2020 until the following AGM
Joe Fernandez	Non-executive director	Three months	Three years from 22 December 2020 until the following AGM
Hansjörg Plaggemars	Non-executive director	Three months	Three years from 22 December 2020 until the following AGM

Non-executive directors were appointed on three year contracts, as noted above, which expire no later than the Annual General Meeting due to be held on 28 June 2024. It is the intention to renew the service agreements for a further three years to coincide with the Annual General Meeting.

Pilar de la Huerta
Remuneration Committee Chair
4 June 2024

5. Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2023.

5.1. Principal activities

4basebio is engaged in the development, manufacture and sale of synthetic DNA and RNA products and non-viral vector solutions.

5.2. Strategic report

The strategic report is set out on pages 1 to 14. The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable.

5.3. Future development

Disclosures relating to future developments are included in the Chief Executive Officer's statement and financial review.

5.4. Capital structure

Details of the Company's share capital including shares issued during the year are provided in note 21 of the financial statements. The Company has one class of Ordinary Shares listed on the AIM market of London Stock Exchange with a nominal value of €1.00. Each Ordinary Share carries the right to one vote at general meetings of the Company and carries no right to fixed income.

5.5. Results and dividend

The consolidated statement of profit and loss and other comprehensive income is set out on page 27. The Group's loss after taxation for the year was £7.7 million. The Directors are unable to recommend the payment of a dividend in respect of the year ended 31 December 2023.

5.6. Directors

The Directors of the Company during the year and up to the date of approval of the annual report were as follows:

- Heikki Lanckriet
- David Roth
- Tim McCarthy
- Pilar de la Huerta
- Joe Fernandez
- Hansjörg Plaggemars

David Roth undertakes the role of Company Secretary.

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

5.7. Re-election of Directors

The Articles of the Company provide for one third of the Directors to stand for re-election at the Annual General Meeting to be held on 28 June 2024.

5.8. Directors' indemnities

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors, which remain in force at the date of this report.

5.9. Post balance sheet events

These are described in note 30 to the financial statements.

5.10. Research and development

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

5.11. Political donations

The Group made no political donations during the course of the current and prior year.

5.12. Financial instruments

The Company's financial risk management objectives and policies and disclosures regarding its exposure to foreign currency risk, credit risk and liquidity risk are provided in Note 26 to the financial statements.

5.13. Corporate governance report

The Company's corporate governance report can be found on page 17 of the annual report. The corporate governance report forms part of this Directors' report and is incorporated into it by cross-reference.

Directors' Report (continued)

5.14. Major interests

As at the date of this report, the Company had been notified of the following shareholders with major interests in the shares of 4basebio PLC:

- Deutsche Balaton Group, 51.65%
- Heikki Lanckriet (CEO), 11.08
- David Roth (CFO), 3.57%
- Joe Fernandez (Non-executive director), 3.50%

The Deutsche Balaton Group shareholding is held through 2Invest AG, Sparta AG, Latonba AG, Deutsche Balaton AG and Delphi Unternehmensberatung AG.

5.15. Power to allot shares

Each year at the AGM, the Directors seek authority to allot shares for the following year. The Annual General Meetings of 14 June 2023 conferred authority to the board of directors to issue additional 8,623,629 and 8,211,648 ordinary shares of €1 each respectively, with such authority to expire on the earlier date of the next Annual General Meeting or 15 months following the previous Annual General Meeting.

3,695,841 of those shares were generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006; a further 4,927,788 of those shares were generally and unconditionally authorised pursuant to section 560 of the Companies Act 2006. As part of such authorities totalling 8,623,629 shares up to 1,231,947 shares were also authorised to be issued pursuant to section 570 of the Companies Act 2006 for cash consideration and 1,231,947 shares were also authorised to be issued pursuant to section 570 of the Companies Act 2006 as part of an acquisition. The authorities expire at the conclusion of the next AGM. At the forthcoming AGM, authorities will be sought from shareholders similar to those sought at the 2023 AGM.

5.16. Auditor

Each person who is a Director at the date of approval of this annual report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- The Director has taken all reasonable steps as a Director in order to make him or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006. Crowe UK LLP have expressed their willingness to continue as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

5.17. Annual General Meeting

The Annual General Meeting of the Company will be held at 09:00pm on Friday 28 June 2024 at 25 Norman Way, Over, CB24 5QE. By order of the Board

Heikki Lanckriet
Chief Executive Officer
4 June 2024

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

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

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

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

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

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

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

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

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

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

By order of the Board

David Roth
Company Secretary
4 June 2024

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

Opinion

We have audited the financial statements of 4basebio Plc (the "parent company") and its subsidiaries (the "group") for the period ended 31 December 2023 which comprise the Consolidated statement of profit or loss and other comprehensive income, the Consolidated and Company statements of financial position, the Consolidated and Company statements of changes in equity, the Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted International Accounting Standards ('UK IFRS'). The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosures Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with UK IFRS;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2.2 to the financial statements concerning the Group and Company's ability to continue as a going concern. The Directors believe that the current levels of cash, amounts available for drawdown under the existing loan facility provided by 2Invest AG, a shareholder in the Company, and continuing support from 2Invest AG provide the Company and the Group with sufficient cash to meet their obligations as they fall due for at least twelve months following the date of this auditor's report.

The requirement for additional shareholder support indicates the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern. The financial statements do not reflect any adjustments that would be necessary should the going concern basis not be appropriate.

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

- obtaining management's assessment of going concern and the underlying financial projections which support that assessment
- testing to ensure the mathematical accuracy of the model presented;
- reviewing the assumptions used about future cash flows and timings;
- confirming the existence of cash balance which will be relied on;
- reviewing the appropriateness of the disclosures in the financial statements.
- obtaining confirmation from 2Invest AG of its willingness to provide appropriate support arrangements for a period of at least 12 months from the date of approval of the financial statements.

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

We evaluated the Directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment.

Further details of the Directors' assessment of going concern is provided in Note 2.

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

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

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

- £450,000 (2022: £380,000) is the group level of materiality determined for the financial statements as a whole, this has been determined based on approximately 7% of average loss before tax for FY22 and FY23. The objective of the group is to generate profit/loss, we determined that an profit based metric was the most appropriate to use for determining materiality.
- £315,000 (2022: £304,000) is the group level of performance materiality. Performance materiality is used to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.
- £22,500 (2022: £19,000) is the group level of triviality agreed with the Audit Committee. Errors above this threshold are reported to the Audit Committee, errors below this threshold would also be reported to the Audit Committee if, in our opinion as auditor, disclosure was required on qualitative grounds.

The parent company materiality was assessed as £250,000 (2022: £250,000) based on approximately 3% of net assets. As the parent company does not trade in its own right we determined that an asset based metric was the most appropriate to use for determining materiality. Parent company performance materiality was £200,000 (2022: £200,000) and triviality was £12,500 (2022: £19,000).

Overview of the scope of our audit

There are three significant components in the group in addition to the parent company, 4basebio S.L.U., 4basebio UK Limited and 4basebio Discovery Limited. We audited the parent company, 4basebio UK Limited & 4basebio Discovery Limited and our audit was conducted from the UK. Audit work on the significant non-UK component, 4basebio S.L.U., was carried out by a member of the Crowe Global international network as component auditor.

We engaged with the component auditor at all stages during the audit process and directed the audit work on the non-UK subsidiary undertaking. We directed the component auditors regarding the audit approach at the planning stage, issued instructions that detailed the significant risks to be addressed through the audit procedures and indicated the information we required to be reported.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified going concern as the only key audit matter. This is dealt with in 'Material uncertainty relating to going concern' above.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We obtained an understanding of the legal and regulatory frameworks within which the Group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were relevant company law and taxation legislation in the UK and Spain. Technical, clinical or regulatory laws and regulations which are inherent risks in the development of clinical products are mitigated and managed by the Board and management generally, in conjunction with expert regulatory consultants in order to monitor the latest regulations and planned changes to the regulatory environment.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Bullock
Senior Statutory Auditor

For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

4 June 2024

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2023

[in £'000]	Note	2023	2022
Revenues	5	**506**	268
Cost of goods sold		**(166)**	(29)
Gross profit		**340**	239
Sales and marketing expenses	6	**(586)**	(245)
Administration expenses	6	**(3,250)**	(2,711)
Operation expenses	6	**(1,417)**	(928)
Research and non-capitalised development expenses	6	**(3,560)**	(2,081)
Other operating expenses	8	**(85)**	(181)
Other operating income	9	**506**	67
Loss from operations		**(8,052)**	(5,840)
Finance expense	10	**(302)**	(89)
Financial result		**(302)**	(89)
Loss before tax		**(8,354)**	(5,929)
Income tax income / (expense)	11	**689**	779
Loss for the year		**(7,665)**	(5,150)
Loss per share			
– Basic and diluted (in £/share)	12	**(0.62)**	(0.42)
Items that may be reclassified to the income statement in subsequent periods			
Exchange differences on translation of foreign operations		**(172)**	447
Total comprehensive income		**(7,837)**	(4,703)

All of the loss for the year is from continuing operations.

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position
31 December 2023

[in £'000]	Note	2023	2022
Assets			
Intangible assets	13	**2,669**	2,124
Property, plant and equipment	15	**4,197**	3,633
Other non-current assets	19	**34**	35
Non-current assets		**6,900**	5,792
Inventories	17	**332**	133
Trade receivables	18	**107**	54
Other current assets	19	**1,514**	1,359
Cash and cash equivalents	20	**3,069**	4,351
Current assets		**5,022**	5,897
Total assets		**11,922**	11,689
Liabilities			
Financial liabilities	22	**(392)**	(415)
Trade payables		**(694)**	(490)
Other current liabilities	23	**(1,191)**	(613)
Current liabilities		**(2,277)**	(1,518)
Financial liabilities	22	**(10,065)**	(2,935)
Other liabilities	23	**(72)**	(116)
Non-current liabilities		**(10,137)**	(3,051)
Total liabilities		**(12,414)**	(4,569)
Net (liabilities)/assets		**(492)**	7,120
Share capital	21	**11,132**	11,130
Share premium	21	**706**	706
Merger reserve	21	**688**	688
Capital reserve	21	**13,530**	13,307
Foreign exchange reserve	21	**(158)**	14
Profit and loss reserve	21	**(26,390)**	(18,725)
Total Equity		**(492)**	7,120

The above statement of financial position should be read in conjunction with the accompanying notes.

The Financial Statements were approved by the Board of Directors on 4 June 2024 and were signed by Heikki Lanckriet and David Roth.

Company statement of financial position
31 December 2023

[in £'000]	Note	2023	2022
Assets			
Investments	14	**7,817**	7,817
Amounts due from subsidiary undertaking		**9,057**	2,121
Non-current assets		**16,874**	9,938
Other current assets		**43**	60
Cash and cash equivalents		**1,123**	2,021
Current assets		**1,166**	2,081
Total assets		**18,040**	12,019
Liabilities			
Current liabilities		**(437)**	(475)
Non-current liabilities		**(8,896)**	(1,772)
Total liabilities		**(9,333)**	(2,247)
Net assets		**8,707**	9,772
Share capital	21	**11,132**	11,130
Share premium	21	**706**	706
Capital reserve	21	**431**	208
Profit and loss reserve		**(3,562)**	(2,272)
Total Equity		**8,707**	9,772

The loss for the year to 31 December 2023 for the Company was £1.3 million (result for the year to 31 December 2022: loss of £1.1 million). The above statement of financial position should be read in conjunction with the accompanying notes.

The Financial Statements of 4basebio PLC (company number 13519889) were approved by the Board of Directors on 4 June 2024 and were signed by Heikki Lanckriet and David Roth.

Consolidated statement of changes in equity

for the year ended 31 December 2023

[in £'000]	Share capital	Share premium	Merger reserve	Capital reserve	Foreign exchange reserve	Profit and loss reserve	Total equity
Balance at 1 January 2023	**11,130**	**706**	**688**	**13,307**	**14**	**(18,725)**	**7,120**
Loss for the year	–	–	–	–	–	(7,665)	(7,665)
Shares issued in period	2	–	–	–	–	–	2
Foreign Exchange difference arising on translation of 4basebio S.L.U.	–	–	–	–	(172)	–	(172)
Share based payments	–	–	–	223	–	–	223
Balance at 31 December 2023	**11,132**	**706**	**688**	**13,530**	**(158)**	**(26,390)**	**(492)**

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

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

Company statement of changes in equity
for the year ended 31 December 2023

[in £'000]	Share capital	Share premium	Capital reserve	Profit and loss reserve	Total equity
Balance at 1 January 2023	**11,130**	**706**	**208**	**(2,272)**	**9,772**
Loss after income tax and total comprehensive income for the period	–	–	–	(1,290)	(1,290)
Shares issued in period	2	–			2
Share based payments	–	–	223	–	223
Balance at 31 December 2023	**11,132**	**706**	**431**	**(3,562)**	**8,707**

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

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

Consolidated statement of cash flows
for the year ended 31 December 2023

[in £'000]	2023	2022
Net loss for the period	**(7,665)**	(5,150)
Adjustments to reconcile net loss for the period to net cashflows		
Income taxes	**(689)**	(779)
Interest charge	**302**	89
Depreciation of property, plant and equipment	**676**	404
Amortisation and impairment of intangible assets	**33**	27
Other non-cash items	**220**	136
Working capital changes:		
(Increase)/decrease in trade receivables and other current assets	**(109)**	140
Increase/(decrease) in trade payables and other current liabilities	**695**	(2)
(Increase)/decrease in inventories	**(202)**	30
Tax receipt	**561**	401
Net Cash flows from operating activities	**(6,178)**	(4,704)
Investments in property, plant and equipment	**(871)**	(1,155)
Investments in capitalised development and intangible assets	**(619)**	(786)
Cash flows from investing activities	**(1,490)**	(1,941)
Net receipt/(payment) of loans	**6,584**	1,412
Shares issued	**2**	–
Interest paid	**(67)**	(93)
Capital lease payments	**(94)**	(75)
Cash flows from financing activities	**6,425**	1,244
Net change in cash and cash equivalents	**(1,243)**	(5,401)
Exchange differences	**(39)**	166
Cash and cash equivalents at the beginning of the period	**4,351**	9,586
Cash and cash equivalents at the end of the period	**3,069**	4,351

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements
For the year ended 31 December 2023

1. General information

4basebio PLC (the "Company" or "4basebio") is registered in England and Wales with company number 13519889.

The Company is domiciled in England and the registered office of the Company is 25 Norman Way, Over, Cambridge CB24 5QE. 4basebio PLC is the parent of a group of companies (together, "the Group"). The Group focusses on life sciences and in particular the development of synthetic DNA and nanoparticles suitable for inclusion in, or delivery of, therapeutic payloads for gene therapies and gene vaccines.

The Company trades on London Stock Exchange's AIM market, having been admitted on 17 February 2021. The international securities number (ISIN) number for its AIM traded shares is GB00BMCLYF79; its ticker symbol is 4bb.l.

The consolidated financial statements of 4basebio PLC and its subsidiaries for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 4 June 2024.

2. Accounting policies

2.1 Company

Basis of preparation

The Company's financial statements of 4basebio PLC for the financial year ending 31 December 2023 have been prepared in accordance with the historical cost convention and in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101) and the Companies Act 2006. Those financial statements present information about the Company as an individual entity. Accounting policies have been applied consistently throughout the year.

In preparing its financial statements the Company has taken advantage of certain disclosure exemptions conferred by FRS 101.

Therefore, these financial statements do not include:

— certain comparative information as otherwise required by international accounting standards;
— a statement of cash flows;
— the effect of future accounting standards not yet adopted;
— the disclosure of the remuneration of key management personnel; and
— disclosure of intercompany transactions with wholly owned subsidiary companies.

In addition, and in accordance with FRS101 further disclosure exemptions have been adopted because equivalent disclosures are included in these consolidated financial statements and hence do not include Company only disclosures in respect of:

— financial instruments;
— fair value measurement

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own income statement. The loss for the financial year per the accounts of the Company was £1.3 million. The principal accounting policies adopted are set out below.

Investments in subsidiaries

Investments in subsidiaries and joint ventures are stated at cost less, where appropriate, provisions for impairment. The Company tests the investment balances for impairment annually or when there are indicators of impairment.

Share-based payments

The fair value of employee share option plans is calculated at the grant date using the Black-Scholes model. The resulting cost is charged to the Company income statement over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting.

Financial instruments

Financial assets and financial liabilities are recognised in the Company balance sheet when the Company becomes party to the contractual provisions of the instrument.

Notes to the financial statements
(continued)

2.2 Group

Basis of preparation

The consolidated financial statements of 4basebio UK PLC (or “the Group”) for the financial year ending 31 December 2023 have been prepared using UK adopted international accounting standards.

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

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

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

The principal accounting policies adopted are set out below.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation, taking into account the support from 2Invest AG, a shareholder in 4basebio PLC that the Company and the Group will continue as a going concern. As set out in note 22, the Company has a loan facility with 2Invest AG. In addition, 2Invest AG has provided to the Board of 4basebio PLC a letter confirming its willingness to support the Company, should the Company and the Group require working capital in addition to amounts available for drawdown under the existing loan facility for a period of at least 12 months from the date of approval of these financial statements, to enable the Company and the Group to continue to meet their obligations as they fall due. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Additional support from 2Invest AG may be subject to certain conditions and therefore represents a material uncertainty in relation to going concern; such support having been made available by 2Invest AG to 4basebio PLC since its spin out in December 2020. The financial statements do not reflect any adjustments that would be necessary should the going concern basis not be appropriate.

Operating segments

Operating segments are presented using the ‘management approach’, where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (‘CODM’), the board of directors. The CODM are responsible for the allocation of resources to operating segments and assessing their performance. For the years ended 31 December 2023 and 31 December 2022, the Group comprised one operating segment.

Business combinations

The consolidated financial statements include 4basebio PLC and its subsidiaries over which the Company can exercise control. Control exists if 4basebio has a risk burden from or is entitled to fluctuating returns from its involvement in a company and it can also use its power of disposal over the associated company to influence these returns. In general, ownership of a majority of voting rights (direct or indirect) is presumed to result in control. The financial statements of subsidiaries to be included in the consolidated financial statements are included in the consolidated financial statements from the date on which the possibility of exercising control begins until the date on which the possibility of exercising control ends.

Revenue recognition

Revenue from contracts with customers is recognised at the point that control of the goods is transferred to the customer. This is generally the point of delivery. Recognition amount is the amount of the consideration that the Group will likely receive in exchange for these goods or services. The usual payment profile comprises an upfront payment of up to 50% at the time an order is placed with the balance settled 30 to 90 days following delivery. The Group has concluded that it acts as a principal in its sales transactions, as the Group usually has control over the goods or services before they are transferred to the customer.

The Group checks contracts with customers to see whether the contracts contain other commitments which represent separate performance obligations to which a part of the transaction price must be allocated (e.g. warranties).

Notes to the financial statements (continued)

Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Foreign currencies

The functional currency of the Group is British Pounds.

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (4basebio S.L.U.) are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange

Notes to the financial statements (continued)

rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve.

The principal currency rates of the Group have developed as follows in relation to the British Pound (GBP/£):

	Closing exchange rate		Average exchange rate	
[in GBP]	31.12.2023	31.12.2022	2023	2022
Euro	0.8691	0.8869	0.8698	0.8524
US Dollar	0.7856	0.8267	0.8040	0.8088

Grants
Grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Where grant funds are received in advance of satisfying conditions for recognising grant income, the grant is recognised as a short term liability. Grant income is recognised in other operating income.

On government loans advanced at a below-market rate of interest, the benefit is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement and termination benefit costs
Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit plans are accounted for as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Short-term employee benefits
A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Share-based payments
Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The fair value of options granted is recognised as an expense of employment in the statement of comprehensive income with a corresponding increase in equity.

The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The fair value of options granted under the share option schemes is measured using a Black Scholes model taking into account the performance conditions under which such options were granted. At each financial year end, the Group revises its estimate of the number of options that are expected to become exercisable based on forfeiture such that at the end of the vesting period the cumulative charge reflects the actual options that have vested, with no charge for those options which were forfeit prior to vesting. When share options are exercised the proceeds received are credited to equity.

Taxation
The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on any taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of accounting professionals and in certain cases based on specialist independent tax advice.

Notes to the financial statements (continued)

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year
Current and deferred tax are recognised in the profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment
Land and buildings held for use in the production or supply of goods or services or for administrative purposes, are stated in the statement of financial position at cost less any accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated.

Plant, machinery, fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment loss.

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

Buildings	5 per cent per annum
Plant and machinery	10 per cent – 25 per cent per annum
Fixtures and fittings	10 per cent – 30 per cent per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Internally-generated intangible assets – research and development expenditure
The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed below. Where no internally- generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Notes to the financial statements (continued)

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets are generally recognised initially at cost. The cost of intangible assets acquired in business combinations is the fair value at the time of acquisition. With the exception of capitalised development costs and internally generated patents, no internally generated intangible assets are recognised in the consolidated statement of financial position of the Group. Instead, the corresponding expenses are recognised as expenses in the consolidated income statement in the period in which they were incurred. Development costs are only capitalised as intangible assets if the Group can demonstrate that the specific recognition criteria according to IAS 38.57 are met.

Research and non-capitalisable development costs are recorded as expenses in the period in which they are incurred and reported in a separate line in the consolidated income statement ("Research and non-capitalised development costs").

For the purposes of subsequent measurement of intangible assets, IFRSs distinguish between intangible assets with finite and indefinite useful lives. The consolidated financial statements of the 4basebio Group only contain intangible assets with a finite useful life. These are amortised over their useful economic life and tested for possible impairment if there are indications that the intangible asset may be impaired. In the case of capitalised development costs, amortisation begins upon completion of the development phase and from the point at which the asset can be used. During the development phase, an annual impairment test is carried out. Amortisation is recognised for capitalised development costs within cost of sales and for all other intangible assets within the expense category that corresponds to the function of the intangible asset in the 4basebio Group. Depreciation periods and methods are reviewed at least at the end of each reporting period. If changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in an intangible asset necessitate changes in the amortisation method or amortisation period, these changes are treated as changes in accounting estimates and recognised prospectively in profit or loss for the period.

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

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

	Patents and Licences	Capitalised development costs
Useful life	Finite	Finite
Amortisation method	Amortised on a straight-line basis over the term of the licence	Amortised on a straight-line basis over the period of expected future sales from the related project
Type of asset	Acquired	Internally generated

Patents and licences
The expenditure associated with the granting of a patent or licence is measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Impairment of property, plant and equipment and intangible assets
At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its' carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost

Notes to the financial statements (continued)

is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial liabilities and equity
Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

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

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

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

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the financial statements (continued)

3. Adoption of new and revised standards

The following new standards and amendments were mandatory for adoption for periods ending 31 December 2023. Changes to disclosure of accounting policies requiring disclosure of material policies has been reflected in note 2 to these financial statements. The remaining standards and amendments do not affect the Group:

— Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
— Definition of Accounting Estimates (Amendments to IAS 8)
— Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
— International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) – Application of the exception and disclosure of that fact

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

4. Critical accounting judgements, estimates and assumptions

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

Capitalisation of development expenditure
The Group capitalises the costs of product development projects if the recognition criteria according to IAS 38.57 are met. The capitalisation of development costs is based on management's assessment that the technical and economic feasibility has been demonstrated. This is generally the case when a product development project has reached a certain milestone in an existing project management model. For determining the amounts to be capitalised, management makes assumptions about the amount of expected future cash flows from the project, the discount rates to be applied and the timing of inflow of the expected future benefit. As at 31 December 2023 the carrying amount of capitalised development costs amounted to £2.1 million (31 December 2022: £1.7 million).

5. Revenues

Revenue by type [in £'000]	2023	2022
Revenue from sales of products	**491**	248
Revenue from licences and royalties	**15**	20
Total revenue	**506**	268

Geographic markets [in £'000]	2023	2022
Europe	**176**	85
USA	**320**	162
Rest of World	**10**	21
Total revenue	**506**	268

Timing of revenue recognition [in £'000]	2023	2022
At a point in time	**506**	268
Total revenue	**506**	268

Information on significant customers [in £'000]	2023	2022
Revenues from significant customers (customers which represent at least 10% of Group revenue)	**269**	174
Other revenues	**237**	94
Total revenue	**506**	268

Notes to the financial statements (continued)

6. Expenses

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

[in £'000]	2023	2022
Sales and marketing expenses		
Employee costs	**306**	81
Other	**280**	164
	586	245
Administration expenses		
Employee costs	**1,086**	912
Professional fees	**688**	772
Share based payments	**223**	128
Depreciation and amortisation	**679**	404
Other	**574**	495
	3,250	2,711
Operations expenses		
Employee costs	**721**	588
Consumables	**260**	248
Other	**436**	92
	1,417	928
Research and non-capitalised development expenses		
Employee costs	**2,448**	1,646
Consumables	**1,291**	794
Depreciation and amortisation	**30**	27
Capitalised development expenses	**(445)**	(499)
Other	**236**	113
	3,560	2,081

7. Staff numbers and costs

[in £'000]	2023	2022
Salaries	**3,900**	2,759
Social security costs	**544**	392
Pension costs	**118**	76
Staff costs	**4,562**	3,227

Average employee numbers by function	2023	2022
Sales and marketing	**3.4**	1.0
GF&A	**12.0**	8.6
R&D	**47.2**	29.0
Operations	**14.3**	10.0
Total	**76.9**	48.6

8. Other operating expenses

[in £'000]	2023	2022
Foreign Exchange	**53**	171
Other	**32**	10
Other operating expenses	**85**	181

Notes to the financial statements (continued)

9. Other operating income

[in £'000]	2023	2022
Grant income	**229**	51
Foreign Exchange	**167**	–
Other	**110**	16
Other operating income	**506**	67

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

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

10. Financial expense

[in £'000]	2023	2022
Interest expense on loans	**236**	56
Interest on lease liabilities	**66**	33
Finance expenses	**302**	89

11. Income taxes

[in £'000]	2023	2022
Current tax expense (-) or income (+)	**689**	779
Deferred tax expense (-) or income (+)	**–**	–
Total income tax	**689**	779

Tax reconciliation statement
The difference between the expected income tax expense and the income tax expense actually reported is shown in the following reconciliation. To determine the expected tax expenses, a weighted average UK and Spain tax rate of 23.7% was used for 2023 (2022: 20%) and was multiplied by the loss before taxes.

[in £'000]	2023	2022
Loss before tax	**(8,354)**	(5,929)
Expected tax expense (-) or income (+)	**+1,985**	+1,170
Adjustments:		
Losses where no deferred tax asset recognised	**(1,296)**	(391)
Other	**–**	–
Total adjustments	**(1,296)**	(391)
Income tax credit arising from R&D tax claims	**689**	779

12. Earnings per share

	2023	2022
Numerator [in £'000]		
Result for the period	**(7,665)**	(5,150)
Denominator [number of shares]		
Weighted average number of registered shares in circulation (ordinary shares) for calculating the undiluted earnings per share	**12,319,270**	12,317,473
Basic and diluted earnings per share (£)	**(0.62)**	(0.42)

Notes to the financial statements (continued)

The calculation of the basic and diluted earnings per share for continuing operations was based on the weighted average number of shares as determined above. The numerator is defined as result after tax from continuing operations. The average number of share options outstanding during the period was 653,771 (2022: 642,878) which have not been included in the calculation of the diluted Earnings per share because they would be anti-dilutive since the business is loss making.

13. Intangible assets

[in £'000]	Development costs	Patents and licences	Total
Cost or acquisition value			
01.01.2023	**3,040**	**504**	**3,544**
Additions	446	173	619
Exchange differences	(62)	(8)	(70)
31.12.2023	**3,424**	**669**	**4,093**
01.01.2022	**2,390**	**200**	**2,590**
Additions	499	287	786
Disposals	–	–	–
Exchange differences	151	17	168
31.12.2022	**3,040**	**504**	**3,544**
Cumulative amortisation and impairment			
01.01.2023	**1,367**	**53**	**1,420**
Amortisation	4	29	33
Disposals	–	–	–
Exchange differences	(28)	(1)	(29)
31.12.2023	**1,343**	**81**	**1,424**
01.01.2022	**1,286**	**33**	**1,319**
Amortisation	9	18	27
Disposals	–	–	–
Exchange differences	72	2	74
31.12.2022	**1,367**	**53**	**1,420**
Net book value			
31.12.2023	**2,081**	**588**	**2,669**
31.12.2022	**1,673**	**451**	**2,124**

Development costs
The development costs relate to development work undertaken by 4basebio S.L.U. in relation to enzyme formulation, application and DNA synthesis platform development.

Notes to the financial statements (continued)

14. Investments

Company

[in £'000]	2023	2022
Cost		
1 January and 31 December	**7,817**	7,817

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

			Equity held (in %)	
Company name	Principal activities	Place of incorporation	31.12.2023	31.12.2022
4basebio S.L.U.	R&D and manufacturing	Madrid, Spain	**100**	100
4basebio UK Limited	Manufacturing	Cambridge, UK	**100**	100
4basebio Discovery Limited	R&D	Cambridge, UK	**100**	100

Both 4basebio UK Limited and 4basebio Discovery Limited have elected to make use of the audit exemption, for non-dormant subsidiaries, under section 479A of the Companies Act 2006. In order to fulfil the conditions, set out in the regulations, the Company has given a statutory guarantee of all outstanding liabilities to which the subsidiaries are subject at the end of the financial year to 31 December 2023.

Notes to the financial statements (continued)

15. Property, plant and equipment

[in £'000]	Operating equipment	Land and buildings	Usage rights from leases	Total
Cost or acquisition value				
01.01.2023	**2,803**	**1,040**	**643**	**4,486**
Additions	895	–	372	1,267
Disposals	(24)	–	–	(24)
Exchange differences	(8)	–	(3)	(11)
31.12.2023	**3,666**	**1,040**	**1,012**	**5,718**
01.01.2022	**882**	**997**	**635**	**3,265**
Additions	1,152	43	143	1,338
Transfer	751	–	–	–
Disposals	–	–	(143)	(143)
Exchange differences	18	–	8	26
31.12.2022	**2,803**	**1,040**	**643**	**4,486**
Cumulative amortisation and impairment				
01.01.2023	**670**	**140**	**43**	**853**
Depreciation	493	47	137	677
Disposals	(4)	–	–	(4)
Exchange differences	(5)	–	–	(5)
31.12.2023	**1,154**	**187**	**180**	**1,521**
01.01.2022	**357**	**51**	**98**	**506**
Depreciation	298	89	87	474
Disposals	–	–	(143)	(143)
Exchange differences	15	–	1	16
31.12.2022	**670**	**140**	**43**	**853**
Net book value				
31.12.2023	**2,512**	**853**	**832**	**4,197**
31.12.2022	**2,133**	**900**	**600**	**3,633**

16. Deferred tax assets and liabilities

The 4basebio Group recognises deferred tax assets if it is probable that these tax benefits will be realised in future years. Deferred tax assets are not recognised if it is not sufficiently probable that the expected benefits from the deferred taxes will be realised.

The tax loss carry forwards for which no deferred tax assets were recognised across the Group amounted to approximately £31.3 million (31 December 2022: £22.5 million).

17. Inventories

[in £'000]	31.12.2023	31.12.2022
Raw materials	**261**	72
Finished goods	**71**	61
Inventories	**332**	133

Notes to the financial statements (continued)

18. Trade receivables

Trade receivables do not bear interest and generally fall due within 30 to 90 days. An impairment on trade receivables for expected credit losses of £2k (2022: £1k) was recognised in 2023.

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

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

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

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

Impairment matrix (simplified approach)			Trade receivables				
[in £'000]	31.12.2023	Contract assets	Not overdue	< 30 days overdue	30 to 60 days overdue	61 to 90 days overdue	> 90 days overdue
Expected credit loss rate		0.03%	0.03%	0.03%	0.03%	2.00%	5.00%
Net book value	**107**	–	21	26	16	9	35
Expected credit loss	**2**	–	–	–	–	–	2

Impairment matrix (simplified approach)			Trade receivables				
[in £'000]	31.12.2022	Contract assets	Not overdue	< 30 days overdue	30 to 60 days overdue	61 to 90 days overdue	> 90 days overdue
Expected credit loss rate		0.03%	0.03%	0.03%	0.03%	2.00%	5.00%
Net book value	**54**	–	1	–	28	–	25
Expected credit loss	**1**	–	–	–	–	–	1

19. Other assets

[in £'000]	31.12.2023	31.12.2022
Short term deposit	**236**	240
Income tax receivable	**821**	805
VAT recoverable	**250**	164
Other	**207**	150
Other current assets	**1,514**	1,359
Long term deposit	**34**	35
Other non-current assets	**34**	35

20. Cash and cash equivalents

[in £'000]	31.12.2023	31.12.2022
Bank balances and cash in hand	**3,069**	4,351
Cash and cash equivalents	**3,069**	4,351

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

Notes to the financial statements (continued)

21. Equity

The share capital of 4basebio PLC as of 31 December 2023 amounts to a total of €12,319,473 (31 December 2022: €12,317,473), divided into 12,319,473 (31 December 2022: 12,317,473) €1 shares. These are all registered ordinary shares (31 December 2022: ordinary shares). There are no shares with special rights or other restrictions on voting rights. In February 2024, a further 485,735 shares were issued following exercise of share option awards, bringing the total issued share capital to 12,805,208 €1 shares.

Share Capital

[in £'000]	31.12.2023	31.12.2022
Authorised:	**Number**	Number
ordinary shares of €1 each	**20,529,121**	20,529,121
Issued and fully paid:		
At 1 January (€1 each)	**12,317,473**	12,317,473
Shares issued during the period	**2,000**	–
and 31 December (€1 each)	**12,319,473**	12,317,473

Authorised Share Capital

The Annual General Meetings of 14 June 2023 and 9 June 2022 conferred authority to the board of directors to issue additional 8,623,629 and 8,211,648 ordinary shares of €1 each respectively, with such authority to expire on the earlier date of the next Annual General Meeting or 15 months following the previous Annual General Meeting.

3,695,841 of those shares (2022: 4,105,824 shares) were generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006; a further 4,927,788 of those shares (2022: 4,105,824 shares) were generally and unconditionally authorised pursuant to section 560 of the Companies Act 2006. As part of such authorities totalling 8,623,629 shares (2022: 8,211,648), up to 1,231,947 shares (2022: 1,231,747 shares) were also authorised to be issued pursuant to section 570 of the Companies Act 2006 for cash consideration and 1,231,947 shares (2022: 615,873 shares) were also authorised to be issued pursuant to section 570 of the Companies Act 2006 as part of an acquisition.

Share Premium

The share premium represents the excess of the capital contributions over and above the number of €1 par value shares issued to date.

Merger Reserve

The merger reserve arises from the spin out accounting as described in note 13 of the 2021 financial statements and in relation to the acquisition of 4basebio S.L.U and 4basebio Limited (now 4basebio UK Limited) by 4basebio UK Societas (now 4basebio PLC). The merger reserve represents the difference between the net equity of 4basebio UK Societas (now 4basebio PLC), the legal acquiror, and the net equity of 4basebio S.L.U. on the date of the reverse acquisition, 8 December 2020 as well as the net assets acquired of 4basebio Limited (now 4basebio UK Limited).

Capital Reserve

The capital reserve represents the capital contribution from 4basebio AG (now 2Invest AG) of £11.7million in 2020 along with the share-based payments accounting arising in 2023 and previous periods.

Foreign Exchange translation reserve

The reserve represents the movement in pounds arising on the translation of 4basebio S.L.U. from its functional currency, the Euro.

As disclosed in note 2, for the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (4basebio S.L.U.) are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve.

Profit and Loss reserve

The reserve represents historic losses from 4basebio S.L.U. prior to the 2020 spin out as explained in note 3 to the 2021 financial statements, along with consolidated losses arising since that date.

Notes to the financial statements (continued)

22. Financial liabilities

[in £'000]	31.12.2023			31.12.2022		
	Current	Non-current	Total	Current	Non-current	Total
Soft loans	**263**	**408**	**671**	321	642	963
Loan from 2Invest AG	**–**	**8,896**	**8,896**	–	1,772	1,772
Lease Liability (IFRS16)	**129**	**761**	**890**	94	521	615
Financial liabilities	**392**	**10,065**	**10,457**	415	2,935	3,350

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

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

The loan facility with 2Invest is denominated in Euros and is for up to €23 million which can be drawn, with notice, at the discretion of 4basebio PLC until 31 October 2026. Interest is charged at 5% per annum on all loan amounts outstanding and compounds annually on all loan tranches outstanding. The capital and interest are due to be repaid in a single payment on 31 October 2028. Early repayment is permitted. No other fees are due under this facility.

23. Other liabilities

[in £'000]	31.12.2023	31.12.2022
Payroll accruals	**420**	389
Audit costs	**40**	35
Professional services	**50**	40
Other accruals and provisions	**681**	149
Other current liabilities	**1,191**	613
Grant income not yet recognised	**72**	116
Other long term liabilities	**72**	116

Retirement benefit plans
Defined contribution plans
The Group operates a voluntary defined contribution retirement benefit plans for all qualifying employees of its UK companies. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees of the 4basebio S.L.U. are members of a state-managed retirement benefit plan operated by the government of Spain. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in profit or loss of £259k (2022: £190k) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2023, contributions of £21k (2022: £22k) due in respect of the current reporting period had not been paid over to the plans.

24. Share based payments

The Group operates a share option scheme under which it grants and has granted share options in share capital to eligible employees of Group companies. These are accounted for as equity settled in the consolidated financial statements. The scheme was recognised as an Enterprise Management Incentive Scheme in the UK for tax purposes. Under the scheme both HMRC-approved and unapproved options were issued to employees.

Notes to the financial statements (continued)

On 18 December 2023, the Enterprise Management Incentive Scheme ceased to qualify as a tax efficient scheme for UK purposes, following transactions between shareholders in 4basebio PLC which meant that a single shareholding group exercised control over more than 50% of the voting shares in 4basebio PLC at that date and as reported on 1 February 2024. From that date, all share options awards by the Company will be treated as unapproved share options.

Share options awards made are as follows:

Of the 597,500 share options awarded on 25 January 2021, 92,475 vested on grant and 68,500 have lapsed. Of the remaining number, 244,600 options will vest equally on the first, second, third and fourth anniversary of award; 177,075 options will vest on certain share price targets being achieved after the first anniversary of the award; and 14,850 options will vest on a combination of time served and share price target. On 7 February 2023, the Company received a notice of exercise over 2,000 options. Subsequent to year end, the Company received notices of exercise over 433,863 options.

Of the 42,500 share options awarded on 30 April 2021, 3,000 vested on grant. Of the remaining number, 12,000 options will vest equally on the first, second, third and fourth anniversary of award; 27,500 options will vest on a share price target. Subsequent to year end, the Company received notices of exercise over 24,000 options.

In relation to 48,000 share options awarded on 11 January 2022, options will vest equally on the first, second, third and fourth anniversary of award. During the year, 20,000 options lapsed.

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

In relation to 60,000 share options awarded on 29 September 2022, options will vest equally on the first, second, third and fourth anniversary of award. Subsequent to year end, the Company received notices of exercise over 27,872 options.

In relation to 28,000 share options awarded on 1 November 2022, options will vest equally on the first, second and third anniversary of award. During the year, 20,000 options lapsed.

In relation to 50,000 share options awarded on 25 May 2023, options will vest equally on the first, second, third and fourth anniversary of award.

In relation to 12,000 share options awarded on 5 July 2023, options will vest equally on the first, second, third and fourth anniversary of award.

In relation to 50,000 share options awarded on 1 November 2023, 20,000 options will vest equally on the first, second, third and fourth anniversary of award, while 30,000 options will vest on a share price target.

The following table summarises the valuation of each option award using a Black Scholes valuation model:

Grant Date	Number of options	Share price on grant £	Expected volatility	Risk-free interest rate	Fair value of option £
25 January 2021	434,525	1.18	50%	1.0%	0.351
30 April 2021	42,500	3.65	50%	1.0%	1.345
11 January 2022	28,000	5.60	69%	1.2%	2.280
2 February 2022	5,000	5.50	69%	1.3%	2.242
29 September 2022	60,000	5.10	69%	3.3%	2.152
1 November 2022	8,000	5.50	69%	3.4%	2.197
25 May 2023	50,000	5.55	69%	4.2%	2.389
5 July 2023	12,000	5.75	69%	4.2%	2.476
1 November 2023	50,000	5.15	69%	4.2%	2.391

Notes to the financial statements (continued)

25. Notes to the consolidated statement of cash flows

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

	Financial year 2023			Financial year 2022		
[in £'000]	short-term interest-bearing loans	non-current interest-bearing loans	leases	short-term interest-bearing loans	non-current interest-bearing loans	leases
1 January	**321**	**2,414**	**615**	**356**	**860**	**542**
Lease inception	–	–	370	–	–	143
Cash flows	(314)	6,898	(94)	(360)	1,772	(75)
Non-cash movements		267				
Exchange rate differences	(2)	(17)	(1)	39	68	5
Reclassification	258	(258)	–	286	(286)	–
31 December	**263**	**9,304**	**890**	**321**	**2,414**	**615**

26. Additional information on financial instruments

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

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

The 4basebio Group is exposed to various financial risks in the course of its business activities. These include credit, liquidity and market risks. The management of these risks is the responsibility of the management of the 4basebio Group. The guidelines for managing the risks described below are reviewed and approved by management.

Credit risks
Credit risk is the risk that a business partner fails to meet its obligations under a financial instrument or customer contract and this leads to a financial loss. The 4basebio Group is exposed to credit risks in the course of its operating activities (in particular with regard to trade receivables) as well as risks in the course of its financing activities, including those from deposits with banks and financial institutions, foreign exchange transactions, and other financial instruments. On the basis of the positive experience to date, the 4basebio Group estimates the probability of occurrence to be low and the financial impact to be extremely low.

The credit risk from credit balances with banks and financial institutions is managed in accordance with Group guidelines s which requires a distribution of Group deposits across at least two banks.

Concentrations of risk arises when several counterparties engage in similar business activities or activities in the same geographic region or have economic characteristics that cause them to be equally affected in their ability to meet their contractual obligations in the event of changes in the economic or political situation or other conditions. The Group does not consider there to be undue risk concentration presently but regularly review this position.

Notes to the financial statements (continued)

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

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

	31.12.2023				31.12.2022			
[in £'000]	Maturity <1 year	Maturity >1 < 5 years	Maturity > 5 years	Total	Maturity <1 year	Maturity >1 < 5 years	Maturity > 5 years	Total
Trade payables	694	–	–	**694**	490	–	–	**490**
Soft loans	263	505	–	**768**	321	735	48	**1,104**
Loan from 2Invest AG	–	8,896	–	**8,896**	–	–	1,772	**1,772**
Lease liabilities	183	362	720	**1,265**	132	282	438	**852**
Other liabilities	1,191	72	–	**1,263**	613	116	–	**729**
Total	**2,331**	**9,835**	**720**	**12,886**	**1,556**	**1,133**	**2,258**	**4,947**

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument are exposed to fluctuations due to changes in exchange rates. Exchange rate fluctuations have an impact on the presentation of assets and liabilities in the consolidated financial statements of 4basebio PLC prepared in GBP, insofar as assets and liabilities are denominated in currencies other than GBP. To control currency risk the 4basebio Group tries to carry out foreign cash flows in and out as promptly as possible and in a manner appropriate to that currency. Hedging transactions are not currently used. The assets and liabilities of the 4basebio Group reported in foreign currency largely relate to assets and liabilities denominated euros, which essentially result from the Group's business activities. The 4basebio Group reviews currency requirements in the course of the year in order to reduce currency risk if needed.

The following table shows the effects on the result for the period before taxes and equity, which result from a five percent positive or negative development of the euro against the pound, the most important currency in which the 4basebio Group carries out transactions in addition to the pound:

	EUR development against GBP			
Sensitivity analysis [in £'000]	Exchange rate movement	Impact on loss before tax	Impact on equity	Impact on cash balances
2023	**+5%**	**(43)**	**144**	**26**
	-5%	**42**	**(136)**	**(24)**
2022	+5%	(37)	396	200
	-5%	34	(438)	(181)

Notes to the financial statements (continued)

Categories of financial instruments as at 31.12.2023 [in £'000]	Carrying amount per valuation category (IFRS 9)				
	Financial assets		Financial liabilities		
	At fair value through profit or loss	At amortised cost	At fair value through profit or loss	At amortised cost	Total
Current assets					
Trade receivables	–	107	–	–	**107**
Other financial assets	–	236	–	–	**236**
Cash and cash equivalents	–	3,069	–	–	**3,069**
Non-current liabilities					
Financial liabilities	–	–	–	9,304	**9,304**
Lease liabilities	–	–	–	761	**761**
Current liabilities					
Financial liabilities	–	–	–	263	**263**
Trade payables	–	–	–	694	**694**
Lease liabilities	–	–	–	129	**129**

Categories of financial instruments as at 31.12.2022 [in £'000]	Carrying amount per valuation category (IFRS 9)				
	Financial assets		Financial liabilities		
	At fair value through profit or loss	At amortised cost	At fair value through profit or loss	At amortised cost	Total
Current assets					
Trade receivables	–	54	–	–	**54**
Other financial assets	–	240	–	–	**240**
Cash and cash equivalents	–	4,351	–	–	**4,351**
Non-current liabilities					
Financial liabilities	–	–	–	2,414	**2,414**
Lease liabilities	–	–	–	521	**521**
Current liabilities					
Financial liabilities	–	–	–	321	**321**
Trade payables	–	–	–	490	**490**
Lease liabilities	–	–	–	94	**94**

All financial assets and liabilities are held at amortised cost.

Contingent liabilities and other financial obligations
4basebio SLU commenced legal proceedings in August 2022 in the Spanish Courts (Madrid and Valancia) against Tyris Tx, an entity wholly owned by Columbus Venture Partners, and other parties including partners of Columbus Venture Partners, concerning breach of confidentiality and entitlement of patent applications filed in the name of Tyris Tx. The Board does not consider the proceedings material to the Group's commercial activities. The matter remains ongoing.

In May 2023, in what appears to be responsive proceedings, Tyris Tx commenced legal proceedings in the Spanish Courts (Madrid) against 4basebio SLU and 4basebio Discovery Limited, concerning breach of confidentiality and joint entitlement of certain patent applications in the names of 4basebio SLU and 4basebio Discovery Limited. Notice of the proceedings were received via linkedin messages. Since that time, court documents have been received in relation to 4basebio SLU; filings against 4basebio Discovery Limited have not yet been received. The Board and its legal representatives consider the claims received to be without merit. The matter remains ongoing.

Notes to the financial statements (continued)

27. Directors' remuneration

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

[in £'000]	2023	2022
Salaries and fees	**869**	891
Other benefits	**11**	1
Directors' remuneration	**880**	892

On 25 January 2021, Heikki Lanckriet was awarded 238,000 share options at market price; David Roth was awarded 179,000 share options at market price (note 24).

As reported at the time, on 1 February 2024, Heikki Lanckriet exercised his rights over 211,863 share options. On the same date, David Roth exercised his rights over 179,000 share options.

On the same date, the Company's Remuneration Committee resolved that the long-term incentivisation for senior management in the event of a future sale of the Company will comprise a cash bonus calculated as to a percentage of any future sale price achieved for the Company that exceeds £85 million. The quantum that would be awarded to Dr Heikki Lanckriet and David Roth in the event of a sale of the Company is 0.52 per cent. and 0.44 per cent. of the sale price in excess of £85 million respectively.

28. Related parties

Related parties as defined by IAS 24 are legal or natural persons that can exert influence on the 4basebio Group or are subject to control, joint management or significant influence by 4basebio PLC. Related parties are also members of management in key positions, their close family members and companies that are controlled, jointly controlled or significantly influenced by this group of persons.

Interests in subsidiaries are set out in note 14. Disclosures relating to key management personnel are set out in note 27.

At year end, the Group held a lease over two properties which is included in right of use assets as set out in note 15. The properties concerned are part owned by persons related to Heikki Lanckriet.

29. Auditor's fees and services

Crowe U.K. LLP acts as auditor to the Company and the Group. £42k (2022: £38k) was payable to the auditor for the audit of the Company and its UK subsidiaries according to legislation. Further amounts of £8k were payable in 2023 for other assurance services (2022: £8k).

30. Events after the reporting period

On 1 February 2024 share option rights over 476,735 €1 shares were exercised. On 6 February 2024, further share option rights over 9,000 €1 shares were exercised, so that the outstanding issued share capital increased to 12,805,208 €1 shares.

31. Approval of the financial statements

The financial statements were approved by the board of directors and authorised for issue on 4 June 2024.

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