29 September 2022

N4 Pharma Plc

("N4 Pharma" or the "Company")

Interim Results

N4 Pharma Plc (AIM: N4P), the specialist pharmaceutical company developing Nuvec®, a novel delivery system for vaccines and cancer treatments, announces its unaudited interim results for the six months ended 30 June 2022.

Highlights:

- Exciting opportunities identified for progression into phase 1 clinical trials in oncology and siRNA delivery
- Studies conducted with Nanomerics to evaluate the potential of Nuvec® as a nano-carrier of a DNA plasmid expressing TNFalpha ("TNF"), a cytokine with immune-modulating properties against tumours, demonstrated a significant inhibition of tumour growth derived from a human cell line.
- Positive preliminary results from ongoing oral studies undertaken at the University of Queensland showing Nuvec® delivered orally has transfected cells in the small intestine.
- Nuvec® patents granted in the US and China. Company now has strong IP protection in key territories around the world.
- Reduced operating loss for the period £750,102 (30 June 2021: £973,216) and R&D and general expenditure in line with budget.
- Cash position remains strong which at 30 June 2022 was £1,579,948 (31 December 2021: £1,784,024), again in line with budget.

Nigel Theobald, Chief Executive Officer of N4 Pharma Plc, commented:

"We have continued to make excellent progress in the period and have refined our focus in line with changing market conditions to provide us with the best opportunities to progress Nuvec® into the clinic. Cash expenditure has been tightly controlled to allow us to maximise outcomes whilst preserving our cash resource as far as possible. I look forward with optimism to the excellent progress we have made continuing throughout the remainder of the financial year."

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 which has been incorporated into UK law by the European Union (Withdrawal) Act 2018. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

Enquiries:

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About N4 Pharma

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

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

Chairman's Statement

Half year results

I am pleased to report that in the six months ended 30 June 2022, the operating loss for the period was £750,102 (30 June 2021: £973,216) and in line with planned expenditure.

Our cash balance at 30 June 2022 was £1,579,948 (31 December 2021: £1,784,024), again in line with budget.

Operational update

Following the significant data accumulated in the preceding periods in respect of the potential for the use of Nuvec® in DNA vaccines, the Company's focus for 2022 was fourfold:

- to expand its knowledge around Nuvec® in oncology and gene therapy;
- to undertake more substantive studies into the potential of Nuvec® loaded with SiRNA;
- to support the University of Queensland in its oral studies using Nuvec®;
- Ongoing work under the Material Transfer Agreement ("MTA").

Market Background

The market for vaccine development has shown considerable change over the last few years, mainly due to the arrival of Covid 19 and the rapid acceleration into the market of vaccines, including novel mRNA vaccines to treat this disease. The speed of development and approval was unsurpassed by any other area and, as a consequence, companies chose to use their existing delivery systems, albeit with some potential issues and side effects, but the need for rapid vaccine development offset any such concerns. This meant that novel technologies like Nuvec®, which have huge potential in this space, found it hard to get into development pipelines alongside existing systems.

On top of this, covid vaccine development attracted much of the available funding in this space and many companies which had initiated very expensive development programmes found these programmes were no longer needed as the established two or three vaccines dominated this space, leaving little room for other products.

This has led to one of the most challenging periods in biotech development for most companies, with many now looking to reassess how they are best placed in this new environment.

Whilst the Company has been impacted by this rapidly changing environment, the versatility of our Nuvec® delivery system still leaves us very well placed as major biotechs reassess their plans and switch to develop novel RNA products both for vaccines and importantly cancer and gene therapy.

Having done a lot of proof of concept work showing antibody production using Nuvec® and how Nuvec® can be formulated to produce a monodisperse formulation it became clear that the Company would not be able to get any products into the clinic without a collaborative partner and the changing focus of the major biotechs meant the Company needed to look at how Nuvec® would work in areas these companies were now focusing on.

That said, the Company has not stopped its work in vaccines. The Company will continue to look for MTA opportunities in this space as any product being developed for a vaccine is going to need a lot of formulation development. Because the Company cannot take relevant generic vaccines into the clinic itself without significantly increased expenditure, we have decided to focus our development work on oncology and siRNA delivery as these sectors have proven clinical models the Company can access and also because Nuvec® can be used to work with generic siRNA and plasmids capable of being used in phase 1 clinical trials.

There are over 300 companies working in this space with 106 clinical trials already in place using siRNA. This focus has two clear advantages: the Company has a wider audience and the number of compounds it can use to collaborate with provide the opportunity to get into the clinic much more rapidly than if we focus purely on vaccines.

The Company therefore decided to start working with intravenous injection (which it could now do having solved how to produce a monodisperse formulation) and to investigate both how it works as a tumour suppressant and how it works in delivering siRNA.

We are very excited by the potential for this work.

Oncology work

The first part of 2022 saw the Company focus on an oncology work programme with Medicines Discovery Catapult ("MDC") to follow up the successful studies undertaken last year where Nuvec® was used as a nano-carrier of a DNA plasmid expressing TNF which had demonstrated a significant inhibition of tumour growth derived from a human cell line. Having established that Nuvec® could deliver an appropriate biological load, the work at MDC was to help determine the mechanism of action that produced the tumour suppression. Amongst other things, it was to seek to identify whether the Nuvec® loaded with TNF was directly taken up within the tumour or whether other organs took up the Nuvec® and produced the TNF and then released it systemically to suppress the tumour.

The result of the MDC study again showed clear tumour suppression with 10ug of TNF loaded onto Nuvec® which, positively, was a lower dose than used in previous studies. It also became clear that formulation is pivotal to every study as the higher dose preparation was sub-optimal, due to some observed agglomeration resulting in data unable to be obtained.

The Biochemical analysis of the 10ug arm of the study confirmed an increase in circulating plasma TNF levels. It indicated that tissues including the liver and the tumour cells may have been responsible for the transfection with the TNF plasmid and subsequent release of TNF-alpha into the circulation to suppress the tumour. The resulting data indicated that the most appropriate use of Nuvec® in the oncology field will likely be to combine it with one or more nucleic acids alongside a targeting ligand to allow specific cancer cells to be targeted.

TNF was chosen as a proof of concept compound to show the ability of Nuvec® to achieve tumour suppression and given this systemic response it means that TNF itself would not be the best compound to do further work in this space yet the successful tumour suppression seen using this has been excellent validation of Nuvec® as an i.v. solution for oncology.

siRNA

Having historically evaluated the potential of Nuvec® to carry DNA and mRNA, experiments in the period were undertaken to show that Nuvec® could also be loaded with siRNA and maintain a colloidally stable formulation. Since period end and as announced on 14 September 2022 the Company has shown the successful loading of Nuvec® with two different generic siRNA probes, GFP (Green Fluorescent protein) and EHMT-2 (Euchromatic Histone Lysine Methyltransferase 2) and both of which were shown to be easy to load and produce a monodisperse formulation and successful in meeting their respective endpoints of silencing the particular gene.

The Company has now completed initial testing on loading Nuvec® with both these siRNA probes, GFP and EHMT-2 at the same time. Our next step will be to test in vitro that the particle with combined siRNA is still able to meet both their respective gene silencing endpoints, as previously demonstrated with singular loading.

Following this work on TNF and initial siRNA compounds, the Company has undertaken a review of where it believes it will likely get greatest traction to allow a commercial license deal to be agreed.

After the development of successful mRNA vaccines as highlighted in the 'Market Background' section above, major companies in this space now appear to be focusing future development on gene therapy treatments using, in particular, siRNA to silence identified pathways involved in cancer. Given the pre-clinical status of Nuvec® the Company believes that focusing its work on loading more than one siRNA sequence onto the same nanoparticle will result in silencing of complementary pathways leading to an increased therapeutic response and establish a significant differential in this marketplace.

Having established the capability of Nuvec® to carry two siRNA simultaneously and assuming the combination still provides a functional response, the Company is undertaking a series of experiments over the coming months using two siRNA sequences directed against known, and clinically validated, oncology targets. Specifically, the targets are the EGFR signalling pathway, which regulates cell cycle progression and BCl-2, which regulates apoptosis. Silencing of the

EGFR will inhibit cell division while silencing BCl-2 will promote apoptosis and the potential for additive or synergistic effects will be explored. Initial studies will be conducted in vitro using a PC9 lung cancer cell line and this will be followed by in vivo studies in xenograft tumours of the same cell line.

Successful completion of this work will give strong clinical validation for using Nuvec® in this space and will be presented to collaboration partners who have their own siRNA in early clinical development with a view to licensing Nuvec®

The Company believes this is the most appropriate way to commercialise Nuvec®

Oral Studies at the University of Queensland ("UQ")

During the period UQ has, utilising the grant funding obtained by N4 Pharma and UQ, pursued the longer term study on oral applications for Nuvec®. Early results were promising with UQ successfully demonstrating via an *in vivo* pre-clinical study that Nuvec® loaded with a red fluorescent protein (mCherry) DNA and formulated and administered in capsules was able to pass through the lining of the stomach to successfully transfect cells in the small intestine. Whilst this first study was limited in scope this is a significant step in establishing how Nuvec® could be delivered orally.

The next step in this work is for UQ to repeat the success of this *in vivo* study which the Company understands will be undertaken soon.

MTA

As announced in the results for the year ended 31 December 2021, due to the strict confidentiality around MTAs, we have decided to only announce further MTAs when able to without restrictions of confidentiality or in respect of a defined commercial agreement. With regard to the MTA previously announced, work remains ongoing but the degree of progress is largely determined by our partner's own R&D work and drug launches.

Going Forward

As outlined above, whilst we continue to seek partners to work with based on the data accumulated to date utilising DNA plasmids with Nuvec® for oncology and vaccines, the focus of our controllable R&D spend will be both on siRNA loaded onto Nuvec® and building on the encouraging data obtained to date. In the background, we are keeping a keen eye on developments at UQ with the oral work, which could be hugely significant if successful. We also remain open to acquiring additional assets.

Intellectual Property

In January of this year, we were pleased to announce that the UQ had informed the Company that it had been notified by the US Patent Attorney of the granting of its patent application in relation to Nuvec® in the United States and that the Chinese authorities had granted a patent in China. The granting of patents in these two large markets, together with those previously granted, gives the Company strong intellectual property protection in key territories around the world, a vital component for potential licensing deals.

Outlook and strategy

Our strategy remains unchanged - to generate sufficient proof of concept data with a view to attracting large pharma and biotech partners to enter into collaborations with us to explore using Nuvec® as their chosen delivery system to get products into clinic. What is clear is that the formulation is different for each plasmid and a critical path when working with any new plasmids. The early results from our siRNA work is extremely encouraging and if, as we hope, results continue to be positive, this would indicate that we are significantly closer to a breakthrough point for Nuvec® in achieving commerciality.

We have remained extremely prudent in our R&D and general expenditure. There is almost unprecedented economic uncertainty at the moment which has undoubtedly impacted our share price. Markets in general have been hit badly and N4 Pharma has been no exception. Whilst, as a pre revenue business, it is almost inevitable we will at some point need to access further funding be it from grants, equity markets or other means, I want to assure shareholders that we remain well funded, certainly for our medium term needs.

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

John Chiplin
Chairman
29 September 2022

N4 Pharma Plc and its controlled entities
Condensed Consolidated Interim Statement of Comprehensive Income (unaudited) for the six months ended 30 June 2022

	Six months to 30 June 2022 (Unaudited) £	Six months to 30 June 2021 (Unaudited) £	Twelve months to 31 December 2021 (Audited) £
Expenses			
Research and development costs	(411,417)	(602,927)	(1,179,425)
General and administration costs	(338,019)	(367,701)	(663,865)
Operating loss for the period	(749,436)	(970,628)	(1,843,290)
Finance (expenditure)/income	(666)	(2,588)	677
Loss for the period before tax	(750,102)	(973,216)	(1,842,613)
Taxation	-	-	298,267
Loss for the period after tax	(750,102)	(973,216)	(1,544,346)
Other comprehensive income net of tax	-	-	-
Total comprehensive loss for the period attributable to equity owners of N4 Pharma Plc	**(750,102)**	**(973,216)**	**(1,544,346)**
Loss per share attributable to owners of the parent			
Weighted average number of shares:			
Basic	181,080,349	181,080,349	181,080,349
Diluted	181,080,349	184,137,774	181,080,349
Basic loss per share	**(0.41p)**	**(0.54p)**	**(0.85p)**
Diluted loss per share	**(0.41p)**	**(0.53p)**	**(0.85p)**

All activities derive from continuing operations.
The notes below form an integral part of these financial statements.

N4 Pharma Plc and its controlled entities
Condensed Consolidated Interim Statement of Financial Position (unaudited) for the six months ended 30 June 2022

	Notes	30 June 2022 (Unaudited) £	30 June 2021 (Unaudited) £	31 December 2021 (Audited) £
Assets				
Current assets				
Trade and other receivables		27,804	273,097	558,359
Cash and cash equivalents		1,579,948	2,542,680	1,784,024
		1,607,752	2,815,777	2,342,383
Total Assets		1,607,752	2,815,777	2,342,383
Liabilities				
Current liabilities				
Trade and other payables		(158,157)	(74,284)	(184,820)
Accruals and deferred income		(62,612)	(49,043)	(27,910)
Total assets less current liabilities		1,386,983	2,692,450	2,129,653
Net Assets		**1,386,983**	**2,692,450**	**2,129,653**
Equity				
Share capital	4	8,995,146	8,995,146	8,995,146
Share premium	5	13,945,602	13,945,602	13,945,602
Share option reserve	6	87,387	71,622	79,955
Reverse acquisition reserve	5	(14,138,244)	(14,138,244)	(14,138,244)
Merger relief reserve	5	279,347	279,347	279,347
Retained earnings		(7,782,255)	(6,461,023)	(7,032,153)
Total Equity		**1,386,983**	**2,692,450**	**2,129,653**

N4 Pharma Plc and its controlled entities
Condensed Consolidated Interim Statement of Changes in Equity (unaudited) for the six months ended 30 June 2022

(i) Six months ended 30 June 2022 - Unaudited

	Share Capital	Share Premium	Share Option Reserve	Reverse Acquisition Reserve	Merger Relief Reserve	Retained Earnings	Total Equity
	£	£	£	£	£	£	£
Balance at 1 January 2022	**8,995,146**	**13,945,602**	**79,955**	**(14,138,244)**	**279,347**	**(7,032,153)**	**2,129,653**
Total comprehensive loss for the period	-	-	-	-	-	(750,102)	**(750,102)**
Share option reserve	-	-	7,432	-	-	-	**7,432**
At 30 June 2022	**8,995,146**	**13,945,602**	**87,387**	**(14,138,244)**	**279,347**	**(7,782,255)**	**1,386,983**

(ii) Six months ended 30 June 2021 - Unaudited

	Share Capital	Share Premium	Share Option Reserve	Reverse Acquisition Reserve	Merger Relief Reserve	Retained Earnings	Total Equity
	£	£	£	£	£	£	£
Balance at 1 January 2021	**8,995,146**	**13,945,602**	**63,290**	**(14,138,244)**	**279,347**	**(5,487,807)**	**3,657,334**
Total comprehensive loss for the period	-	-	-	-	-	(973,216)	**(973,216)**
Share option reserve	-	-	8,332	-	-	-	**8,332**
At 30 June 2021	**8,995,146**	**13,945,602**	**71,622**	**(14,138,244)**	**279,347**	**(6,461,023)**	**2,692,450**

N4 Pharma Plc and its controlled entities
Condensed Consolidated Interim Statement of Changes in Equity (unaudited) for the six months ended 30 June 2022 (continued)

(iii) Twelve months ended 31 December 2021 - Audited

	Share Capital	Share Premium	Share Option Reserve	Reverse Acquisition Reserve	Merger Relief Reserve	Retained Earnings	Total Equity
	£	£	£	£	£	£	£
Balance at 1 January 2021	**8,995,146**	**13,945,602**	**63,290**	**(14,138,244)**	**279,347**	**(5,487,807)**	**3,657,334**
Total comprehensive loss for the year	-	-	-	-	-	(1,544,346)	**(1,544,346)**
Share option reserve	-	-	16,665	-	-	-	**16,665**
At 31 December 2021	**8,995,146**	**13,945,602**	**79,955**	**(14,138,244)**	**279,347**	**(7,032,153)**	**2,129,653**

The notes below form an integral part of these financial statements.

N4 Pharma Plc and its controlled entities
Condensed Consolidated Interim Statement of Cash Flows (unaudited) for the six months ended 30 June 2022

	Six months to 30 June 2022 (Unaudited) £	Six months to 30 June 2021 (Unaudited) £	Twelve months to 31 December 2021 (Audited) £
Operating activities			
Loss after tax	(750,102)	(973,216)	(1,544,346)
Finance expenditure/(income)	666	2,588	(677)
Share based payments to employees	7,432	8,332	16,665
Taxation credit	-	-	(298,267)
Operating loss before changes in working capital	**(742,004)**	**(962,296)**	**(1,826,625)**
Movements in working capital:			
Decrease/ (increase) in trade and other receivables	530,555	(2,260)	10,745
(Decrease)/increase in trade, payables and accruals	8,039	(45,755)	43,648
Cash used in operations	(203,410)	(1,010,311)	(1,772,232)
Net cash flows used in operating activities	**(203,410)**	**(1,010,311)**	**(1,772,232)**
Financing activities			
Finance (expenditure)/income	(666)	(2,588)	677
Net cash flows (used in)/from financing activities	**(666)**	**(2,588)**	**677**
Net decrease in cash and cash equivalents	**(204,076)**	**(1,012,899)**	**(1,771,555)**
Cash and cash equivalents at beginning of the period/ year	1,784,024	3,555,579	3,555,579
Cash and cash equivalents at 30 June/ 31 December	**1,579,948**	**2,542,680**	**1,784,024**

The notes below form an integral part of these financial statements.

N4 Pharma Plc and its controlled entities
Notes to the condensed interim financial statements for the six months ended 30 June 2022

1. Corporate Information

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

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

2. Accounting Policies

Adoption of New and Revised International Financial Reporting Standards

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

Title	As Issued by the IASB, mandatory for accounting periods starting
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	Accounting periods beginning on or after 1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	Accounting periods beginning on or after 1 January 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Accounting periods beginning on or after 1 January 2023
IFRS 17 – Insurance Contracts	Accounting periods beginning on or after 1 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	Accounting periods beginning on or after 1 January 2023

Basis of Preparation:

The Group's condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting".

The annual consolidated financial statements for the year ended 31 December 2021 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The condensed consolidated interim financial information for the six months ended 30 June 2022 are unaudited. In the opinion of the Directors, the condensed consolidated interim financial information presents fairly the financial position, and results from operations and cash flows for the period.

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

2. Accounting policies (continued)

Basis of Preparation: (continued)

The financial statements are presented in Sterling, which is the Group's functional currency as the UK is the primary environment in which it operates.

Basis of Consolidation:

These condensed consolidated interim financial statements have been prepared in accordance with IFRS 2, as a result of the consolidation of the Company and N4 UK, constituting a reverse takeover transaction, for the comparative six month period ended 30 June 2021 and the comparative twelve month period to 31 December 2021 and the current six month period ended 30 June 2022.

Significant Accounting Policies:

The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified for the following items, in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union:

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

All accounting policies are consistent with those applied in the Annual Report and there have been no amendments or changes in accounting policies during the period.

Segmental reporting:

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

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

Seasonality
The nature of the business is not deemed to be impacted by seasonal fluctuations and as such performance is expected to be consistent.

3. Critical Accounting Judgements and Estimates

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make certain estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting period.

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

3. Critical Accounting Judgements and Estimates (continued)

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

Critical judgements

Research and development expenditure

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

Impairment of investments and intercompany debtors

N4 UK has sustained losses and the Statement of Financial position is in deficit. The recoverability of the intercompany debtor and the cost of investment is dependent on the future profitability and success of the entity, which is in a research phase and has not therefore generated any revenue to date. Having considered research progress during the period and future prospects of N4 UK, the Directors do not consider that there are indicators of impairment in respect of these balances. This is a significant judgement.

4. Share Capital

Allotted, called up and fully paid	**30 June 2022 (Unaudited)**	**30 June 2021 (Unaudited)**	**31 Dec 2021 (Audited)**
	£	£	£
181,080,349 Ordinary Shares of 0.4p each (30 June 2021 and 31 December 2021: 181,080,349 Ordinary shares of 0.4p each)	724,321	724,321	724,321
137,674,431 Deferred Shares of 4p each (30 June 2021 and 31 December 2021: 137,674,431 Deferred shares of 4p each)	5,506,977	5,506,977	5,506,977
279,176,540 Deferred Shares of 0.099p each (30 June 2021 and 31 December 2021: 279,176,540 Deferred shares of 0.099p each)	2,763,848	2,763,848	2,763,848
	8,995,146	**8,995,146**	**8,995,146**

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

4. Share Capital (continued)

The 137,674,431 deferred shares of 4p, have no right to dividends nor do the holders thereof have the right to receive notice of or to attend or vote at any general meeting of the Company. On a return of capital or on a winding up of the Company, the holders of the deferred shares shall only be entitled to receive the amount paid up on such shares after the holders of the ordinary shares have received the sum of £1,000,000 for each ordinary share held by them.

The 279,176,540 deferred shares of 0.99p shall be entitled to receive a special dividend, which is payable upon the repayment to the Company of any amount owed under certain loan agreements, after which the Company shall, in priority to any distribution to any other class of share, pay to the holders of the Special Deferred Shares an aggregate amount equal to the amount repaid pro rata according to the number of such shares paid up as to their nominal value held by each shareholder. They shall be entitled to no other distribution save for a special dividend and shall not be entitled to receive notice of or attend or vote at a general meeting of the Company. On a return of capital on a winding up of the Company, they shall only be entitled to receive the amount paid up on such shares up to a maximum of 0.9 pence per share after the holders of the Ordinary Shares and the Deferred Shares have received their return on capital.

5. Reserves

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and issue costs and is non-distributable.

The merger relief reserve arose on the Company's acquisition of N4 UK and consists of both the consideration shares and deferred consideration amounting to £279,347. There is no legal share premium on the shares issued as consideration as section 612 of the Companies Act 2006, which deals with merger relief, applies in respect of the acquisition.

The reverse acquisition reserve arises due to the elimination of the Company's investment in N4 UK. Since the shareholder in N4 UK became a shareholder of the Company, the acquisition is accounted for as though the legal acquiree (N4 UK) is the accounting acquirer.

6. Share-based Payments and Share Option Reserve

Options

The Company has the ability to issue options to Directors to compensate them for services rendered and incentivise them to add value to the Group's longer-term share value. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined is charged to the Comprehensive Income Statement on a straight-line basis over the vesting period based on the Group's estimate of the number of shares that will vest.

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

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

6. Share-based Payments and Share Option Reserve (continued)

Options (continued)

	2017 Options	2018 Options	2019 Options	2020 Options
Share price	6.375p	6.6p	3.55p	4.8p
Exercise price	7p	6.6p	3.55p	4.8p
Expected volatility	27.2%	45.2%	37.4%	29.9%
Expected option life	3 years	6.5 years	6.5 years	6.5 years
Risk free rate	4.75%	5.00%	5.00%	5.00%

As at 30 June 2022, there were 7,046,513 (30 June 2021: 7,046,513, 31 December 2021: 7,046,513) options in existence over ordinary shares of the Company.

Options in existence during the current and previous periods and year are as follows:

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

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

6. Share-based Payments and Share Option Reserve (continued)

Options (continued)

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

	30 June 2022 (Unaudited)	30 June 2020 (Unaudited)	31 Dec 2021 (Audited)
	£	£	£
2015 Options	18,492	18,492	18,492
2017 Options	26,884	26,884	26,884
2019 Options	22,793	16,066	19,861
2020 Options	19,218	10,180	14,718
	87,387	71,622	79,955

7. Earnings per Share

Basic earnings per share is calculated by dividing the loss after tax attributable (excluding the deemed cost of acquisition) to the equity holders of the Company by the weighted average number of shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares, namely share options.

8. Related Party Transactions

During the period to 30 June 2022, the non-executive directors' fees amounted to £24,000 (6 months to 30 June 2021: £25,046, 12 months to 31 December 2021: £55,590).

During the period to 30 June 2022, the Company charged N4 UK £22,000 in respect of 50 per cent. of the fees paid to Directors for the services rendered to N4 UK (6 months to 30 June 2021: £22,000, 12 months to 31 December 2021: £44,000).

9. Subsequent Events

There are no significant subsequent events that require adjustment or disclosure in these condensed consolidated interim financial statements.