Annual Report and Accounts 2020

fusion**antibodies**

fusionantibodies.com

HEADLINES

FOR THE YEAR

FULL YEAR REVENUES INCREASED BY **79% TO £3.9M** (2019: £2.2M)

LOSS FOR THE YEAR **OF £0.7M** (2019: £1.3M)

COMMERCIAL ROLL OUT AND REVENUES FROM **RATIONAL AFFINITY MATURATION PLATFORM** (RAMP™)

CASH POSITION AT THE YEAR-END **£1.5M** (2019: £2.0M)

POST YEAR END AND LOOKING AHEAD

£3.0M EQUITY FUNDRAISE POST YEAR END

COVID-19 PROGRAMME INTRODUCED AS PART OF THE **MAMMALIAN ANTIBODY LIBRARY DEVELOPMENT PLAN** TO ASSIST CLIENTS WORKING TOWARDS SOLUTIONS FOR COVID-19

PARTNERSHIP WITH MAB DISCOVERY CONTINUES WITH FURTHER DEVELOPMENT WORK BEING UNDERTAKEN

INVESTMENT IN LABORATORY AUTOMATION EQUIPMENT

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STRATEGIC REPORT

FUSION AT A GLANCE

Fusion Antibodies is a Contract Research Organisation (CRO) located in Northern Ireland that offers a range of antibody engineering services for all stages of therapeutic and diagnostic antibody development. Our unrivalled experience working with antibodies makes Fusion Antibodies a first choice partner for the development of antibodies for both therapeutic drug and diagnostic applications. Our services include:

- **Discovery:** the creation, screening and sequencing of novel monoclonal antibodies for therapeutic and diagnostic applications;
- **Engineering:** maximising the performance of an antibody drug including CDRx™ humanisation, Antibody Developability by Design (ADD™) and RAMP™, a new service for FY2020; and
- **Supply:** the production of material for clinical production or further research, including cGMP ready stable cell line development and transient expression.

Our mission is to enable biopharmaceutical and diagnostic companies to develop innovative products in a timely and cost-effective manner for the benefit of the global healthcare industry.

SNAPSHOT

44 **staff based in Belfast, UK**

86% **of our revenues are from outside the UK**

£3.9M **generated revenues**

THE BUSINESS

- We are an established contract research organisation, providing a multi-service offering from antibody discovery and development to clinical supply;
- Our customers are pharmaceutical, biotech and diagnostic companies seeking to develop antibody based therapeutic drugs and diagnostics;
- We continue to invest in technological advances to ensure our offering to customers is at the industry's leading edge: RAMP™ is a new service in FY2020 and proof of concept work on the Mammalian Antibody Library Platform is underway; and
- Our clients have progressed their projects into clinical trials confirming the value of the work that we do.

fusion**antibodies**

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

This year has seen the Company build on the success and growth that was seen in the latter part of FY2019. Revenues grew in both H1 and H2 to deliver year on year revenue growth of 79%. This progress has come from both our existing services and the introduction of the RAMP™ platform which generated its first commercial projects for customers during the year. The RAMP™ service has contributed materially to the revenues for the year and we anticipate increased revenue contribution in coming years as this unique service becomes established. The Company has continued with its strategy to invest for growth which has resulted in a loss for the year of £697,000 (FY2019: £1.3m loss) as is explained in the Chief Executive Officer's report on page 13.

STRATEGY AND PROGRESS

The strong performance seen in the second half of FY2019 has continued and the revenues for FY2020 were 79% higher than the previous year. All areas of the business have grown but in particular our humanisation service remains strong and continues to be a core foundation for us. Our new RAMP™ service, which can improve the structure and performance of antibody based drugs, was launched this year and has started to see some traction although like any innovative technology platform, it takes time for it to become an established methodology. As the use of antibodies as therapeutic drugs continues to grow, we expect that our wide range of services will continue to be the first choice for many Pharmaceutical and Biotech companies outsourcing their R&D activities.

As part of our core strategy we continue to invest in the science behind the services and I am pleased to report that the proof-of-concept R&D for our Mammalian Antibody Library Discovery Platform (the "Library") currently under development is on track for completion in this financial year. At that point we expect to have demonstrated that we can create a fully human antibody library which will allow for the screening of novel targets and the faster identification of lead antibody drugs compared with conventional practices.

As I have previously mentioned, it takes time for any innovative technology platform to become an established methodology, and 2021 will be dedicated to optimization of the Library and the generation of a body of data from a range of targets before launch and revenues in 2022.

In addition to the R&D programme focussing on well understood oncology targets, I can report that we will be adding Covid-19 to the Library panel. The outbreak of this virus presents an ideal opportunity for us to test the Library in a real-world setting against an unmet and critical medical need. In addition to vaccines, effective treatments, both prophylactic and therapeutic drugs will be required to produce a long-term solution for this disease and a neutralising antibody against Covid-19 could be one of the solutions in the control of the virus. In addition to validating the Library in readiness for commercialisation there is the longer-term potential to out-licence successfully produced human antibodies to Covid-19 to commercial partners for further development.

In order to provide the Company with the resources required to undertake the additional proof-of-concept work on the Library in respect of Covid-19, as well as for the existing oncology targets, a placing of 3,333,333 new ordinary shares in April 2020 resulted in us raising gross cash proceeds of £3.0m (£2.8m net of costs).

Strategically the business is organised in three core service areas to meet our customer needs:

- **Discovery:** the creation, screening and sequencing of novel monoclonal antibodies for therapeutic and diagnostic applications;
- **Engineering:** maximising the performance of an antibody drug including CDRx™ humanisation, ADD™ and RAMP™; and
- **Supply:** the production of material for clinical production or further research, including cGMP ready stable cell line development and transient expression.

More details on financial performance are given in the Chief Executive Officer's report on pages 13 to 17.

CORPORATE GOVERNANCE

The long-term success of the business and delivery on strategy depends on good governance. The Company complies with the Quoted Companies Alliance Corporate Governance Code 2018 as explained more fully in the Governance Report.

CURRENT TRADING

Growth throughout the year was strong as the Company continued to deliver on the foundations laid last year. The successful introduction of RAMP™ has not only contributed to revenues but allowed the Company to maintain its position at the forefront of innovative services for the drug discovery industry, a part of our core ongoing strategy. The emergence of the Sars-cov-2 virus late in the year did not have a significant impact on operations as the Company was able to swiftly put procedures in place to maintain and protect our laboratory services through a combination of remote working for desk-based staff and staggered working hours for those working in a laboratory.

Post year end trading has been in line with expectations. There continues to be considerable uncertainty around the world as countries ease or increase restrictions to manage the global Covid-19 pandemic. Working with an international customer base presents opportunities and challenges as governments and companies respond to the immediate crisis and plan for a way forward in new circumstances. The Board believe the Company has the expertise to meet these challenges and capitalise on opportunities, and, having raised capital post year end it also has the financial resources to face the coming months with confidence.

I would like to commend our staff for their flexibility, speed of adapting to new practices, their commitment and hard work during this Covid-19 restrictive period and beyond, and to thank our shareholders for their ongoing support.

Dr Simon Douglas
Chairman

19th August 2020

STRATEGIC REPORT
COMPANY OVERVIEW

Fusion Antibodies is an established Contract Research Organisation (CRO), providing a multi-service offering, from antibody discovery to clinical supply, to global pharmaceutical, biotech and diagnostic companies looking to develop antibody based therapeutic drugs and diagnostics.

Why antibodies?

Antibodies are naturally occurring biological molecules which are produced by the immune system in the body to neutralise pathogens such as bacteria and viruses circulating in the blood stream or to remove other foreign bodies. They are specialised in targeting a very specific structure on the surface of a cell or protein in the body. Monoclonal antibodies are made in the laboratory by identical immune cells, which are isolated and engineered to ensure they are as specific and homogeneous as possible. They maintain their unique specificity characteristics as found in nature but now can be intentionally directed towards a therapeutic target. For example, in cancer therapy, antibodies can be used to bind selectively to the receptors of the cancer cells which can stimulate the body's defences and lead to cell death, making it possible to mark and to fight specific abnormal cells. Healthy cells are not usually attacked in this process so there are often fewer side effects than in classic chemotherapy. This has led to the rapid growth in the search for, and development of, monoclonal antibodies to target many clinical conditions.

Antibody based drugs have an accelerated approval rate compared with small molecule therapies:

- **90 approved antibody therapies** on the market at December 2019 (increased from 67 when the Company listed in December 2017);
- **Over 570 antibody therapies** in clinical development; and
- Of those antibody drugs entering phase 1 clinical trials, **1 in 4 is approved for use as a drug**, twice the rate of 1 in 8 for small molecules.

Investment if the industry continues with quarter two of 2020 seeing the highest ever VC Biotech funding recorded in the United States ($6.4bn). The global antibody therapeutic market in 2019 was valued at £123bn and is projected to reach $350bn by 2027.

The companies engaged in antibody therapeutic research represent the market for Fusion Antibodies. They range from global pharmaceutical companies, through to asset-centric "virtual" companies to smaller research institutes and university-based research teams. The directors believe that the Company's directly addressable research market in the year was approximately $168m (growing annually at 4-8%).

Proof-of-concept development of the Company's Library platform is ongoing in FY2021. The Company expects further development of the Library during FY2022 alongside customers projects, to greatly expand the discovery service it can offer to organisations in its current market. The development of the Library is expected to increase the Company's directly addressable market to $2.0bn in FY2023 through custom products and licencing activities.

Current services

Fusion offers a range of antibody engineering services to companies in research, development and commercialisation of monoclonal antibodies. Key services offered include:

Antibody discovery: the creation and screening of novel antibodies for therapeutic and diagnostic applications. A key to success in this area is to design a suitable toxin or foreign substance (antigen) to induce well targeted antibodies. Fusion uses a combination of extensive 3D modelling and scientific expertise to design effective antigens to successfully generate the specific immune response required.

As this service is at the early stage of drug discovery it ensures that the Company is well positioned to provide downstream antibody engineering and expression services as the customer progresses with their development programme;

CDRx™ Antibody Humanisation Platform: genetic engineering techniques are used to convert antibodies from other species so that they are suitable for human applications. This process makes these antibodies more similar to human antibodies and thereby reduces the likelihood of rejection by the body before the patient receives the therapeutic benefit. Since 2012 the Company has performed over 200 antibody humanisations and, to the best of our knowledge, eight antibodies have been taken into human trials from our first 33 projects. This figure is an estimation as the Company will not always be notified when its customers' projects progress to human trials, however, as the Company has expanded its capacity we believe that more will follow.

The Company's proprietary CDRx™ platform enables the rapid, accurate and detailed analysis of the variable part of the antibody that gives it its unique specificity (CDR).This platform utilises bespoke software and in-depth knowhow which provides a market leading solution for antibody humanisation. This is borne out in the percentage of customer projects which have progressed to clinical trials;

RAMP™: This is a technically advanced platform to improve performance of antibody-based drugs. Our rational design approach allows for the optimisation of biophysical properties by changing part of the structure of the antibody that can have a beneficial effect on various aspects of the antibody drug. The platform has produced additional benefits to the molecules screened from our clients. Besides improved affinity maturation, we have seen increased functionality, improved manufacturability, and specificity, Additionally, the altered structure has in some cases enabled our customers to file for new patents effectively extending the patent life of their therapeutic antibody.

Stable cell line development: Progressing a drug through development into cGMP production requires the development of a stable cell line. A stable cell line is an everlasting cell line used to express large amounts of the given antibody required for production. Fusion has expertise in the identification of high expressing, stable clones which are necessary for downstream development. The Company offers a range of cell lines including CHO-GS from Merck and CHOvolution™ for which the Company has a cGMP partnership with Celonic AG. This offers our customers the option to seamlessly transfer cell lines to a cGMP facility so we can support our customers throughout the entire course of their drug development process.

Future services

The Company continues to innovate to develop new services. The most significant project under way is the development of a Mammalian Antibody Library. This will reduce the number of development steps in the discovery of a new antibody drug by allowing the screening of new targets against a panel of whole antibodies that are already human in nature removing the need for animal hosts. Furthermore, it also removes the limitations of the major alternative approach, phage-display, which is restricted to the use of non-mammalian cells. This restriction can lead to the selection of antibodies which perform poorly when transferred to a mammalian system. The Board believes development of the Library will provide significant scientific and commercial benefits for drug developers in terms of shortening the development time, therapeutic effectiveness and manufacturability.

Additionally, the Company will explore making its proprietary discovery platforms available to drug developers under licence. Licencing drug discovery operations can offer licensees time and cost related benefits. As demand for therapeutic products increases and as future services are developed and marketed, the opportunities for the Company are expected to increase in the foreseeable future.

What are the Company's competitive advantages?

- A broad range of services from discovery to clinical supply
- High quality client base
- Proprietary humanisation CDRx™ platform
- Proprietary RAMP™ platform for engineering antibody developability
- In silico computational analysis of antibodies and antigens form the core of our service platforms
- In house characterisation of customer molecules
- Technical expertise and scientific knowhow
- Continuous improvement in services including those currently under development: new drug discovery technologies including a Mammalian Library Platform

The discovery of antibodies is a long, arduous and cost intensive process. As a result, many developers opt to outsource all or parts of these operations. Fusion Antibodies has developed a suite of service platforms that addresses the need to produce highly manufacturable, scalable therapeutic antibodies from the discovery phase through to the production of stable, high yielding CHO cell lines for clinical supply.

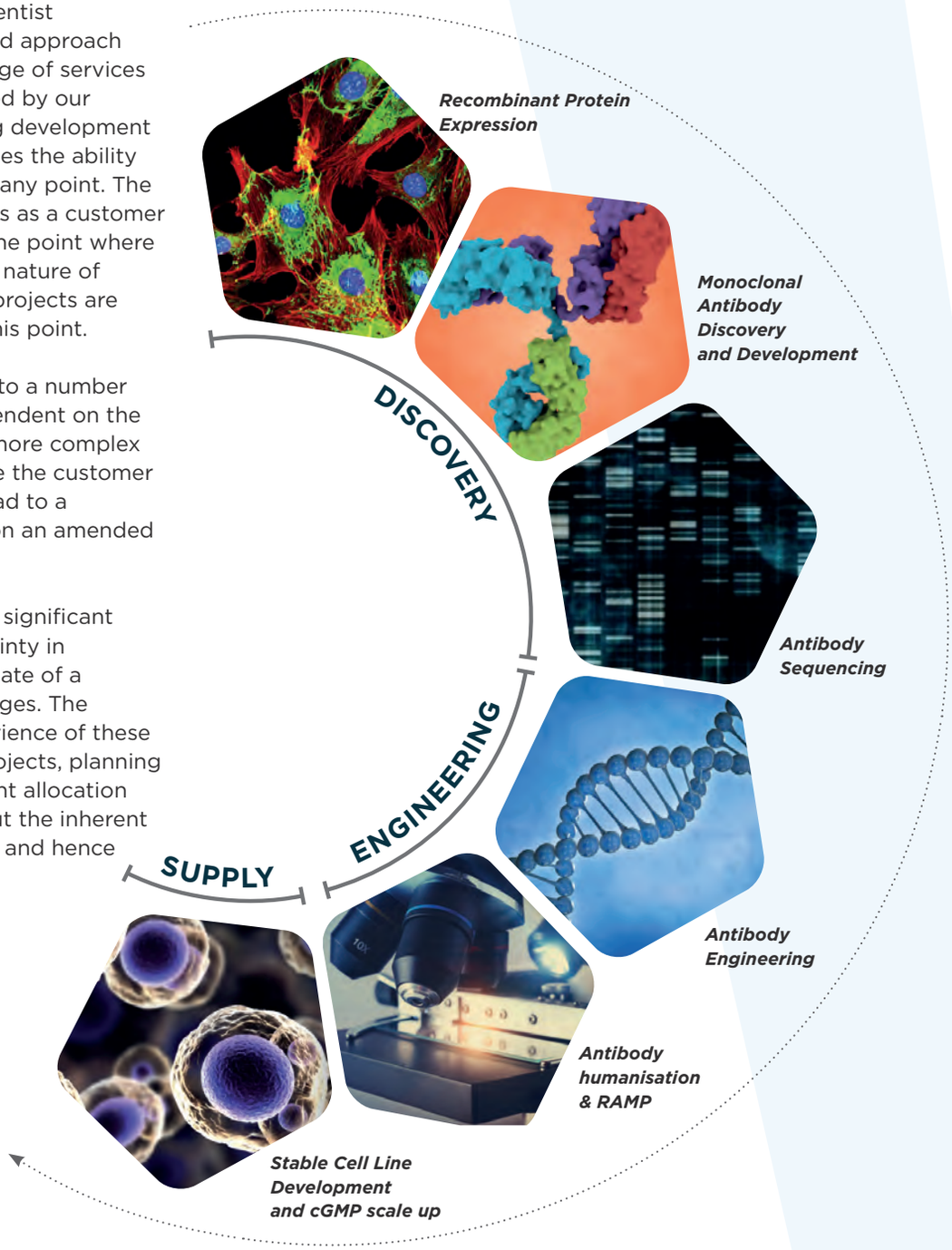
Business model

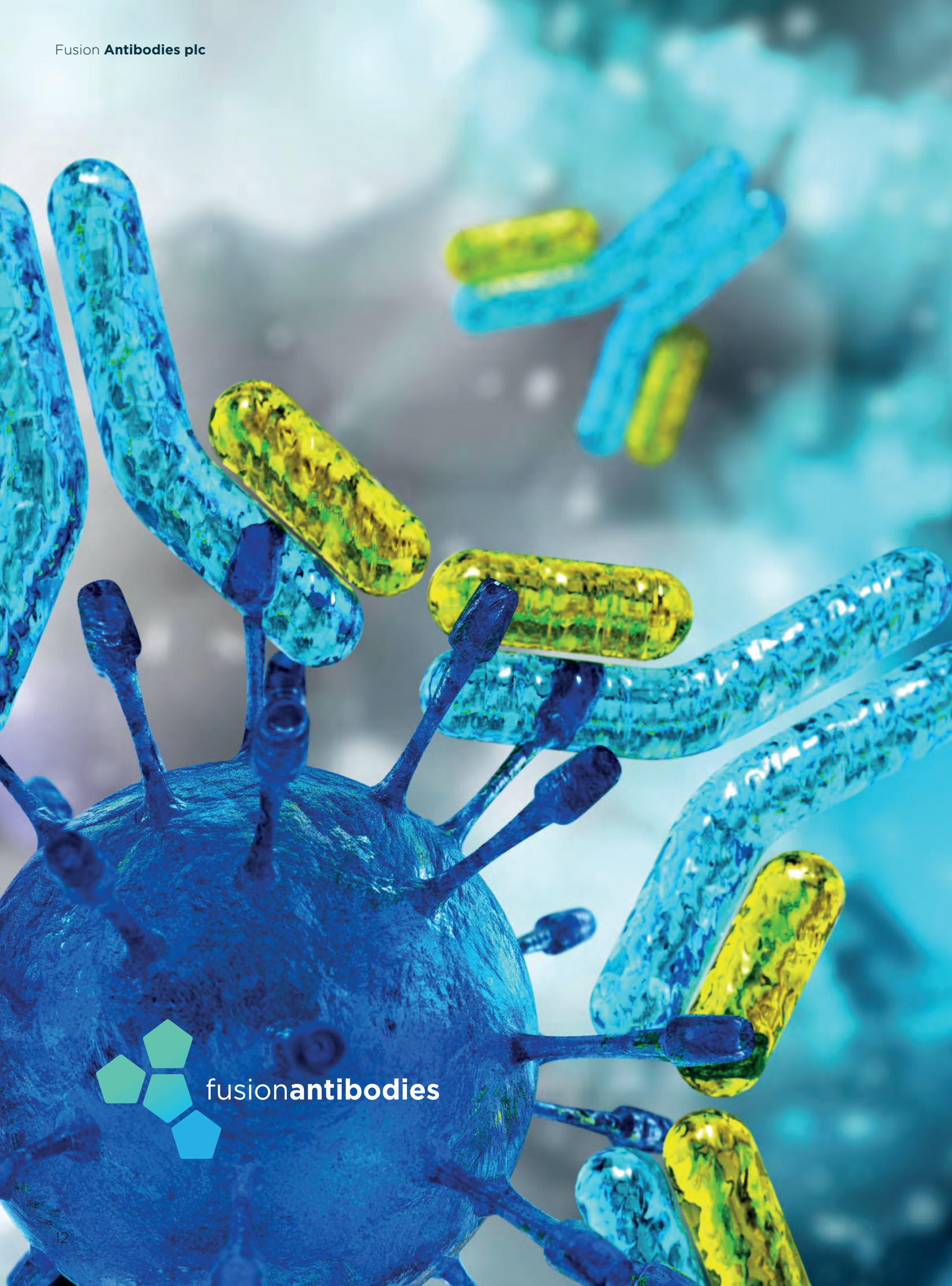
Fusion performs all its operations through a single trading entity. Initial engagement with prospective customers is usually through a business development (BD) team member although both BD and scientists are involved throughout the client engagement. Our approach throughout the selling and project delivery phases is to work closely alongside the customer team to help them to achieve their desired outcomes.

Understanding the client requirements involves BD staff as well as scientist-to-scientist conversations to arrive at a tailored approach and job specification, with the range of services offered giving the flexibility desired by our customers to accelerate their drug development programmes. This flexibility includes the ability to access our range of services at any point. The process can last for several months as a customer plans and brings their project to the point where Fusion becomes involved. It is the nature of the industry that some customer projects are cancelled or postponed prior to this point.

A client order is usually divided into a number of development stages, each dependent on the results of the previous stage. On more complex projects there may be points while the customer reviews their project which can lead to a decision to continue, to proceed on an amended programme of work or to stop.

This structure means that there is significant scientific and commercial uncertainty in forecasting the commencement date of a project and the timing of later stages. The Company uses its extensive experience of these uncertainties when scheduling projects, planning purchases and staff and equipment allocation as well as forecasting revenues but the inherent uncertainty in forecasting activity and hence revenue cannot be eliminated.




fusionantibodies

STRATEGIC REPORT

CEO'S REPORT AND OPERATIONS REVIEW

This year has been one of strong revenue growth, continued innovation and continued investment for growth. As a result of our ongoing investment for growth and in R&D the Company continues to return losses which decreased this year to £0.7m (FY2019: £1.3m loss). I am delighted to report that actions taken in the latter half of the prior year have continued to produce improved revenues exceeding previous expectations both for revenue and EBITDA, as announced in January 2020.

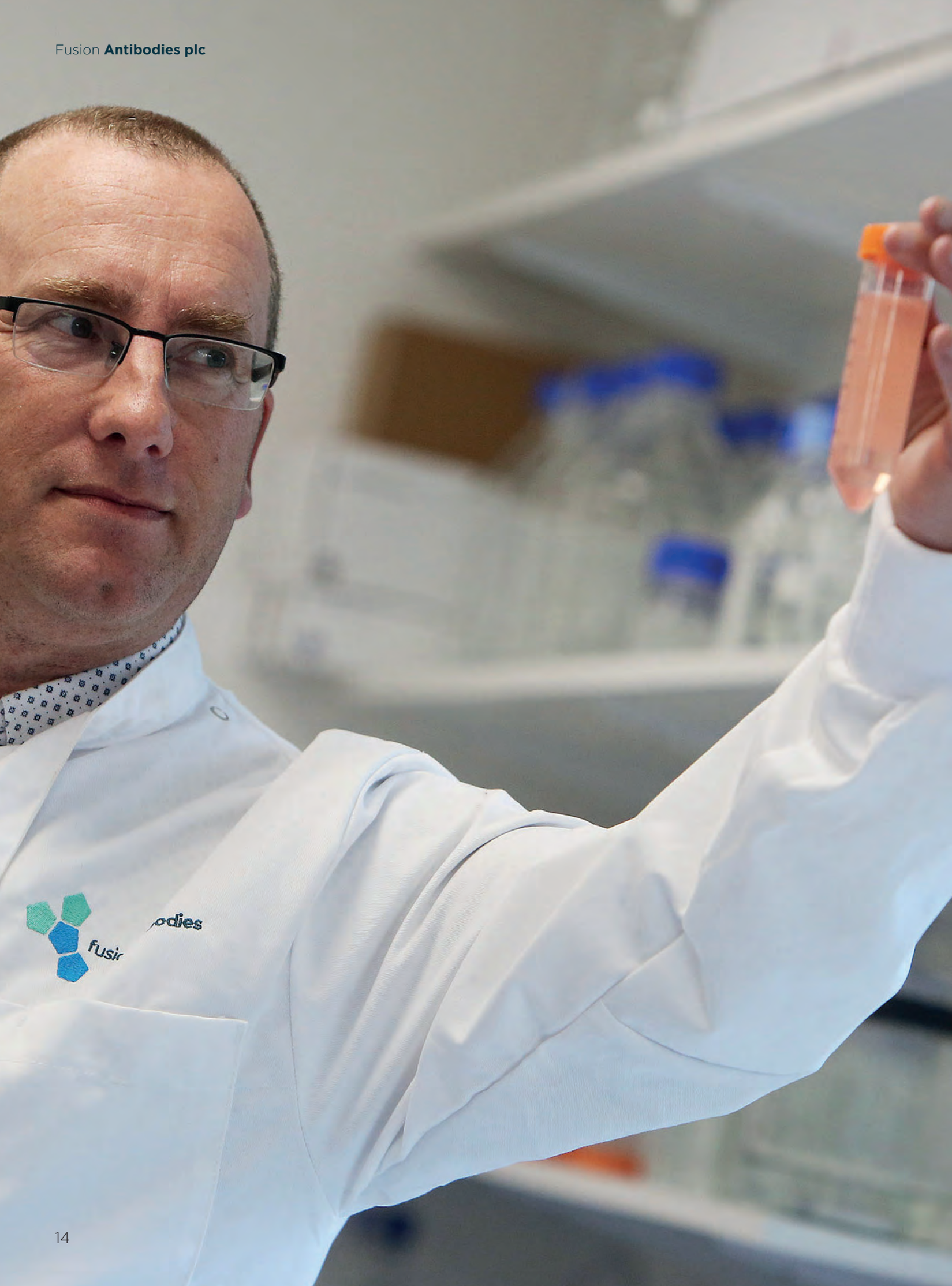
In addition, the Company has been well placed to deal with the uncertainties which arose in the final quarter of FY2020 as companies and governments around the world took steps to control the spread of the Coronavirus pandemic. Due to the inherent uncertainties in markets around the world, the Board believes it is not yet clear how FY2021 will develop but performance in the early months give us some confidence for the year. The Company will continue its strategy of investment in revenue growth and R&D over the short to medium term, and particularly in the development of the Mammalian Antibody Library.

Business review

Revenue performance across the financial year to 31 March 2020 has been strong with 79% annual growth coming from improved performance in both H1 and H2. Most of this growth has come from expansion of our existing services augmented by a material contribution from RAMP™, the most recent addition to our suite of platforms and services. We have seen a robust introduction of the new RAMP™ service and promising results achieved for our early customers provide a good base for the wider marketing of the service in the coming year.

Early in the year we strengthened our Business Development and Marketing functions with new senior appointments. This has enabled us to enhance our branding and better promote our key services: CDRx™ Humanisation, RAMP™ and Cell Line Development.

I am pleased to report that the Company saw strong growth in all our geographical markets this year including our home UK market, Europe and North America. We see a lot of potential in Asia and our sales and marketing efforts have begun to translate into sales growth and during the year members of the Fusion team made several visits to Japan to support our distributor there. We have expanded our presence in Asia with the appointment of two new distributors A-Frontier in South Korea and Biotickle in India and made visits to both those countries during the year. In addition, in China we carried out a RAMP™ project for a large indigenous company.



We continue to invest in refining the RAMP™ platform and have begun to develop machine learning capabilities for the current platform.

The development of a Mammalian Antibody Library Platform is the next phase of the R&D programme that began with RAMP™. During the year, the team was strengthened, and the initial stages of work have continued apace testing all the elements that make up this platform. We are very pleased with the progress made.

With the Covid-19 crisis reaching the UK towards the year end, the Company took the decision to expand the original development programme for the Library. Shortly after the year end we raised additional funds to enable the Company to broaden the Library programme testing to include Covid-19 as a new target alongside the Immuno-oncology and GPCR targets in the existing plans, thus accelerating the overall programme. This provides the Company with the opportunity to showcase the application of the new platform and may also present opportunities to out-license the novel antibodies discovered as a result.

The MAB Discovery partnership continues as we work with them to deliver their antibodies onward towards clinical development. We maintain our interest in in several molecules developed by MAB Discovery and other customers and have added new milestones for customer projects completed during the year.

The Fusion Technical team continues to innovate and add value to our clients' projects. We have multiple clients applying for new patents where Fusion technical staff are listed as inventors and authors in manuscripts under development, using both the CDRx™ humanisation and RAMP™ platforms. The technical team has presented the advantages of the technologies at multiple international conferences during the year. This continuous improvement and innovation here at Fusion Antibodies helps us stay at the forefront of our industry.

Early in the final quarter of the financial year, it became apparent that the Coronavirus outbreak was becoming a pandemic which would affect all our lives and how we do business. The Company moved swiftly to safeguard employees by limiting travel and introducing remote working in advance of the restrictions imposed by Government. As we operate from one building, these steps were key to ensuring that the laboratory-based employees were able to continue to work in a safe environment by reducing the number of staff physically present and circulating in communal areas. Communicating this to our customers in a timely manner has enabled us to limit the impact on trading performance both pre and post year end so that trading in FY2021 to date has been in line with expectations and the pattern of customer payments is unchanged.

I am very grateful for the commitment and dedication shown both by those staff who continued to come into work each day throughout the lockdown and those who adjusted their working arrangements to work remotely.

The directors remain confident that the Coronavirus pandemic should continue to have only a limited impact on trading, however, with the number of new cases worldwide continuing to grow the situation remains fluid. The directors remain vigilant in strengthening the business operations to mitigate risks and take advantage of opportunities and greatly appreciate the support shown by investors in the equity fundraise following the year end. Fusion has managed the steps needed to keep our staff safe and we are well placed to continue to provide and expand our drug discovery and development services. Furthermore, we intend to demonstrate our expertise and the value of our platforms on a global level by developing key antigens and antibodies to Covid-19 for both diagnostic testing and therapeutic use.

Having completed the laboratory expansion in the previous year, limited investment was required in laboratory equipment during FY2020. Future investment in equipment will concentrate on automation of processes to increase productivity and capacity.

Inventory of consumables was increased at the year end to allow for any supply chain disruption from the UK's planned departure from the European Union and the Coronavirus outbreak reaching Europe in the final quarter of the financial year. In the year, 32% of the Company's revenues arose from exports to the EU countries. The Company continues to monitor

potential risks and opportunities arising as the future EU trade deal is negotiated. We also continue to develop other export markets to mitigate risks of overexposure to any one geographical market.

Net current assets of £1.8m at 31 March 2020 (2019: £2.5m) mainly comprised inventories and cash and cash equivalents.

The Company ended the year with £1.5m of cash, having used £0.2m of cash in operations during the year, invested £0.1m in property, plant and equipment and £0.2m servicing asset-based borrowings. This cash level put the Company in a strong position to progress plans for growth in existing services in FY2021. Shortly after the reporting date the Company raised a further £3.0m gross from the issue of new shares to provide the resources to undertake additional proof-of-concept work on the Library in respect of Covid-19 and oncology targets as well as further working capital for the Company.

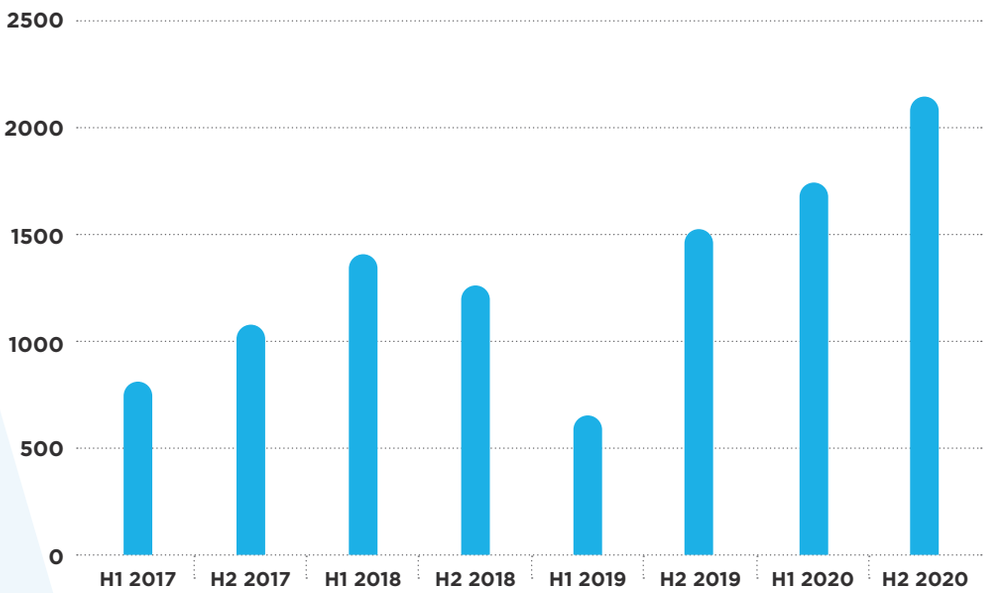
Post-period end events

- £3.0m capital (gross proceeds) raised post year end
- Covid-19 programme introduced as part of the Mammalian Antibody Library Development Plan
- Partnership with MAB Discovery continues with further development work being undertaken
- Investment in laboratory automation equipment

Financial Results

The Company has continued to build on the revenue growth in the second half of FY2019 with revenue growth seen in both H1 and H2. Full year revenues for the year in total were up 79% to £3.9m (FY2019: £2.2m). Revenues were higher in all geographical markets when compared with the previous year.

Revenues



The EBITDA loss for the year was £0.4m (FY2019: £1.1m loss) (see note 30). Continued losses are a result of ongoing investment in operations and research which are expected to contribute towards future revenue growth. The Company reduced its loss before tax to £1.1m (FY2019: £1.5m loss).

The Company used £0.2m of cash in operations (2019: £1.1m) and invested £0.1m in expenditure on capital equipment and a further £0.2m on lease and hire purchase payments. Cash and cash equivalents as at 31 March 2020 totaled £1.5m (2019: £2.0m).

The Company's full results are set out in the financial statements included with this report.

Key performance indicators

The key performance indicators (KPIs) regularly reviewed by the Board are:

KPI	2020	2019
Revenue change year on year	79%	(19)%
EBITDA	(£0.4m)	(£1.1m)
Cash used in operations	(£0.2m)	(£1.1m)

Outlook

There continues to be considerable uncertainty around the world as countries ease or increase restrictions to manage the global Covid-19 pandemic. Working with an international customer base presents opportunities and challenges as governments and companies respond to the immediate crisis and plan for a way forward in new circumstances. The Board believes the Company has the expertise to meet these challenges and capitalise on opportunities, and having raised capital post year end, that it also has the financial resources to face the coming months with confidence.

Dr Paul Kerr
Chief Executive Officer

19th August 2020

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

Risk is an inherent feature of the Company's business. The Board meets regularly to review operations and to assess and monitor the business risks faced by the Company. Set out below are some key risks, together with associated mitigating factors. This list does not purport to be exhaustive. Financial risks are disclosed in note 21 to the financial statements.

RISKS RELATING TO THE COMPANY AND ITS BUSINESS

1 Dependence on agreements with third parties

The Company enters into agreements, including partnerships and collaborations, with third parties in respect of development, production, marketing, sales and distribution and supply of materials and equipment in order to develop and market products and services and to enable it to reduce the cost incurred by the Company in doing this. There are no guarantees that the Company will be able to find suitable, commercially viable relationships nor that any parties with whom it enters into commercial arrangements will meet their obligations. This could impact upon the Company's revenue and profitability and potentially leave the Company with a financial loss, unable to proceed with development or sale of the products or services and/or needing to enter into litigation with the partner which could have both negative finance and reputational consequences.

2 Potential product liability litigation, regulatory intervention, adverse PR and business interruption

If the Company produces any products or services which are defective, or which are alleged to be defective, it may face a liability claim in respect of those products or services. Any serious quality or safety incident may result in adverse reporting in the media, which in turn may damage the Company's public relations and could potentially interrupt its business. This in turn could affect the Company's financial condition, operational results and prospects, including damage to the Company's reputation and/or its brands.

Third parties may assert their own intellectual property infringement claims against the Company's use of technology or products and require the Company to cease the infringing activity and/or require the Company to enter into licensing and royalty arrangements. The third party could take legal action against the Company; if the Company is required to defend itself against charges of patent infringement or to protect its own proprietary rights against third parties,

substantial costs and significant management time and effort could be incurred regardless of whether the Company is successful. Such proceedings are typically protracted and there is no certainty of success. If there is an adverse outcome, this could subject the Company to significant liabilities to third parties, and force it to curtail or even cease altogether the development of products or the provision or particular services (if provision of those services is reliant on a particular method which is the subject of the proceedings), or the sale or licensing of products. In addition, the Company may be required to develop alternative, non-infringing solutions which may require significant time and substantial, unanticipated resources. It is therefore possible that such claims could have a material adverse effect on the Company's business, financial condition or results.

3 Risk that services will not achieve commercial success

The Company currently offers a range of services, namely: antibody sequencing, antibody humanisation, stable cell line development, antibody engineering, monoclonal antibody production, transient protein expression and affinity maturation. It is also developing a mammalian antibody library. The commercial success of each of these services is in part based on factors outside the Company's control, including market demand for those services. There can be no assurance that market demand for any of these areas will continue to exist and/or increase, or that the Company's services will be favourably received by the market, will be profitable or will produce a reasonable return, if any, on investment. If the service is not commercially successful it could result in a financial loss to the Company. Furthermore there can be no assurance that the development of the new services is successful.

Whilst the Company considers it offers a competitive pricing model, there is the risk that it will not be able to attract market interest in its services or to maintain or develop that interest if received. For example, a competitor may undercut it with a pricing model it is unable to match; alternatively or additionally, a competitor with access to superior levels of capital may be able to inject more capital into its business and, as a consequence, develop new systems for delivering comparable services to those offered by the Company at lower cost and/or more effectively. There is therefore no guarantee that any of the Company's services will be commercially successful in the future or that it will continue to be competitive in the markets in which it operates.

4 The Company relies on certain key personnel

The Company's senior management and key research and development personnel are experienced in different fields of research, development, production, marketing and corporate management in the antibodies industry. As such, the Company's success is in part attributable to the expertise and experience of its senior management and key research and development personnel, who carry out key functions in the operations of the Company.

The Company's research capability, financial condition, operation and prospects may be detrimentally affected if the Company loses the services of any of its senior management and/or key research and development personnel, whether through illness or death, or them moving employment. No assurance can be given that the Company will be able to retain and incentivise all the staff and key personnel that it needs in order to achieve its business objectives (a) at all or (b) on commercially acceptable terms. This could in turn adversely affect its business, financial condition, results and/or future operations.

As stated above, the Company's success is in part attributable to the expertise and experience of its senior management and key research and development personnel. However, it may need to attract and recruit additional personnel, either in addition to existing personnel or to replace departing personnel, across all areas of its business. This could in turn adversely affect its business, financial condition, results and/or future operations.

5 Risks associated with reliance on IT systems, key equipment and laboratory space

The Company is reliant upon the use of certain IT systems, equipment and laboratory space which is critical to its ability to carry out its core business. There is a risk that key IT systems, equipment, and/or the laboratory space itself may become unavailable. In this event, the Company's ability to deliver its services may be detrimentally affected, which could in turn have an impact upon its ability to deliver projects on time and which could consequently adversely affect its business, financial condition results, and/or future prospects. There is a risk that the Company's operations may be affected by a fire or flood at its premises.

GENERAL RISKS RELATING TO THE BIOTECHNOLOGY AND PHARMACEUTICAL INDUSTRIES

1 There may be a general reduction in the demand for antibody services in the pharmaceutical and biotechnology industries

As a CRO, the Company's revenue is primarily generated through contracts with pharmaceutical and biotechnology companies and is dependent upon there being a demand in these industries for its antibody services. There is a risk that there may be a reduction in the demand in the pharmaceutical and biotechnology industries for antibody services, even if expenditure on drug development and discovery is maintained or increased. For example, the discovery of new technologies may reduce altogether the need for the antibody services provided by the Company (either currently or in the future), or it may enable drug development companies to meet their requirements for antibody services internally rather than outsourcing these to CROs such as the Company.

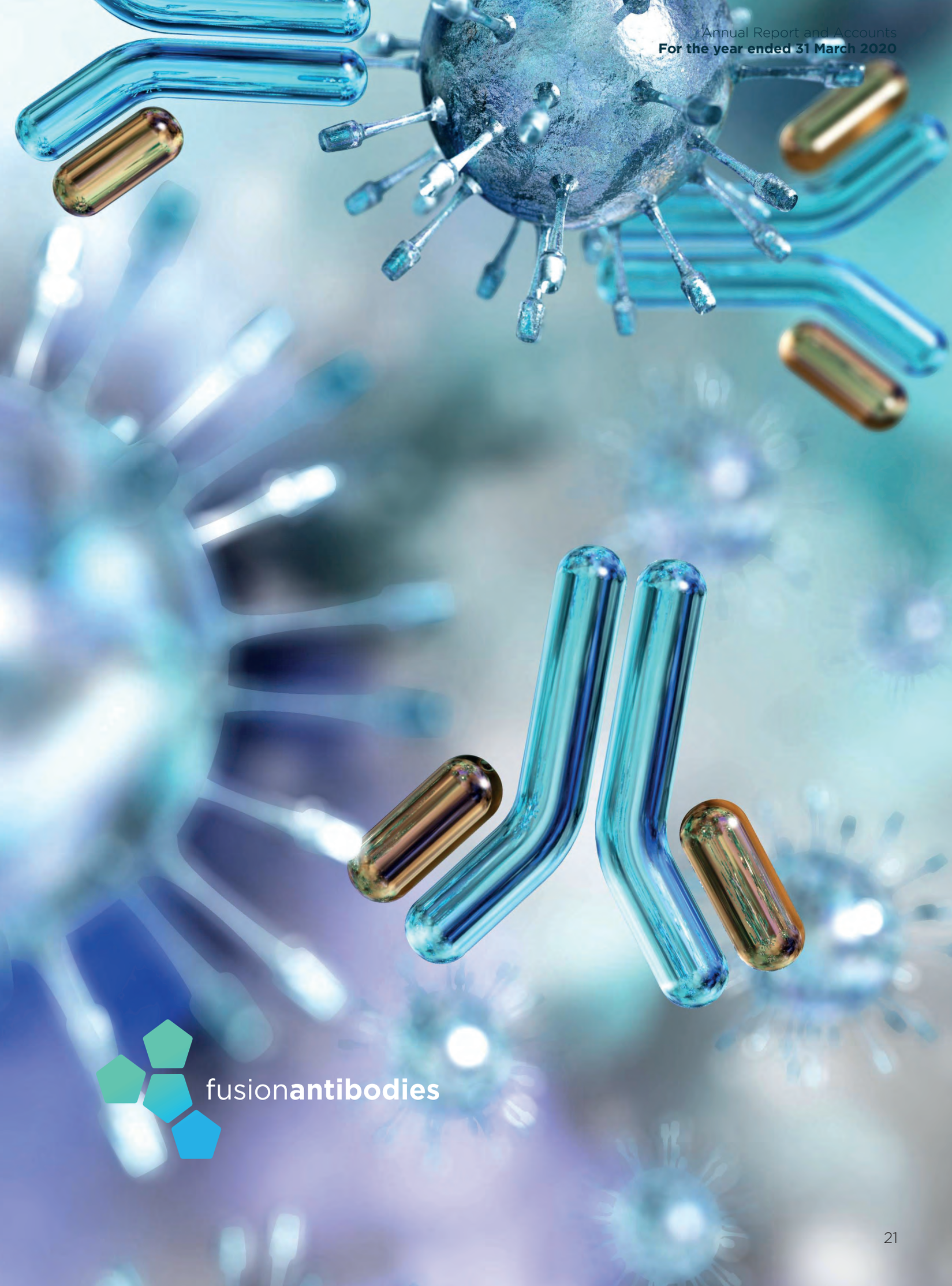
2 The Company is subject to regulations governing the pharmaceutical and biotechnology industries

The regulations governing the biotechnology and pharmaceutical industries in the countries in which the Company operates may be subject to change without prior notice or consultation. Any such changes or amendments may significantly impact the business of the Company. For example, at the moment it is generally easier to both import and export goods within the EU than to other international companies due to the UK being part of the customs union. However, in view of the ongoing EU trade negotiations and the uncertainty surrounding the effect these will have on the free movement of goods, it is not clear whether such rules will significantly change and, if so, exactly how they will differ. There may also be increased costs to the Company of complying with any changes in the regulatory requirements of the biotechnology and pharmaceutical industries which could have an impact on the financial prospects of the Company.

The strategic report on pages 4 - 20 was approved by the Board on 19th August 2020 and signed on its behalf by:

Dr Paul Kerr
Director

19th August 2020



fusion**antibodies**

CORPORATE GOVERNANCE
BOARD OF DIRECTORS

Dr Simon Douglas
Non-executive Chairman

Simon, 61, was appointed Non-executive Chairman in September 2011 having previously been CEO. He has over 30 years' experience in the biotech industry, including 10 years working for Amersham International (now GE), ICI and Zeneca (now Astra Zeneca), in a variety of commercial and technical positions, and over five years with Tepnel Life Sciences plc (now Hologic Inc), a London Stock Exchange listed diagnostic company where he was Chief Executive. He has been the CEO/Executive Chairman on three other venture capital backed Life Science companies, and headed up the trade sale of two of these. He is currently Chairman of C-Major Medical, a venture capital backed Medical Device Company. Simon is not considered to be independent as he formerly held the position of CEO.

Dr Paul Kerr
CEO

Paul, 48, was appointed Chief Executive Officer in September 2011 having worked in the Company in technical and business development roles. He is an industry specialist with over 20 years' experience in the biopharmaceutical industry including former roles developing monoclonal antibodies at The Queen's University of Belfast and the Veterinary Sciences Division, Stormont laboratory.

Dr Richard Buick
CTO

Richard, 44, was appointed director and Chief Technical Officer in September 2011 having worked in the Company since 2002 where he was responsible for overseeing contract research services. He previously had four years' experience discovering novel antibodies from synthetic libraries for diagnostic purposes. Richard has been appointed as a legal expert witness in a number of drug patent dispute cases and in 2018 he was made Honorary Senior Lecturer in Queen's University, Belfast.

James Fair
CFO and Company Secretary

James, 54, was appointed director and Chief Financial Officer in August 2017 having previously been head of finance for eight years. He qualified as a chartered accountant with Price Waterhouse and has held senior management positions in internal audit, business, and professional practice.

Sonya Ferguson[1]
Senior Independent Director

Sonya, 49, joined the Company as a non-executive director in 2016 and is an experienced senior director working in the pharmaceuticals industry. She is currently senior director of Q2 Solutions, a Quintiles Quest joint venture, which is a leading global clinical trials laboratory services organisation, having formerly worked for Quintiles itself and Randox Laboratories. Sonya is the senior independent director on the Board.

Dr Alan Mawson[2]
Non-executive director

Alan, 78, is a venture capital fund manager, the founder and now non-executive chair of Clarendon Fund Managers Limited and joined the Company as a non-executive director in 2004 as a representative of Clarendon. Clarendon is the fund manager for Nitech Growth Fund LP and Viridian Growth Fund LP both of which are shareholders in the Company. Due to Clarendon's shareholding in the Company, Alan is not considered to be independent under the QCA Code.

Colin Walsh[1]
Non-executive director

Colin, 65, is chief executive and founder of Crescent Capital NI Limited and has been an active venture capital investor in the high-tech sector for the past 28 years. He joined the Company as a non-executive director in 2007 as a representative of Crescent Capital. Crescent Capital is the fund manager of Crescent Capital II LP and Crescent Capital III LP both of which are shareholders in the Company. Due to Crescent Capital's shareholding in the Company, Colin is not considered to be independent under the QCA Code.

Tim Watts[2]
Non-executive director

Tim, 63, has over 25 years' experience in the pharmaceutical and biotech sectors, and joined the Company as a non-executive director in December 2017. He qualified as chartered accountant with Coopers & Lybrand before moving to HJ Heinz, then ICI, was appointed Finance Director of the Zeneca Pharmaceuticals business in 1998 and became Group Financial Controller of AztraZeneca plc in 2002. Between 2007 and 2017 he held positions as CFO of Archimedes Pharma then Oxford Biomedica plc from which he retired in September 2017. In August 2018 Tim was appointed Interim CFO at Shield Therapeutics. Tim is an independent director.

[1] member of the Remuneration Committee | [2] member of the Audit Committee

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

Stakeholder engagement (inclusive of s172 disclosure)

At Fusion we value the views of not only our shareholders but also our wider stakeholder group.

We aim to provide clear and understandable information about the Company and our activities and to welcome and consider the views of stakeholders. Under Section 172 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.

At the current stage of the Company's development there is a need to deliver continued growth year on year and be able to respond swiftly to short-term risks, challenges and opportunities. The longer term consequences of our decisions are equally important and these decisions are made within the Company's strategy for delivering revenue growth and providing innovative solutions to our customer base.

Our stakeholder engagement in the year ended 31 March 2020 was as follows:

STAKEHOLDER	WHO ENGAGED	HOW WE ENGAGED	OUTCOMES
Shareholders/ investors/ analysts	**Board/CEO/CFO/ CTO**	Our AGM and the distribution of the Annual Report remain the primary method of engagement with our private shareholders. For institutional investors individual meetings or calls are offered at the time of publication of annual and interim results	Formal and informal feedback received from investors is welcomed and used by the Board to inform future decisions.
	Chairman/CEO/ CFO/CTO	In summer 2019, for the first time as a public company, we held a regional meeting for private investors in Scotland. Plans for other regional meetings in Northern Ireland and the North of England had to be put on hold as a result of Coronavirus restrictions.	A number of questions were put to the Company representatives who were able to explain the current position and longer term plans including for the development of new services
	CEO/CFO	CEO and CFO made presentations at share society meetings and to analysts at various events during the year.	Details of the presentations are available on our website. These meetings provided an opportunity to explain the Company operations to investors who are not already shareholders
Employees	**CEO/CFO/CTO**	Our employees form a key stakeholder group with whom we engage on a daily basis. Company wide email communication and periodic CEO presentations to all staff and less formal pizza lunches enable two-way communications across all levels of staff. Operating from one site makes for close working relationships.	Enabled us to update all employees on developments and initiatives, R&D strategy and the financial performance.

STAKEHOLDER	WHO ENGAGED	HOW WE ENGAGED	OUTCOMES
Customers	**CEO/Business Development team/Quality Manager**	Customers and potential customers engage initially on a scientist to scientist basis as they seek solutions for their research programmes. Personal contact, calls and site visits all combine for customer engagement. Customer feedback is gathered across the Company, collated by the Quality Manager and fed back to relevant parties.	Our approach is to work as scientific partners to aid our customers in their development programmes. Feedback is used to improve our practices, be they communication (oral and written), technical or commercial to enhance customer satisfaction.
Suppliers	**Production manager/ CFO/Financial Controller**	Suppliers and supply chain have come into sharper focus this year with the uncertainties created by the planned departure of the UK from the EU and the unforeseen global pandemic. The Production manager oversees individual supplier engagement, approving new scientific suppliers, negotiating terms and meeting supplier representatives. The CFO and Financial Controller oversee approval of non-scientific suppliers, the purchasing and payment interactions with suppliers.	The primary outcome has been to identify potential risks to the supply chain and mitigate these by reducing reliance on single suppliers and by holding larger stocks of key consumables and those items more at risk of disruption in supply. Good supplier relations and payment practices ensure the stability of the supply chain and improve value for money for the Company.
Community	**CEO/CTO/CFO**	The Company aims to support the local community through its interaction with and support for the academic and scientific community in the two universities in Northern Ireland. Regular contact with Queen's University in particular with joint PhD students and Knowledge Transfer Partnerships. The CTO is an Honorary Senior Lecturer at Queen's University. During the year the CFO spoke at an awards event for innovation by University Students.	The academic and scientific community in Northern Ireland is a source of business, ideas and graduates for the Company. Engagement activities enable the Company to keep a high profile in that community to mutual benefit.

Compliance Statement

The Board seeks to follow best practice in corporate governance appropriate to the Company's size and in accordance with the regulatory framework that applies to AIM companies. The Company has adopted the Quoted Companies Alliance's Corporate Governance Code 2018 ("QCA Code") and will set out on its website how, with regard to the size and the nature of the Company's business, it applies the principles and disclosures as set out in the QCA Code. Given its size and the nature of its current operations, the Company has not adopted the full UK Corporate Governance Code. There have been no key governance related matters, or changes in governance arrangements during the year. The main features of the Company's corporate governance arrangements are:

- The Chairman retains responsibility for, and takes the lead on, all matters of corporate governance;
- The Board meets regularly for formal Board meetings. It met eight times in FY2020. It will consider strategy, performance and approve financial statements, dividends and significant changes in accounting practices and key commercial matters, such as decisions on the introduction of new services. There is a formal schedule of matters reserved for decision by the Board;
- The Company has an audit committee and remuneration committee, further details of which are provided below; and
- The Company does not have a nomination committee, as the Board does not consider it appropriate to establish one at this stage of the Company's development. The Board as a whole takes decisions regarding the appointment of new directors and this will follow a thorough assessment of a potential candidate's skill and suitability for the role.

Board composition

The Company is managed by a Board of directors and they have the necessary skills and experience to effectively operate and control the business. There are currently eight directors at the date of this report being: Simon Douglas, Paul Kerr, Richard Buick, James Fair, Sonya Ferguson, Alan Mawson, Colin Walsh and Tim Watts. The Board comprises five non-executive directors and three executive directors.

During the year the Chairman led a board evaluation exercise considering composition of the Board and its committees and director's individual skills and contribution. The Chairman held one to one evaluations with directors to assess how skillsets meet the needs of the Company and identify where skills need to be added to the existing Board, and the Senior Independent Director performed this evaluation in respect of the Chairman. As a result of this exercise the composition of the Board remains unchanged and the Board believe the split of non-executive to executive directors is appropriate for the current requirements of the Company. Board members are expected to attend relevant continuing professional development to ensure their technical skills are kept up to date as well as attending relevant industry and regulatory conferences and briefings.

The Board considers Sonya Ferguson and Tim Watts are independent in character and judgement. Sonya Ferguson was appointed as the senior independent director on 11 December 2017. Whilst Colin Walsh and Alan Mawson are not deemed independent for the purposes of the QCA Code, the Board considers that their detailed experience and long-standing knowledge of the business are essential in guiding the overall strategy of the Company. Simon Douglas is not deemed independent as he is a former CEO of the Company.

The Senior Independent Director serves as a key sounding board for the Chairman and acts as an intermediary for other directors, including in respect of appraisal of the Chairman's performance. The Company Secretary advises the Board, through the Chairman, on legal, governance and procedural matters. The Chairman and the Company Secretary together review the Company's governance processes and consider improvements and initiatives to maintain standards at a high level.

As the business develops, the composition of the Board will remain under review to ensure that it remains appropriate to the managerial requirements of the Company. All new directors appointed since the previous Annual General Meeting are required

to seek election at the next Annual General Meeting and directors retire annually in accordance with the Company's articles of association in order that every director has been elected or re-elected within the last three years. This enables the shareholders to decide on the election of the Company's Board.

The mix of skills required on the Board is aligned to the needs of the Company and delivery of current strategy.

Board committees

The Company has an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities. The composition of these committees may change over time as the composition of the Board changes. The reports of the Audit Committee and Remuneration Committee are included within the Governance report and Directors' Report rather than as separate sections of the Annual Report.

Audit Committee

The audit committee has responsibility for, among other things, the monitoring of the financial integrity of the financial statements of the Company, and the involvement of the Company's auditors in that process. It focuses, in particular, on compliance with the accounting policies and ensuring that an effective system of external audit and financial control is maintained, including considering the scope of the annual audit and the extent of non-audit work undertaken by external auditors and advising on the appointment of external auditors. Given the size and nature of the Company the Audit Committee has recommended, and the Board accepts, that an internal audit function is not appropriate for the Company.

The audit committee meets at least twice a year at the appropriate times in the financial reporting and audit cycle. The audit committee comprises two members, who are both non-executive directors: Tim Watts (chair) and Alan Mawson. The CEO and CFO are invited to attend as appropriate and the auditors have the opportunity for direct access to the committee without executive directors present.

Since the last Annual Report, the audit committee has met three times with both members in attendance, in November 2019, March 2020 and July 2020. The auditors were in attendance at all three of these meetings. At the November 2019 meeting the main agenda items were to review the draft financial statements for the six months ended 30 September 2019 and initial planning of the audit for the financial year ended 31 March 2020. In March 2020, the committee reviewed the Audit Plan in detail.

Regarding the financial statements for the year ended 31 March 2020, the key areas of focus for the audit committee at these meetings have been:

- **Leases:** the Company transitioned to IFRS 16 'Leases' on 1 April 2019 involving adoption of a new accounting policy. Capitalisation of the lease for Company premises resulted in the creation of a notional asset and corresponding liability of £226,000 and no adjustment to retained earnings;

- The recognition of the deferred tax asset. The recoverability of the deferred tax asset depends on profits generated from future sales growth which will be underpinned by existing services, RAMP™ and the Mammalian Antibody Library. Management have prepared forecasts demonstrating a return to taxable profits in coming years and on that basis the committee agreed with the decision to recognise the deferred tax asset; and

- Going concern. Management have prepared forecasts demonstrating that the Company has sufficient resources to continue as a going concern.

Internal controls and financial risk management

The directors are responsible for the Company's system of internal controls, the setting of appropriate policies on these controls and regular assurance that the system is functioning effectively and that it is effective in managing business risk. Risk management is embedded as part of the Board culture and is on the agenda of every meeting to ensure that it is at the centre of arriving at, and monitoring strategy. Principal risks and uncertainties are discussed in the Strategic Report and financial risk management

policies are detailed in note 21 of the Notes to the Financial Statements. The audit committee monitors the Company's internal control procedures, reviews the internal control procedures and reports its conclusions and recommendations to the Board.

Remuneration Committee

The remuneration committee has responsibility for the determination of remuneration packages for each of the executive directors, including pension rights and any compensation payments, recommending and monitoring the level and structure of remuneration of senior management, and the implementation of the employer share option scheme, or other performance related schemes. It meets at least twice a year. The report of the remuneration committee is included in the Directors' Report below.

The remuneration committee comprises two members who are non-executive directors: Colin Walsh (chair) and Sonya Ferguson.

Meetings and attendance

	BOARD	AUDIT COMMITTEE	REMUNERATION COMMITTEE
Meetings held during the year	**8**	**3**	**3**
Attendance:			
Simon Douglas	8/8		
Paul Kerr	8/8		
Richard Buick	7/8		
James Fair	8/8		
Sonya Ferguson	8/8		3/3
Alan Mawson	8/8	3/3	
Colin Walsh	7/8		3/3
Tim Watts	8/8	3/3	

Non-executive directors are expected to spend a minimum of one day a month on Company activities in addition to preparation for and attendance at Board and sub-committee meetings. The Chairman will spend an additional day per month although in practice this is usually exceeded.

Communication with shareholders

Good and effective communication with shareholders is a high priority for the Board. Good communication with investors and analysts is an essential part of the operation of the Company. The Company is committed to providing up to date corporate information to existing and potential shareholders and maintains a website (www.fusionantibodies.com) which contains an Investor Relations section. Existing and potential investors can use the website to access Company information and reports and to contact the Company. Further details of communication with shareholders is given above under Stakeholder Engagement.

The corporate governance report on pages 22-31 was approved by the Board on 19th August 2020 and signed on its behalf by:

Dr Simon Douglas
Chairman

19th August 2020

CORPORATE GOVERNANCE
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2020.

The Company is incorporated and domiciled in the United Kingdom, and its shares are listed on AIM, a market operated by London Stock Exchange.

Principal activity

The principal activity of the Company is the research, development and manufacture of recombinant proteins and antibodies, particularly in the areas of cancer and infectious diseases.

Review of the business and future developments

A review of the business and its outlook, including commentary on the key performance indicators, and the principal risks and uncertainties facing the Company is included in the statements within the Strategic Report and included in this report by cross reference.

Directors

Biographical information on each of the directors at the date of signing this report is set out on page 22 to 24.

In accordance with the Company's Articles of Association Sonya Ferguson and James Fair will retire and offer themselves for re-election at the 2020 Annual General Meeting.

Directors' remuneration

The remuneration committee comprises Colin Walsh as chair and Sonya Ferguson. The committee is responsible for reviewing the Company's remuneration policy, the emoluments of the executive directors and other senior management and the Company's pension arrangements and for making recommendations thereon to the Board. The committee also makes recommendations to the Board in respect of awards of options under the EMI and Unapproved Employee Share Option Scheme under which employees and executive directors may be granted options to acquire Ordinary Shares. It also reviews the terms of service contracts with senior employees and the executive directors and any compensation arrangements resulting from the termination by the Company of such contracts.

Policy on executive directors and senior management remuneration

When determining the Board policy for remuneration, the Committee considers all factors which it deems necessary including relevant legal and regulatory requirements and the provisions and recommendations of relevant guidance. The objective of this policy is to help attract, retain and motivate the executive and senior management of the Company without paying more than necessary. The remuneration policy bears in mind the Company's appetite for risk and is aligned to the Company's long term strategic goals. A significant proportion of remuneration is structured to link rewards to corporate and individual performance and be designed to promote the long-term success of the Company.

Bonus payments

All executive directors and senior management are eligible for a discretionary annual bonus. Annual cash bonuses are paid on the achievement of pre-set strategic objectives. These objectives relate to Company strategy and may be achievements other than financial performance targets. The Committee, in conjunction with the Board, reviews and sets these objectives at the start of each financial year.

For the year ended 31 March 2020 executive director bonuses have been awarded on the basis of the achievement of financial performance in relation to target for all three executives, and for the attainment of individual non-financial performance targets for the CTO in relation to R&D programmes and the CFO in relation to stakeholder communications.

Long term incentives

At the reporting date the Company had three share based reward schemes, two of which are now closed to new awards. Details of share options in issue are included in note 9. Company policy is no longer to award share options to non-executive directors.

Movement in options held by directors are as follows:

	At 1 April 2019	Exercised in Year	Awarded in year	**At 31 March 2020**	Exercise period	Exercise price per share
Paul Kerr						
2017 Share scheme	125,000	-	-	**125,000**	2018-2027	£0.04
2017 EMI and Unapproved Employee Share Option Scheme	200,000	-	-	**200,000**	2019-2028	£0.545
	325,000	-	-	**325,000**		
Richard Buick						
2017 Share Scheme	125,000	-	-	**125,000**	2018-2027	£0.04
2017 EMI and Unapproved Employee Share Option Scheme	200,000	-	-	**200,000**	2019-2028	£0.545
	325,000	-	-	**325,000**		
James Fair						
2017 Unapproved Share Scheme	75,000	-	-	**75,000**	2018-2027	£0.04
2017 EMI and Unapproved Employee Share Option Scheme	200,000	-	-	**200,000**	2019-2028	£0.545
	275,000	-	-	**275,000**		
Sonya Ferguson						
2017 Unapproved Share Scheme	25,000	-	-	**25,000**	2018-2027	£0.04

Directors' remuneration

The remuneration of directors for the year ended 31 March 2020 was as follows:

		Salary & fees £'000	Benefits £'000	Bonus £'000	Company pension contributions £'000	Total £'000
Executive directors						
Paul Kerr	**2020**	**102**	**-**	**19**	**6**	**127**
	2019	97	-	-	5	102
Richard Buick	**2020**	**102**	**-**	**16**	**6**	**124**
	2019	97	-	15	5	117
James Fair	**2020**	**97**	**-**	**20**	**6**	**123**
	2019	87	-	-	5	92
Non – executive directors						
Simon Douglas	**2020**	**30**	**-**	**-**	**-**	**30**
	2019	30	-	-	-	30
Sonya Ferguson	**2020**	**23**	**-**	**-**	**1**	**24**
	2019	23	-	-	1	24
Alan Mawson	**2020**	**23**	**-**	**-**	**-**	**23**
	2019	23	-	-	-	23
Colin Walsh	**2020**	**27**	**-**	**-**	**-**	**27**
	2019	27	-	-	-	27
Tim Watts	**2020**	**27**	**-**	**-**	**-**	**27**
	2019	27	-	-	-	27
Total	**2020**	**431**	**-**	**55**	**19**	**505**
	2019	411	-	15	16	442

Directors and their interests

	At 1 April 2019	% issued share capital	Shareholding at 31 March 2020	% issued share capital
Paul Kerr	532,500	2.41%	540,710	2.45%
Richard Buick	515,125	2.33%	495,125	2.24%
James Fair	-	-	-	-
Simon Douglas	255,800	1.16%	255,800	1.16%
Sonya Ferguson	30,900	0.14%	60,900	0.28%
Alan Mawson	43,988	0.20%	128,988	0.5%
Colin Walsh	-	-	-	-
Tim Watts	27,575	0.12%	27,575	0.12%

Results and dividends

The loss before tax for the year was £1,073,000 (2019: loss £1,499,000) and Loss Before Interest Taxation Depreciation and Amortisation (EBITDA) of £439,000 (2019: £1,079,000 loss).

After an income tax credit of £376,000 (2019: £235,000) the loss for the financial year of £697,000 (2019: loss £1,264,000) has been transferred to reserves. The results for the year are set out the statement of comprehensive income.

No dividends were paid (2019: £nil). The directors do not recommend payment of a final dividend (2019: £nil).

Principal shareholders

At the close of business on 14 August 2020 (being the latest practical date prior to the signing of this report) the Company had received notification of the following substantial interests representing over 3% of the issued share capital:

	Number of Ordinary 4p shares	Percentage held
Amati Global Investors Limited	2,341,463	9.21
Crescent II LP	2,223,415	8.75
Viridian Growth Fund LP	1,831,500	7.20
Octopus Investments Limited	1,525,258	6.00
Hargreave Hale Limited	1,402,439	5.52
Prof Jim Johnston	1,317,325	5.18
Livingbridge VC LLP	1,219,512	4.80
Unicorn AIM VCT plc	1,219,512	4.80
Invest Northern Ireland	974,450	3.83

Pension

The Company operates a defined contribution pension scheme.

Research and development

During the year ended 31 March 2020 the Company has invested £391,000 (2019: £240,000) in research and development. This is incurred in the development of existing and new antibody engineering services and is expensed until the development project meets the criteria in IAS 38.

Financial risk management

The Company's approach to risk management is described in Principal risks and uncertainties within the Strategic Report and is included in this report by cross reference.

Going concern

The Company has returned a loss of £697,000 for the year and at the year-end had net current assets of £1,813,000 including £1,537,000 of cash and cash equivalents. The impact of the Covid-19 pandemic has had limited impact on trading and the Company was able to remain open and operational throughout the period of most stringent Government restrictions. The Company continues to expend cash in a planned manner to both grow the trading aspects of the

business and to develop new services through research and development projects. The Directors expect the Company to return to underlying profitability excluding R&D expenditure by the end of FY2022. Following the reporting date, the Company raised net cash proceeds of £2.8m from an issue of 3,333,333 Ordinary shares. The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the reporting date. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. In arriving at this conclusion, the directors have reviewed detailed forecast models for the Company. These models are based on best estimates of future performance and have been adjusted to reflect various scenarios and outcomes that could potentially impact the forecasts.

Payments to suppliers

The Company seeks to abide by the payment terms agreed with suppliers when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

Directors' indemnity

Every director and other officer of the Company is entitled to be indemnified out of the assets of the Company against all losses or liabilities properly incurred by him or her in or about the discharge of the duties of his or her office. The Company has insurance cover in place to mitigate such costs.

Political donations

There were no political donations made by the Company during the year (2019: none).

Corporate governance

The Corporate Governance Report on pages 22 to 30 forms part of the Directors' Report and is included in this report by cross reference.

Post balance sheet events

Since the reporting date the Company issued 3,333,333 Ordinary shares for gross cash proceeds of £3.0m.

Annual General Meeting

The resolutions to be proposed at the Annual General Meeting together with the explanatory notes, will appear in the Notice of the Annual General Meeting which will be circulated with the annual report when sent to all shareholders.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the 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 IFRSs as adopted by the European Union have been followed; subject to any material departures disclosed and explained on the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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. The directors are also generally 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Each of the directors, whose names and functions are listed in Board of Directors confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Statement of disclosure of information to auditors

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent Auditors

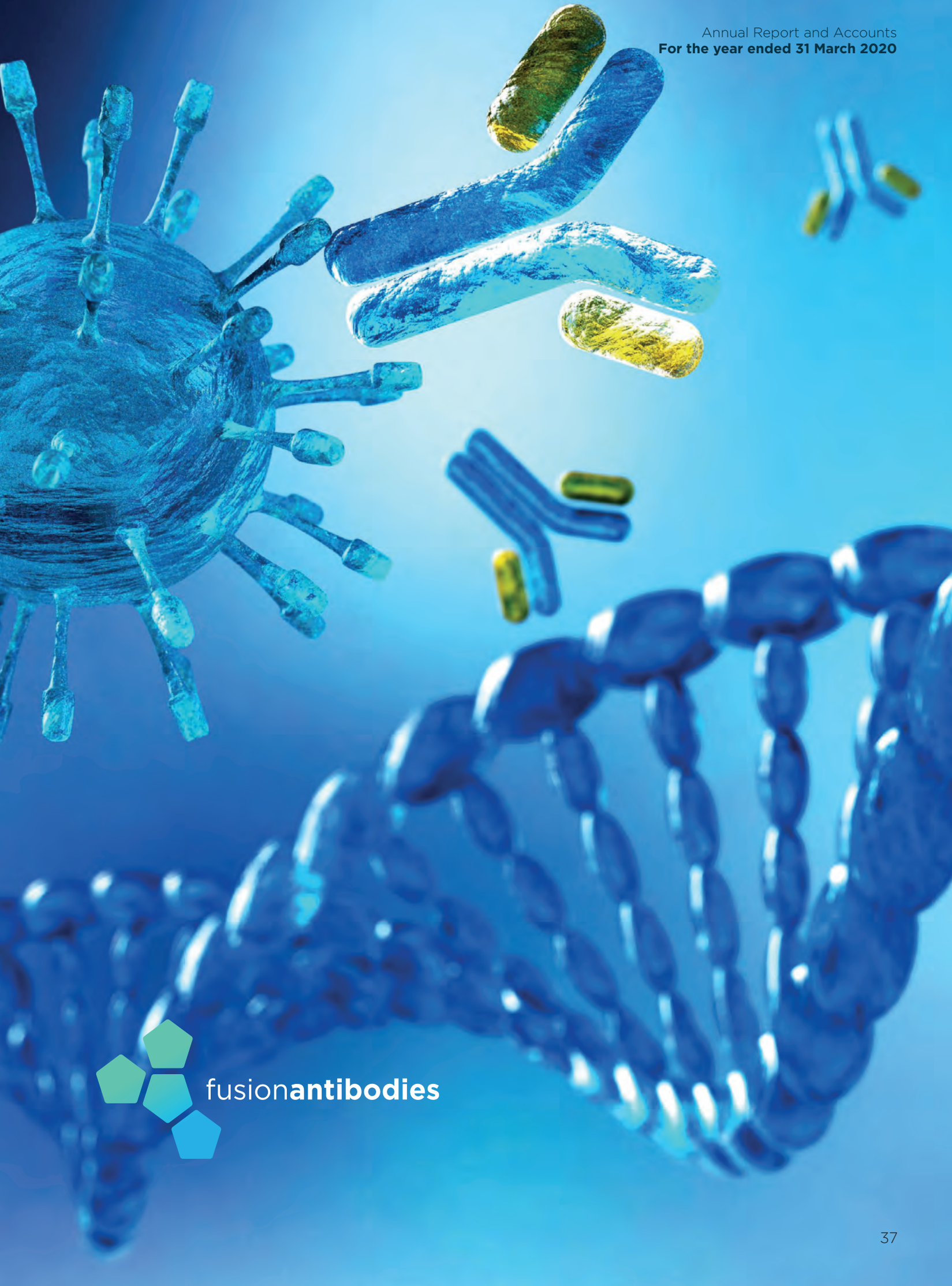
PricewaterhouseCoopers LLP has expressed its willingness to continue in office as auditor.

On behalf of the Board

James Fair
Company Secretary

19th August 2020

Company registration number NI039740



fusion**antibodies**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FUSION ANTIBODIES PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Fusion Antibodies plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2020, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall materiality: £53,500 (2019: £74,000), based on 5% of loss before tax.
- The company is a single reporting entity. It has a subsidiary undertaking which is dormant and not consolidated on the basis that it is not material.
- Impact of COVID 19
- Recognition of deferred tax asset

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FUSION ANTIBODIES PLC CONTINUED

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Impact of COVID 19 The ongoing and evolving COVID-19 pandemic is having a significant impact on both the UK economy and the global economy in which the Company operates. There is significant uncertainty as to the duration of the pandemic and what its lasting impact will be on the UK economy. The Directors have considered the potential impact to the Company of the ongoing COVID-19 pandemic across the business. In relation to the Company's going concern assessment, the Directors have prepared cash flow forecasts for a period exceeding 12 months from the date these financial statements were approved that reflect what they expect the impact of the COVID-19 pandemic to be. As a provider of outsourced pharma services to global pharmaceutical entities the Company has not identified any reduction in revenue opportunities nor any increases in customer payment profiles or any significant changes in operating costs. In light of this, the directors have stress tested the cash flow forecasts by considering the impact of a zero growth scenario over the forecast period. This indicated that the company will have sufficient cash resources to continue in operation for a period of at least 12 months from the date these financial statements were approved. The Company has cash of £1.5m as at 31 March 2020 and subsequent to that date raised an additional £2.8m (net of costs) through a share issue, in order to provide funding for continued research and development expenditure and working capital purposes. The Company has no external debt other than liabilities in respect of hire purchase contracts for property, plant & equipment.	In assessing management's consideration of the potential impact on the Company of COVID-19, we have undertaken the following audit procedures: – We obtained from management their latest forecasts that support the board's assessment and conclusions with respect to the going concern basis of preparation of the financial statements; – We reviewed the management accounts for the financial year to date and checked that these were consistent with forecasts. We also checked the arithmetical accuracy of management's forecasts; and – We challenged the adequacy and appropriateness of the underlying assumptions in both the forecast and the stress tests and have evaluated the level of forecast liquidity. Our conclusion in respect of going concern is included in the "Conclusions related to going concern" section below.
Recognition of deferred tax asset The company has recognised a deferred tax asset of £1.76m (2019: £1.34m) as at 31 March 2020, principally in respect of tax losses of approximately £8.49m (2019: £8.17m). The recognition of the deferred tax asset requires a degree of judgement, particularly in light of the company's losses during the current and preceding year. The company's forecasts show that it will return to taxable profits, on a quarterly basis, during 2022.	The recognition of the deferred tax asset is dependent on the company's ability to make taxable profits. We obtained the company's forecasts for the 2 year period ending 31 March 2022 and: • We agreed current/deferred tax computations for 2020 to supporting documentation and accounting records; • We reviewed the Board approved budgets for 2021/2022 to ensure that those budgets demonstrated that the company would return to a taxable profits position, on a quarterly basis, during that budget period; • We discussed with and challenged both management and the directors on those budgets in a number of areas

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FUSION ANTIBODIES PLC CONTINUED

Key audit matter	*How our audit addressed the key audit matter*
	including a) the key assumptions and b) the risks that might exist in meeting those budgets; • We compared the 2020 actual results to the 2020 budget to check accuracy of management's budgeting process; and • We carried out sensitivity analysis on those budgets to identify the sensitivity of the projected taxable profits to changes in key assumptions of revenue and gross margin %.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality How	£53,500 (2019: £74,000).
we determined it	5% of loss before tax.
Rationale for benchmark applied	We believe that loss before tax is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £3,250 (2019: £3,700) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FUSION ANTIBODIES PLC CONTINUED

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 35, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Kevin MacAllister (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
19 August 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
Revenue	**4**	**3,895**	2,182
Cost of sales		**(2,123)**	(1,378)
Gross profit		**1,772**	804
Other operating income		**56**	86
Administrative expenses		**(2,887)**	(2,398)
Operating loss	5	**(1,059)**	(1,508)
Finance income	8	**6**	13
Finance expense	8	**(20)**	(4)
Loss before tax		**(1,073)**	(1,499)
Income tax credit	10	**376**	235
Loss for the financial year		**(697)**	(1,264)
Total comprehensive expense for the year		**(697)**	(1,264)
		Pence	Pence
Loss per share			
Basic	11	**(3.2)**	(5.7)

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The accompanying notes on pages 46 to 66 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	**2020 £'000**	2019 £'000
Assets			
Non-current assets			
Intangible assets	12	**4**	6
Property, plant and equipment	13	**1,470**	1,588
Deferred tax assets	15	**1,764**	1,343
		3,238	2,937
Current assets			
Inventories	16	**340**	243
Trade and other receivables	17	**887**	1,056
Current tax receivable		**38**	23
Cash and cash equivalents		**1,537**	1,984
		2,802	3,306
Total assets		**6,040**	6,243
Liabilities			
Current liabilities			
Trade and other payables	18	**828**	729
Borrowings	19	**161**	67
		989	796
Net current assets		**1,813**	2,510
Non-current liabilities			
Borrowings	19	**219**	73
Provisions for other liabilities and charges	20	**20**	20
		239	93
Total liabilities		**1,228**	889
Net assets		**4,812**	5,354
Equity			
Called up share capital	22	**884**	884
Share premium reserve		**4,872**	4,872
Accumulated losses		**(944)**	(402)
Total equity		**4,812**	5,354

The accompanying notes on pages 46 to 66 form an integral part of these financial statements.
The financial statements on pages 42 to 66 were approved by the Board on 19th August 2020 and signed on its behalf:

Dr Paul Kerr
Director

James Fair
Director

Registered in Northern Ireland, number NI039740

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Called up share capital £'000	Share premium reserve £'000	(Accumulated losses)/ retained earnings £'000	Total equity £'000
At 1 April 2018	884	4,872	795	6,551
Loss and total comprehensive expense for the year	-	-	(1,264)	(1,264)
Share options – value of employee services	-	-	98	98
Tax charge relating to share option scheme	-	-	(31)	(31)
Total transactions with owners, recognised directly in equity	-	-	67	67
At 31 March 2019	884	4,872	(402)	5,354
At 1 April 2019	**884**	**4,872**	**(402)**	**5,354**
Loss and total comprehensive expense for the year	-	-	**(697)**	**(697)**
Share options – value of employee services	-	-	**72**	**72**
Tax credit relating to share option scheme	-	-	**83**	**83**
Total transactions with owners, recognised directly in equity	-	-	**155**	**155**
At 31 March 2020	**884**	**4,872**	**(944)**	**4,812**

The accompanying notes on pages 46 to 66 form an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
Loss for the year	**(697)**	(1,264)
Adjustments for:		
Share based payment expense	**83**	98
Depreciation	**620**	429
Amortisation of intangible assets	**2**	2
Finance income	**(6)**	(13)
Finance costs	**20**	4
Income tax credit	**(376)**	(235)
Increase in inventories	**(97)**	(161)
Decrease/(increase) in trade and other receivables	**169**	(158)
Increase in trade and other payables	**99**	193
Cash (used in)/generated from operations	**(183)**	(1,105)
Income tax received	**23**	7
Net cash (used in)/generated from operating activities	**(160)**	(1,098)
Cash flows from investing activities		
Purchase of intangible assets	**-**	(8)
Purchase of property, plant and equipment	**(109)**	(1,373)
Finance income – interest received	**6**	13
Net cash used in investing activities	**(103)**	(1,368)
Cash flows from financing activities		
Repayment of borrowings	**(172)**	(37)
Finance costs – interest paid	**(12)**	(4)
Net cash (used in)/generated from financing activities	**(184)**	(41)
Net (decrease)/increase in cash and cash equivalents	**(447)**	(2,507)
Cash and cash equivalents at the beginning of the year	**1,984**	4,491
Cash and cash equivalents at the end of the year	**1,537**	1,984

The accompanying notes on pages 46 to 66 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

1 General information

Fusion Antibodies plc is a company incorporated and domiciled in the UK, having its registered office at Marlborough House, 30 Victoria Street, Belfast BT1 3GG.

The principal activity of the Company is the research, development and manufacture of recombinant proteins and antibodies, particularly in the areas of cancer and infectious diseases.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Basis of preparation

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRIC) as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Going concern

The Company has returned a loss of £697,000 for the year and at the year-end had net current asset of £1,813,000 including £1,537,000 of cash and cash equivalents. The impact of the Covid-19 pandemic has had limited impact on trading and the Company was able to remain open and operational throughout the period of most stringent Government restrictions. The Company continues to expend cash in a planned manner to both grow the trading aspects of the business and to develop new services through research and development projects. The Directors expect the Company to return to underlying profitability excluding R&D expenditure by the end of FY2022. Following the reporting date the Company raised net cash proceeds of £2.8m from an issue of 3,333,333 Ordinary shares. The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the reporting date. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. In arriving at this conclusion the directors have reviewed detailed forecast models for the Company. These models are based on best estimates of future performance and have been adjusted to reflect various scenarios and outcomes that could potentially impact the forecasts.

2 Significant accounting policies continued

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Company's activities. Revenue is shown net of value added tax.

The Company's performance obligations for its revenue streams are deemed to be the provision of specific services or materials to the customer. Revenue billed to the customer is allocated to the various performance obligations, based on the relative fair value of those obligations, and is then recognised as follows:

- Where a contractual right to receive payment exists, revenue is recognised over the period services are provided using the percentage of completion method, based on the input method using time spent; and
- Where no contractual right to receive payment exists, revenue is recognised upon completion of each separate performance obligation, which is typically when implementation services are complete or data has been provided to the customer.

Grant income

Revenue grants received by the Company are recognised in a manner consistent with the grant conditions. Once conditions have been met, revenue is recognised in the Statement of Comprehensive Income and shown as other operating income.

Research and development

Research expenditure is written off as incurred. Development expenditure is recognised in the Statement of Comprehensive Income as an expense until it can be demonstrated that the following conditions for capitalisation apply:

- it is technically feasible to complete the scientific product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Intangible assets

Software

Software developed for use in the business is initially recognised at historical costs, net of amortisation and provision for impairment. Subsequent development costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Software is amortised over its expected useful economic life, which is currently estimated to be 4 years.

Property, plant and equipment

Property, plant and equipment are initially recognised at historical cost, net of depreciation and any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2020

2 Significant accounting policies continued

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Subsequently, property plant and equipment are measured at cost or valuation net of depreciation and any impairment losses.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Software acquired with hardware is considered to be integral to the operation of that hardware and is capitalised with that equipment. Software acquired separately from hardware is recognised as an intangible asset and amortised over its estimated useful life.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its expected economic useful life as follows:

Leasehold improvements
The lesser of the asset life and the remaining length of the lease

Plant and machinery
4 years

Fixtures, fittings & equipment
4 years

Leases 2020

Leases in which a significant portion of the risks and rewards of ownership remain with the lessor are deemed to give the Company the right-of-use and accordingly are recognised as property, plant and equipment in the statement of financial position. Depreciation is calculated on the same basis as a similar asset purchased outright and is charged to profit or loss over the term of the lease. A corresponding liability is recognised as borrowings in the statement of financial position and lease payments deducted from the liability. The difference between remaining lease payments and the liability is treated as a finance cost and taken to profit or loss in the appropriate accounting period.

Leases 2019

Leases in which a significant portion of the risks and rewards of ownership remain with the lessor are classified as operating leases and are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Impairment of non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. Value in use is based on estimated future cash flows from each cash-generating unit or individual asset, discounted at a suitable rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures is directly linked to the Company's latest approved budgets, adjusted as necessary to exclude any restructuring to which the Company is not yet committed.

2 Significant accounting policies continued

Discount rates are determined individually for each cash-generating unit or individual asset and reflect their respective risk profiles as assessed by the directors. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. Cash generating units and individual assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Impairment charges are included in administrative expenses in the Statement of Comprehensive Income. An impairment charge that has been recognised is reversed if the recoverable amount of the cash-generating unit or individual asset exceeds the carrying amount.

Current tax and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the UK, where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is determined using tax rates (and laws) that have been enacted, or substantively enacted, by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Share based employee compensation

The Company operates equity-settled share-based compensation plans for remuneration of its directors and employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. The fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability and remaining an employee of the Company over a specified time period).

Share based compensation is recognised as an expense in the Statement of Comprehensive Income with a corresponding credit to equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2020

2 Significant accounting policies continued

Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured at amortised costs; and
- Those to be measured subsequently at fair value (either through Other Comprehensive Income of through profit and loss).

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies its financial assets when and only when its business model for managing those assets changes.

Recognition and measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of financial assets depends on the Company's business model for managing those financial assets and the cash flow characteristics of those financial assets. The Company only has financial assets classified at amortised cost. These assets are those held for contractual collection of cash flows, where those cash flows represent solely payments of principal and interest and are held at amortised cost. Any gains or losses arising on derecognition are recognised directly in profit or loss. Impairment losses are presented as a separate line in the profit and loss account.

Impairment

The Company assesses on a forward looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. For trade receivables the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. For other receivables the Company applies the three stage model to determine expected credit losses.

Inventories

Inventories comprise consumables. Consumables inventory is stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Cost represents the amounts payable on the acquisition of materials. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

Financial liabilities

Financial liabilities comprise Trade and other payables and borrowings due within one year end after one year, which are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method. The company does not use derivative financial instruments or hedge account for any transactions. Trade payables represent obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that

2 Significant accounting policies continued

reflects risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost. Provisions for dilapidation charges that will crystallise at the end of the period of occupancy are provided for in full.

Employee benefits – Defined contribution plan

The Company operates a defined contribution pension scheme which is open to all employees and directors. The assets of the schemes are held by investment managers separately from those of the Company. The contributions payable to these schemes are recorded in the Statement of Comprehensive Income in the accounting period to which they relate.

Foreign currency translation

The Company's functional currency is the pound sterling. Transactions in foreign currencies are translated at the exchange rate ruling at the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the reporting date. Exchange differences arising on the settlement or on translating monetary items at rates different from those at which they were initially recorded are recognised in administrative expenses in the Statement of Comprehensive Income in the period in which they arise.

Equity

Equity comprises the following:

Called up share capital

Share capital represents the nominal value of equity shares.

Share premium

Share premium represents the excess over nominal value of the fair value of consideration received of equity shares, net of expenses of the share issue.

Accumulated losses

Accumulated losses represents retained profits and losses.

3 Critical accounting estimates and judgements

Many of the amounts included in the financial statements involve the use of judgement and/or estimates. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policy and/or the notes to the financial statements and the key areas are summarised below:

Critical judgements in applying accounting policies

The directors do not consider there are any critical judgements in applying accounting policies.

Critical accounting estimates and assumptions

- ***Deferred Taxation***. The Company has taxable losses of £8,489,000 which are able to be carried forward to be offset against future profits of the Company. A deferred tax asset has been calculated based on estimates of future profits against which these losses can be utilized. Deferred tax represents a significant financial asset of the Company and therefore movements being charged through the Statement of Comprehensive Income also have the potential to affect reported profit or loss. The Company has reported a loss for the year ended 31 March 2020. Shortly after the reporting date the Company raised a further £2.8m net of capital to invest in research and development and to finance growth and as a consequence this will increase those tax losses in the next two to three years. The directors have prepared forecasts

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2020

3 Critical accounting estimates and judgements continued

indicating a return to profitability in the future and they have an expectation that the Company will make sufficient future taxable profits against which the tax losses can be deducted and accordingly, a deferred tax asset has been recognised in the financial statements.

4 Revenue

All of the activities of the Company fall within one business segment, that of research, development and manufacture of recombinant proteins and antibodies.

Geographic analysis	**2020 £'000**	2019 £'000
UK (domicile)	561	203
Rest of Europe	1,246	658
North America	1,435	1,009
Rest of World	653	312
	3,895	2,182

In the year there were no customers (2019: none) to whom sales exceeded 10% of revenues.

5 Operating loss is stated after charging/(crediting):

	2020 £'000	**2019 £'000**
Employee benefit costs		
- wages and salaries	**1,748**	1,247
- social security costs	**169**	118
- other pension costs	**76**	49
- share based payments	**72**	98
	2,065	1,512
Depreciation of property, plant and equipment	**620**	429
Other operating expenses		
Operating lease rentals – land & buildings	**-**	75
Rates, utilities and property maintenance	**64**	66
IT costs	**25**	16
Fees payable to the Company's auditors		
- for the audit of the financial statements	**19**	19
- non-audit assurance services	**7**	7
	26	26
Raw materials and consumables used	**1,337**	913
Increase in inventories	**(97)**	(161)
Patent costs	**20**	7
Marketing costs	**134**	162
Loss on foreign exchange	**1**	-
Other expenses	**815**	732
Total cost of sales and administrative expenses	**5,010**	3,777

Included in the costs above is expenditure on research and development totalling £391,000 (2019: £240,000).

6 Average staff numbers

	2020	2019
Employed in UK (including executive directors)	**42**	33
Non-executive directors	**5**	5
	47	38

7 Remuneration of directors and key senior management

Directors

	2020 £'000	2019 £'000
Emoluments	**486**	426
Pension contributions	**19**	16
	505	442

Highest paid director

The highest paid director received the following emoluments:

	2020 £'000	2019 £'000
Emoluments	**121**	112
Pension contributions	**6**	5
	127	117

Key senior management

Key senior management is considered to comprise the directors of the Company with total remuneration for the year of £505,000 (2019: £442,000). Share based payments for the year attributable to key senior management totalled £38,000 (2019: £67,000).

Income	2020 £'000	2019 £'000
Bank interest receivable	**6**	13

8 Finance income and costs

Costs	2020 £'000	2019 £'000
Interest expense on other borrowings	**20**	4
Bank interest payable	**-**	-
	20	4

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2020

9 Share based payments

At the reporting date the Company had three share based reward schemes: two schemes under which options were previously granted and are now closed to future grants and a third scheme in place in which grants were made in the current year:

- A United Kingdom tax authority approved scheme for executive directors and senior staff;
- An unapproved scheme for awards to those, such as non-executive directors, not qualifying for the unapproved scheme; and
- A United Kingdom tax authority approved scheme for executive directors and senior staff which incorporates unapproved options for grants to be made following listing of the Company shares, "2017 EMI and Unapproved Employee Share Option Scheme".

Options awarded during the year under the 2017 EMI and Unapproved Employee Share Option Scheme have no performance conditions other than the continued employment within the Company. Options vest one, two and three years from the date of grant, which may accelerate for a change of control. Options lapse if not exercised within ten years of grant, or if the individual leaves the Company prior to the vesting date, except under certain circumstances such as leaving by reason of redundancy.

The total share-based remuneration recognised in the Statement of Comprehensive Income was £72,000 (2019: £98,000). The most recent options granted in the year were valued using the Black-Scholes method. The share price on grant used the share price of open market value, expected volatility of 35.0% and a compound risk free rate assumed of 0.88%.

	2020 Weighted average exercise price £	**2020 Number**	2019 Weighted average exercise price £	2019 Number
Outstanding at beginning of the year	**0.401**	**1,718,750**	0.040	505,000
Granted during the year	**-**	**-**	0.545	1,230,000
Exercised during the year	**-**	**-**	-	-
Lapsed during the year	**0.545**	**(33,333)**	0.040	(16,250)
Outstanding at the end of the year	**0.400**	**1,685,417**	0.401	1,718,750

The options outstanding at the end of each year were as follows:

Expiry	**Nominal share value**	**Exercise price £**	**2020 Number**	2019 Number
May 2027	£0.04	0.040	488,750	488,750
December 2028	£0.04	0.545	1,196,667	1,230,000
Total			1,685,417	1,718,750

Of the total number outstanding 895,416 (2019: 244,375) had vested at the year end.

10 Income tax credit

	2020 £'000	2019 £'000
Current tax - UK corporation tax	**(38)**	(22)
Deferred tax – origination and reversal of temporary differences	**(338)**	(213)
Income tax credit	**(376)**	(235)

The difference between loss before tax multiplied by the base rate of 19% and the income tax credit is explained in the reconciliation below:

	2020 £'000	**2019 £'000**
Factors affecting the tax credit for the year		
Loss before tax	**(1,073)**	(1,499)
Loss before tax multiplied by standard rate of UK corporation tax of 19%	**(204)**	(285)
Provisions and expenditure not deductible for tax purposes – permanent	**23**	14
Provisions and expenditure not deductible for tax purposes - temporary	**(2)**	(32)
Increase in deferred tax asset due to increase in the enacted rate	**(155)**	-
RDEC/R&D tax credit	**(38)**	(22)
Adjustment in recognition of deferred tax	**-**	90
Income tax credit	**(376)**	(235)

11 Earnings per share

	2020 £'000	**2019 £'000**
Loss for the financial year	(697)	(1,264)
Loss per share	Pence	Pence
Basic	(3.2)	(5.7)

	Number	Number
Issued ordinary shares at the end of the year	**22,091,192**	22,091,192
Weighted average number of shares in issue during the year	**22,091,192**	22,091,192

Basic earnings per share is calculated by dividing the basic earnings for the year by the weighted average number of shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2020

12 Intangible assets

	Software £'000
Cost	
At 1 April 2019	8
Additions	-
At 31 March 2020	8
Accumulated amortisation	
At 1 April 2019	2
Amortisation charged in the year	2
At 31 March 2020	4
Net book value	
At 31 March 2020	4
At 31 March 2019	6

13 Property, plant and equipment

	Right of use Assets £'000	Leasehold Improvements £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost					
At 1 April 2019	-	712	1,707	202	2,621
Adoption of IFRS 16 (note 29)	226	-	-	-	226
Additions	-	13	245	18	276
Disposals	-	-	(36)	-	(36)
At 31 March 2020	226	725	1,916	220	3,087
Accumulated depreciation					
At 1 April 2019	-	283	691	59	1,033
Depreciation charged in the year	68	142	360	50	620
Disposals	-	-	(36)	-	(36)
At 31 March 2020	68	425	1,015	109	1,617
Net book value					
At 31 March 2020	158	300	901	111	1,470
At 31 March 2019	-	429	1,016	143	1,588

13 Property, plant and equipment continued

	Assets under construction £'000	Leasehold Improvements £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost					
At 1 April 2018	**205**	**156**	**691**	**108**	**1,160**
Additions	**-**	**351**	**1,017**	**103**	**1,471**
Brought into use	**(205)**	**205**	**-**	**-**	**-**
Disposals	**-**	**-**	**(1)**	**(9)**	**(10)**
At 31 March 2019	**-**	**712**	**1,707**	**202**	**2,621**
Accumulated depreciation					
At 1 April 2018	**-**	**156**	**431**	**26**	**613**
Depreciation charged in the year	**-**	**127**	**261**	**41**	**429**
Disposals	**-**	**-**	**(1)**	**(8)**	**(9)**
At 31 March 2019	**-**	**283**	**691**	**59**	**1,033**
Net book value					
At 31 March 2019	**-**	**429**	**1,016**	**143**	**1,588**
At 31 March 2018	**205**	**-**	**260**	**82**	**547**

Plant & machinery with a net book value of £331,000 is held under hire purchase agreements or finance leases (2019: £186,000).

The depreciation expense is included in administrative expenses in the statement of comprehensive income in each of the financial years shown.

14 Investment in subsidiary

The Company has the following investment in a subsidiary:

	2020 £	2019 £
Fusion Contract Services Limited	**1**	**1**
100% subsidiary		
Dormant company		
Marlborough House, 30 Victoria Street, Belfast BT1 3GG		

Group accounts are not prepared on the basis that the subsidiary company is dormant and not material to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2020

15 Deferred tax assets

	2020 £'000	2019 £'000
At 1 April	**1,343**	1,161
Credited to the statement of comprehensive income in the year	**338**	213
Credited/(charged) to equity in the year	**83**	(31)
At 31 March	**1,764**	1,343

The movement in deferred tax assets and liabilities during the financial year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets and liabilities	Accelerated tax depreciation £'000	Tax losses £'000	Share based payments £'000	RDEC tax credit £'000	Total £'000
At 1 April 2018	(40)	1,143	56	2	1,161
(Charged)/credited to Statement of Comprehensive Income	(32)	245	(5)	5	213
Credited to equity	-	-	(31)	-	(31)
At 1 April 2019	**(72)**	**1,388**	**20**	**7**	**1,343**
(Charged)/credited to Statement of Comprehensive Income	**66**	**226**	**37**	**9**	**338**
Credited to equity	**-**	**-**	**83**	**-**	**83**
At 31 March 2020	**(6)**	**1,614**	**140**	**16**	**1,764**

Deferred tax assets are recognised for the carry forward of corporation tax losses to the extent that the realisation of a future benefit is probable. The deferred tax asset arising from future utilisation of taxable losses of £8,489,000 (2019: £8,165,000) is dependent on future taxable profits arising in the UK. The Company has reported a loss for the year ended 31 March 2020. Shortly after the reporting date the Company raised a further £2.8m net of capital to invest in research and development and to finance growth and as a consequence this will increase those tax losses in the next two to three years. The directors have prepared forecasts indicating a return to profitability in the future and they have an expectation that the Company will make sufficient future taxable profits against which the tax losses can be deducted and accordingly, a deferred tax asset has been recognised in the financial statements.

16 Inventories

	2020 £'000	**2019 £'000**
Raw materials and consumables	**340**	**243**

The cost of inventories recognised as an expense for the year was £1,240,000 (2019: £752,000).

17 Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	**542**	728
Loss allowance	**(1)**	(2)
Trade receivables – net	**541**	726
Other receivables	**49**	90
Prepayments and accrued income	**297**	240
	887	1,056

The fair value of trade and other receivables approximates to their carrying value.

At the reporting date trade receivables loss allowance/impairment as follows:

	2020 £'000	2019 £'000
Individually impaired	**-**	-
Expected credit loss allowance	**1**	2
	1	2

The carrying amount of trade and other receivables are denominated in the following currencies:

	2020 £'000	2019 £'000
UK pound	**497**	610
Euros	**12**	95
US dollar	**81**	111
	590	816

The expected credit loss allowance has been calculated as follows:

	Current	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**More than 120 days past due**	**Total**
Expected loss rate	0.1%	0.1%	0.2%	0.3%	1.6%	
Gross carrying amount (£)	316,407	149,448	69,372	-	27,483	562,710
Loss allowance (£)	346	182	110	-	429	1,067

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2020

17 Trade and other receivables continued

Movements on trade receivables loss allowance is as follows:

	2020 **£**	2019 £'000
At 1 April	**2**	6
Movement in loss allowance	**(1)**	(1)
Write off as uncollectible	**-**	(3)
At 31 March	**1**	2

The creation and release of the loss allowance for trade receivables has been included in administrative expenses in the Statement of Comprehensive Income. Other receivables are considered to have low credit risk and the loss allowance recognised during the year was therefore limited to trade receivables.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral as security.

18 Trade and other payables

	2020 **£'000**	2019 £'000
Trade payables	**415**	462
Social security and other taxes	**73**	-
Other payables	**22**	25
Accruals and deferred income	**318**	242
	828	729

The fair value of trade and other payables approximates to their carrying value.

Invest Northern Ireland hold a mortgage dated 9 December 2009 for securing all monies due or to become due from the Company on any account. At the reporting date a balance of £nil (2019: £25,000) was due to Invest Northern Ireland.

19 Borrowings

	Lease liabilities £'000	**Hire Purchase Contracts £'000**	**Total £'000**	2019 £'000
At 1 April	**-**	**140**	**140**	78
Adoption of IFRS 16 (note 29)	**226**	**-**	**226**	-
Additions in year	**-**	**166**	**166**	98
Interest charged in year	**11**	**9**	**20**	4
Repayments	**(82)**	**(90)**	**(172)**	(40)
At 31 March	**155**	**225**	**380**	140
Amounts due in less than 1 year	**67**	**94**	**161**	67
Amounts due after more than 1 year	**88**	**131**	**219**	73
	155	**225**	**380**	140

19 Borrowings continued

All borrowings are denominated in UK pounds. Using a discount rate of 5.5% per annum the fair value of borrowings at the reporting date is £359,000 (2019: £132,000 discounted at 6.0%).

Borrowings are secured by a fixed and floating charge over the whole undertaking of the Company, its property, assets and rights in favour of Northern Bank Ltd trading as Danske Bank.

20 Provisions for other liabilities and charges

	2020 £'000	2019 £'000
Due after more than 1 year	**20**	20

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The Company's premises are held under a lease expiring 31 July 2022. The costs of dilapidations would be incurred on vacating the premises.

21 Financial instruments

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and methods used to measure them. There have been no substantive changes in the Company's exposure to financial instrument risks and the methods used to measure them from previous periods unless otherwise stated in this note.

The principal financial instruments used by the Company, from which the financial instrument risk arises, are trade receivables, cash and cash equivalents and trade and other payables. The fair values of all the Company's financial instruments are the same as their carrying values.

Financial instruments by category

Financial instruments categories are as follows:

As at 31 March 2020	**Amortised cost £'000**
Trade receivables	**541**
Other receivables	**49**
Accrued income	**9**
Cash and cash equivalents	**1,537**
Total	**2,136**

As at 31 March 2019	Amortised cost £'000
Trade receivables	726
Other receivables	90
Accrued income	3
Cash and cash equivalents	1,984
Total	2,803

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2020

21 Financial instruments continued

As at 31 March 2020	Other financial liabilities at amortised cost £'000
Trade payables	**415**
Other payables	**95**
Accruals	**318**
Borrowings	**380**
Total	**1,268**

As at 31 March 2019	Other financial liabilities at amortised cost £'000
Trade payables	462
Other payables	25
Accruals	242
Borrowings	140
Total	869

Capital management
The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to provide working capital.

Consistent with others in the industry at this stage of development, the Company has relied on issuing new shares and cash generated from operations.

General objectives, policies and processes – risk management
The Company is exposed through its operations to the following financial instrument risks: credit risk; liquidity risk and foreign currency risk. The policy for managing these risks is set by the Board following recommendations from the Chief Financial Officer. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The policy for each of the above risks is described in more detail below.

Credit risk
Credit risk arises from the Company's trade and other receivables, and from cash at bank. It is the risk that the counterparty fails to discharge their obligation in respect of the instrument.

The Company is mainly exposed to credit risk from credit sales. It is Company policy to assess the credit risk of new customers before entering contracts. Also, for certain new customers the Company will seek payment at each stage of a project to reduce the amount of the receivable the Company has outstanding for that customer.

At the year end the Company's bank balances were all held with Northern Bank Ltd trading as Danske Bank (Moody's rating P-1).

Liquidity risk
Liquidity risk arises from the Company's management of working capital, and is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

At each Board meeting, and at the reporting date, the cash flow projections are considered by the Board to confirm that the Company has sufficient funds and available funding facilities to meet its obligations as they fall due.

21 Financial instruments continued

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company seeks to transact the majority of its business in its reporting currency (£Sterling). However, many customers and suppliers are outside the UK and a proportion of these transact with the Company in US Dollars and Euros. For that reason the Company operates current bank accounts in US Dollars and Euros as well as in its reporting currency. To the maximum extent possible receipts and payments in a particular currency are made through the bank account in that currency to reduce the amount of funds translated to or from the reporting currency. Cash flow projections are used to plan for those occasions when funds will need to be translated into different currencies so that exchange rate risk is minimised.

If the exchange rate between Sterling and the Dollar or Euro had been 10% higher/lower at the reporting date the effect on profit and equity would have been approximately £7,000 (2019: £14,000) higher/lower and £1,000 (2019: £16,000) higher/lower respectively.

22 Called up share capital

	2020 £'000	2019 £'000
Allotted, called up and fully paid		
- 22,091,192 Ordinary shares of £0.04	884	884

There were no changes in the issued share capital during the year.

23 Capital commitments

At 31 March 2020 the Company had contracted for but not incurred capital expenditure of £nil (2019: £28,000).

24 Operating lease commitments

	2019 £'000
Minimum operating lease payments falling due:	
Within 1 year – land and property	75
In 1 to 2 years – land and property	75
In 2 to 5 years – land and property	100
	250

Lease commitments are not disclosed for the current year as a result of the adoption of IFRS 16. Using a discount rate of 4.7% per annum the fair value of total lease payments at 31 March 2019 was £226,000.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2020

25 Retirement benefits obligations

The Company operates a defined contribution scheme, the assets of which are managed separately from the Company. During the year the Company charged £76,000 to the Statement of Comprehensive Income (2019: £49,000) in respect of Company contributions to the scheme. At the reporting date there was £18,000 (2019: £8,000) payable to the scheme and included in other payables.

26 Transactions with related parties

The Company had the following transactions with related parties during the year:

Invest Northern Ireland ("Invest NI") is a shareholder in the Company. The Company received invoices for rent and estate services amounting to £78,000 (2019: £86,000). A balance of £nil (2019: £25,000) was due and payable to Invest NI at the reporting date. The Company claimed various grants during the year from Invest NI amounting to £56,000 (2019: £86,000). A balance of £nil was due on submitted claims from Invest NI (2019: £64,000).

Director Colin Walsh is also a director of Crescent Capital NI Limited. During the year Crescent Capital NI Limited charged the Company £nil (2019: £3,000) for other consultancy work and at the reporting date an amount of £nil (2019: £nil) was payable to Crescent Capital NI Limited.

27 Events after the reporting date

After the reporting date the Company issued 3,333,333 ordinary shares for cash proceeds net of costs of £2.8m.

28 Ultimate controlling party

There is no ultimate controlling party.

29 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 'Leases' on the Company's financial statements and discloses the new accounting policies that have been applied from 1 April 2019, where they are different to those applied in prior periods.

(a) Impact on financial statements

The adoption of IFRS 16 'Leases' from 1 April 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2.

In adopting IFRS 16 the modified retrospective approach has been used such that the right of use assets arising is equal in value to the lease liabilities recognised as borrowings. In accordance with the transitional provisions of IFRS 16, a restatement of prior year financial statements was not required. The reclassifications and the adjustments arising from adoption of this standard are therefore not reflected in Statement of Financial Position as at 31 March 2019, but are recognised in the opening Statement of Financial Position on 1 April 2019.

	£'000
Lease liabilities at 31 March 2019	250
Effect of discounting	(24)
Right of use asset at 1 April 2019	226

29 Changes in accounting policies continued

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

Impact on the opening balance on the Statement of Financial Position as at 1 April 2019:

Balance sheet extract

	31 March 2019 £'000	Adoption of IFRS 16 £'000	1 April 2019 £'000
Non-current assets			
Property, plant and equipment	1,588	226	1,814
Current liabilities			
Borrowings	(67)	(64)	(131)
Non-current liabilities			
Borrowings	(73)	(162)	(235)
Equity			
Accumulated losses	(402)	-	(402)

(b) Impact of adoption

IFRS 16 'Leases' replaces IAS17 'Leases' and related interpretations. It introduces a single lessee accounting model, eliminating the previous classification of leases as either operating or finance. This has resulted on operating leases previously treated solely through profit or loss being recorded in the statement of financial position in the form of a right-of-use asset and a lease liability, subject to certain exemptions.

The adoption of IFRS 16 'Leases' from 1 April 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2. In accordance with the transitional provisions in IFRS 16, comparative figures have not been restated.

The total impact on the Company's retained earnings was £nil as shown in 29(a) above.

Leases

The directors considered all leases currently in place at 31 March 2019 and the only lease identified for adjustment under IFRS 16 is for the Company's premises in Belfast. At 31 March 2019 this lease had 40 months remaining and annual lease payments of £75,000. The Company was required to recognise a right-of-use asset at 1 April 2019 for this asset of £226,000 and a corresponding liability in borrowings.

Rental payments will no longer be charged to profit or loss, however, a depreciation charge for the asset and an interest charge on the borrowings will be charged to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2020

29 Changes in accounting policies continued

The following judgements have been made by the directors:

- The agreement for the use of the premises constitutes a lease under IFRS 16;
- The lease term was assessed as ending on the expiry of the agreement as set out in the lease;
- The discount rate used of 4.7% was judged by the directors to be the rate at which the Company would be able to borrow a similar amount for the purposes of acquiring premises.

The impact on earnings per share for the year ended 31 March 2020 is a reduction of approximately £3,000 in reported earnings or an additional £0.0001 per share.

30 Reconciliation of profits to EBITDA

	2020	2019
	£'000	£'000
Loss before tax	**(1,073)**	(1,499)
Finance income	**(6)**	(13)
Finance expense	**20**	4
Depreciation	**620**	429
EBITDA	**(439)**	(1,079)

COMPANY INFORMATION

Directors
Dr Simon Douglas (Non-Executive Chairman)
Dr Paul Kerr (Chief Executive Officer)
Dr Richard Buick (Chief Technical Officer)
Mr James Fair (Chief Financial Officer)
Ms Sonya Ferguson (Non-Executive Director)
Dr Alan Mawson (Non-Executive Director)
Mr Colin Walsh MBE (Non-Executive Director)
Mr Timothy Watts (Non-Executive Director)

Company secretary
Mr James Fair

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