Fusion Antibodies plc
("Fusion" or the "Company")

Final results

Fusion Antibodies plc (AIM: FAB), a pharmaceutical contract research organisation specialising in antibody engineering services, announces its final results for the year ended 31 March 2019.

Highlights

- Significant increase in orders and revenues in H2 FY 2019
- Full year revenues fell by 19% to £2.2m due to weak H1
- £1.5m revenues in H2 FY 2019 was the Company's strongest-ever 6 month period
- Loss for the year of £1.3m (2018: £0.7m)
- New Rational Affinity Maturation Platform (RAMP™) introduced in December 2018
- Capacity expansion completed
- Business development team expanded and strengthened
- Cash position at the year-end £2.0m (2018: £4.5m)

Post year end

- Commercial roll out of RAMP™
- New senior recruitment in business development and in marketing
- Mammalian antibody library on track for delivery in 2020

Paul Kerr, CEO of Fusion Antibodies commented: "*We have had a strong improvement during the second half of the year which has been due to a significant increase in orders and revenues. This has been achieved by a mix of factors including addressing the external competitive pressures seen during H2 FY 2018 and H1 FY 2019 and expanding and improving the quality of the Company's business development and marketing function. We are encouraged to see some good initial interest from potential customers in our new RAMP™ technology which will enable customers to improve the performance of many of their antibody based drugs. We are excited about the next 12 months and are grateful to our shareholders for their continued support."*

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Chairman's Statement

The year has been very significant for the Company, as we delivered our on-site expansion plans, introduced RAMP™ and responded to new competition which emerged towards the end of last year. In the first half of the financial year (H1) trading was difficult with pricing pressures and new competition significantly impacting revenues. However our response has been effective and in H2 we recorded the Company's highest revenues for a six month period. The combination of a weak H1, planned expenditure on research and investment for growth resulted in a loss for the year of £1.3m as is explained in the Chief Executive Officer's report.

Strategy and progress

As a result of difficult trading in H1, the full year revenues were 19% lower than in FY 2018. The Board recognised that trading was coming under pressure in the final quarter of FY 2018, both as a result of the impact on management of the AIM admission process and also from new competitive pressures in the market, in particular in relation to antibody humanisation. This resulted in a significant downturn in our revenues in H1.

Management and the Board responded strongly to these challenges. Prices were adjusted and operational improvements were made to improve our efficiency and maintain margin. We strategically realigned our broad technology base and enhanced antibody design with Antibody Developability by Design (ADD™) as a service providing further value to our customers. The business development team benefitted from a post IPO expansion with new team members recruited and trained in H1 and coinciding with the expansion and equipping of laboratories improving efficiency and throughput for our customer offering. As a result, the H2 revenues were more than double those for H1 demonstrating a marked turnaround and delivering the highest six months revenue on record. We believe that this can be sustained with the potential for further growth as the use of antibodies and the outsourcing of specific R&D activities in the Pharmaceutical industry continues to grow.

As part of our growth plans, over the past 12 months we have invested in the facilities and delivered a significant expansion of our laboratory and office space on time and well under budget. This gives us the capacity headroom required for future growth. Furthermore, we continue to expand the commercial team and to invest in the science behind the services to deliver ever improving techniques to a fast moving industry. I am pleased to report that the introduction of RAMP™, our advanced affinity maturation service to improve performance of antibody based drugs, was announced in December 2018 and will be commercially rolled out fully in the current year. Our scientific skills and creativity can also be seen in the progress of the Antibody Library currently under development for human antibody discovery and which remains on track for 2020.

Strategically we have aligned our business into three core services 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.

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 in the annual report and accounts.

Current trading

The Company had a challenging first six months with disappointing revenues in H1 FY2019. Order levels picked up significantly from October 2018 onwards and revenues in H2 FY2019 exceeded all previous six-month periods. To complement the record H2 revenues, order intake also exceeded previous periods. The introduction of the new RAMP™ service towards the end of FY 2019 has been well received by potential customers and is expected to contribute to revenues in the coming year. As explained in the financial results section of the CEO's report, the Company returned a loss for the year and the combined use of cash in operations and invested in capital expenditure was £2.5m.

Post year end trading has been in line with expectation. Order acquisition has remained firm and revenue levels maintained incorporating initial contributions from RAMP™. The Company continues to innovate and develop its services, and in particular the development of the Mammalian Antibody Library will continue throughout the coming financial year.

I would like to extend my thanks to all staff at Fusion for their hard work and to our shareholders for their ongoing support.

Dr Simon Douglas
Chairman
01 July 2019

Chief Executive Officer's Statement

This year has been our first full year as a listed Company and has come with some early challenges as well as good reason for optimism. Weak H1 revenues required a strong management response while we also implemented the actions planned at the time of listing. As a result of the weak H1 and investment for growth, losses increased this year to £1.3m (2018: £0.7m loss). I am delighted to report a full recovery of revenues in H2 along with the expansion of laboratories, targeted recruitment and continued delivery from our research and development programme. This is an exciting time for the Company and I am pleased to work in a team of talented people well equipped to capture the full value of opportunities presented by the growing market in global drug research.

Business review

Revenue performance across the financial year to 31 March 2019 divides very clearly into two six month periods. In the second six months (H2) the Company delivered revenues of £1.5m, a new high for the Company and indicates a strong recovery from the weak trading (£0.7m) in the first six months (H1). However, revenues for the full year were 19% lower than the previous financial year as a result.

Sales from our humanisation service were again the main contributor to revenues. Our newly introduced Antibody Developability by Design also began to generate modest revenues in the year.

In terms of geographical performance, revenues from North America grew by 23% to become our largest market in the year with a reduction in revenues recorded for the UK, rest of Europe and rest of world. During the year the business development team welcomed new recruits who have been increasing our client contact for increased order acquisition. In particular several trips have been made to Asia as the Company builds relationships in Japan and South Korea and develops new opportunities in China.

In addition to the fees charged for performing services, several contracts now carry a royalty or success payment which becomes payable when the customer project reaches a certain milestone. Having received a small milestone payment in FY 2018, the Company did not receive any milestone payments in the FY 2019. We maintain our interest in several molecules humanised by the Company and developed by others, including Mab Discovery, and have added new milestones for work performed this year which will crystallise if these projects proceed to clinical trials in the coming years.

In August 2018, we completed the expansion of our laboratory capacity which has improved the workflows and efficiency so that we maintained our gross profit margin in H2 in the face of competitive pressures. Our newly equipped laboratories provide bespoke facilities for delivery of our RAMP™ service, research and development of new services and a foundation for the future growth of all the Company's services.

We continued to invest in both RAMP™ and the development of the fully human antibody library during the year. We view these as a source of substantial growth over the next few years. Following the introduction of RAMP™ we will produce more scientific data in parallel with, and to support, the commercial roll out.

Inventory of consumables was increased at the year end to allow for any supply chain disruption from the UK's planned exit from the European Union, which has now been deferred to October 2019. In the year, 30% of the Company's revenues arose from exports to the EU countries. The Company continues to monitor potential risks and opportunities arising from leaving the EU. We also continue to develop other export markets to mitigate risks of overexposure to any one geographical market.

Net current assets of £2.5m at 31 March 2019 mainly comprised inventories and cash and cash equivalents.
The Company ended the year with £2.0m of cash, having used £1.1m of cash in operations during the year and invested almost £1.4m in property, plant and equipment. This cash level puts the Company in a strong position to progress plans for growth in existing services and the introduction of new services in 2020.

Financial Results
The decline in revenues seen in the second half of FY 2018 accelerated sharply in H1 FY 2019 for the reasons discussed above. However, the Board addressed the factors contributing to this and H2 FY 2019 recovered strongly to record our strongest ever six month period and a resumption in our organic revenue growth seen in recent years. However, revenues for the year in total were down 19% to £2.2m (2018: £2.7m). Revenues were lower in all geographical markets apart from North America which grew by 23%.

The EBITDA loss for the year was £1.1m (2018: £0.6m loss) as a result of the lower than expected revenues in H1 and the investment the Company has made in future growth, investing in employees, facilities and research which are expected to deliver further significant revenue growth. The Company produced a loss before tax of £1.5m (2018: £0.7m loss).

The Company used £1.1m of cash in operations (2018: £0.1m generated) and invested £1.4m in expenditure on capital equipment and intangible assets. Cash and cash equivalents as at 31 March 2019 totalled £2.0m (2018: £4.5m).

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	2019	2018
Revenue change year on year	(19)%	41%
EBITDA	(£1.1m)	(£0.6m)
Adjusted EBITDA	(£1.1m)	£0.1m
Cash (used in)/generated from operations	(£1.1m)	£0.1m

Outlook
The directors remain confident that order levels seen in the second half of FY 2019 can be maintained in FY 2020 augmented by new orders for the RAMP™ service, such that significant revenue growth is achievable in the current financial year.

Dr Paul Kerr
Chief Executive
Officer
01 July 2019

Statement of Comprehensive Income

	Notes	**2019**			2018		
		Before non-recurring items	**Non-recurring items (note 29)**	**After non-recurring items**	Before non-recurring items	Non-recurring items (note 29)	After non-recurring items
		£	**£**	**£**	£	£	£
Revenue	4	**2,181,838**	**-**	**2,181,838**	2,690,744	-	2,690,744
Cost of sales		**(1,377,836)**	**-**	**(1,377,836)**	(1,207,331)	-	(1,207,331)
Gross profit		**804,002**	**-**	**804,002**	1,483,413	-	1,483,413
Other operating income		**86,406**	**-**	**86,406**	54,626	-	54,626
Administrative expenses		**(2,398,842)**	**-**	**(2,398,842)**	(1,475,646)	(772,936)	(2,248,582)
Operating (loss)/profit	5	**(1,508,434)**	**-**	**(1,508,434)**	62,393	(772,936)	(710,543)
Finance income	8	**12,596**	**-**	**12,596**	4,043	-	4,043
Finance costs	8	**(4,033)**	**-**	**(4,033)**	(4,862)	-	(4,862)
(Loss)/profit before tax		**(1,499,871)**	**-**	**(1,499,871)**	61,574	(772,936)	(711,362)
Income tax credit/(expense)	10	**235,489**	**-**	**235,489**	(63,883)	75,304	11,421
Loss for the financial year		**(1,264,382)**	**-**	**(1,264,382)**	(2,309)	(697,632)	(699,941)
Total comprehensive expense for the year		**(1,264,382)**	**-**	**(1,264,382)**	(2,309)	(697,632)	(699,941)
				Pence			Pence
Loss per share							
Basic	11			**(5.7)**			(4.3)

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

Statement of Financial Position

	Notes	**2019**	2018
		£	£
Assets			
Non-current assets			
Intangible assets	12	**6,214**	-
Property, plant and equipment	13	**1,587,999**	546,734
Deferred tax assets	15	**1,342,385**	1,156,047
		2,936,598	1,702,781
Current assets			
Inventories	16	**242,669**	81,815
Trade and other receivables	17	**1,056,382**	926,220
Current tax receivable		**22,645**	6,906
Cash and cash equivalents		**1,984,338**	4,490,931
		3,306,034	5,505,872
Total assets		**6,242,632**	7,208,653
Liabilities			
Current liabilities			
Trade and other payables	18	**729,360**	536,299
Borrowings	19	**66,539**	33,758
		795,899	570,057
Net current assets		**2,510,135**	4,935,815
Non-current liabilities			
Borrowings	19	**72,636**	43,529
Provisions for other liabilities and charges	20	**20,000**	20,000
		92,636	63,529
Total liabilities		**888,535**	633,586
Net assets		**5,354,097**	6,575,067
Equity			
Called up share capital	22	**883,648**	883,648
Share premium reserve		**4,872,327**	4,872,327
(Accumulated losses)/retained earnings		**(401,878)**	819,092
Total equity		**5,354,097**	6,575,067

Statement of Changes in Equity

	Called up share capital £	Share premium reserve £	(Accumulated losses)/retained earnings £	Total equity £
At 1 April 2018	**883,648**	**4,872,327**	**819,092**	**6,575,067**
Restatement (see note 30)	**-**	**-**	**(23,632)**	**(23,632)**
At 1 April 2018 restated	**883,648**	**4,872,327**	**795,460**	**6,551,435**
Loss and total comprehensive expense for the year	**-**	**-**	**(1,264,382)**	**(1,264,382)**
Share options - value of employee services	**-**	**-**	**97,634**	**97,634**
Tax charge relating to share option scheme	**-**	**-**	**(30,590)**	**(30,590)**
Total transactions with owners, recognised directly in equity	**-**	**-**	**67,044**	**67,044**
At 31 March 2019	**883,648**	**4,872,327**	**(401,878)**	**5,354,097**

At 1 April 2017	547,655	6,161,269	(5,251,909)	1,457,015
Loss and total comprehensive expense for the year	-	-	(699,941)	(699,941)
Capital reduction	-	(6,161,269)	6,161,269	-
Issue of share capital	335,993	5,270,359	-	5,606,352
Cost of issuing share capital	-	(398,032)	-	(398,032)
Share options - value of employee services	-	-	330,176	330,176
Tax credit relating to share option scheme	-	-	30,590	30,590
Total transactions with owners, recognised directly in equity	335,993	(1,288,942)	6,522,035	5,569,086
At 31 March 2018	883,648	4,872,327	819,092	6,575,067

Statement of Cash Flows

	2019	2018
	£	£
Cash flows from operating activities		
Loss for the year	**(1,264,382)**	(699,941)
Adjustments for:		
Share based payment expense	**97,634**	330,176
Cost of raising capital	**-**	609,836
Depreciation	**429,385**	69,625
Amortisation of intangible assets	**1,830**	-
Finance income	**(12,596)**	(4,043)
Finance costs	**4,033**	4,862
Income tax credit	**(235,489)**	(11,421)
Increase in inventories	**(160,854)**	(11,554)
Increase in trade and other receivables	**(157,938)**	(225,322)
Increase in trade and other payables	**193,061**	14,974
Cash (used in)/generated from operations	**(1,105,316)**	77,192
Income tax received	**6,906**	-
Net cash (used in)/generated from operating activities	**(1,098,350)**	77,192
Cash flows from investing activities		
Purchase of intangible assets	**(8,044)**	-
Purchase of property, plant and equipment	**(1,372,533)**	(444,595)
Net cash used in investing activities	**(1,380,577)**	(444,595)
Cash flows from financing activities		
Proceeds from issue of share capital	**-**	4,598,650
Repayment of borrowings	**(36,229)**	(25,182)
Finance income - interest received	**12,596**	4,043
Finance costs - interest paid	**(4,033)**	(4,862)
Net cash (used in)/generated from financing activities	**(27,666)**	4,572,649
Net (decrease)/increase in cash and cash equivalents	**(2,506,593)**	4,205,246
Cash and cash equivalents at the beginning of the year	**4,490,931**	285,685
Cash and cash equivalents at the end of the year	**1,984,338**	4,490,931

Notes to the Financial Statements

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 information included in this preliminary announcement does not constitute statutory accounts of the company for the years ended 31 March 2019 and 31 March 2018 but is derived from those accounts. Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the company's Annual General Meeting. The auditors have reported on those accounts: their reports were (i) unqualified , (ii) did not included a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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 £1,264,382 for the year and at the year-end had net current assets of £2,510,135 including £1,984,338 of cash and cash equivalents. 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.

Changes in accounting policy and disclosures

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2019, and have not been applied in preparing these financial statements. One of these, IFRS 16 'Leases', is expected to have a significant effect on the financial statements of the company as set out below:

Changes in accounting policy and disclosures continued

IFRS 16, 'Leases' replaces IAS17 'Leases' and related interpretations. It will introduce a single lessee accounting model, eliminating the previous classification of leases as either operating or finance. This will result in operating leases previously treated solely through profit and 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 standard is effective for accounting periods beginning on or after 1 January 2019. The company will apply the standard retrospectively for the first time in the half year report ending 30 September 2019 and the annual report ending 31 March 2020.

Management are in the process of assessing the full impact of the new standard but expects
that the only lease currently in force that will be affected is for the company premises in Belfast. At 31 March 2019 minimum future lease payments on this property total £250,000.

The nature of the expense of the above cost will change for being an operating expense to predominantly depreciation with an interest expense on the lease liability.

On application of the standard, the company expects that operating costs would be lower by approximately £75,000 per annum and depreciation would be higher by a similar amount compared to the results reported under IAS17.

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 as 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.

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

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. 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 its 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.

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 assets 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 is 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 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)/retained earnings

(Accumulated losses)/retained earnings represents retained profits and losses.

Leases

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.

3 Critical accounting estimates and judgements

Many of the amounts included in the financial statements invoice 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 significant tax losses 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 utilised. Deferred tax represents a significant 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. Profits may be offset at future taxation rates of either 19% or 17%. Should £100,000 of taxable profits be forecast to be realised at the lower rate rather than the higher then the deferred taxation asset would reduce by £2,000. The directors expect profits to be generated from future sales growth which will be underpinned by RAMP™ and the human library. Therefore, the directors are of the opinion that it is more likely than not that there will be sufficient future taxable profits against which the tax losses can be deducted and accordingly, a deferred tax asset has been recognised.

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	**2019** £	2018 £
UK (domicile)	**202,666**	278,414
Rest of Europe	**658,399**	934,877
North America	**1,008,586**	817,933
Rest of World	**312,187**	659,520
	2,181,838	2,690,744

In the year there were no customers to whom sales exceeded 10% of revenues. In 2018 one customer exceeded 10% of revenues, that customer accounted for £308,049 or 11.45% of revenues.

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

	2019	2018
	£	£
Employee benefit costs		
-wages and salaries	**1,246,833**	887,383
-social security costs	**118,006**	96,072
-other pension costs	**49,167**	33,915
-share based payments	**97,634**	330,176
	1,511,640	1,347,546
Depreciation of property, plant and equipment	**429,385**	69,625
Other operating expenses		
Operating lease rentals - land & buildings	**74,861**	73,224
Rates, utilities and property maintenance	**66,032**	36,126
IT costs	**16,212**	17,236
Fees payable to the company's auditors		
- for the audit of the financial statements	**19,250**	18,350
- non-audit services	**6,750**	-
- for the provision of reporting accountants' services in respect of the IPO	**-**	222,000
	26,000	240,350
Raw materials and consumables used	**912,589**	628,428
Increase in inventories	**(160,854)**	(11,554)
Patent costs	**7,300**	15,601
Marketing costs	**162,144**	132,347
(Profit)/loss on foreign exchange	**(158)**	36,892
Costs associated with IPO other than reporting accountants' services	**-**	387,836
Other expenses	**731,527**	482,256
Total cost of sales and administrative expenses	**3,776,678**	3,455,913

6 Average staff numbers

	2019	2018
Employed in UK		
(including executive directors)	**33**	24
Non-executive directors	**5**	6
	38	30

7 Remuneration of directors and key senior management

Directors

	2019	2018
	£	£
Emoluments	**425,574**	301,419
Pension contributions	**16,611**	11,455
Fees paid to third parties for services of directors	**-**	50,525
	442,185	363,399

Highest paid director

The highest paid director received the following emoluments:

	2019	2018
	£	£
Emoluments	**111,366**	87,564
Pension contributions	**5,490**	4,375
	116,856	91,939

Key senior management

Key senior management is considered to be the directors of the company with total remuneration for the year of £442,185 (2018: £363,399).

8 Finance income and costs

	2019	2018
Income	**£**	£
Bank interest receivable	**12,596**	4,043

	2019	2018
Costs	**£**	£
Interest expense on other borrowings	**4,033**	4,857
Bank interest payable	**-**	5
	4,033	4,862

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 £97,634 (2018: £330,176). 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%.

	2019 Weighted average exercise price £	2018 Number	2018 Weighted average exercise price £	2018 Number
Outstanding at beginning of the year	**0.040**	**505,000**	1.60	74,300
Subdivision of each £1 into £0.04 shares	**-**	**-**	0.06	1,857,500
Granted during the year	**0.545**	**1,230,000**	0.04	508,750
Exercised during the year	**-**	**-**	0.06	(1,692,500)
Lapsed during the year	**0.040**	**(16,250)**	0.08	(168,750)
Outstanding at the end of the year	**0.401**	**1,718,750**	0.04	505,000

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

Expiry	Nominal share value	Exercise price £	2019 Number	2018 Number
May 2027	**£0.04**	**0.040**	**488,750**	505,000
December 2028	**£0.04**	**0.545**	**1,230,000**	-
Total			**1,718,750**	505,000

Of the total number outstanding 244,375 (2018: none) had vested at the year end.

10 Income tax (credit)/expense

	2019 £	2018 £
Current tax - UK corporation tax	**(22,705)**	(4,828)
Deferred tax - origination and reversal of temporary differences	**(212,784)**	(6,593)
Income tax credit	**(235,489)**	(11,421)

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

	2019 £	2018 £
Factors affecting the tax charge for the year		
Loss before tax	**(1,499,871)**	(711,362)
Loss before tax multiplied by standard rate of UK corporation tax of 19%	**(284,975)**	(135,159)
Provisions and expenditure not deductible for tax purposes - permanent	**14,020**	119,665
Provisions and expenditure not deductible for tax purposes - temporary	**(32,431)**	(210,784)
RDEC/R&D tax credit	**(22,705)**	(4,828)
Adjustment in recognition of deferred tax	**90,603**	219,685
Income tax credit	**(235,489)**	(11,421)

11 Earnings per share

	2019	2018

	£	£
Loss for the financial year	**(1,264,382)**	(699,941)

Loss per share	**pence**	Pence
Basic	**(5.7)**	(4.3)

	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**	16,117,206

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.

12 Intangible assets

	Software **£**
Cost	
At 1 April 2018	**-**
Additions	**8,044**
At 31 March 2019	**8,044**
Accumulated amortisation	
At 1 April 2018	**-**
Amortisation charged in the year	**1,830**
At 31 March 2019	**1,830**
Net book value	
At 31 March 2019	**6,214**
At 31 March 2018	-

13 Property, plant and equipment

	Assets under construction £	**Leasehold improvements £**	**Plant & machinery £**	**Fixtures, fittings & equipment £**	**Total £**
Cost					
At 1 April 2018	**205,129**	**156,059**	**691,245**	**107,687**	**1,160,120**
Additions	**-**	**350,799**	**1,016,608**	**103,243**	**1,470,650**
Assets brought into use	**(205,129)**	**205,129**	**-**	**-**	**-**
Disposals	**-**	**-**	**(1,587)**	**(8,545)**	**(10,132)**
At 31 March 2019	**-**	**711,987**	**1,706,266**	**202,385**	**2,620,638**

Accumulated depreciation

At 1 April 2018	**-**	**156,059**	**430,851**	**26,476**	**613,386**
Depreciation charged in the year	**-**	**127,233**	**260,886**	**41,266**	**429,385**
Disposals	**-**	**-**	**(1,587)**	**(8,545)**	**(10,132)**
At 31 March 2019	**-**	**283,292**	**690,150**	**59,197**	**1,032,639**
Net book value					
At 31 March 2019	**-**	**428,695**	**1,016,116**	**143,188**	**1,587,999**
At 31 March 2018	205,129	-	260,394	81,211	546,734

	Assets under construction	**Leasehold improvements**	**Plant & machinery**	**Fixtures, fittings & equipment**	**Total**
	£	**£**	**£**	**£**	**£**
Cost					
At 1 April 2017	**-**	**156,059**	**483,770**	**60,723**	**700,552**
Additions	**205,129**	**-**	**229,220**	**74,757**	**509,106**
Disposals	**-**	**-**	**(21,745)**	**(27,793)**	**(49,538)**
At 31 March 2018	**205,129**	**156,059**	**691,245**	**107,687**	**1,160,120**
Accumulated depreciation					
At 1 April 2017	**-**	**156,059**	**389,532**	**47,708**	**593,299**
Depreciation charged in the year	**-**	**-**	**63,064**	**6,561**	**69,625**
Disposals	**-**	**-**	**(21,745)**	**(27,793)**	**(49,538)**
At 31 March 2018	**-**	**156,059**	**430,851**	**26,476**	**613,386**
Net book value					
At 31 March 2018	**205,129**	**-**	**260,394**	**81,211**	**546,734**
At 31 March 2017	-	-	94,238	13,015	107,253

Plant & machinery with a net book value of £185,818 is held under hire purchase agreements or finance leases (2018: £100,303).

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:

	2019	2018
	£	£
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.

15 Deferred tax assets

	2019	2018
	£	£
At 1 April	**1,156,047**	1,118,864
Restatement (see note 30)	**4,144**	-
Credited to the statement of comprehensive income in the year	**212,784**	6,593
(Charged)/credited to equity in the year	**(30,590)**	30,590
At 31 March	**1,342,385**	1,156,047

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 £	Tax losses £	Share based payments £	RDEC tax credit £	Total £
At 1 April 2017	(638)	984,247	134,735	520	1,118,864
(Charged)/credited to Statement of Comprehensive Income	(40,126)	155,058	(109,546)	1,207	6,593
Credited to equity	-	-	30,590	-	30,590
At 1 April 2018	**(40,764)**	**1,139,305**	**55,779**	**1,727**	**1,156,047**
Restatement (see note 30)	**-**	**4,144**	**-**	**-**	**4,144**
(Charged)/credited to Statement of Comprehensive Income	**(31,440)**	**244,538**	**(5,626)**	**5,312**	**212,784**
Charged to equity	**-**	**-**	**(30,590)**	**-**	**(30,590)**
At 31 March 2019	**(72,204)**	**1,387,987**	**19,563**	**7,039**	**1,342,385**

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 £8,164,633 (2018: £6,596,169) is dependent on future taxable profits arising in the UK. The directors expect profits to be generated from future sales growth which will be underpinned by RAMP™ and the human library. Therefore, the directors are of the opinion that it is more likely than not that there will be sufficient future taxable profits against which the tax losses can be deducted and accordingly, a deferred tax asset has been recognised.

Deferred tax assets are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted, or substantively enacted, at the reporting date. The change of rate from 19% to 17%, effective from 1 April 2020, was substantively enacted as part of the Finance Act 2016.

Deferred tax liabilities and assets expected to reverse after more than 12 months: £1,379,086 (2018: £1,136,487).

16 Inventories

	2019	2018
	£	£
Raw materials and consumables	**242,669**	81,815

The cost of inventories recognised as an expense for the year was £751,735 (2018: £616,874).

17 Trade and other receivables

	2019	2018
	£	£
Trade receivables	**728,584**	513,870
Loss allowance	**(2,271)**	(2,994)
Trade receivables - net	**726,313**	510,876
Other receivables	**90,498**	133,357
Prepayments and accrued income	**239,571**	281,987
	1,056,382	926,220

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

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

	2019	2018
	£	£
Individually impaired	**-**	2,994
Expected credit loss allowance	**2,271**	-
	2,271	2,994

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

	2019	2018
	£	£
UK pound	**613,045**	504,568
Euros	**95,497**	72,489
US dollar	**110,540**	42,119
Japanese Yen	**-**	28,051
	819,082	647,227

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%	0.2%	0.2%	0.4%	2.1%	
Gross carrying amount (£)	321,048	246,971	2,401	106,556	51,608	728,584
Loss allowance (£)	439	376	5	384	1,067	2,271

Movements on trade receivables loss allowance is as follows:

	2019	2018
	£	£

At 1 April	**2,994**	17,045
Restatement for IFRS 9 (note 30)	**3,398**	-
At 1 April (restated)	**6,392**	17,045
Movement in loss allowance	**(1,127)**	2,994
Write off as uncollectible	**(2,994)**	(17,045)
At 31 March	**2,271**	2,994

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

	2019	2018
	£	£
Trade payables	**461,824**	281,284
Social security and other taxes	**-**	28,493
Other payables	**25,205**	15,654
Accruals and deferred income	**242,331**	210,868
	729,360	536,299

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 £24,901 (2018: £6,879) was due to Invest Northern Ireland.

19 Borrowings

	2019	2018
Hire purchase contracts	**£**	£
At 1 April	**77,287**	-
Additions in year	**98,117**	102,469
Interest charged in year	**4,033**	4,097
Repayments	**(40,262)**	(29,279)
At 31 March	**139,175**	77,287
Amounts due in less than 1 year	**66,539**	33,758
Amounts due after more than 1 year	**72,636**	43,529
	139,175	77,287

All borrowings are denominated in UK pounds. Using a discount rate of 6.0% per annum the fair value of borrowings at the reporting date is £131,845 (2018: £72,502 discounted at 5.5%).

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

	2019	2018
	£	£
Due after more than 1 year	**20,000**	20,000

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 2019	**Amortised cost £**	**Total £**
Trade receivables	**726,313**	**726,313**
Other receivables	**90,498**	**90,498**
Accrued income	**2,264**	**2,264**
Cash and cash equivalents	**1,984,338**	**1,984,338**
Total	**2,803,413**	**2,803,413**

As at 31 March 2018	Loans and receivables £	Total £
Trade receivables	510,876	510,876
Other receivables	133,357	133,357
Cash and cash equivalents	4,490,931	4,490,931
Total	5,135,164	5,135,164

The categories of financial assets changed as a result of the introduction of IFRS 9. The company has not changed its classification of financial assets and financial assets previously categorised as "Loans and receivables" are now categorised as "Amortised cost".

	Other financial liabilities at	**Total**

As at 31 March 2019	**amortised cost £**	**£**
Trade payables	**461,824**	**461,824**
Other payables	**25,205**	**25,205**
Accruals	**242,331**	**242,331**
Borrowings	**139,175**	**139,175**
Total	**868,535**	**868,535**

As at 31 March 2018	Other financial liabilities at amortised cost £	Total £
Trade payables	281,284	281,284
Other payables	15,654	15,654
Accruals	200,197	200,197
Borrowings	77,287	77,287
Total	574,422	574,422

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.

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, Euros and Japanese Yen. 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 £13,855 (2018: £7,393) higher/lower and £15,534 (2018: £23,017) higher/lower respectively.

22 Called up share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
- 22,091,192 Ordinary shares of £0.04	**883,648**	883,648

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

23 Capital commitments

At 31 March 2019 the company had contracted for but not incurred capital expenditure of £27,657 (2018: £232,653).

24 Operating lease commitments

	2019	2018
	£	£
Minimum operating lease payments falling due:		
Within 1 year - land and property	**75,000**	75,000
In 1 to 2 years - land and property	**75,000**	75,000
In 2 to 5 years - land and property	**100,000**	175,000

	250,000	325,000

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 £49,167 to the Statement of Comprehensive Income (2018: £33,915) in respect of company contributions to the scheme. At the reporting date there was £8,282 (2018: £5,779) 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 £85,711 (2018: £78,957). A balance of £7,185 (2018: £6,879) was due and payable to Invest NI at the reporting date. The company claimed various grants during the year from Invest NI amounting to £86,406 (2018: £47,591). A balance of £64,436 was due on submitted claims from Invest NI (2018: £2,660).

Director Colin Walsh is also a director of Crescent Capital NI Limited. During the year Crescent Capital NI Limited charged the company £3,028 (2018: £10,800) for other consultancy work and at the reporting date an amount of £nil (2018: £2,000) was payable to Crescent Capital NI Limited.

27 Events after the reporting date

There have been no events from the reporting date to the date of approval which need to be reported.

28 Ultimate controlling party

There is no ultimate controlling party.

29 Adjusted results

	2019 **£**	2018 £
Loss before tax	**(1,499,871)**	(711,362)
Accelerated share based payment charge (note a)	**-**	163,100
IPO costs (note b)	**-**	609,836
Adjusted (loss)/profit before tax	**(1,499,871)**	61,574

(a) In advance of the IPO, share options granted before 31 March 2017 (historic options) were accelerated so they vested and were exercised before the company listed on AIM. As a result the expense charged to the Statement of Comprehensive Income for the year ended 31 March 2018 was significantly increased over the annual charge to profits that would be expected. In order to understand the underlying performance of the business, these exceptional charges have been adjusted to arrive at the adjusted results.

(b) In the year ended 31 March 2018 an expense of £609,836 was charged to the Statement of Comprehensive Income for professional fees in relation to listing on AIM, a market operated by the London Stock Exchange. These charges are non-recurrent and do not include ongoing adviser fees in respect of the AIM listing.

30 **Changes in accounting policies**

This note explains the impact of the adoption of IFRS 9 Financial Instruments ("IFRS 9") and IFRS 15 Revenue from Contracts with Customers ("IFRS 15") on the company's financial statements.

(a) Impact on financial statements
As a result of the adoption of IFRS 9 and IFRS 15, a restatement of prior year financial statements was not required. As explained later in this note, the company elected to adopt IFRS 9 and IFRS 15 without restating comparative information. The reclassifications and the adjustments arising from adoption of these standards are therefore not reflected in Statement of Financial Position as at 31 March 2018, nor in the Statement of Comprehensive Income for the year ended 31 March 2018, but are recognised in the opening Statement of Financial Position on 1 April 2018.

The following tables show 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 by standard below.

Impact on the opening balance on the statement of financial as at 1 April 2018:

Balance sheet extract	**31 March 2018 £**	**IFRS 9 £**		**IFRS 15 £**		**1 April 2018 £**
	As originally presented	**Accounting adjustment**	**Presentation/ reclassification**	**Accounting adjustment**	**Presentation/ reclassification**	**Restated**
Non-current assets						
Deferred tax assets	1,156,047	-	-	4,144	-	1,160,191
Current assets						
Trade receivables	510,876	(3,398)	-	-	-	507,478
Contract assets	-	-	-	(24,378)	24,378	-
Other receivables	133,357	-	-		(24,378)	108,979
Equity						
Retained earnings	819,092	(3,398)	-	(20,234)	-	795,460

(b) IFRS 9 Financial Instruments - impact of adoption
IFRS 9 replaces the provisions of IAS 39 that relate to the classification and measurement of financial assets and financial liabilities, financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 'Financial Instruments' from 1 April 2018 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 9 (7.2.15), comparative figures have not been restated.

The total impact on the company's retained earnings is shown in 30(a) above.

Impairment of financial assets

Trade receivables is the only financial asset of the company that is subject to the new expected credit loss model of IFRS 9, as other receivables are considered to be very low credit risk.

The company was required to revise its impairment methodology for trade receivables under IFRS 9. The impact of the change in impairment methodology on retained earnings and equity is shown in the table in 30(a) above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rate for trade receivables are a reasonable approximation of the loss rates for the contract assets.

On that basis, the loss allowance as at 1 April 2018 was determined as follows for both trade receivables and contract assets:

1 April 2018	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	0.3%	0.4%	0.5%	0.9%	4.9%	
Gross carrying amount (£)	276,905	181,617	13,345	1,761	37,158	510,786
Loss allowance (£)	879	636	61	15	1,807	3,398

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the company, and a failure to make contractual payments for a period of greater than 120 days past due.

(c) IFRS 15 Revenue from Contracts with Customers - impact of adoption

The adoption of IFRS15 'Revenue from Contracts with Customers' from 1 April 2018 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 15 (Appendix C 7), comparative figures have not been restated.

The total impact on the company's retained earnings is shown in 30(a) above. At 31 March 2018 the company had recognised an amount of £24,378 included in other debtors, which was reclassified as Contract assets upon adoption of IFRS 15 and then reduced to £nil as it no longer met the recognition criteria of the new accounting policy. As a result of this adjustment, the deferred tax asset arising from the taxable losses of the company increased by £4,144 being £24,378 at an expected corporation tax rate of 17%.

Accounting for performance obligations within a customer contract
Each contract between the company and a customer may comprise a number of distinct performance obligations, i.e. a transfer of a service to the customer. As each of these performance obligations is met the company recognises the revenues to which it is entitled to under the contract. Customer contracts are typically set out in stages which align with scientific processes or procedures. In recognition of the scientific uncertainty of research and development, within each stage there may be one or more distinct performance obligations whereby the company will perform certain actions or meet certain milestones within a stage. Where such an action entitles the company to receive revenues from the customer regardless of the ultimate success of the entire contract, each of these is treated as a performance obligation and accordingly revenue is recognised. This represents a change in accounting policy as in the year ended 31 March 2018, and previous periods, the company recognised services provided on a percentage of completion method applied to each stage of its agreements with customers.