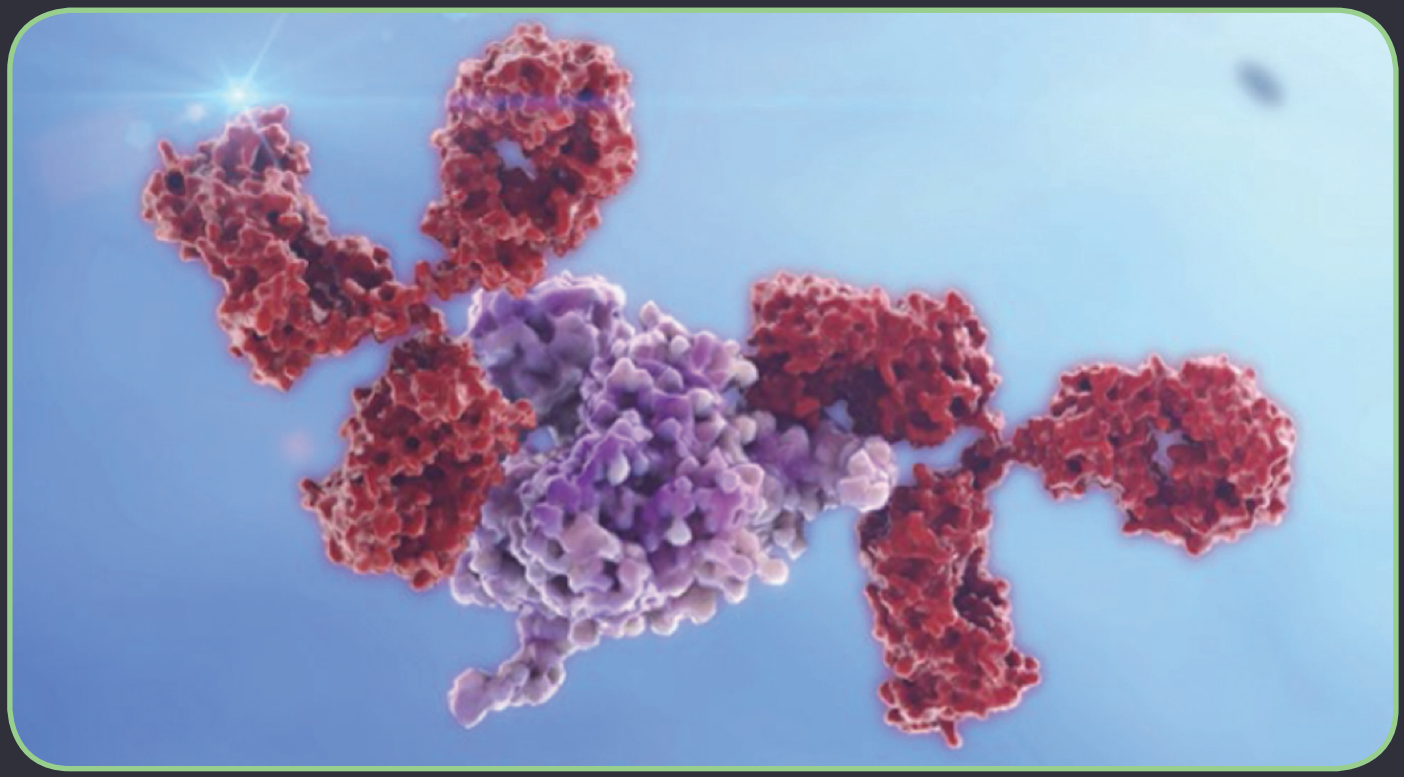
fusion antibodies

Placing & Admission to AIM



Allenby CAPITAL

THIS ADMISSION DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Admission Document, or the action you should take, you are recommended immediately to seek your own financial advice from an independent financial adviser, such as a stockbroker, solicitor, accountant or other adviser who specialises in advising on the acquisition of shares and securities and is authorised under the Financial Services and Markets Act 2000 ("FSMA") (or, if you are a person outside the UK, a person otherwise similarly qualified in your jurisdiction).

This Admission Document, which comprises an AIM admission document, has been prepared in connection with the proposed application for admission of the issued and to be issued share capital of the Company to trading on AIM, a market of London Stock Exchange plc. This Admission Document is an admission document drawn up in accordance with the AIM Rules for Companies. This Admission Document does not constitute a prospectus within the meaning of section 85 of FSMA, and has not been drawn up in accordance with the Prospectus Rules published by the Financial Conduct Authority ("FCA") and a copy has not, and will not be, approved or filed with the FCA. This Admission Document does not constitute, and the Company is not making, an offer of transferable securities to the public within the meaning of section 102B of FSMA or otherwise.

The Company and each of the Directors and the Proposed Director, whose names appear on page 4 of this Admission Document, individually and collectively accept full responsibility for the information contained in this Admission Document, including for its compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company, the Directors and the Proposed Director (who have taken all reasonable care to ensure that such is the case), the information contained in this Admission Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the whole of the Company's issued and to be issued ordinary share capital to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority (the "Official List"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange plc in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange plc has not itself examined or approved the contents of this Admission Document. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. The Ordinary Shares are not traded on any recognised investment exchange and no such applications have been made.

Prospective investors should read the whole of this Admission Document. An investment in the Company is speculative and involves a high degree of risk. The attention of prospective investors is drawn in particular to Part II of this document which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Company's business, financial position and prospects should be viewed in light of these risk factors.

The Ordinary Shares are not traded on any other recognised investment exchange and no other such applications have been made. It is expected that Admission (as defined on page 6 of this Admission Document) will become effective and dealings on AIM will commence in the Ordinary Shares at 8.00 a.m. on 18 December 2017.

Fusion Antibodies Plc

(Incorporated and registered in Northern Ireland with registration number NI039740)

Placing of 8,018,293 Placing Shares at a price of 82p per Ordinary Share

and

Admission to trading on AIM

Nominated Adviser and Broker

Allenby CAPITAL

The New Ordinary Shares, will on Admission, rank *pari passu* in all respects with the existing Ordinary Shares then in issue and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

Allenby Capital Limited, which is authorised and regulated in the UK by the Financial Conduct Authority, is acting as nominated adviser and broker to the Company. Allenby Capital Limited will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of any part of this Admission Document. The responsibilities of Allenby Capital Limited as the Company's nominated adviser and broker under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or any Director, the Proposed Director or Shareholder or to any other person. In accordance with the AIM Rules, Allenby Capital Limited has confirmed to the London Stock Exchange plc that it has satisfied itself that the Directors and the Proposed Director have received advice and guidance

as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, having made due and careful enquiry, all relevant requirements of the AIM Rules have been complied with. In respect of any decision to acquire Ordinary Shares in reliance on any part of this Admission Document or otherwise, Allenby Capital Limited is not making any representation or warranty, express or implied, as to the contents of this Admission Document.

This Admission Document contains forward-looking statements, including, without limitation, statements containing the words "believes", "expects", "estimates", "intends", "may", "plan", "will" and similar expressions (including the negative of those expressions). Forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by those forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Part II of this Admission Document, entitled "Risk Factors". Given these uncertainties, prospective investors are cautioned not to place any undue reliance on those forward-looking statements. The forward-looking statements contained in this Admission Document are made on the date of this Admission Document, and the Company, the Directors and the Proposed Director are not under any obligation to update those forward-looking statements in this Admission Document to reflect actual future events or developments.

The whole text of this Admission Document should be read. Investment in the Company is speculative and involves a high degree of risk. Your attention is also drawn to the section headed "Risk Factors" in Part II of this Admission Document which sets out certain risk factors relating to an investment in the Ordinary Shares. All statements regarding the Company's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this Admission Document.

No legal, business, tax or other advice is provided in this Admission Document. Prospective investors should consult their professional advisers as needed on the potential consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence. This Admission Document does not constitute an offer to sell, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, this Admission Document is not for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa or Japan. The distribution of this Admission Document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions. The Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States of America, Canada, Australia, the Republic of South Africa or Japan and, subject to certain exceptions, may not be offered, sold, re-sold, renounced, taken up or delivered, directly or indirectly, in, into or from the United States of America, Canada, Australia, the Republic of South Africa or Japan or to any national of the United States of America, Canada, Australia, the Republic of South Africa or Japan or to any national of those countries. This Admission Document should not be distributed, published, reproduced or otherwise made available in whole or in part, or disclosed by recipients to any other person, in, and in particular, should not be distributed to persons with addresses in, the United States of America, Canada, Australia, the Republic of South Africa or Japan. No action has been taken by the Company or Allenby Capital Limited that would permit an offer of Ordinary Shares or possession or distributions of this Admission Document where action for that purpose is required. Persons into whose possession this Admission Document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law or other laws of any such jurisdictions.

In making any investment decision in respect of Admission, the Placing or the subscription for Ordinary Shares, no information or representation should be relied upon in relation to Admission or in relation to the Ordinary Shares other than as contained in this Admission Document. No person has been authorised to give any information or make any representation other than that contained in this Admission Document and, if given or made, such information or representation must not be relied upon as having been authorised.

It should be remembered that the price of securities and the income from them can go down as well as up and this Admission Document contains references to past performance of the Company and its subsidiary. Past performance is not a reliable indicator of future results.

Copies of this document, which is dated 12 December 2017, will be available to download from the Company's website www.fusionantibodies.com.

CONTENTS

DIRECTORS, PROPOSED DIRECTOR, SECRETARY AND ADVISERS

Directors	Dr Simon Gordon Douglas	*Chairman*
	Dr Paul Gerard Kerr	*Chief Executive Officer ("CEO")*
	James Alexander Fair	*Chief Financial Officer ("CFO")*
	Dr Richard John Buick	*Chief Technical Officer ("CTO")*
	Sonya Maria Ferguson	*Senior Independent Director*
	Dr Alan Mawson	*Non-Executive Director*
	Colin James Walsh	*Non-Executive Director*
	all of:	
	1 Springbank Road Springbank Industrial Estate Belfast BT17 0QL	
Proposed Director	Timothy William Watts	*Non-Executive Director*
	of:	
	1 Springbank Road Springbank Industrial Estate Belfast BT17 0QL	
Company Secretary	James Alexander Fair	
	of:	
	1 Springbank Road Springbank Industrial Estate Belfast BT17 0QL	
Registered Office	C/O Tughans Solicitors Marlborough House 30 Victoria Street Belfast BT1 3GG	
Principal Place of Business	1 Springbank Road Springbank Industrial Estate Belfast BT17 0QL	
Nominated Adviser & Broker	Allenby Capital Limited 5 St. Helen's Place London EC3A 6AB	
Reporting Accountant and Auditor to the Company	PricewaterhouseCoopers LLP Waterfront Plaza 8 Laganbank Road Belfast BT1 3LR	

Legal Advisers to the Company ***as to English law***	DLA Piper UK LLP 3 Noble Street London EC2V 7EE
Legal Advisers to the Company ***as to Northern Irish law***	Tughans Solicitors Marlborough House 30 Victoria Street Belfast BT1 3GG
Legal Advisers to the Nominated Adviser and Broker	Charles Russell Speechlys LLP 5 Fleet Place London EC4M 7RD
Technical expert	ProPharma Partners Limited Afon Building Worthing Road Horsham West Sussex RH12 1TL
Financial Public Relations Advisers to the Company	Walbrook PR 4 Lombard St London EC3V 9HD
Registrars	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this document (save for the reports contained in Part III, Part IV and Part V):

"Act" or the "Companies Act"	the Companies Act 2006 of the United Kingdom, as amended;
"acting in concert"	shall bear the meaning ascribed thereto in the Takeover Code;
"Admission"	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules;
"Admission Document"	this document;
"AIM"	the market of that name operated by the London Stock Exchange;
"AIM Rules"	the AIM Rules for Companies published by the London Stock Exchange, as amended from time to time;
"AIM Rules for Nominated Advisers"	the AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended from time to time;
"Allenby Capital"	Allenby Capital Limited, a company registered in England and Wales with company number 06706681;
"Articles"	the articles of association of the Company as adopted from time to time;
"Board"	the Directors and the Proposed Director whose names are set out on page 4 of this document;
"certificated" or "in certificated form"	a share or other security not recorded on the relevant register of the relevant company as being in uncertificated form in CREST;
"Company" or "Fusion Antibodies"	Fusion Antibodies plc, a company incorporated in Northern Ireland with the company number NI039740, and such terms shall be deemed to include the Company's subsidiary as the context may require;
"Corporate Governance Code"	the UK Corporate Governance Code published by the Financial Reporting Council, as the same may be varied or amended;
"CREST"	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear which facilitates the transfer of title to shares;
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended from time to time, and any applicable rules made under those regulations;
"CRO"	a contract research organisation that provides support to the pharmaceutical, biotechnology and medical device industries in the form of research services outsourced on a contract basis;
"Directors"	the directors of the Company as at the date of this document, whose names are set out on page 4 of this document and "Director" means any one of them;

"Disclosure Guidance and Transparency Rules"	the Disclosure Guidance and Transparency Rules sourcebook made by the FCA pursuant to Part VI of the Listing Rules made by the FCA under FSMA;
"DTR 5"	Chapter 5 of the Disclosure Guidance and Transparency Rules;
"EIS"	Enterprise Investment Scheme under provisions of Part 5 of the Income Tax Act 2007;
"Eligible Shares"	6,097,560 of the New Ordinary Shares to be issued pursuant to the Placing that will be eligible for EIS purposes and be capable of being a "qualifying holding" for investment by VCTs;
"EMA"	the European Medicines Agency;
"Enlarged Share Capital"	the issued share capital of the Company as upon Admission comprising the Existing Ordinary Shares and the New Ordinary Shares;
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST;
"Existing Ordinary Shares"	the 15,383,875 Ordinary Shares in issue as at the date of this document;
"FCA"	the United Kingdom Financial Conduct Authority, the statutory regulator under FSMA responsible for the regulation of the United Kingdom financial services industry;
"FDA"	the US Food and Drug Administration;
"FSMA"	the UK Financial Services and Markets Act 2000, as amended, including any regulations made pursuant thereto;
"GBP" or "£" or "pence" or "p"	pounds sterling and pence, the lawful currency from time to time of the United Kingdom;
"Group" or "Fusion Group"	the Company including its subsidiary;
"HMRC"	Her Majesty's Revenue and Customs;
"Historic Lease"	the lease dated 16 September 2015 and made between (1) Invest Northern Ireland and (2) the Company for a term of two years commencing on 22 September 2013 and ending on and including 21 September 2015 in relation to part of the building at 1 Springbank Road, Springbank Industrial Estate, Belfast BT17 0QL, pursuant to which the Company held over pending the entry into of the Lease;
"Historic Options"	the 508,750 options outstanding on Admission to acquire Ordinary Shares, issued pursuant to the Historic Share Scheme, further details of which are set out in paragraph 7.2 of Part VI;
"Historic Share Scheme"	an enterprise management incentive share scheme approved by the Company in May 2017;
"IFRS"	international financial reporting standards;
"ISIN"	international security identification number;
"Lease"	the lease dated 6 December 2017 and made between (1) Invest Northern Ireland and (2) the Company, further details of which are set out in paragraph 9.1.4 of Part VI;
"LEI code"	legal entity identifier code;

"Lock-in Agreements"	the agreements between (1) the Company, (2) Allenby Capital and (3) each of the Directors, and (4) the Locked-in Parties, further details of which are contained in paragraph 15.4 of Part VI of this document;
"Locked-in Parties"	together, the Directors, the Proposed Director, Brigid Kerr, Dermot Kerr, Desmond Kerr, Rachel Douglas, Katherine Douglas, Jim Johnston, Nitech Growth Fund LP, Viridian Growth Fund LP, Crescent Capital II LP, QUBIS Limited and Invest Northern Ireland and "Locked-In Party" means any one of them;
"London Stock Exchange"	London Stock Exchange plc;
"Market Abuse Regulation"	the EU Market Abuse Regulation (No. 596/2014);
"MAB Discovery"	MAB Discovery GmBH;
"New Ordinary Shares"	6,707,317 new Ordinary Shares being issued pursuant to the Placing;
"New Share Scheme"	the EMI and Unapproved Employee Share Option Scheme of the Company adopted on 11 December 2017, further details of which are contained in paragraph 6 of Part VI;
"New Share Scheme Options"	the options which may be granted under the New Share Scheme;
"Nominated Adviser and Broker Agreement"	the agreement dated 12 December 2017 between (1) the Company, (2) Allenby Capital and (3) the Directors and the Proposed Director, further details of which are set out in paragraph 15.2 of Part VI of this document;
"Official List"	the official list of the UKLA;
"Orderly Market Deed"	the agreement between (1) the Orderly Market Parties, (2) the Company and (3) Allenby Capital, further details of which are contained in paragraph 15.3 of Part VI of this document;
"Orderly Market Parties"	together, Crescent Capital III LP, Sir John Cadogan, Elizabeth Purnell estate, Cadogan Trust, David J Cadogan, Geoffrey Codogan, Philip Cadogan, Richard Cadogan, Nicholas Purnell, Michael Townsley, Patrick Johnston estate, Gordon Jenkins, Teresa Byrne, Kymn McCullough, Daragh Mac Cann, Anthony O'Kane, Hugh Morgan, Chris Moriarty, Sarah Seawright, Radmila Todoric, Jane MacCallum, Sarah Smith, Nicola Doran and Andrew Glover and "Orderly Market Party" means any one of them;
"Ordinary Shares"	ordinary shares of £0.04 each in the capital of the Company;
"Panel"	the UK Panel on Takeovers and Mergers;
"Placees"	proposed subscribers for Placing Shares at the Placing Price in the Placing;
"Placing"	the proposed conditional placing of the Placing Shares at the Placing Price with Placees pursuant to the Placing Agreement and the Selling Shareholder Agreements;
"Placing Agreement"	the conditional agreement dated 12 December 2017 between (1) the Company, (2) Allenby Capital and (3) the Directors and Proposed Director relating to the Placing, further details of which are set out in paragraph 14 of Part VI of this document;

"Placing Price"	£0.82 per Placing Share;
"Placing Shares"	together the 6,707,317 New Ordinary Shares to be issued by the Company and the 1,310,976 Existing Ordinary Shares to be sold on behalf of the Selling Shareholders, in each case at the Placing Price, pursuant to the Placing;
"Proposed Director"	Timothy William Watts;
"Prospectus Rules"	the Prospectus Rules of the UK Listing Authority made in accordance with Section 73A of FSMA as amended from time to time brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004 and the Prospectus Regulations 2005 (SI 2005/1433);
"QCA Code"	the Corporate Governance Code for Small and Mid-Size Quoted Companies, as published by the Quoted Companies Alliance;
"QUB"	Queen's University Belfast;
"Registrar"	Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
"RIS"	Regulatory Information Service;
"SEDOL"	the Stock Exchange Daily Official List Identification Number;
"Selling Shareholders"	Sir John Cadogan and certain other Shareholders who have entered into Selling Shareholder Agreements;
"Selling Shareholder Agreements"	the conditional agreements dated between 7 December 2017 and 12 December 2017 made between the Selling Shareholders and Allenby Capital related to the sale of 1,310,976 Existing Ordinary Shares in the Placing, further details of which are set out in paragraph 15.12 of Part VI;
"Shareholders"	holders of Ordinary Shares in the Company from time to time;
"Takeover Code"	the City Code on Takeovers and Mergers (as published by the Panel);
"uncertificated" or "in uncertificated form"	a share or other security recorded on the relevant register of the relevant company concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland;
"UK Listing Authority" or "UKLA"	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
"USA" or "US" or "United States"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
"VAT"	value added tax; and
"VCT"	a company approved as a Venture Capital Trust under the provisions of Part 6 of the Income Tax Act 2007.

GLOSSARY OF TECHNICAL TERMS

"affinity"	the measure of the interaction/binding of an antibody to its specific target;
"affinity maturation"	the process of improving the binding strength, or affinity, of an antibody to the target protein;
"amino acids"	the chemical building blocks that make up all proteins;
"antibody"	Y shaped proteins (also known as immunoglobulins) that are the primary effectors of immune response to destroy foreign molecules in the body, such as bacteria, viruses and non-human proteins;
"antibody engineering"	the process of changing the amino acid sequence of an antibody by design in order to produce a new antibody with different (enhanced) properties;
"antibody humanisation"	the process of modifying antibodies by combining a human antibody with a small part of a non-human antibody. The non-human part of the antibody binds to the target antigen, and the human part makes it less likely to be destroyed by the body's immune system. The process of "humanisation" is usually applied to therapeutic monoclonal antibodies developed to treat disease;
"antibody production"	the production of antibodies from unique cells grown in specialised growth medium in flasks or fermenters;
"antibody sequencing"	the process in which the DNA genetic code that is associated with a specific antibody is identified. It is reported as the specific sequence of the four DNA building blocks that makes up the unique genetic code for an antibody;
"antigen"	any substance foreign to the body that elicits a specific immune response;
"avidity"	a measure of the overall strength of binding of the antibody-antigen complex;
"B cells"	a type of white blood cell that functions in the humoral immunity component of the adaptive immune system by secreting antibodies;
"cell line"	a permanently established cell culture that will proliferate indefinitely under the right conditions e.g. Chinese Hamster Ovary (CHO) cell line used in the pharmaceutical industry;
"CDR"	complementarity-determining regions, part of the variable regions in antibodies. As the most variable parts of the molecules, CDRs are crucial to the diversity of an antibody;
"CDRx™"	CDRx™ is the trademarked name for the Company's proprietary platform for *in silico* antibody humanisation services (including the associated antibody workbench software) developed by the Company;
"Chimeric antibody"	an antibody created by combining parts of one antibody, typically from a mouse, with parts of a human antibody with the purpose of making it more suitable for therapeutic or diagnostic applications;

"Chothia"	a scheme for the numbering of amino acid residues in antibodies based upon the variable regions similar to the Kabat system;
"cGMP"	current good manufacturing practice, that part of quality assurance which ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by their marketing authorisation or product specification;
"epitope"	the specific site where an antibody binds its antigen via its variable region. Note, this is not the same as the immunogen, which includes the epitope but is often much larger;
"gene"	a region of DNA that codes for specific proteins;
"HAMA"	human anti-murine antibody, which is generated if a mouse therapeutic antibody is injected into human patients;
"hybridoma"	a cell line created following the fusion of antibody producing B cells from the spleen with an immortalised tumor cell line. A purified hybridoma culture/cell line will secrete its own specific monoclonal antibody;
"IMGT"	the international ImMunoGeneTics information system®;
"immunogen"	a peptide sequence, chemical or other substance capable of inducing an immune response;
"immunogenicity"	the ability of an antigen to induce antibody production;
"immunoglobulin" or "Ig"	a general term for family of proteins that function as antibodies with several subclasses;
"*insilico*"	performed on computer or via computer simulation;
"isotype"	an antibody of the same immunoglobulin subclass and from the same species as the primary antibody;
"Kabat"	a scheme of numbering of amino acid residues in antibodies based upon the variable regions;
"monoclonal antibody"	a homogenous population of antibodies that recognize one epitope only. They are secreted by and purified from hybridoma cell cultures;
"peptide"	a short chain of amino acids;
"phage display"	a technique for the production and screening of novel proteins and polypeptides by inserting a gene fragment into a gene responsible for the surface protein of a bacteriophage. The new protein or antibody fragment appears in the surface coating of the phage, in which it can be manipulated and tested for biological or binding activity to an antigen;
"phase I"	phase I trials are often referred to as "first-in-man studies" as they are the first stage of testing in human subjects;
"phase II"	phase II trials are performed on larger patient groups and are designed to assess how well a drug works, as well as to continue phase I safety assessments in a larger group of volunteers and patients;

"phase III"	phase III trials compare new treatments with the best currently available treatment (the standard treatment). These trials may compare a completely new treatment. Phase III trials usually involve many more patients than phase I or phase II;
"pre-clinical"	testing of drug in non-human subjects to gather efficacy, toxicity and pharmacokinetic information. The stage at which pharmaceutical companies decide whether a drug candidate has scientific merit for further development as an investigational new drug;
"protein expression"	the way in which proteins are synthesised, modified and regulated in living organisms. In protein research, the term applies to the laboratory techniques required to manufacture proteins;
"single cell imaging"	a laboratory technique enabling scientists to study a variety of behaviours and characteristics in populations of individual living cells. In biotechnology applications it can be utilised to ensure a single cell starting material which is critical in stable cell line development;
"specificity"	the ability of an antibody to bind only the desired antigenic determinant. Western blotting can be used to assess the specificity of a product. For example, whether the antibody detects a protein of the correct molecular weight, or if antigen-binding is affected by the presence of the immunising peptide;
"transfection"	the process of deliberately introducing small pieces of purified DNA into cells; and
"transgenic mice"	mice that have had a foreign gene or set of genes deliberately inserted into their genome.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	12 December 2017
Issue of the New Ordinary Shares pursuant to the Placing	18 December 2017
Admission of Enlarged Share Capital and dealings commence on AIM	8.00 a.m. on 18 December 2017
Expected date for CREST accounts to be credited	18 December 2017
Despatch of definitive certificates (where applicable)	by 10 business days post Admission

All of the above timings refer to London time unless otherwise stated. All future times and/or dates referred to in this document are subject to change at the discretion of the Company and Allenby Capital. All times are UK times unless otherwise specified.

ADMISSION AND PLACING STATISTICS

Number of Existing Ordinary Shares	15,383,875
Number of Placing Shares	8,018,293
– New Ordinary Shares	6,707,317
– Existing Ordinary Shares to be sold by Selling Shareholders	1,310,976
Enlarged Share Capital on Admission	22,091,192
Historic Options	508,750
Fully diluted share capital	22,599,942
New Ordinary Shares as a percentage of the Enlarged Share Capital	30.36 per cent.
Placing Price	£0.82
Market capitalisation of the Company at the Placing Price on Admission	£18.11 million
Gross proceeds of the Placing receivable by the Company	£5.50 million
Estimated net proceeds of the Placing receivable by the Company	£4.75 million
AIM symbol	FAB.L
ISIN	GB00BDQZGK16
SEDOL	BDQZGK1
LEI code	213800KBAYRC9VOQ9V39

PART I

INFORMATION ON THE COMPANY

1. Introduction

Fusion Antibodies is a Belfast based, revenue generating and profitable CRO providing a range of antibody engineering services for the development of antibodies for both therapeutic drug and diagnostic applications. The Company's 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. As at the date of this document, clients of the Company have a number of new drugs, which the Company has been involved in the development of through antibody humanisation, which have entered or are proposed to be entering clinical trials.

The Company was established in 2001 as a spin out from Queen's University Belfast. It was initially a drug development business but revised its operations to focus on CRO work in 2011. The Company has recorded profits for the last two financial years, with annual sales of £1.9 million during the year ended 31 March 2017, and had an order book of £1.3 million as at 30 September 2017. In the six months to 30 September 2017, the Company recorded a turnover of £1.4 million. The Company has a highly experienced management team with a combined 47 years' experience in the biopharma industry.

The Company provides a broad range of services in antibody generation, development, production, characterisation and optimisation. These services include antigen expression, antibody production, purification and sequencing, antibody humanisation using the Company's proprietary CDRx™ platform and the production of antibody generating stable cell lines to provide material for use in clinical trials. Since 2012, the Company has successfully sequenced over 250 antibodies and successfully completed over 100 humanisation projects for its clients.

The global monoclonal antibody therapeutics market, which accounted for 43 per cent. of the global biologics market in 2016, was valued at between $85.4 billion and $86.7 billion in 2015 and is forecast to increase at a CAGR of between 8.2 per cent. and 12.2 per cent. for the period 2016 to 2024.

The Company has an international, blue-chip client base, which includes eight of the top ten global pharmaceutical companies by revenue. A significant amount of the Company's revenue is generated from follow on service requests from existing clients, providing good visibility of future earnings.

The Company's growth strategy is based on the expansion of its client base as well as the addition of new services including antibody affinity maturation and development of a mammalian antibody library. This strategy uses the Company's proven technology and expertise and targets expansion both in the UK market and internationally.

The Company has conditionally raised £5.50 million (before expenses) in the Placing through the issue of the New Ordinary Shares. In addition, the Selling Shareholders will also sell 1,310,976 Existing Ordinary Shares as part of the Placing at the Placing Price. The net proceeds of the Placing receivable by the Company (totalling approximately £4.75 million) will be used to expand the Company's existing laboratory space, increase its sales and marketing efforts, for development of the new service lines, as well as providing additional working capital.

The Company intends to expand its current laboratory space, as it expects it will reach capacity in certain areas by March 2018. The Company has secured additional space in the building on its existing site, which will enable it to more than double its facility. The Company intends to complete the fit out of the new laboratory by the end of 2018.

2. Key strengths

The Board considers the key strengths of the Company to be:

Established, profitable business with multiple revenue streams

The Company has been revenue generating since its first year of trading, and has been profitable for the last two financial years. The majority of the Company's revenues are driven by a fee for service model, which

generates revenues from multiple standalone and also by cross sold services to the biopharmaceutical and diagnostic industries. In addition, the Company has completed a number of projects for clients which include payments to the Company on the achievement by the client of certain milestones. The Board believes the Company can increase profitability by including milestone payments as a standard provision in its customer contracts where possible. Where the milestones are achieved, this would generate further revenue for the Company without any additional development expenditure by the Company.

A broad range of services from discovery to clinical supply

The Company offers a suite of services covering multiple stages of the drug discovery and development process. These include the design and development of the antibody itself, assessment of its specificity and affinity, antibody humanisation, protein expression (including biophysical characterisation) for use in in vitro testing and preclinical assessment through to manufacturing scale-up under cGMP for phase I clinical trials supply.

This multi-service offering enables the Company to differentiate itself against providers which only offer services for certain stages of the development process. This saves time by reducing the number of vendors included in a project and thereby the time taken to transfer project specific knowledge and materials between different service providers. The Board believes that this multi-service offering is preferable for a number of clients seeking to reduce timelines and complexity for their time sensitive drug development programs.

High-quality client base

The Company's customer base is diverse and it is not dependent on any single customer. Customers have included eight of the top ten global pharmaceutical companies by revenue.

The Company's top 20 customers by revenue accounted for approximately 67 per cent. of revenues in the year ended 31 March 2017, with no customer contributing more than 15 per cent. of gross revenues. The Company also has a significant level of additional business generated from existing clients, driven by the Company's track record and expertise. The Company has built up an established client base and the Board believes it can expect growth through increased sales and marketing efforts in existing territories including Japan, South Korea and North America, and new geographical territories, including China, Singapore and Taiwan.

Proprietary technology platform – CDRx™

The Company has developed a platform enabling the rapid design and generation of humanised antibody constructs, supplemented by its antibody workbench software. The Company's approach is a modernised and improved version of the more traditional CDR grafting technique, by which antibodies from non-human sources have their amino acid sequence selectively altered to make them more suitable for administration as biologic drugs. The CDRx™ platform has a success rate in antibody humanisation projects in excess of 90 per cent. and has enabled the Company to work with a broader range of clients, humanising more antibodies at an increased rate. The platform increases the number of sequences that can be analysed and also increases the rate at which the analysis is completed compared to traditional techniques.

Technical expertise and scientific know-how

The Company employs a team of experienced scientists comprised of individuals from diverse research backgrounds in Biomedical Chemistry, Clinical Science, Zoology, Genetics and Structural Biochemistry. This diverse background knowledge allows the Company to apply its skills to a broad range of client projects. Due to the technical expertise of the Company's senior scientific team, the Company has commenced the provision of expert scientific witness services to pharmaceutical companies involved in legal disputes.

Experienced Board

The Company's Board has considerable experience in the biopharmaceutical industry and in particular in the antibody generation service sector, gained in both large and small organisations. The executive Directors have technical and scientific expertise in the fields of Genetics, Antibody Discovery, Antibody Engineering, Drug Development and Diagnostics. The Board believes that this expertise is of particular value when dealing with companies seeking a reputable partner to guide early stage projects through the critical steps of antibody development and production.

3. Background and History

Fusion Antibodies was established in 2001 to develop monoclonal antibodies to be used as therapeutics in cancer treatment. In its early years, the Company was primarily focused on oncology and angiogenesis, where immunotherapeutic intervention had a proven track record. As part of the Company's drug development activities, it built up in-house capabilities in the fields of antibody development, protein engineering and protein expression. The Company had initially established these processes in order to service its internal drug development activities, however, the Company's services and expertise also began to be requested by external third parties so it has been providing these services on an outsourced basis since its early stages of operation.

From 2011, the Company ceased its internal drug development efforts due to a decreasing pipeline of candidates and the costs associated with it, and instead progressively focused on the provision of CRO services. The Company's main activity since 2011 has been to support the global biopharmaceutical and diagnostic industries through the development of novel biologic drugs and antibodies for diagnostics tests on an outsourced service provision model. Services were initially provided on a fee-for-service basis. The Company where appropriate, now also seeks to incorporate milestone or royalty payments into its contracts where possible, in addition to the fees charged for its services.

Fusion Antibodies has continued to develop and augment its service and technical capabilities since inception and, in 2012, it launched its proprietary antibody humanisation platform, CDRx™. The Board considers this platform to be a key service in terms of revenue generation and it has helped position Fusion Antibodies as a leading antibody engineering company, both nationally and internationally.

The platform's success has enabled the Company to develop the additional downstream services that follow antibody humanisation, including protein expression, stable cell line development and the associated analytical services. This multi-service approach has supported revenue growth as the Company is able to provide client services from antibody discovery through to clinical supply.

4. The Company's services and technology

The Company offers a range of services for antibody drug discovery and development. The Company specialises in the production of monoclonal antibodies, antibody engineering, antibody humanisation, antibody sequencing and cell line development.

Antibody generation

Antibodies, also known as immunoglobulins, are naturally occurring biological molecules (large Y shaped proteins) which are produced by the immune response in the body to neutralise pathogens such as bacteria and viruses or remove other foreign bodies. Monoclonal antibodies (mAb) are made in the laboratory by identical immune cells that are all clones of a unique parent cell, which are intentionally generated, isolated and engineered to ensure they are as specific and homogenous as possible. Monoclonal antibodies have been a key tool in diagnostic testing for decades and have been employed by the biopharma industry in drug development since the 1980s, with such success that monoclonal antibodies represented six of the top eight selling commercial drugs in 2016.

The Company specialises in the production of murine monoclonal antibodies for therapeutic and diagnostic applications and has to date completed over 200 antibody generation projects. The Company uses a combination of 3D modelling and its scientific expertise to design effective antigens used in the immunisation stage, which helps to successfully generate the specific antibody response required.

The Board believes that the provision of monoclonal antibody generation services at the project inception stage ensures the Company is well positioned to provide downstream antibody engineering and expression services to the client as may be required.

In addition to new antibody development, the Company also provides its engineering and expression services to third parties who have already generated monoclonal antibodies. This offers a range of commercial opportunities including optimisation of expression and security of long-term supply by preserving their existing monoclonal cell lines by genetic engineering and cell line development.

Antibody sequencing

All proteins, including antibodies, are made up of constituent building blocks known as amino acids. The practical process of determining the amino acid sequence is most accurately and cost effectively achieved by DNA sequencing the specific genetic material, which encodes the antibody amino acid sequence. Accurately determining this amino acid sequence is critical for patent applications and antibody engineering projects such as antibody humanisation and, for this reason, antibody sequencing is a highly demanded service.

The Company provides a number of services for antibody sequencing, ranging from a rapid sequencing option, named Fusion Antibodies Accelerated Antibody Sequencing Technology (FAAST), through to a comprehensive full antibody sequencing service. Due to the complexity of antibody structures, accurately identifying the critical antigen/target binding residues and related structural features or anomalies within an antibody sequence is important in the antibody engineering process and requires the appropriate scientific expertise.

Since 2012, the Company has sequenced over 250 antibodies for a diverse range of biopharmaceutical, diagnostic and academic research clients and this continues to serve not only as a valuable standalone service, but also offers the potential to introduce those customers to the Company's downstream services as detailed below.

Transient protein expression

Protein expression is the biotechnological process of generating a specific protein for research or commercial applications. It is typically achieved by the manipulation of a gene in an organism such that it expresses large amounts of a recombinant gene, which in turn can then produce a large amount of the specific protein or antibody. This manipulation often involves the introduction of small pieces of new DNA into the cell, a process known as transfection.

There are two types of transfection, transient and stable, and the Company employs both methods. In transient transfection, the nucleic acids or DNA introduced into the transfected cell are not permanently incorporated into the cellular genome. This method is useful for short-term expression of proteins on a small-scale. Stable transfection is a longer and more complex process, mainly reserved for protein production on a large scale and is employed by the Company in its stable cell line development projects.

The Company's scientific team has a high level of technical expertise and experience gained from running successful expression projects for a number of years. The Company focuses on bacterial and mammalian expression systems, including *E.coli* (bacterial) and CHO (mammalian) cell lines. The Company's protein expression process enables the progression from genes to proteins in a few weeks. The process starts with the DNA sequence of interest being cloned (or added) into vectors which are genetic vehicles for delivering foreign DNA into recipient cells. Once inside the cell, cell growth is then optimised, the antibody is expressed followed by downstream purification, resulting in expression levels of typically 100-700 mg/L, with the characteristics defined in the client's specification.

CDRx™ Antibody Humanisation Platform

Antibody humanisation techniques are used to convert antibodies derived from mice, rabbits (or other species) into antibodies suitable for human applications. The principal purpose for this step is to make these foreign proteins more similar to human proteins, and thereby reduce the likelihood of them being rejected by the body's immune response before they have had the time to bring therapeutic benefit to the patient. This is achieved through limiting the non-human amino acid sequences to just a small percentage of the total antibody. As a result, humanised mAbs have, on average, lower immunogenicity than chimeric or other non-humanised mAbs.

The Company's approach to antibody humanisation is based on a modernised version of the more traditional CDR grafting technique, whereby a range of mature human antibody frameworks are carefully selected utilising a bespoke *in silico* database driven program developed for the Company.

CDRx™ key features and benefits

The Company's proprietary CDRx™ platform enables the rapid, accurate and detailed analysis of antibody CDRs (the variable part of the antibody that gives it its unique specificity) utilising custom algorithms combining the three main CDR identification methods: IMGT, Kabat and Chothia.

Following CDR identification, the platform aligns the starting sequence with multiple databases of over 100,000 naturally occurring, fully human antibody sequences, from which the optimum antibody frameworks are then selected by a combination of a computer algorithm and scientist based review. This software and extensive knowhow are key to the humanisation process and the Board believes it provides a market leading solution for antibody humanisation.

The deliverables from this humanisation process are a selection of typically 25 humanised antibody variants, retaining the specificity and affinity of the original non-human antibody.

CDRx™ commercial milestones

- The Company has completed over 100 antibody humanisation commercial projects;
- Successfully humanised parental antibodies including from rabbit, hamster, mouse, rat, avian and llama;
- The Company has a commercial agreement with MAB Discovery for the high throughput humanisation of MAB Discovery's antibodies. This has included the humanisation of over 350 antibodies in one project. To enable this high throughput, the Company has developed a multiplex version of the CDRx™ platform to allow the simultaneous humanisation of multiple non-human targets; and
- A number of new drug candidates, that been humanised via Fusion Antibodies' CDRx™ platform, have entered or are proposed to be entering clinical trials as of 2017. Insofar as the Board is aware, one candidate is in phase II trials, with further drug candidates expected to commence phase I trials over the next 12 months.

Due to the timescales involved in the development of a biologic drug, there is typically a three or more-year gap between the antibody humanisation stage and the drug candidate entering phase I of clinical trials. Since 1 January 2012, the Company has worked on over 100 antibody humanisation projects, of which eight contain milestone payment terms. The Board anticipates that a number of these projects will enter clinical trials over the three-year period following Admission. In addition, within this period, the Board anticipates that there will be the opportunity for the Company to provide its stable cell line development services to the drug developers.

Stable cell line development

The Company offers a range of cell lines for development, including; CHOvolution™ (CHO-K1), CHO-S, HEK293 and CHO DG44. The Company utilises single cell imaging during its cloning process, which optically verifies (using microscopy and image capture technology) a single cell starting point, which reduces development time by several months compared to traditional limiting dilution approaches. The Company also has expertise in clone selection and characterisation, which leads to the identification of high expressing, stable clones which are necessary for downstream development. The Company has entered into a partnership with Celonic AG, which enables the Company to provide clients with project support through to the cGMP production stage. The option to seamlessly transfer stable cell lines to a cGMP partner is a valuable part of the Company's service offering, helping not only attract, but also retain clients as the Company is able to support them throughout the entire course of their drug development process.

Expert scientific consultancy and legal services

Dr Richard Buick, the Company's CTO, has been called as an expert legal witness in patent dispute cases to provide information on results of corroborating experiments performed at the Company. The first case centred on determining and verifying an antibody sequence in frozen cells and comparing it to a patent protected antibody sequence. This resulted in Dr Buick giving a legal deposition in the State of Delaware, USA in a case involving two of the world's leading global pharmaceutical companies. The second case centred on patent validity involving the expression and purification of one of the highest selling therapeutic antibody based drugs on the market. Dr Richard Buick has been retained for consultancy services, expert opinion and testimony evidence for the experimental results being generated by the Company and others.

The Board believes that given the nature of the work, these services will have a positive influence on the Company's reputation as an expert in its field.

As more therapeutic antibodies are developed and the first-to-market antibodies reach the end of their patent protection, the Board expects demand for scientific consultancy and expert legal services to increase. The Board considers that given the Company's experience in this area, there is a good opportunity for the Company to undertake further scientific consultancy and legal work.

Further information on the Company's technology and services is set out in the technical report in Part III of this document.

5. New service development

In addition to those services described above, the Company has the following new services under development:

Antibody affinity maturation

Antibody affinity maturation is the process of improving the binding strength, or affinity, of an antibody to its target protein. Small increases in affinity can greatly improve the efficacy of an antibody, improving its therapeutic effectiveness, and could reduce the dosage of antibody required to have a therapeutic effect or function as a diagnostic, thereby reducing the cost. In some cases, only antibodies with a particular level of high affinity can detect a low-abundance protein, and it may not be possible to make these antibodies via conventional methods. Therefore, affinity maturation is a service that is already being requested by several of the Company's clients. The Company has commenced the development of this service and the Board anticipates that, once launched, it will be offered as an independent service or in combination with the Company's other antibody engineering services to the biopharmaceutical industry.

Creation of a mammalian antibody library

Antibodies can currently be generated through the injection of antigens into animals such as mice, rabbits or sheep; or they can be discovered through display technologies such as phage-display, which displays a library of antibodies on the surface of a cell or other body and then links the individual antibody with its genetic code to allow for amplification. The current technology for phage-display is limited to using non-mammalian cells which can result in antibodies being selected which have poor expression and yield when transferred to a mammalian system. The Company intends to develop a mammalian antibody display library to overcome these limitations, which the Board believes would provide significant scientific and commercial benefits for drug developers in terms of speed, therapeutic effectiveness and manufacturability. The Board believes that the Company will be able to provide access to this library on a licence and royalty basis.

6. Commercial partnerships

The Company currently has in place commercial partnerships to support the Company's antibody discovery and clinical supply services.

Antibody discovery

Further to its in-house monoclonal antibody development capabilities, the Company also has a commercial partnership with MAB Discovery, a company started by former Roche Pharma Research senior executives. MAB Discovery has its own proprietary platform that is a highly automated antibody production workflow, which screens individual antibody secreting rabbit B-cells, leading to the identification of high affinity, highly diverse and functional antibodies. These rabbit antibodies, as with the mouse monoclonal antibodies, then require humanisation and this can be effected under the commercial partnership with MAB Discovery via the Company's CDRx™ platform.

Clinical supply

The Company also has a commercial partnership with a cGMP supplier, Celonic AG, which supports the Company's cell line development services. Through the partnership, the Company is able to use Celonic AG's cGMP, FDA and EMA approved CHO cell line to increase the quantity of antibodies that can be manufactured. In addition, the Company and Celonic AG have embarked on a co-marketing strategy

whereby the Company promotes its antibody development services alongside Celonic AG's cGMP clinical production services for clinical trials.

The Board will continue to review and assess future joint venture and partnership opportunities on a case by case basis and would pursue these in instances where they considered there to be an opportunity to enhance shareholder value.

7. Revenue Model/Sales

A typical client contract will include a combination of the Company's services and to date the Company has been paid on a fee for service basis. Whilst the Company has completed a small number of projects which included milestone based success payments, due to the drug development process, these projects are yet to reach any of the milestones which would result in an additional payment to the Company.

The Company is increasingly seeking milestone based success payments for its proprietary services including antibody humanisation. Where possible, these milestone-based success payments are sought in line with industry standard milestones, such as the drugs reaching phase I, phase II and phase III clinical trials. Should these drugs reach the predetermined milestones at a point in the future then the Company would be entitled to receive additional payments from the developers.

8. Customers

The Company has built up an international client base which includes eight of the top ten global pharmaceutical companies by revenue as well as many of the top ten biotech and diagnostic companies by revenue. The Company also works with universities and government agencies engaged in research and development projects. The Company has an international client base and in its financial year ended 31 March 2017, 16 per cent. of revenue was generated from the UK, 44 per cent. of revenue was generated from the rest of Europe, 39 per cent. was generated from North America and one per cent. was generated from other regions.

The Company has sales agents in North America and Japan and appointed a distributor for China in May 2017. The Company intends to progress development in new markets, and is targeting expansion in existing territories, including Japan, South Korea and North America, and new geographical territories, including China, Singapore and Taiwan. The Company's client base does not show a geographical preference in terms of demand for services.

The Company's top 20 customers by revenue accounted for approximately 67 per cent. of revenues in its financial year ended 31 March 2017, with no customer contributing more than 15 per cent. of gross revenues.

Whilst the majority of the Company's historical sales have been to the biopharmaceutical industry, the Company has seen growth in demand for its services from the diagnostics industry for the development and engineering of antibodies for research and commercial diagnostic applications. The Board considers there to be an opportunity to increase revenue generated from sales to diagnostics companies.

9. Industry overview

The monoclonal antibody therapeutics market is a sub-set of the biopharmaceutical market, which is itself a sub-set of the overall pharmaceutical industry. Total health expenditure represented 9.9 per cent. of global GDP in 2014 and in 2015 OECD member countries spent on average 17 per cent. of their total healthcare budget on pharmaceuticals.

In 2015, the global pharmaceutical market for drug sales reached $1.1 trillion and is forecast to reach $1.5 trillion by 2021. Oncology is the largest therapeutic area and generated 10.7 per cent. of all pharmaceutical market revenues in 2015. This has been estimated to increase to 16.3 per cent. by 2022.

Being first to market with the safest, highest-performing, most cost-effective products has become increasingly crucial to success for pharmaceutical companies. This has led to the need for highly efficient and responsive contract development and manufacturing organisations ("**CDMOs**") that can serve as long-

term partners in the development process. Access to novel technologies for addressing drug delivery challenges is also essential for a company within this sector.

Research has shown that, previously, companies would outsource to CDMOs in order to reduce costs associated with development and production of antibodies. This has changed significantly, and reducing costs was not within the top five reasons for respondents to the 2016 Nice Insight CDMO Outsourcing survey. Improving quality and efficiency, gaining competitive advantage and operational or technical expertise, as well as reducing the risk of supply shortages were identified most frequently.

The biopharmaceutical market

The global biologics market was valued at US $209 billion in 2016 and is expected to expand by 10.9 per cent. CAGR from 2016 to 2024 to US $479 billion. In 2016, eight of the top ten selling pharmaceutical drugs globally were biologics.

Biologic drugs are split across several classes including monoclonal antibodies, vaccines, recombinant hormones/proteins, cell therapy and gene therapy. They provide a class of therapeutics for diseases previously treated with small molecule drugs as well as a type of novel treatment for previously untreatable diseases. Other factors that have contributed to the rise in the importance of biologics include greater patient access to chronic disease treatments and breakthrough innovations in drug therapies.

The monoclonal antibody therapeutics market

The global monoclonal antibody therapeutics market, which accounted for 43 per cent. of the global biologics market in 2016, was valued in 2015 at between $85.4 billion and $86.7 billion and is forecast to increase at a CAGR of between 8.2 per cent. and 12.2 per cent. for the period 2016 to 2024. The growth in the market is as a result of an increase in the rate of therapeutic monoclonal antibody approvals and with time expansion and broadening of indications.

The rate of approval of monoclonal antibodies has increased over the recent years. In 2014, eight products were approved and this increased to ten approvals in 2015 with a further 10 therapeutic monoclonal antibody products approved by the FDA in 2016. As at July 2017, a further eight products had been approved in 2017.

Biologic drug discovery outsourcing market

The 2016 Nice Insight Contract Research – Preclinical and Clinical Survey (CRO Outsourcing survey) and Nice Insight 2016 Contract Development & Manufacturing Survey (CDMO Outsourcing survey), January 2016, identified that 77 per cent. of pharmaceutical companies outsource services or operations to CDMOs, contract manufacturing organizations ("**CMOs**") and CROs. The global pharmaceutical outsourcing market was estimated to be worth $113.7 billion in 2016, of which 49 per cent. was accounted for by CROs. Of the $55.7 billion CRO market, 31.2 per cent. was attributable to discovery-based services ($17.4 billion in 2016) and the remaining 68.8 per cent. was attributable to preclinical and clinical services.

Biologic Drug Manufacturing Market Value

The global pharmaceutical contract manufacturing market was valued USD 65.10 billion in 2016 and is projected to reach USD 94.38 billion by 2022, at a CAGR of 6.36 per cent. from 2017 to 2022.

The biologics CMO market was valued at $5.3 billion in 2015, with an expected CAGR of 8.3 per cent. Further growth is currently impacted by a greater preference for in-house production for biologics amongst the major companies, which has hindered outsourcing levels reaching the levels seen for small molecules.

Further details on the monoclonal antibody market are set out in the technical report contained in Part III of this document.

10. Regulatory overview

Whilst the Company's CRO services are not directly regulated by the FDA, the development of biopharmaceutical products, as with all medicines, is subject to stringent regulations that govern the R&D programme that must be conducted to demonstrate that a product is safe and effective, and that its quality can be maintained each time it is manufactured. The manufacture of products incorporating the Company's technologies is required to be undertaken according to current Good Manufacturing Practice in order for

such products to be used in clinical trials. The Company does not have a cGMP compliant manufacturing capability and therefore the manufacturing of cell lines it produces for its clients is undertaken by a cGMP manufacturer, such as the Company's partner, Celonic AG.

11. Competition

The development of biologic drugs is a highly technical process, with a variety of approaches including the immunisation of animals or transgenic animals, or phage-display.

There is a broad range of competitors for several aspects of the development of biologic drugs, including the choice of discovery platform, downstream engineering, protein expression services and associated analytical testing. The Board believes the Company competes with each of these solution providers primarily on technical skill, reputation and service quality and has a record of accomplishment for delivering high affinity antibodies with good manufacturability.

The Board believes that the Company's main competitors are other CRO businesses as well as in-house teams at large pharmaceutical firms, where they will outsource when reaching capacity or when they encounter a problem that requires outside expertise.

Further details on the Company's competition are set out in the technical report contained in Part III of this document.

12. Research and Development

Prior to 2011, the Company was primarily a drug discovery and development company focussing on monoclonal antibody based drugs to treat cancer.

Since 2011, the focus of the Company has been the service business providing the same drug discovery and development services for external clients. Current R&D is, therefore, focussed on the further development of the current services as well as investigating and developing new technologies that can enhance the service offering.

There are two major technologies that the Company is developing:

- antibody affinity maturation, and
- a mammalian antibody library for human antibody discovery.

Further details on these areas of development are set out in paragraph 5 of this Part I.

13. Intellectual Property

The Directors regularly consider whether it would be appropriate to seek protection over the processes and know-how contained within the Company, in particular with the Company's CDRx™ platform. The Directors have taken the view that it is in the best interests of the Company to keep the know-how and expertise behind the CDRx™ platform confidential, and therefore have not pursued a patent for the platform.

The Company holds legacy patents in respect of the cancer drugs Fsn0503 and Fsn1006. However, the Company is no longer renewing the patents in respect of Fsn1006 in the various territories where they are filed, and it is intended that they will be allowed to lapse in due course. The Company will assess the business case for renewal of the patents in respect of Fsn0503 on an annual basis, and renew these where appropriate. The Company also holds joint patent protection on a Tuberculosis diagnostic kit in the UK, Ireland and USA with Enfer Technology Limited. There are no written agreements in place regulating the joint ownership of these patents. The Company does not attach significant commercial value to any of the above patents currently, but that may change in future.

It is intended that patent protection will be sought for the mammalian human antibody library developed by the Company in due course. The Company will also consider patent opportunities around its affinity maturation service.

14. Summary financial information

The following financial information on the Company for the three years ended 31 March 2017 and the six months ended 30 September 2017 has been derived from the financial information contained in Part IV Section B and Part V of this document, prepared in accordance with IFRS, and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

	6 months to 30 September 2017 Unaudited £	*6 months to 30 September 2016 Unaudited* £	*Year ended 31 March 2017* £	*Year ended 31 March 2016* £	*Year ended 31 March 2015* £
Revenue	1,414,081	830,053	1,913,956	1,481,265	909,294
Gross profit	817,218	379,231	961,497	863,210	448,854
Net operating costs	(965,370)	(311,500)	(834,967)	(835,525)	(547,641)
Net finance costs	(2,375)	(615)	(615)	(496)	(664)
(Loss)/profit before tax	(150,527)	67,116	125,915	27,189	(99,451)
Taxation	(15,853)	(25,331)	(5,961)	1,126,903	14,339
(Loss)/profit	(166,380)	41,785	119,954	1,154,092	(85,112)

This information refers to past performance. Past performance is not a reliable indication of future results.

15. Current Trading and Prospects

Trading from 1 October 2017 has continued in line with management's expectations and the Board is confident that this will continue. Receipt of sales orders remains in line with the Board's expectations and two new members of staff have been added to the business development team in October 2017 to promote further sales growth.

Beyond the current financial period, the Board believes that geographical expansion and the provision of new services will be key drivers for revenue growth. The Board believes that there will be significant demand for its affinity maturation service. The affinity maturation service pilot launch is expected during the current financial year.

16. Details of the Placing and Admission

The Company is proposing to raise approximately £5.50 million by the conditional placing of 6,707,317 New Ordinary Shares pursuant to the Placing at the Placing Price. In addition, the Selling Shareholders will also sell 1,310,976 Existing Ordinary Shares as part of the Placing at the Placing Price. The New Ordinary Shares will represent approximately 30.36 per cent. of the Enlarged Share Capital on Admission and rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions declared, made or paid in respect of the Ordinary Shares. Allenby Capital has conditionally agreed, pursuant to the Placing Agreement and Selling Shareholder Agreements and as agent for the Company and the Selling Shareholders, to use its reasonable endeavours to procure institutional and other subscribers for the Placing Shares at the Placing Price. The Placing has not been underwritten and is conditional, *inter alia*, upon Admission and the Placing Agreement and Selling Shareholder Agreements not being terminated by 8.00 a.m. on 18 December 2017 (and in any event no later than 8.00 a.m. on 8 January 2018).

The Placing Agreement contains certain warranties from the Board and the Company and an indemnity from the Company in favour of Allenby Capital in relation, *inter alia*, to the accuracy of the information contained in this document and certain matters relating to the Company. Allenby Capital has certain rights to terminate the Placing Agreement prior to Admission, including for a material breach of warranty or the occurrence of certain *force majeure* events. Further details of the Placing Agreement are set out in paragraph 14 of Part VI of this document.

Application has been made for admission of the Enlarged Share Capital to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on 18 December 2017.

On Admission, the Ordinary Shares will have the ISIN GB00BDQZGK16, SEDOL BDQZGK1 and LEI code 213800KBAYRC9VOQ9V39. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

17. Strategy and use of proceeds

The Company's strategy is to continue its organic growth as a provider of services to companies involved in biologic drug development. This organic growth will be targeted though: (i) the increase in capacity at the Company's headquarters in Belfast; (ii) targeting new customers particularly drug development and diagnostics companies; (iii) expansion in existing territories including Japan, South Korea and North America and new geographical territories, including China, Singapore and Taiwan; and (iv) the launch of the affinity maturation service and production of a mammalian antibody library for human antibody discovery.

In addition, the Board will pursue opportunities to grow the Company through strategic partnerships or acquisitions of complementary businesses, where the Board considers there to be synergies with the existing business and the opportunity to enhance shareholder value.

The net proceeds of the Placing receivable by the Company, which are expected to total approximately £4.75 million, will be applied as follows:

- fit out and expand new laboratory and office facilities – £2.60 million;
- increase the Company's sales and marketing capabilities – £0.70 million;
- new product development – £1.00 million; and
- working capital – £0.45 million.

Fit out and expansion of new laboratory facilities

The Company currently has one facility in Belfast, Northern Ireland, which comprises of approximately 10,000 sq ft of combined laboratory and office space. As a result of the growth of the Company over the past five years, the Board anticipates that the Company will reach capacity in certain areas by the end of March 2018. The Company has secured an additional 16,000 sq ft of space in the building in which it currently operates, adjacent to the existing offices and laboratory. This will be fitted out as new laboratory and office space. It is anticipated that the new facilities will be operational by the end of 2018.

Sales and marketing

To date, the Company has relied on in-bound web based marketing enquiries and word of mouth referrals in addition to repeat business generated from existing clients, with limited outbound sales and marketing activity aside from occasional conference/exhibition attendance supplemented with business development trips. Despite this limited outbound business development, the Company has built up an established client base and is experiencing growth through the technical reputation of the Company's scientists and the quality of the services offered. The Company's strategy following Admission is to implement a number of sales, marketing and service provision objectives in order to increase sales.

New product development

Following Admission, the Company will continue to invest in new products and services areas, including affinity maturation services and the production of a mammalian antibody library for human antibody discovery.

Further details on these areas of development are set out in paragraph 5 of this Part I.

18. Directors & Proposed Director

Details of the Directors and the Proposed Director, their roles and their backgrounds are set out below.

Dr Simon Gordon Douglas PhD FRSA, *Chairman*, aged 59

Dr Douglas has over 30 years' experience in the biotech industry, including ten 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 the Chief Executive and raised £9.6 million in a rights issue.

He then become the Chief Executive Officer ("**CEO**") of the embryonic start-up company, DNA Research Innovations Ltd ("**DRI**"), growing the company for four years and completing two rounds of venture capital financing. In November 2004, under his leadership, DRI was acquired by the Invitrogen Corporation Inc for $65 million. After a period with Invitrogen, Dr Douglas joined Fusion Antibodies in 2006 as the CEO and in 2011 moved to his current Chairman role. During that period, he was also the Executive Chairman of Scottish based Lab901 Limited where he completed several rounds of funding, both venture capital and private equity, and sold the business in 2011 to Agilent Technologies Inc. He is also currently the CEO of the venture capital backed diagnostic Company Biofortuna Ltd and an advisor to two medical device start up companies, C-Major Limited and BeamLine Diagnostics Ltd.

Dr Paul Gerard Kerr, *Chief Executive Officer*, aged 45

Dr Kerr has over 20 years' experience in the biopharmaceutical industry. He has over 15 years' experience with Fusion Antibodies, initially in a variety of technical roles followed by eight years in business development, where he was responsible for developing the Company's contract research services and seeking partners for the drug assets discovered and validated. Dr Kerr has a PhD from Queen's University Belfast in monoclonal antibody diagnostics. Previous roles were developing monoclonal antibodies at The Queens University of Belfast and Veterinary Sciences Division, Stormont laboratory and ELISA development & testing services at Campden BRI, Chipping Campden, Gloucestershire. Dr Kerr joined the Company as a Director and was appointed as CEO in 2011.

Dr Richard John Buick, *Chief Technical Officer*, aged 41

Dr Buick has more than 19 years' experience in the biopharmaceutical industry. After graduating with a 1st Class Honours degree in Genetics, he spent four years at Randox Laboratories, discovering novel antibodies for diagnostics from synthetic libraries. He joined Fusion Antibodies in 2002, where he was responsible for overseeing the Company's contract research services and production of all reagents required for the research and development of internal drug assets. Dr Buick has a PhD from Queen's University Belfast in Immunology. He joined the Company as a Director and was appointed CTO in 2011, managing all scientific projects and Fusion Antibodies' patent portfolios. In addition, Dr Buick has, since 2015, been appointed as a legal expert witness in a number of drug patent dispute cases.

James Alexander Fair FCA, *Chief Financial Officer*, aged 51

Mr Fair has eight years' experience working in the bioscience sector. A mathematics graduate, he qualified as a chartered accountant in 1992 having trained with a big four firm. He has been head of finance with Fusion Antibodies for eight years on a secondment basis and joined the Company as a Director full time on 1 August 2017, where he is responsible for all aspects of financial management including internal and external financial reporting. He has been involved in the growth of the business and previous raisings for the Company.

Mr Fair's previous experience has included senior management positions in internal audit, business and professional practice where his recent experience was in advising and supporting start up and spin out companies from Northern Ireland entrepreneurs and both local Universities.

Sonya Maria Ferguson, *Senior Independent Director*, aged 46

Ms Ferguson is an experienced senior director working in the pharmaceuticals industry. She is currently senior director of Q^2 Solutions, a Quintiles Quest joint venture, which is a leading global clinical trials laboratory services organisation. Her previous roles include Quintiles itself and over 18 years with Randox Laboratories. Ms Ferguson joined the Company as a Director in 2016 and is a member of the Company's remuneration committee.

Dr Alan Mawson, *Non-Executive Director*, aged 75

Dr Mawson is a venture capital fund manager, the founder and now non-executive chairman of Clarendon Fund Managers Limited ("**Clarendon**"). He was an initial director of the General Partner of the Rainbow Seed Fund, now a £24 million fund, set up to commercialise technology arising from the UK public sector research laboratories, and of other fund management companies. A Master of Science of the Sloan School, MIT, Cambridge, Mass., a former consultant with McKinsey & Co, Director of Research at Wiggins Teape and Chair of Council of the University of Salford, Dr Mawson, an organic and polymer research chemist, joined the Company as a Director in 2004 as a representative of Clarendon. Clarendon is the fund manager for Nitech Growth Fund LP and Viridian Growth Fund LP which, in aggregate, will hold an interest in 9.91 per cent. of the Enlarged Share Capital on Admission. Dr Mawson is a member of the Company's audit committee.

Colin James Walsh, *Non-Executive Director*, aged 62

Mr Walsh is chief executive and founder of Crescent Capital NI Limited ("Crescent Capital") and has been an active venture capital investor in the high-tech sector for the past 28 years. He has considerable experience of business strategy and governance issues, mentoring senior management plus the restructuring, growth and development of companies across many sectors. He has served on numerous boards including both as a director and chair of Andor Technology plc, an AIM listed company and Trafficmaster plc, a LSE main market listed company. A former chair of the CBI for Northern Ireland, he joined the Company as a 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, which in aggregate will hold an interest in 15.32 per cent. of the Enlarged Share Capital on Admission. Mr Walsh is the chair of the Company's remuneration committee.

Timothy William Watts, *Proposed Non-Executive Director*, aged 60

Mr Watts has over 25 years' experience in the pharmaceutical and biotech sectors. He qualified as a chartered accountant with Coopers & Lybrand before moving to HJ Heinz. He subsequently joined ICI in 1985, initially in the corporate headquarters before moving into the ICI Pharmaceuticals Division in 1990 (subsequently spun out of ICI into Zeneca PLC) where he held a range of positions, both financial and in general management, before being appointed Finance Director of the Zeneca Pharmaceuticals business in 1998. Following Zeneca's merger with Astra he became Group Financial Controller of AstraZeneca PLC in 2002. In 2007 Mr Watts was appointed CFO of Archimedes Pharma, a private equity backed specialty pharma company, where he served for 4 years. In February 2012 Mr Watts was appointed CFO and board member of Oxford BioMedica PLC, a leading gene and cell therapy company. He retired from Oxford BioMedica at the end of September 2017. Mr Watts is a member of the Institute of Chartered Accountants in England & Wales and the Association of Corporate Treasurers. He also was a director of the UK's BioIndustry Association from 2013 to 2017. Mr Watts will chair the Company's audit committee.

19. Lock-ins and orderly market arrangements

The Locked-In Parties (which includes the Directors) have undertaken to Allenby Capital that they will not, and will procure that their connected persons (within the meaning of Section 252 of the Act) will not, during a period of 12 months from the date of Admission, sell or otherwise dispose of, or agree to sell or dispose of, any interest in Ordinary Shares held by them. In addition, in order to maintain an orderly market in the Ordinary Shares, the Directors have undertaken for a further 12 months from the first anniversary of Admission not to dispose of any Ordinary Shares held by them, except following consultation with, and (subject to certain exceptions) through, Allenby Capital as the Company's broker.

The Orderly Market Parties have undertaken to Allenby Capital that, conditional upon Admission, for a period of 24 months from Admission, save for certain exceptions, they will not sell, transfer or dispose of any interest in the New Ordinary Shares without the prior written consent of both the Company and Allenby Capital and any such sale or disposal of New Ordinary Shares will generally be effected through Allenby Capital (with a view to ensuring an orderly market in such securities).

On Admission, the Locked-In Parties and their families and connected persons (each within the meaning of the AIM Rules) will be interested in 9,320,858 Ordinary Shares, representing approximately 42.19 per cent. of the Enlarged Share Capital. In addition, the Orderly Market Parties and their families and connected persons (each within the meaning of the AIM Rules) will be interested in 2,912,673 Ordinary Shares, representing approximately 13.18 per cent. of the Enlarged Share Capital.

Details of these lock-in and orderly market arrangements are set out in paragraphs 15.3 and 15.4 of Part VI of this document.

20. Corporate Governance

The Corporate Governance Code applies only to companies on the Official List and not to companies admitted to AIM. However, the Board recognises the importance of sound corporate governance and intend that the Company will comply with the provisions of the QCA Code, insofar as they are appropriate given the Company's size, stage of development, and resources. As the Company grows, the Board intends that it should develop policies and procedures which reflect the QCA Code, so far as it is practicable taking into account the size and nature of the Company in the future.

The Directors are, and following Admission the Board will be, responsible for formulating, reviewing and approving the Company's strategies, budgets and corporate actions. Following Admission, the Company intends to hold Board meetings at least eight times each financial year and at other times as and when required.

The Company has established an audit committee and a remuneration committee of the Board with formally delegated duties and responsibilities. In the event of any new director appointments being proposed, the Board will need to meet as a whole to discuss and as such no nomination committee is to be constituted.

The audit committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. As well as ensuring compliance with the AIM Rules, it will receive and review reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The audit committee will meet not less than three times in each financial year and will have unrestricted access to the Company's auditors. On Admission, the members of the audit committee will be Timothy Watts, who will act as chairman of the committee, and Alan Mawson.

The remuneration committee will review the performance of the executive directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. The committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. In exercising this role, the members of the remuneration committee shall have regard to the recommendations put forward in the Corporate Governance Code and the QCA Code. The remuneration committee will meet not less than twice in each financial year. On Admission, the members of the remuneration committee will be Colin Walsh, who will act as chairman of the committee, and Sonya Ferguson.

21. Dividend policy

The Board considers that it is in the best interests of Shareholders for the Company to focus on capital growth at the current time. The Board therefore intends, during the Company's current phase of development, to retain future distributable profits from the business to the extent that they are generated. The Board does not intend to declare or pay a dividend in the immediately foreseeable future but, subject to, *inter alia*, the availability of sufficient distributable profits, intend to commence the payment of dividends when it becomes commercially prudent to do so and intend to adopt a progressive dividend policy thereafter.

22. Share dealing policy

The Company has adopted a share dealing policy for dealings in securities of the Company by the Board and certain employees which is appropriate for a company whose shares are traded on AIM. This constitutes the Company's share dealing policy for the purpose of compliance with UK legislation including the Market Abuse Regulation and the relevant part of the AIM Rules.

It should be noted that the insider dealing legislation set out in the UK Criminal Justice Act 1993, as well as provisions relating to market abuse under the Market Abuse Regulation, will apply to the Company and dealings in Ordinary Shares.

23. Applicability of the Takeover Code

The Company is a public company incorporated in Northern Ireland, and application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. The Takeover Code applies, *inter alia*, to all companies who have their registered office in the UK, Channel Islands or Isle of Man and whose securities are traded on a regulated market in the UK or a multilateral trading facility (such as AIM) or a stock exchange in the Channel Islands or Isle of Man. Accordingly, the Takeover Code applies to the Company and, therefore, Shareholders are entitled to the protections afforded by the Takeover Code. The Takeover Panel has statutory powers to enforce the Takeover Code in respect of companies to which the Takeover Code applies.

Under Rule 9 of the Takeover Code, where any person acquires, whether by a series of transactions over a period of time or otherwise, an interest (as defined in the Takeover Code) in shares which, taken together with shares in which he is already interested or in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, that person is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, Rule 9 of the Takeover Code also provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry more than 30 per cent. of the voting rights of such company, but does not hold shares carrying 50 per cent. or more of such voting rights, a general offer will normally be required if any further interest in shares is acquired by any such person.

Under the Takeover Code, a concert party arises when persons, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for that company. Under the Takeover Code, "control" means an interest, or aggregate interest, in shares carrying 30 per cent. or more of the voting rights of a company, irrespective of whether the interest or interests give de facto control.

If a "takeover offer" (as defined in section 974 of the Act) is made and the offeror, by virtue of acceptances of such offer, acquires or contracts to acquire not less than nine tenths in value of the Ordinary Shares to which the takeover offer relates, then the offeror has the right to acquire compulsorily the remaining Ordinary Shares of the minority Shareholders for the offer price within a fixed period. In certain circumstances, the minority Shareholders also have the right to require the offeror to buy their Ordinary Shares at the offer price within a fixed period.

24. Management incentive scheme

The Board considers that share awards will be an important part of the Company's remuneration and incentive policy for senior employees and the Board. As at the date of this document, Historic Share Options over a total of 508,750 Ordinary Shares have been granted to certain members of the Board and employees pursuant to a Historic Share Option Scheme which has now been closed. Further, on 11 December 2017, the Company adopted the New Share Scheme, the purpose of which is to align the interests of employees of the Company with Shareholders, improve employee retention and provide an additional focus for management on key measures of the long-term business performance of the Company. As at the date of this document, no options have been granted under the recently adopted New Share Scheme. Grants under this scheme will be made at the discretion of the Company's remuneration committee.

Further details of options granted and the New Share Scheme are as set out in paragraph 6 of Part VI.

25. Settlement and CREST

To be traded on AIM, securities must be able to be transferred and settled through the CREST system, which is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations.

The Ordinary Shares will be eligible for CREST settlement. Accordingly, following Admission settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates are able to do so.

For more information concerning CREST, Shareholders should contact their brokers or Euroclear at 33 Cannon Street, London EC4M 5SB or by telephone on +44 (0)207 849 0000.

26. EIS and VCT status

The Company has received provisional advanced assurance from HMRC that the Eligible Shares to be issued pursuant to the Placing will rank as "eligible shares" for the purposes of EIS and will be capable of being a "qualifying holding" for the purposes of investment by VCTs, however, neither the Company nor the Board nor any of the Company's advisers give any warranty or undertaking that such reliefs will continue to be available and not withdrawn at a later date.

27. Taxation

The attention of investors is drawn to the information regarding taxation which is set out in Part II and in paragraph 10 in Part VI of this document. That information is, however, intended only as a general guide to the current tax position under UK taxation law for certain types of investor. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their professional advisers.

28. Shareholder notification and disclosure requirements

As a company incorporated in Northern Ireland and admitted to trading on AIM, the Company will be subject to certain provisions of the Disclosure Guidance and Transparency Rules and, consequently, Shareholders are required to disclose to the Company the level of their interests in Ordinary Shares in accordance with those rules.

29. Anti-Bribery policy

The government of the United Kingdom has issued guidelines setting out appropriate procedures for all companies to follow to ensure that they are compliant with the Bribery Act 2010 ("**Bribery Act**") which has been in force since 1 July 2011. In the light of the Bribery Act the Company has in place an anti-bribery and corruption policy and has implemented procedures the Board consider appropriate. The Board will keep compliance under review.

30. Additional information

Your attention is drawn to the information included in Parts II to VI of this document. In particular you are advised to consider carefully the risk factors contained in Part II of this document.

PART II

RISK FACTORS

This document contains forward looking statements, which have been made after due and careful enquiry and are based on the Board's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. These forward-looking statements are subject to, *inter alia*, the risk factors described in this Part II. The Board believes that the expectations reflected in these statements are reasonable, but they may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement.

Factors that might cause a difference include, but are not limited to, those set out in this Part II. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such forward-looking statements in the document to reflect future events or developments.

Investing in the Company is speculative and involves a high degree of risk. You should carefully consider the entire contents of this document, including, but not limited to, the risk factors described below, before you decide to invest in the Company. Ordinary Shares may not be a suitable investment for all recipients of this document. If you are in any doubt about the Ordinary Shares and their suitability for you as an investment, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities. As at the date of this document, the Board considers the following risks to be the material risks of which they are aware and the most significant risks for Shareholders and potential investors. Such risks have not been set out in any order of priority. In addition, you should note that the risks described below are not the only risks faced by the Company. In particular, there may be additional risks that the Board currently considers not to be material or of which they are not presently aware.

If any of the events described in the following risks actually occur, the Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Ordinary Shares could decline and investors could lose all or part of their investment. The Group's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it operates as well as overall global financial conditions. The information set out below does not purport to be an exhaustive summary of the risks affecting the Group.

1. RISKS RELATING TO FUSION ANTIBODIES AND ITS BUSINESS

1.1 ***Dependence on arrangements with third parties***

1.1.1 The Company enters into agreements with third parties in respect of development, production, marketing, distribution and supply of materials 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 partnerships nor that any parties with whom it enters into collaboration arrangements will meet their obligations to the collaboration. This could 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.

1.1.2 The Company needs agreements with its suppliers to ensure it has the required equipment and materials to continue to be able to offer the services and products it provides. In terms of other procurement, the supply and prices of the equipment and raw materials the Company needs will be subject to fluctuations according to market conditions; any fluctuations in the quantity and quality of raw materials available and market prices may affect the Company's productions costs, and may in turn affect its business opportunities and/or financial condition, results of operation and prospects. Depending on the materials or equipment needed by the Company at any one time, the breadth of potential suppliers may also be affected which may restrict the Company's ability to find alternative suppliers if, for example, the intended supplier is temporarily unable to supply, the supplier is lost or there is a deterioration in the business

relationship with the supplier. As the raw materials needed by the Company are likely to be specialist raw materials, this may restrict the range of suppliers who can satisfy its requirements. Any loss of a supplier or adverse change to its relationships with its principal suppliers may adversely affect the business and its profitability, financial condition, results of operation and prospects. The Company has historically not prioritised the importance of written contracts with its suppliers, and any contracts entered into, other than for sales agents or collaboration partners have typically been entered into on the suppliers' standard terms which are not necessarily favourable to the Company, and sometimes, there are no written terms in place with a supplier. It is anticipated by the Board that this will be changing going forward, as the Company will be more thoroughly negotiating high value or key supplier contracts.

1.1.3 The Company may also enter into a variety of other arrangements, such as agency or distribution agreements and research partnerships. The success of these partnerships (and any other partnerships the Company may have at present or in the future) is in part down to factors beyond the Company's control, including (but not limited to) the activities of its partner and market demand. Partnerships with entities in other countries may also be subject to the regulatory regimes of those countries. Consequently, there can be no assurance that any or each of these arrangements will be commercially successful, or that they will continue in their present form, if at all.

1.1.4 With regard to agency and distributorship agreements, if any of the Company's agents or distributors cease to sell the Company's services or purchase the Company's products and the Company is unable to find suitable replacements within a reasonable timeframe, the Company's business operations in the relevant market could be significantly affected in the time period it takes to find suitable replacements. This in turn could impact upon its revenue and profitability. Under the regulatory regimes of the countries within which the Company's agents are based, these agents may be entitled to specific remuneration following termination of their agreements under certain circumstances.

1.1.5 With regard to all of the above agreements, any inability to enter into such agreements or to fulfil the requirements of any existing agreements, or any disagreements between the Company and the third parties in question, could cause delays and may adversely affect the business and/or financial condition of the Company.

1.1.6 Agreements both past and present which the Company has entered into with third parties contain restrictions on what the Company can and cannot do in the future. This may impact the ability of the Company to develop and/or sell certain products or services without coming to an agreement with the third party, which may include paying for use of third party intellectual property (see further paragraph 1.4 below).

1.2 ***New ventures and/or partnerships with third parties may not be successful***

1.2.1 The Company currently enters into partnerships and collaborative ventures with third parties. It may also in the future enter into further ventures, partnerships or other collaborative arrangements with these existing and/or other third parties. There is a risk that such ventures, partnerships or other collaborative arrangements with third parties may not be commercially successful. It is possible that the working relationship between the parties may break down, that substantial costs and/or liabilities may be incurred in attempting to deliver the product or service in question, and/or that the venture, partnership or other arrangement may not yield the returns expected.

1.2.2 There is a risk that parties with which the Company has business relationships, including its partners and those with which it collaborates, may become insolvent or may otherwise become unable or unwilling to fulfil their obligations as part of the arrangement. This could detrimentally affect projects upon which the parties are working together and could adversely affect the Company's ability to deliver the products or services in question, which may in turn have a negative impact upon its business, financial position and prospects. It may also result in the Company having to input further capital into the project in order to ensure that delivery

of the project remains unaffected. This could in turn adversely affect the business, revenues and profitability of the Group.

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

1.3.1 If the Company produces any products which are defective, or which are alleged to be defective, it may face a product liability claim in respect of those products. This is because, in the UK and in the other member states of the European Union, consumers who suffer property damage or personal injury because of a defective product may be able to recover compensation (up to certain prescribed limits) from the producer of that product, without needing to prove the producer was at fault for the defect. One of the features of the Company's business is the production of antibodies, which may be used by third parties in drug development. Whilst these drugs should undergo a thorough testing process during development, thereby reducing the risk of harmful side-effects or at least flagging up those side-effects which are likely to occur, it is not impossible that a defective antibody within the drug could cause personal injury. This could potentially result in a product liability claim against the Company. Due to the nature of the Company's customers, certain of the Company's contracts with its customers have been entered into on the customers' standard terms, some of which include the potential for uncapped liability for the Company. No action has been taken historically against the Company by its customers. The Company intends to adopt new standard terms of business which it will be seeking to contract with its customers following Admission and such terms will, amongst other things, seek to limit the Company's liability.

1.3.2 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.

1.4 ***Intellectual property protection***

1.4.1 The Company protects its intellectual property through a variety of methods, including patent applications, trade mark registrations and non-disclosure agreements entered into by the Company and its employees, and between the Company and its suppliers, customers and sales agents and distributors. These agreements may not represent effective protection and/or may be breached. The Company may not have adequate remedies for any such breach, and/or its trade secrets or non-patentable know-how may otherwise become known or be independently developed by competitors. Rights to trade secrets and confidential know-how are not monopoly rights and competitors may have and/or may independently develop equivalent know-how which they would be free to use. If the Company is required to defend its intellectual property rights against third parties, there is no assurance that any obligations to maintain the confidentiality of its know-how will not be breached or that such know-how will not otherwise become publicly known. Any misappropriation of the Company's intellectual property could have a negative impact on the Company's business and its operating results.

1.4.2 The Company may have to enforce its intellectual property rights against third parties who infringe those rights or who challenge future intellectual property applications which might impact on the Company's intellectual property. Such proceedings are typically protracted with no certainty of success and normally involve significant costs and management time.

1.4.3 If the Company's products and product candidates are claimed under other existing patents or are otherwise claimed to be the subject of third party proprietary rights, the Company may be subject to infringement actions. There has been substantial litigation and other proceedings regarding patent and other intellectual property rights in the pharmaceutical and related industries and this is typically complicated and lengthy. In some countries, patent applications are maintained in secrecy until the issue of a patent. The Company can therefore also not be certain that a third party has not filed an application for a product covered by the Company's pending patent application before the Company. It can also not be certain that it will not infringe any patents that may be issued to others on such unpublished applications. With

regard to the Company's CDRx™ platform, however, the Company has taken the decision not to pursue any patent application.

1.4.4 Many disputes regarding infringement of intellectual property rights in the pharmaceutical and biotechnology industries relate to the technology used to develop services and not just the products themselves. The Company may therefore be prevented from using the technology needed to develop products.

1.4.5 A third party asserting infringement claims against the Company and its customers could 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 product candidates 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.

1.4.6 In addition to claims brought directly against the Company, if a customer, supplier or partner of the Company receives a claim the Company could be joined into this. Under the Company's standard terms and conditions there is a short form indemnity granted by customers in favour of the Company in respect of such claims, but the Company often contracts on its customers' terms rather than its own, and therefore, may not be afforded the benefit of such an indemnity. Equally, a party bringing a claim against the Company could also seek to join in the Company's customers, suppliers or partners which, even if unsuccessful, may adversely affect the reputation of the Company and its ability to secure contracts with customers, suppliers or partners

1.5 ***Risk that current and future research projects will not be successful***

1.5.1 The successful development of pharmaceutical products and services can be affected by many factors. Firstly, the results of discovery research are unpredictable and there are scientific risks associated with clinical trials, which mean that no assurance can be given that any identified drug or service lead will be a viable drug or service candidate, or that any drug or service candidate will pass the pharmacological testing and clinical trials to approve it as being effective and safe to use.

1.5.2 Even if it passes this stage, there is no guarantee the service or candidate will be able to be commercialised. Products that may initially appear to be promising during the early stages of research and development may fail to be commercially viable for a range of reasons, including (but not limited to) being unable to obtain the requisite regulatory approvals or due to the budgetary issues. The research and development cycle for new pharmaceutical products can typically be quite long and so the Company's current or future research and development projects may not be able to be completed within the anticipated timeframe, or within the budget. For those products and services which are successfully progressed to a stage where they are ready for commercial sale, there is also a risk that they will not attract sufficient interest from the market in order to cover their costs of development.

1.6 ***Risk that the products or services will not achieve commercial success***

1.6.1 The Company currently offers a range of services, namely: antibody sequencing, antibody humanisation, stable cell line development, antibody engineering, monoclonal antibody production and transient protein expression. 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 products or services will be favourably received by the market, will be profitable or will produce a reasonable return, if any, on investment. If the product or service is not commercially successful it could result in a financial loss to the Company.

1.6.2 The Company seeks to include milestone and/or royalty payments in its customer contracts where it is able to do so, in addition to receiving payment for the delivery of its services. As research and development of new drugs and pharmaceuticals takes a long time, where the Company has successfully included milestone and/or royalty payments in its customers contracts, any delay in such research and development through to production may mean there is a significant period of time before the Company receives any of the milestone and/or royalty payments in relation to such customer contracts.

1.6.3 Furthermore, there is no guarantee that the Company will receive such milestone and/or royalty payments on the services it has provided, especially if the new drugs and pharmaceuticals do not prove to be commercially successful or fail to progress as expected.

1.6.4 Whilst the Company considers it offers a highly competitive pricing model, there is the risk that it will not be able to attract market interest in its products or 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.

1.6.5 The Company also provides certain services, such as antibody sequencing, on a no-success no-fee basis. This presents the risk that, if the sequencing is unsuccessful, the Company will not be paid; however, it may have already incurred significant costs in the attempted sequencing, so it may make a loss on that particular job. As it cannot be guaranteed at the outset that any particular sequencing will be successful, this adds an extra layer of uncertainty into how profitable (or otherwise) this particular strand of the business will be, and therefore whether or not that aspect of the business will be commercially successful. Although the Company has several different areas of the antibodies industry in which it operates, if any one of these areas of its business is not commercially successful, it could affect the financial performance and prospects of the Company.

1.7 ***The Company relies on certain key personnel***

1.7.1 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.

1.7.2 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.

1.7.3 The Company's core humanisation processes are known to a small number of the Company's employees. A new Statement of Process (SOP 1.20) has also been provided for the core humanisation processes which is encrypted and protected and accessible only by the management team and certain key employees. The Board believes that this statement is sufficient to allow another employee to provide the humanisation processes in the absence

of the currently trained employees. The small number of the Company's employees with the know-how have appropriate confidentiality provisions in their employment contracts as well as non-compete restrictions. However, no assurance can be given by the Company that any one of these employees may not cease to be employed by the Company in the future, and following any time periods set out in their restrictive covenants within their employment contracts, gain employment with a competitor, although the Company could have a claim for breach of confidence and/or infringement of its intellectual property rights to the extent that any such employee shared any of the Company's confidential intellectual property with a competitor. This may in turn adversely affect the Company's business, financial condition and results.

1.8 ***The Company may not be able to attract and recruit sufficient additional personnel***

1.8.1 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.

1.8.2 The Company's research capability, financial condition, operation and prospects may be detrimentally affected if the Company is unable to attract and recruit sufficient additional personnel, particularly those with the requisite expertise and experience (where applicable), either in the place of departing existing personnel or in addition to its existing personnel.

1.8.3 No assurance can be given that the Company will be able to attract and recruit all the staff and key personnel that it needs (with the requisite expertise and experience if applicable) 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.

1.9 ***Completion of the laboratory extension may be delayed or the laboratory extension may not be completed***

1.9.1 The Company expects to reach capacity at its existing laboratory facilities at the end of the first quarter of 2018. The Company intends to use part of the net proceeds of the Placing receivable by the Company for the purpose of expanding its existing laboratory facilities. The proposed laboratory extension is intended to more than double capacity at the existing facility. Space for this has been secured and architects' plans are being drawn up. Fit-out of the new, extended laboratory is intended to take place by the end of 2018.

1.9.2 However, there is a risk that construction and/or fit-out of the laboratory extension may not be completed in sufficient time to enable the Company to use the laboratory extension prior to it reaching capacity at its existing laboratory facilities (which is anticipated to be the end of the first quarter of 2018). This could cause either a reduction or plateauing of capacity and delay the ability of the Company to increase its capacity.

1.10 ***Opportunities to acquire other companies or assets***

1.10.1 Opportunities may arise for the Company to acquire other companies or their business and assets in order to expand the Group. However, there is a risk that such opportunities may not be identified. This could result in the Group missing an opportunity to acquire a company or particular assets that may be of benefit to its strategy and which could, if successfully acquired, have improved the financial performance and prospects of the Group.

1.10.2 Even if such opportunities are identified, there is a risk of incurring significant costs in pursuing a potential transaction that does not successfully complete. In the event that such a transaction is aborted, the Company may nonetheless have incurred significant costs in the process which it is unable to recover.

1.10.3 If a company, or its business is successfully acquired by the Group, there is no guarantee that the Group will be able to integrate and manage the acquired company, or its business effectively into the Group structure. Similarly, in the case of an asset purchase, there is no

guarantee that acquired assets will be able to be effectively integrated into the Group's businesses either.

1.10.4 Even if an acquisition opportunity appears to be potentially lucrative, the acquisition of another company or its assets, for example its technologies, may not yield the return expected. This may in turn result in the costs of the acquisition having to be written off.

1.10.5 Acquisition of other companies or their assets may also expose the Group to additional liabilities associated with the company or assets which have been acquired.

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

1.11.1 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, including two external web databases for operation of the Antibody Workbench software comprised in its CDRx™ platform.

1.11.2 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.

1.11.3 There is a risk that the Company's operations may be affected by a fire or flood at its premises.

1.11.4 There is also a risk, discussed at paragraph 1.9 above, that the existing laboratory facilities may soon reach capacity and not be sufficiently large which could restrict the ability of the Company to increase its capacity.

1.12 ***Insurance***

1.12.1 The Group maintains commercial insurance at a level it believes is sufficient to safeguard against certain risks commonly insured in the industry; however, there is no guarantee that it will continue to be able to obtain the desired level of cover on commercially acceptable terms in the future.

1.12.2 Furthermore, there is a risk that liabilities could exceed policy limits or that certain risks could be excluded from the Group's insurance coverage. Certain types of risks may currently be, or may in the future become, uninsurable or not economically insurable, or may not currently or in the future be covered by the insurance policies the Group has put in place. The Group may elect not to insure against certain risks and there may be certain risks against which the Group cannot insure.

1.12.3 To the extent that there are any liabilities which are either not covered by insurance or which are in excess of the insurance coverage maintained, the potential costs associated with these may cause substantial delays and could require significant capital outlays. This could adversely affect the earnings of the Group and its competitive position, and potentially its financial performance and prospects.

1.12.4 Losses could also be suffered by the Group which may not be fully compensated by insurance. This could also potentially affect its earnings, competitive position, financial performance and prospects.

2. RISKS RELATING TO THE BIOTECHNOLOGY AND PHARMACEUTICAL INDUSTRIES

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

2.1.1 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.

2.1.2 There is a risk that expenditure on drug development and discovery in the pharmaceutical and biotechnology industries may reduce. This may be caused by a variety of factors, including (but not limited to) increased regulation, decreased demand for the drugs being developed, or changing costs of drug development and discovery. If such a reduction in the demand for drug development and discovery occurs, it may lead to a general reduction in the demand for those services that can form part of the drug development and discovery process, such as antibody services.

2.1.3 There is also a risk that there may be a general 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. There may also be a reduction in demand for outsourcing antibody services for other reasons, such as the availability of cheaper labour internally. This is contrary to current trends, however.

2.1.4 Any reduction in demand in the pharmaceutical and biotechnology industries for antibody services may affect the Company's ability to generate revenue as this reduction would impact some of its main sources of income. This could in turn adversely affect its business, financial condition, performance and prospects.

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

2.2.1 The therapeutic antibody development sector in which the Company operates forms part of the biotechnology and pharmaceutical industries. The Company will therefore be subject to biotechnology and pharmaceutical industry regulation in the countries in which it operates, such as the UK. If it chooses to expand into other countries, its activities in its new locales will be subject to any relevant regulations of those countries as well, some of which may be more stringent than others and which may or may not be satisfied. Should the requirements of any country in which the Company is looking to expand or to market its products not be satisfied, the Company may be restricted from expanding its business or marketing its products in that country. This could adversely affect the growth of the business and/or its financial prospects and performance.

2.2.2 The regulations governing the biotechnology and pharmaceutical industries in the countries in which the Company operates may also 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 Brexit 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.

2.2.3 Where regulatory approval is required, the timescales for regulatory approval being given can be affected by various factors, some of which are outside the Company's control, such as: changes to regulatory requirements, trial recruitment rates, and the results of clinical tests. Delays in regulatory approval being given could impact upon the timeline for delivery of the product and ultimately have a financial impact upon the Company and its prospects.

2.3 ***The Company is subject to risks associated with developments in the biotechnology and pharmaceutical industries***

The biotechnology and pharmaceutical industries are industries in which there can often be rapid technological changes, frequent new product introductions and enhancements and evolving industry

standards. The Company may encounter unforeseen operational, technical and other challenges as its products and services are deployed and tested, some of which may cause significant delays, trigger contractual penalties or result in unanticipated expenses and/or damage to the Company's reputation. The Company may also be liable for product warranty claims as a result of defects or failures of such new products and services, which may prove costly in terms of litigation or settlement costs, reputational damage, loss of business to competitors, damage to relationships with suppliers and time devoted to remediation of any such defects or failures. These are detailed further at paragraph 1.3 above. The occurrence of any of these may have a material adverse effect on the Group's operating companies, financial condition, future trading performance and prospects.

2.4 ***The Company is subject to competition, including from organisations which may have greater access to capital than the Company and other CROs***

2.4.1 The Company is not the only entity involved in antibody engineering, either in the UK or internationally, or in other areas of the biologics industry in which the Company operates. The Company may therefore face significant competition from both domestic and overseas organisations which are involved in the same or similar areas of this industry, including those which have access to greater capital resources than the Company and which may be able to make more competitive offerings to the Company's customer base, to the detriment of the Company. The degree of competition in the market sectors in which the Company operates and/or is seeking to develop its products could materially affect the Company's prospects, financial condition and the results of operations.

2.4.2 In particular, as a CRO the Company may face competition from other CROs providing similar services to the Company, who may compete with the Company for contracts with its existing or prospective clients for the provision of antibody services. There is a risk that these companies may be awarded such contracts in preference to the Company, which could reduce the Company's ability to generate revenue and which might result in the Company losing its existing or prospective clients to other CROs altogether. Either of these risks could in turn adversely affect the Company's business, financial performance and/or prospects.

2.4.3 Other CROs, as well as universities, research institutions and other companies may create intellectual property that (either directly or indirectly) competes with that generated or licenced by the Company. There is no assurance that the Company will continue to be able to compete successfully in the industry in which it operates. Increased competition in the identification and commercialisation of promising new technologies invented by other CROs, universities, research institutions or other companies could materially adversely affect the Company's business, trading performance and/or prospects.

2.4.4 It is also possible that pharmaceutical companies will reduce the amount they outsource their antibody service requirements to CROs such as the Company, and instead transfer such operations to their own in-house departments. This is contrary to current trends but there can be no guarantee that it will not occur. In this event this may reduce the number of new instructions the Company receives and could in turn have an adverse effect on its business, trading performance and/or prospects.

3. GENERAL RISKS

3.1 An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him.

3.2 Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full or any amount initially invested.

3.3 The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future. There is no certainty and no representation or warranty is

given by any person that the Company will be able to achieve any level of performance which has either been expressly or impliedly referred to in this document. This may adversely affect the Company's financial condition, prospects or the market price of the Ordinary Shares.

3.4 Changes in economic conditions including, for example, interest rates, currency exchange rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect equity investments and the Company's prospects.

4. RISKS RELATING TO TAXATION

4.1 ***Taxation of returns from assets located outside of the UK may reduce any net return to Investors***

To the extent that the assets, company or business which the Company has or may acquire is or are established outside the UK, it is possible that any return the Company receives from it may be reduced by irrecoverable foreign withholding or other local taxes and this may reduce any net return derived by investors from a shareholding in the Company.

4.2 ***Future changes in tax legislation applicable to the Company's entities may reduce net returns to Shareholders***

The tax treatment of the Company is subject to changes in tax legislation or practices in territories in which Company entities are resident for tax purposes. Such changes may include (but are not limited to) the taxation of operating income, investment income, dividends received or (in the specific context of withholding tax) dividends paid. Any changes to tax legislation or practices in which the Company entities are resident for tax purposes may have a material adverse effect on the financial position of the Company, reducing net returns to Shareholders.

4.3 ***There can be no assurance that the Company will be able to make returns to Shareholders in a tax-efficient manner***

It is intended that the Company will structure the Group to maximise returns for investors in as fiscally efficient a manner as is practicable. The Company has made certain assumptions regarding taxation. However, if these assumptions are not borne out in practice, taxes may be imposed with respect to any of the Company's assets, or the Company may be subject to tax on its income, profits, gains or distributions in a particular jurisdiction or jurisdictions in excess of taxes that were anticipated. This could alter the post-tax returns for Shareholders (or Shareholders in certain jurisdictions). The level of return for Shareholders may also be adversely affected. Any change in laws or tax authority practices could also adversely affect any post-tax returns of capital to Shareholders or payments of dividends (if any). In addition, the Company may incur costs in taking steps to mitigate any such adverse effect on the post-tax returns for Shareholders.

4.4 ***Any change in the Company's tax status or in taxation law could negatively affect the Company's ability to provide returns to Shareholders***

Statements in this document concerning the taxation of the Group or of Shareholders are based on current tax law and practice which is subject to change. The taxation of an investment in the Company also depends on the individual circumstances of the relevant Shareholder. It is recommended that all Shareholders seek professional tax advice in respect of their own tax position, if required.

4.5 ***EIS and VCT status***

4.5.1 The Company has obtained provisional advance assurance from HMRC that the Eligible Shares to be issued pursuant to the Placing will constitute a qualifying holding for VCT's and will satisfy the requirements for tax relief under EIS under Part 5 (EIS) and part 6 (VCT) of Chapter 4 of the Income Tax Act 2007, and that the Ordinary Shares will be eligible shares for the purposes of section 173 and section 285 (3A) of the Income Tax Act 2007.

4.5.2 The provisional advance assurance only relates to the qualifying status of the Company and its Ordinary Shares and will not guarantee that any particular investment will be a qualifying holding for a VCT investor or that any particular investor will qualify for EIS relief in respect of an acquisition of Ordinary Shares. The continuing availability of EIS relief and the status of the

relevant Eligible Shares as a qualifying holding for VCT purposes will be conditional, amongst other things, on the Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making its investment (under EIS) and, for VCT purposes, throughout the period the Ordinary Shares are held as a "qualifying holding". Neither the Company nor its Board nor the Company's advisers is giving any warranties or undertakings that any relief under the EIS or the VCT qualifying status will be available in respect of the Placing, or that in due course such relief or status will not be withdrawn.

4.5.3 It is recommended that all Shareholders seek professional tax advice in respect of their own tax position, if required.

5. RISKS RELATING TO THE ORDINARY SHARES

5.1 ***Suitability***

Investment in the Ordinary Shares may not be suitable for all readers of this document. Readers are accordingly advised to consult a person authorised under FSMA who specialises in investments of this nature before making any investment decisions.

5.2 ***Investment in AIM-traded securities***

5.2.1 Investment in shares traded on AIM involves a higher degree of risk, and such shares may be less liquid, than shares in companies which are listed on the Official List. The AIM Rules are less demanding than those rules that govern companies admitted to the Official List. It is emphasised that no application is being made for the admission of the Company's securities to the Official List. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

5.2.2 To date, there has been no public market for the Company's shares. An active public market in the Ordinary Shares may not develop or be sustained after the Placing. As such, investors may not be able to resell their Ordinary Shares at or above the Placing Price or at all and no assurance can be given that the market price of the Ordinary Shares will not decline below the Placing Price.

5.2.3 The securities markets have from time to time experienced significant fluctuations in price and volume that are not related to the operating performance of particular companies, and such market fluctuations may materially adversely affect the market price of the Ordinary Shares.

5.3 ***Share price volatility and liquidity***

Admission to AIM should not be taken as implying that a liquid market for the Ordinary Shares will either develop or be sustained following Admission. The share price of quoted companies can be highly volatile and shareholdings can be illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its operations and others which may affect quoted companies generally. These factors could include (but are not limited to) the performance of the Company, large purchases or sales of the Ordinary Shares, currency fluctuations, legislative changes and general economic, political, regulatory or social conditions. Market prices of shares of companies in the pharmaceutical industry are typically volatile. Such volatility in the share price may be caused by factors outside the Company's control, and may not reflect its operating results.

5.4 ***Access to further capital***

The Company may require additional funds to respond to business challenges, enhancing existing products and services and further developing its sales and marketing channels and capabilities. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If the Company raises additional funds through further issues of equity or convertible debt securities,

existing shareholders could suffer significant dilution, and any new equity securities could have rights, preferences and privileges superior to those of current shareholders. Any debt financing secured by the Company in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, the Company may not be able to obtain additional financing on terms favourable to it, if at all. If the Company is unable to obtain adequate financing or financing on terms satisfactory to it, when required, its ability to continue to support its business growth and to respond to business challenges could be significantly limited or could affect its financial viability.

5.5 ***Dilution***

On the completion of the Placing, the holders of the Existing Ordinary Shares will experience dilution in their proportionate ownership and voting interests in the Group. If available, future financings to provide required capital may dilute Shareholders' proportionate ownership in the Company. The Company may raise capital in the future through public or private equity financings or by raising debt securities convertible into Ordinary Shares, or rights to acquire these securities. Any such issues may exclude the pre-emption rights pertaining to the then outstanding shares. If the Company raises significant amounts of capital by these or other means, it could cause dilution for the Company's existing Shareholders. Moreover, the further issue of Ordinary Shares could have a negative impact on the trading price and increase the volatility of the market price of the Ordinary Shares. The Company may also issue further Ordinary Shares, or create further options over Ordinary Shares, as part of its employee remuneration policy, which could in aggregate create a substantial dilution in the value of the Ordinary Shares and the proportion of the Company's share capital in which investors are interested.

5.6 ***Future sale of Ordinary Shares***

The Company is unable to predict when and if substantial numbers of Ordinary Shares will be sold in the open market following Admission. Any such sales, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares. The Company may require additional capital in the future which may not be available to it.

5.7 ***Dividends***

5.7.1 There can be no assurance as to the level of future dividends. Subject to compliance with the Companies Act and the Articles, the declaration, payment and amount of any future dividends are subject to the discretion of the Board, and will depend on, *inter alia*, the Company's earnings, financial position, cash requirements, availability of profits and the Company's ability to access, and repatriate within the Group, cash flow and profits generated outside of the UK. A dividend may never be paid and, at present, there is no intention to pay a dividend in the short to medium term.

5.7.2 In forming their dividend policy the Directors have taken, and following Admission the Board will take, into account *inter alia* the trading outlook for the foreseeable future, recent operating results, budgets for the following financial year, financial gearing, banking covenants and current capital requirements of the Group. Any material change or combination of changes to these factors may require a revision of this policy.

The risks noted above do not necessarily comprise all of the risks potentially faced by the Company and are not intended to be presented in any assumed order of priority.

Although the Board will seek to minimise the impact of the Risk Factors, investment in the Company should only be made by investors able to sustain a total loss of their investment. Potential investors are strongly recommended to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in investments of this nature before making any decision to invest.

PART III

TECHNICAL REPORT

ProPharma Partners Limited
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Fusion Antibodies plc
1 Springbank Road
Springbank Industrial Estate
Belfast
BT17 0QL

Allenby Capital Limited
5 St. Helen's Place
London
EC3A 6AB

Dear Sirs,

RE: Technical report on Fusion Antibodies plc ("Fusion Antibodies" or the "Company")

ProPharma Partners is an international consultancy firm providing a broad range of advisory and consulting services to the biotechnology and pharmaceutical Industries. These include product and technology in-licensing and out-licensing, valuations, due diligence assessments of pharmaceutical products and development stage companies, and preclinical and clinical management services for a wide range of therapeutic entities.

We have prepared this report for the directors and the proposed director of Fusion Antibodies and for Fusion Antibodies' nominated adviser, Allenby Capital Limited, for inclusion in the admission document issued by Fusion Antibodies in connection with the admission of the Company's entire issued and to be issued ordinary share capital to trading on AIM, a market operated by the London Stock Exchange (the "Admission Document").

1. Purpose of this report

This report describes the business opportunity and environment for Fusion Antibodies within the addressable global market for monoclonal antibodies with its growth and key drivers. Within this framework, the technical competencies of Fusion Antibodies are described against its peers and concludes with the overall opportunity and competitive advantage for Fusion Antibodies in a competitively intensive and rapidly growing large global therapeutic monoclonal antibody market.

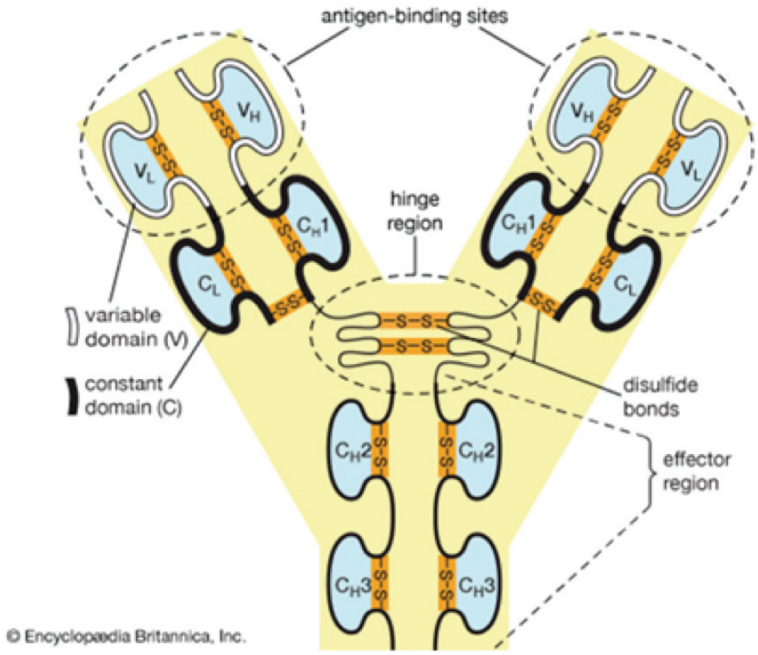
For the purpose of paragraph (a) of Schedule Two of the AIM Rules for Companies, we declare that we are responsible for this report, which forms part of the Admission Document, and that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge and belief, in accordance with the facts and contains no omission likely to affect its import. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone for any purpose other than that stated above, for our work, for this report, or for any opinions which we have formed.

This report has been prepared solely for the above-named parties. ProPharma Partners is a specialist pharmaceutical industry consultancy and is not an investment advisor. This report is not to be taken as giving any advice on the merits of an investment in Fusion Antibodies.

2. Methodology

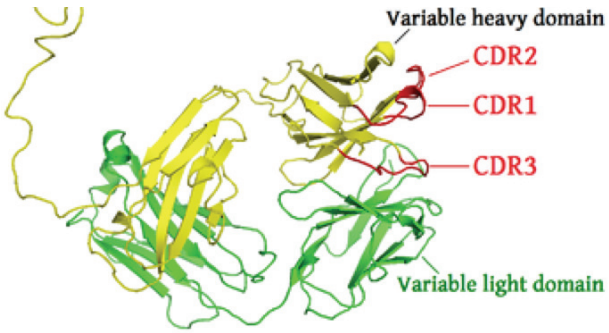
ProPharma Partners has reviewed relevant Company documentation and interviewed the Chief Executive Officer of Fusion Antibodies. These sources were supplemented by ProPharma Partners' internal and public domain resources, and our extensive experience in the pharmaceutical industry. We have used all due care in ensuring the accuracy and completeness of the information and data presented but developments in the industry areas occur rapidly, which may render some or all of the information or conclusions incomplete, obsolete or invalid.

3. Antibody Schematic Structure



The above generalised image of an antibody shows the Y shaped structure of an antibody, which comprises two longer heavy (H) chains bound together at the hinge region each linked to a short light (L) chain. Each heavy and light chain is further divided into variable (V) and constant (C) regions.

Each heavy chain is formed of four domains: the variable heavy chain (V_H); the constant domain 1 (denoted C_H1); the constant domain 2 (C_H2); and the constant domain 3 (C_H3). Each light chain is formed of a variable light (denoted V_L) and a constant light chain (denoted C_L). Below the functional parts of the V_H which bind to the antigen can be seen; these are the complementarity determining regions (CDR) and are shown as CDR1, CDR2 and CDR3.



4. Introduction

The service proposition of the Company's CRO model is to offer a seamless and broad range of separate but related antigen and antibody services. The Company's key humanisation focus is to select a naturally

occurring human antibody framework that is as close as possible to the murine parental antibody based on sequence homology and key structural motifs. Humanisation of a mouse monoclonal antibody prevents the so called human anti-murine antibody response ("HAMA") – which would otherwise reject and clear the therapeutic product and prevent second administrations of the antibody product when injected into humans, so that the original structural integrity of the antibody framework is preserved as much as possible.

The Company provides a selection of high affinity humanised antibodies with robust cell lines to facilitate the ease of scale up to manufacturing for its pharmaceutical and biotech customers. There is a focus throughout on customer materials and deliverables, ease of commercialisation and choice of manufacturing cell lines to provide to the customer in the initial design of each programme.

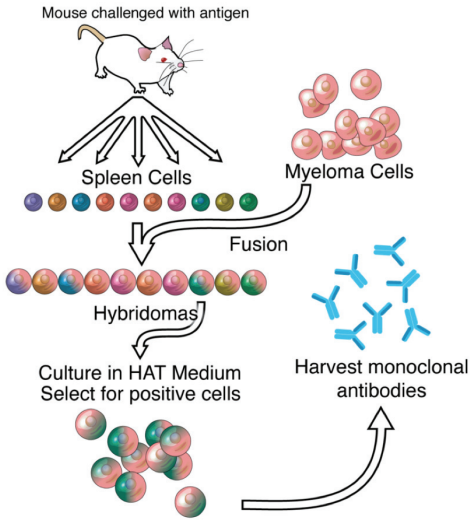
The pharmaceutical customer owns all the intellectual property and patents and pays a simple fee for service, testing the materials made by the Company for their affinities and success (efficacy) in appropriate animal models before selecting pre-clinical candidate products in house to develop into the clinic.

The Company has completed over 100 humanisation projects for the pharmaceutical industry. Given the confidential nature of the Company's client relationships and the paucity of information provided by its customer base to the exact status of each project, the Company estimates that six therapeutic antibodies have entered pre-clinical development with one humanised mAb in phase II clinical trials and two further humanised mAbs planned to be in the clinic within twelve months based on the best of their intelligence from their industry contacts.

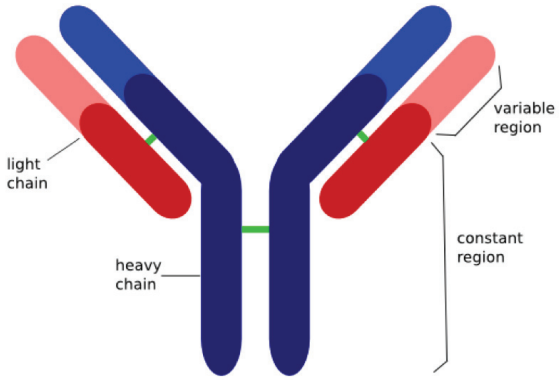
5. Fusion Antibodies' technology

Introduction to monoclonal antibodies

The essential steps in the making of a mouse monoclonal antibody are shown in the schematic below:

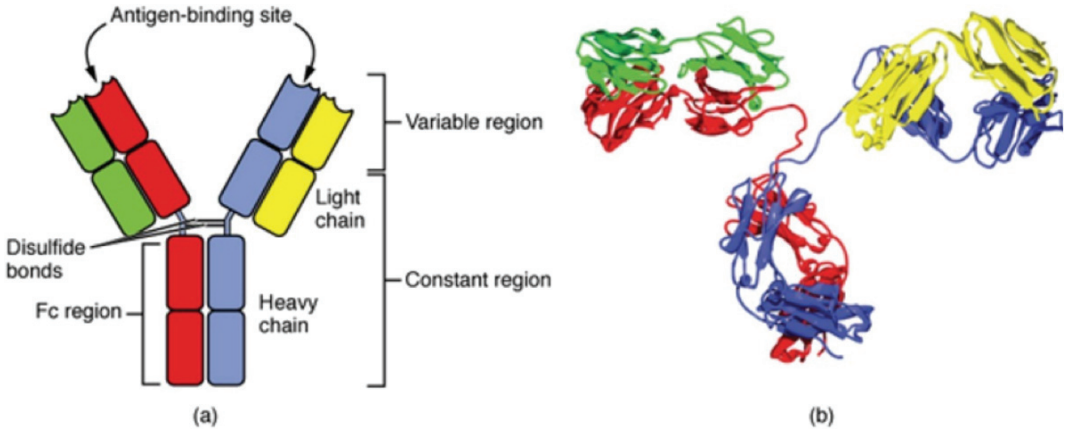


The monoclonal antibody has exquisite sensitivity to an epitope presented by an antigen and has the following generalised structure shown below. In this diagram it can be seen that the monoclonal antibody is a Y shaped molecule comprised of two chains named heavy (blue) and light (red). Each heavy and light chain is further divided into variable and constant regions.



At the tip of the Y shape are the complementarity determining regions ("CDR") of the molecule that bind to the target antigen and are situated in the variable regions of the heavy chain V_H (light blue) and the light V_L (light red). Constant regions of the light and heavy chain are bonded together as are heavy chain constant domains at a pivotal hinge.

The antigen binding sites are further highlighted in the following diagram in schematic (a) and in a ribbon folding 3D pattern where the flexibility of the hinge and the distinct binding sites are more easily visualised in (b) below:



The need for humanisation & limitations of mouse monoclonal antibodies in the clinic

The first monoclonal, which was approved and licensed in 1986, was Orthoclone OKT3 (muromonab-CD3) for use in preventing kidney transplant rejection (Leavy, 2010). Its use was limited to acute cases due to reported side effects (Sgro,1995). The immune systems of patients were rejecting the OKT3 mouse monoclonal since in some patients, their own human antibodies were reacting to the foreign mouse monoclonal antibody ("mAb") rendering it ineffective on repeated administration and causing side effects. This HAMA response is representative of many clinical findings in the 1980's and explains the relative lack of early clinical and commercial success of monoclonal antibodies.

Further genetic engineering of mouse monoclonal antibodies

Humanisation of murine antibodies took place in several stages to improve the following deficiencies:

- Short *in vivo* half life
- Weak effector functions mediated by the mouse heavy chain constant region
- Patient sensitisation to the antibody giving rise to a HAMA response
- Neutralisation of the mouse antibody by HAMA leading to loss of therapeutic efficacy

CDR grafting or reshaping

Initially antibody chimerisation replaced the mouse heavy and light chain constant regions with equivalent human sequences alleviating the short *in vivo* half-life & weak effector functions.

CDR grafting or reshaping (invented by Sir Greg Winter and colleagues; Jones *et al*. 1986; Reichman *et al*. 1988) is a technology which has been used to leave only the CDRs and a small number of framework residues as the mouse sequence remnants after antibody humanisation. This minimises all the above short comings and this technique is responsible for the vast number of humanised antibodies on the market and in the clinic.

WHO INN & USAN nomenclature

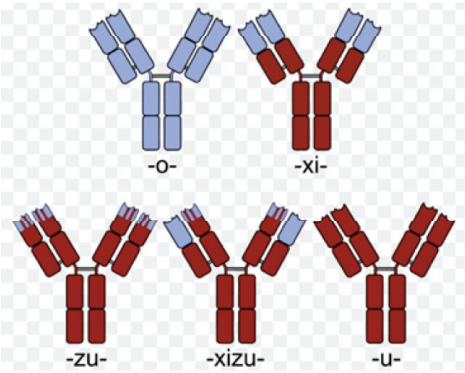
A nomenclature has been derived by international committee for naming and assigning generic or non-proprietary names to monoclonal antibodies. This nomenclature is constantly evolving. For simplicity we have used the naming scheme in use up to 2014 by both the World Health Organisation ("WHO") International Nonproprietary Names ("INN") and the US adopted names ("USAN") for pharmaceuticals and differentiates the degree of humanisation in the marketed product.

Source substem[1,2]	*Meaning*	*Named Example(s)*[1,2]	*Year approved*	*Original Applicant*
-o-	Mouse	ibritumomab	2002	IDEC Pharma
-xi-	Chimeric	Infliximab	1998	Centocor
		rituximab	1997	Genentech
-zu-	Humanised	Bevacizumab	2004	Genentech
		Ixekizumab	2016	Eli Lilly & Co.
		Reslizumab	2016	Teva Respiratory Llc
-xizu-	chimeric/humanised hybrid			
-u-	Human	Bezlotoxumab	2016	Merck Sharp Dohme

Notes:

1 Limitations in the 2014 WHO INN definitions have been raised (Jones *et al*, 2016) and deficiencies in the source substem or infix nomenclature has been outlined (Annual Meeting of the Antibody Society – What is INN a Name, 2015).

2 In June 2017, the WHO announced that use of the source infix or substem will be discontinued for new antibody INNs effective immediately (Parren *et al*., 2017).



On the left the accompanying image shows the regions from the original murine framework in blue against replaced human sequences in purple.

2014 INN source substems
-o- mouse
-xi- chimeric
-zu- humanised
-xizu- chimeric/ humanised
-u- human

Fusion Antibodies' technology produces humanised (-zu-) antibodies. The pros and cons of humanised versus fully human antibodies are discussed later in this report.

6. Services of Fusion Antibodies

The services of Fusion Antibodies can be broken down into six specific areas and these are described below as follows:

Antibody sequencing

In its standard sequencing packages, the Company clones and sequences extracted mRNA from the customer's hybridoma cell lines and generates a full report of the consensus variable domains including CDR and aberrant light chain identification. The Company sequences 10-50 antibody independent clones and builds a strong consensus sequence with a guarantee of the correct sequence of the customer's antibody, which is critical for downstream applications.

The Company was the first CRO to offer antibody sequencing as a service and it has completed more than 250 sequences since 2012, from a myriad of species including mouse, rat, hamster, llama, rabbit, equine, bovine, canine, avian and others.

The Company's leadership position, 16 years of experience, validation from repeated use by top pharmaceutical and biomedical companies, clinical research organisations and research scientists around the globe and sheer volume of successfully completed projects supports its world class status in antibody sequencing in our opinion.

Antibody humanisation

The importance of accurate antibody sequencing can be seen in the first stage of antibody humanisation when the mouse sequences for V_L, V_H, C_L, C_H1, C_H2 & C_H3 (and/or C_H4 depending upon subtype) have been determined.

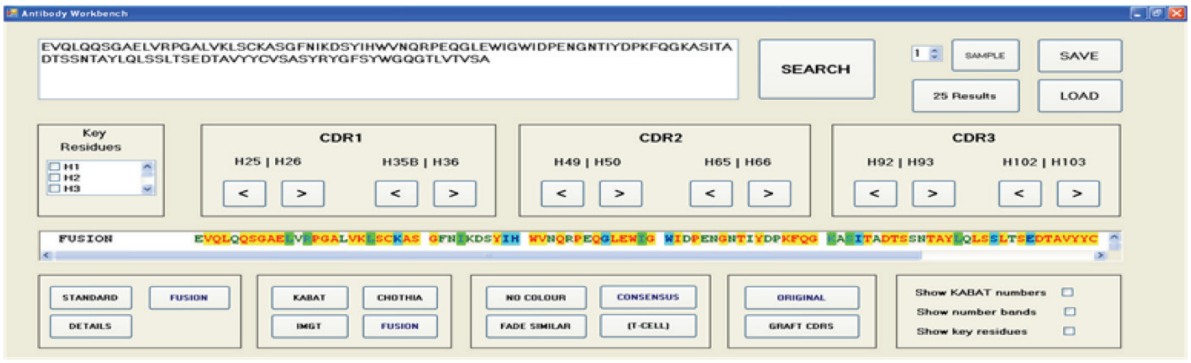
Essentially, the humanisation process can be considered conceptually in a number of stages:

(a) Choosing the most appropriate human antibody framework to be used in the humanised antibody;

(b) Selecting the murine CDRs in each of the V_L and V_H of the parent antibody; and

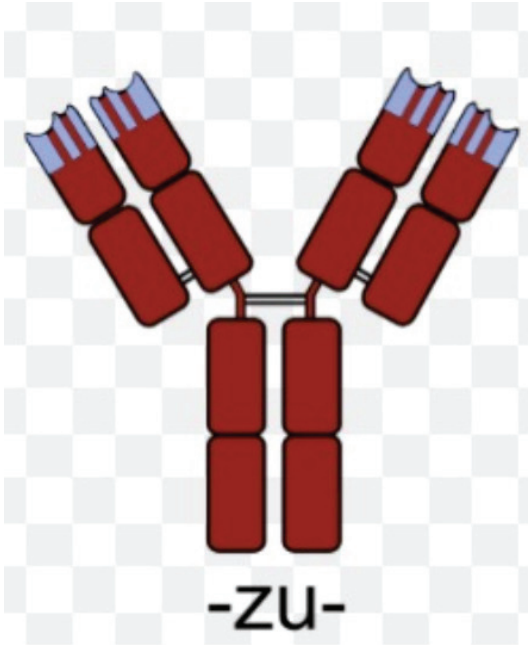
(c) Designing humanised V_L and V_H regions which are then grafted on to the human antibody framework backbone.

The choice of human framework by the Company has been made easier by the development of an advanced proprietary *in silico* platform for rapid, reliable and robust antibody humanisation called CDRx™. This powerful platform screens 100,000+ human antibody sequences and displays the top matches. The easy interface (shown below) is critical to selection of an appropriate human recipient antibody and creates a strategic competitive advantage for the Company.



The CDR grafting process has been improved by the Company using its own custom algorithms which carefully select frameworks from databases of mature human antibody frameworks. The essential CDR sequences from the murine parent antibody variable domains are thereby combined into human donor sequences. The design stage can select from a choice of numerous human backbones, and where necessary 3D structural predictions and testing for potential immunogenicity sites by T-cell epitope screening are utilised. All of this adds to the speed and likely success in producing humanised antibodies that can be tested for their binding affinities and which are likely to minimise HAMA responses in patients in future clinical development.

The customer chooses a package of designed sequences based on a number of different humanised antibodies which can be expressed and tested to find a lead candidate. These humanised antibodies retain only murine remnants (in blue below) which are the functional binding entities retained from the parent antibody and which are the CDRs and any other critical residues considered necessary by the design for maximising the conformational equivalence and stability. The remainder of the structure in red comes from the choice of the human antibody framework.



The team at Fusion Antibodies have repeated this procedure so often that more than 100 projects to humanise monoclonal antibodies have been completed. At least six antibodies have been taken into pre-clinical development by the customers of Fusion Antibodies with one humanised mAb in a Phase II clinical trial and two further humanised mAbs planned to be in clinical development within the space of twelve months.

There is a lot of embedded knowledge and experience of antibody humanisation in the team at the Company which will have been developed over the years and as more and more projects have been completed. Homology matching or best fit matching detects and uses human variable regions with high amino acid similarity to the murine variable regions. A large library of well characterised human antibody sequences are used and sequence similarity to the parent mAb is considered carefully.

A testimony to the confidence and predictability of humanisation of antibodies as practised by Fusion Antibodies is its guarantee that it offers to customers. With a design of 25 humanised antibodies, the Company guarantees to produce one or more antibodies within a two-fold range of the affinity of the parental wildtype antibody.

Stable cell line development

Fusion Antibodies offers two adaptable stable cell line development products called Minipool Development & Manufacturing Cell Line Development. All projects are performed to GLP standards and delivered in a timely manner in agreement with documentation and regulatory compliance. This is an expanding market and could be an important revenue driver in the future.

Minipool Development

This is ideal for protein characterisation studies, animal and pharmacokinetic studies where 1mg to 1000mg of purified protein is needed.

Stable Minipool Development allows a lower cost option, ideal for customers which provides later a seamless transfer to a full manufacturing cell line development project. It involves developing near-clonal minipools of cells in the Celonic CHO K1 CHOvolution system and is identical to the first two stages of the manufacturing cell line development project.

Manufacturing Cell Line Development ("MCLD")

Fusion Antibodies' manufacturing cell line product is the advised package for stable cell line development which is applicable for clinical development and phase I to phase III clinical trial supply. Using the CHO K1 CHOVolution host cell line the Company's manufacturing cell line employs, extensive high throughput screening of clones, two limiting dilutions required for FDA approval, extended stability studies, detailed characterisation in batch cultures, and multiple research cell banks are possible, which significantly increases the chance to find a stable cell line capable of multi-gram/L production in optimised conditions.

The MCLD package is completed in conjunction with a strong alliance partner Celonic AG ("Celonic") whereby initial development is completed at Fusion Antibodies in its GLP facility before research cell banks are transferred to Celonic for cGMP production.

Celonic is a contract development and manufacturing organisation ("CDMO") offering comprehensive development and manufacturing services for biotherapeutics. These services include the development of high yield production cell lines, efficient up-stream and down-stream processes, full cGMP analytics, and the manufacture of active pharmaceutical ingredients (APIs) in cell culture systems at different scales of up to 1000 litres. All work completed with both Fusion and Celonic is fee for service and involves no royalty fees or provisions.

Additionally, Fusion Antibodies provides further flexibility and options to use other additional cell line development such as the Invitrogen/Thermofisher DG44, CHOS and HEK293 systems subject to the customers' requirements if alternative preferences to the Company's default options are chosen.

Antibody Engineering

Fusion Antibodies has 17 years' experience of antibody engineering and can produce a range of custom antibody configurations which include chimeric antibodies, single chain Fv antibody fragments (scFv), Fab and F(ab')$_2$ antibody fragments, IgG class switching and bi-specific antibody production. The technical excellence of Fusion Antibodies has been recognised in legal cases in multi-billion dollar lawsuits between pharmaceutical companies, where Fusion Antibodies has been called to be expert witnesses.

Chimeric Antibodies

This service allows the customer to convert the species isotype of their antibody to validate its potential in therapeutic or diagnostic assays. Variable domains sequenced from the customers hybridoma cell line can be recombined with constant domains of choice. This allows for example the comparison of effector functions. Chimeric antibodies additionally have reduced immunogenicity *in vivo*.

scFv antibody fragments

Small antibody fragments have particular advantages for therapeutic imaging since they are cleared quickly from circulation through the kidneys and produce a quicker target to background ratio. Additionally, their smaller size may improve tumour uptake.

Fab and F(ab')$_2$ antibody fragments

Whilst more difficult to make than scFv, there is the potential to create a different pharmacokinetic profile with a different fragment for either therapeutic, imaging or diagnostic use.

IgG class switching

Fusion Antibodies use this service on behalf of customers where there is interest in optimising the level of immune cell recruitment, stimulation and engagement, avidity and the pharmacokinetic profile of potential monoclonal antibody therapeutics. The Company is able to change any antibody isotype from any species to any other IgG isotype.

Bi-specific antibody production

Bi-specific antibodies afford the opportunity to determine the benefits of combining hybrids of two (or more) unique antibody molecules. This may be for creating improved diagnostics, imaging *in vivo* reagents or *in vivo* therapeutics. The approval of catumaxomab (anti-EpCAM and anti-CD3) and blinatumomab (anti-CD19 and anti-CD3) has become a major milestone in the development of bsAbs (Fan *et al*., 2015). Some scientists

have suggested that bi- and multispecific antibody (bsAb) technology "will provide the next generation of targeted biologics for cancer therapy" (Dimond PF, 2017).

Monoclonal antibody production

Customers come to Fusion Antibodies for this service because of its ability to take on the more difficult projects which may involve the generation of a difficult to produce antigen or subtle changes on a structure to be exquisitely teased out by the specificity of monoclonal antibodies. Examples of this include its work in which the Company has designed techniques for generating antibodies to differentiate between phosphorylated and non-phosphorylated forms of a protein, strategies to generate non-interacting pairs of antibodies against the same protein and methods for targeting highly specific epitopes on the target.

Expertise starts at the front-end computer modelling of antigenic epitopes. The Company uses 3D modelling software to assist them in designing high quality peptide antigens to the protein of interest. This allows, after suitable purification and quality control, the generation of high quality peptides accessible on the protein surface and hence maximises the chance of their immunogenicity. Fusion Antibodies computer-model and overlay these peptide sequences to make sure they are conformationally similar to the target protein. The result is an immunogen which accurately represents the intended target and therefore produces better antibodies with higher affinities. The Company's custom antibody production service is based on the classic Kohler and Milstein technique for the production of monoclonal antibodies because it is an established and classic best technique for high quality monoclonals.

The Company has 15 years' experience in generating monoclonal antibodies and they have performed more than 200 hybridoma fusions for a wide range of clients.

Transient protein expression

Fusion Antibodies offers services with both mammalian and bacterial systems. The mammalian transient expression system allows access to large quantities of protein rapidly in a few weeks. The Company can obtain fully post-translationally modified and active mammalian proteins with high transfection efficiencies and appropriate GFP controls. The Company has a lot of experience in dealing with purification of proteins from difficult to transfect cell lines. Additionally, it has the ability to purify secreted proteins from serum free cell culture medium with an ability to scale up from 50ml to more than 1 litre cultures.

Fusion Antibodies has developed its own Fusion Expression Technology platform (FET™) from inception of the Company to be able to express genes of interest in a bacterial system. Examples of expression in a bacterial system include mammalian targets such as cytokines, receptors, enzymes, bacterial targets such as TB, Yersina pestis and viral targets such as Hepatitis B, SARS & vaccinia.

The Company is skilled in the successful expression of hard to produce proteins (such as FcRn and a range of tuberculosis antigens) and have tackled and produced a variety of highly bioactive highly soluble recombinant proteins with a rapid turnaround time of approximately four weeks (including a full technical report). Other services include recloning of genes into optimised expression vectors and optimisation of expression in a range of culture conditions, protein purification, quality control (including endotoxin assays) and protein stability studies to determine stability and shelf life.

7. Intellectual Property

The intellectual property of Fusion Antibodies is maintained as trade secrets and comprises the Fusion Antibodies team's compendium of expertise, proprietary structural databases, know how, software and structural algorithms, laboratory expertise including antibody humanisation, CDR grafting, DNA Sequencing, cell culture and all relevant other state of the art techniques to produce biological materials. The deliverables for each service differs but for humanisation projects for example include a panel of humanised mAb affinities that the Company generates for each project. Since the fee for service model grants the customer all rights to data and materials generated, the customer is responsible for filing specific monoclonal antibody sequences and patent applications at their own risk. The pharmaceutical customer is also responsible for all third-party licences if any are required for commercialisation.

Accordingly, the review or analysis of any third-party patents was beyond the scope of this report.

8. Market

The first antibody was murine and launched in 1986

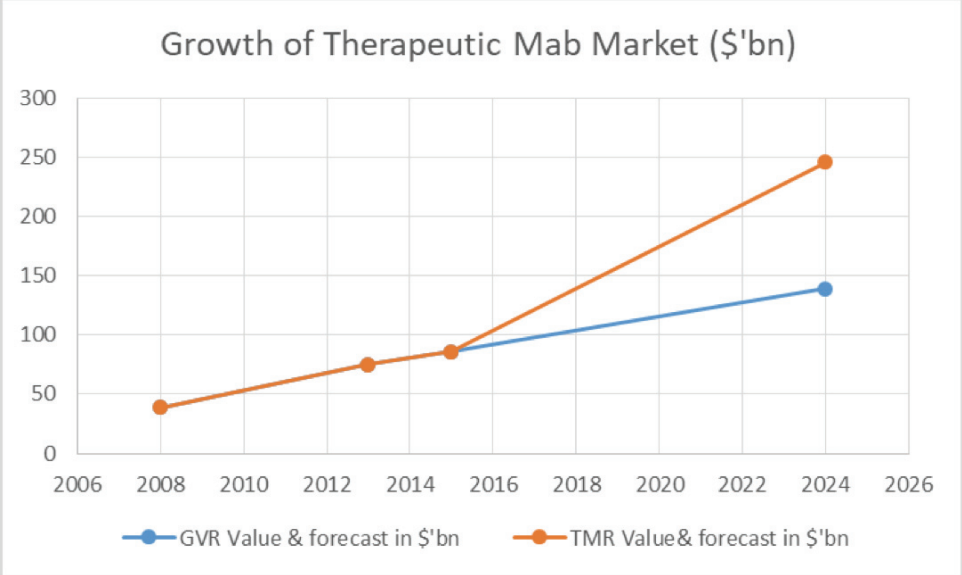
The first monoclonal antibody (Muromonab-CD3 whose Tradename is Orthoclone OKT3) was approved by the FDA in 1985 and launched in 1986 for the indication of prevention of kidney transplant rejection. It is a murine monoclonal antibody which targets the CD3 antigen.

The murine component of antibodies was reduced in second generation monoclonal antibodies so as to reduce rejection in patients by human anti-murine antibody responses and these genetically engineered chimeric mAbs were launched in the late 1990's.

Shortly thereafter the murine component of chimeric mAbs was reduced further in third generation humanised antibodies until fourth generation fully human mAbs were introduced and launched.

The market for therapeutic monoclonal antibodies is >$85 billion and growing at >8 per cent. per annum

The global monoclonal antibody therapeutics market in 2015 was valued between $85.4 billion and $86.7 billion by two independent market research companies (Grand View Research, November 2016 ("GVR") and Transparency Market Research January 2017 ("TMR") respectively). In both these two separate reports their forecasts for the period 2016 to 2024 range between $139 billion (GVR) and $246 billion (TMR) and the difference equates to their different estimates of the compound annual growth rate (CAGR) of 8.2 per cent. and 12.2 per cent. respectively for the market for the period 2016 to 2024. A third vendor Technavio has produced a report Global Monoclonal Antibodies Market 2016-2020 in which their assumed CAGR was 9.8 per cent. and this falls in between the estimates for GVR and TMR.



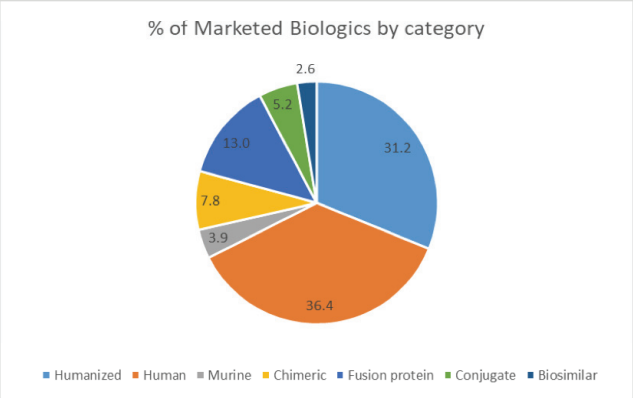
The graph above shows the world sales revenue for all mAb therapeutic products in 2008 was approximately $39 billion and by 2013 this had grown significantly (92 per cent.) to nearly $75 billion and by 121 per cent. to $86 billion in 2015. Fuelling this growth has been the approval both in the EU and by the FDA and market launch of approximately 3-5 new product approvals of mAbs every year.

The table below shows a range of the early mAbs and mAb fusion proteins including some commercial blockbusters, with their year of first approval and their 2013 & 2016 global sales:

Brand name	*INN*	*BLA/MAA Applicant*	*Year of first Approval*	*2013 Global Sales ($'m)*	*2016 Global Sales ($'m)*
Enbrel	Etanercept Fusion mAb protein	Immunex	1998	8,325	8,874
Herceptin	Trastuzumab Humanised	Genentech	1998	6,559	6,751
Humira	Adalimumab Human	Abbott Labs	2002	10,659	16,078
Xolair	Omalizumab Humanised	Genentech	2003	1,465	835
Avastin	Bevacizumab Humanised	Genentech	2004	6,748	6,752
Tysabri	Natalizumab Humanised	Biogen Idec	2004	1,527	1,964
Lucentis	Ranibizumab Humanised	Genentech	2006	4,205	1,427
Vectibix	Panitumumab Human	Amgen	2006	389	143
Solaris	Eculizumab Humanised	Alexion	2007	1,551	2,843
			Total	41,428	45,667

Note that in 2013 the humanised antibodies dominate in both number and value. It can be seen that the product sales in 2013 for the nine monoclonal antibodies (including Fc fusion proteins) in the table above exceeds $41 billion and exceeds $45 billion in 2016. The growth in the market can be easily explained by an increase in the rate of therapeutic monoclonal antibody approvals and with time expansion and broadening of indications.

This trend of approval increase in monoclonal antibodies has increased over the recent years. For example, in 2014, eight products have been approved and this increased to ten approvals in 2015 with a further 10 therapeutic monoclonal antibody products approved by the FDA in 2016. As of July 2017, a further eight products have been approved in 2017 and the total number of all antibody products approved is 77. The breakdown for total monoclonal and fusion protein approvals up to July 2017 is shown below in tabular and pie graph format.



Antibody product	*Number approved*
Humanised	24
Fully human	28
Chimaeric	6
Murine	3
Fusion Fc proteins	10
Conjugated	4
Biosimilars (Chimeric)	2

By July 2017, the number of fully human monoclonal antibodies approved out-number the humanised monoclonal antibodies for the first time though the value of the humanised antibodies cumulative sales is still higher.

It is clear that the demand for monoclonal antibodies is still high and growing and this can be explained in terms of the difficulty of bringing new blockbuster NCE's to market and a higher probability of development success with monoclonal antibodies. Monoclonal antibodies have been a real out-performer in terms of R&D productivity metrics.

Product category	*Probability of reaching market approval from IND*
New chemical entities (NCE's)	7.6 per cent.
Monoclonal antibodies – Oncology indication	14.1 per cent.
Monoclonal antibodies – Non-oncology indications	19.3 per cent.

Reference: Booth, 2017.

Market drivers

Positive drivers leading to expansion of the market include the following:

- Increased rate of approvals of therapeutic monoclonal antibodies in the period 2014-2017
- Personalised medicine and physician use of combinations of therapeutic mAbs with other modalities in cancer
- Demographics of ageing leading to increased cancer and cardiovascular risk
- Increase in wealth in new industrialised countries including Latin America and Asia giving access to high priced therapies
- Increased R&D productivity of monoclonal antibodies against NCE's

Negative drivers include:

- Patent expiry of key blockbuster mAbs
- Substitution of key products by biosimilars upon patent expiry reducing sales

Summary

The global market for therapeutic monoclonal antibodies is large and growing at a fast pace and is on course to at least double over the next seven years to more than $120 billion on a conservative basis. Demand for therapeutic monoclonal antibodies is high. They are increasingly occupying blockbuster status, dominate the NCE market and represent the majority of top 10 selling products worldwide. Large pharmaceutical companies have made several key acquisitions of monoclonal antibody companies developing fully human antibodies which supports this demand. The market is attractive and important for a whole range of biotechnology providers and companies involved in the R&D services including, preclinical, clinical development and manufacturing services of such products.

9. Competition

Fusion Antibodies offers services across six categories. There are different types of competition across each individual service area. Examples of companies who compete with Fusion Antibodies in each specific area are tabulated below:

Fusion Antibodies Service	*Competing types of technologies for each service*			
Antibody humanisation	*Fully human Transgenic*	*Fully human Phage Display*	*Fully human Yeast*	*Classic Humanisation*
	Medarex[(1)] Abgenix[(1)] Regeneron Kymab Ablexis Harbour Ab's Trianni	CAT[(1)] Dyax[(1)] Morphosys Distributed Bio	Adimab	Absolute antibody Abzena Genscript MRC Technology PX Therapeutics Creative Biolabs
Antibody engineering	Lake Pharma, Absolute Antibody, Abzena			
Stable cell line engineering	Lake Pharma, Precision Ab, Lonza, Abzena			
mAb production	Antibody solutions, Precision Ab, Lonza, Alpha Biologics, Abzena			

Fusion Antibodies *Service*	*Competing types of technologies for each service*
Transient protein expression	Lake Pharma, Precision Ab, Lonza, Abzena
Antibody sequencing	Genscript, Abzena

(1) Medarax acquired by BMS; Abgenix acquired by Amgen; CAT acquired by AZ; Dyax acquired by Shire

Whilst Fusion Antibodies is winning business in each service area, a significant component of its revenue is the antibody humanisation service. As can been seen in the table above, four distinct technology groups compete in the landscape for fully human and humanised antibodies.

Whilst it can be argued that more fully human antibodies may mean less demand for humanised antibodies, historically this does not seem to be the case. The fully human mAb sector is an increasing player representing 36 per cent. of all marketed approvals but is unlikely to dominate and rule out the demand for humanised antibodies which represent 31 per cent. of all marketed approvals by number but a larger percentage by value. It would seem to be a reasonable conclusion therefore that there will still be substantial demand for humanisation and other antibody engineered services by Fusion Antibodies and other providers over the next five and possibly 10 years. Fully human antibodies do not seem to offer a decisive advantage over humanised mAbs and tend to have lower affinities for target antigens.

As of May 2017, 28 fully human monoclonal antibodies have been approved (Booth, 2017) compared to 24 humanised monoclonal antibodies out of a total of 77 marketed approvals to July 2017.

There is competition within the fully human antibody space itself for approved and launched products which have been derived from both transgenic mice and phage display technologies.

Numerically transgenic mice have been responsible for the majority (74 per cent.) of these approval and market launches for fully human mAbs. This is tabulated below and compared historically with fully human mAbs produced by phage display technology:

Phage Technology		*Transgenic Mice technology*	
Dyax	*Medarex*	*Medarex (Cont'd)*	*Abgenix*
Avelumab (2017) EMD Serono	Bezlotoxumab (2016) Merck & Co	Ustekinumab (2009) Centocor/J&J	Brodalumab (2017) Valeant
Necitumumab (2015) Eli Lilly & Co	Canakinumab (2009) Novartis	Olaratumab (2016) Eli Lilly & Co.	Denosumab (2010) Amgen
Ramucirumab (2014) Eli Lilly & Co	Daratumumab (2015) Janssen Biotech	Ofatumumab (2009) GSK	Durvalumab (2017) AZ
CAT	Golimumab (2009) Centocor/Janssen Biotech	Secukinumab (2015) Novartis	Evolocumab (2015) Amgen
Adalimumab[a] (2002) Abbvie	Ipilimumab (2011) BMS	Regeneron	Panitumumab (2006) Amgen
Belimumab[b] (2011) HGS/GSK	Nivolumab (2014) BMS	Alirocumab (2015) Sanofi	
Raxibacumab (2012) HGS/GSK		Dupilumab (2017) Regeneron	
Completed by Phage Technology 6 (26%)		Completed by Transgenic Mice Technology 17 (%)	

Furthermore, we consider that commercial issues in the market dominate more in their importance than the issue of human versus humanisation for therapeutic monoclonal antibody products. Several lines of evidence support this:

1. The track record of sales of worldwide therapeutic antibodies – whether human or humanised antibodies – have a proven record and dominate the top 10 selling drugs worldwide in 2015 to 2016.

Drug position Worldwide sales	*Brand name*	*Drug type*	*2016 sales ($' billion)*	*2015 sales ($' billion)*	*Marketing company or Sponsor*
1	Humira	Human mAb	16.1	14.0	Abbvie
2	Harvoni	New Chemical Entity ("NCE")	9.1	13.9	Gilead Sciences
3	Enbrel	TNF-Fc mAb fusion Biological Entity ("NBE")	8.9	8.7	Amgen & Pfizer
4	Rituxan	Humanised mAb	8.6	8.4	Roche (Genentech) and Biogen
5	Remicade	Humanised mAb	7.8	8.8	J&J and Merck
6	Revlimid	NCE	7.0	5.8	Cellgene
7	Avastin	Humanised mAb	6.8	6.6	Roche (Genentech)
8	Herceptin	Humanised mAb	6.8	6.5	Roche (Genentech)
9	Lantus	Insulin	6.1	6.4	Sanofi
10	Prevenar 13	Vaccine (NBE)	5.7	6.2	Pfizer

2. The quality and stature of pharmaceutical companies who are still producing or have produced humanised antibodies include many top tier companies e.g. Genentech, Roche, GSK, Pfizer, Merck & Co, Takeda, Biogen, Boehringer Ingelheim.

3. Safety trumps technology – Side effects of monoclonal antibodies discovered during clinical development outweigh concerns over humanised or human monoclonal antibodies. A good example is Brodalumab a human antibody recently approved 15 February 2017. Valeant Pharmaceuticals International is marketing the product to treat adults with moderate to severe plaque psoriasis. Amgen and AstraZeneca first developed the drug and decided in early 2016 to halt development due to noted suicidal behaviour risks observed during clinical development. Clearly this risk weighed on Amgen in their decision making with this human antibody. The product has gone to market though labelling for the product includes a Black Box warning for the risks of suicidal thoughts of behaviour.

4. First to market with a niche target with a humanised antibody renders competition by a follow up human antibody less likely e.g. Besponsa a humanised antibody (INN inotuzumab ozogamicin) is the first and only CD22 directed antibody-drug conjugate to relapsed and refractory B-cell Acute Lymphoblastic Leukemia cancer patients which is fatal within a few months if untreated and who have a 10-20 per cent. long term survival prognosis.

5. Acquisition of key platforms of Medarex, Abgenix and Regeneron have made transgenic technologies less available and accessible to the majority of pharmaceutical and biotech companies.

6. Reduced royalty burden of humanised antibody technology versus transgenic and newer variants transgenic technologies which will all be licensed out at high cost & royalty levels to reimburse their R&D costs and investments.

Newer technologies include the use of proprietary yeast strains for producing fully human monoclonal antibodies by Adimab. Adimab have had great success in entering into a number of high value collaborative deals which typically involve upfront fees, milestone payments and royalties in the mid-single-digits (Bioworld Today July 2010). Additionally, Adimab have allowed transfer of its platform technology in-house to a number of pharmaceutical companies. Such an example is Eli Lilly & Co. who have been working with Adimab since 2010. Recently in July 2017 Eli Lilly & Co. agreed a deal in which Eli Lilly & Co. can use the Adimab platform without restriction across any therapeutic area and obtain exclusive rights to a custom human antibody library. There is however likely to be a high price tag in transfer deal terms for the use of Adimab technology in-house.

Direct Humanisation Competitors

CDR grafting has been pioneered since the mid to late eighties and numerous companies use this technique and their own amended forms as the basis for a service offering.

A range of companies offer antibody engineering, humanisation and long term and short-term expression of engineered antibodies.

Fusion Antibodies compares favourably with the competition having completed over 100 humanisation projects. The Company has used its multiplex CDRx™ antibody humanisation platform to humanise more than 350 individual antibodies in one project. This provides a strong claim for Fusion Antibodies to make that it is one of the market leaders in antibody humanisation services.

How does Fusion Antibodies differentiate itself from the competition?

1. *In-silico* designs – Fusion Antibodies has developed excellence in its *in-silico* designs of humanised antibodies. The Company's proprietary software allows it to scan more than 100,000 human antibody frameworks.

2. CDR grafting expertise: Fusion Antibodies pursues a strategy of minimal perturbation of the humanised antibody from the parent murine structure in its CDR grafting by carefully selecting human frameworks that mimic the murine structure through a high level of sequence homology. The Company uses judgement which has been built up over 16 years in searching for residue replacement to protect the conformation stability of the humanised monoclonal antibody retaining the benefits of affinity and specificity compared to the murine parent antibody.

3. Customer feedback: Quality & Speed – Several of the top 10 pharmaceutical companies have approached Fusion Antibodies requesting help with the design and production of humanised antibodies. One pharmaceutical customer indicated that they had tried five other humanisation providers without success. Fusion Antibodies was able to complete the humanisation project for the customer with improved quality of antibodies provided in a time frame less than all of its competition. This led to repeat projects and business. Further validation of the quality of the work completed by Fusion Antibodies is the signing of a collaborative deal with a newly formed biotechnology MAB Discovery GmbH which was formed by top executives from Roche. It would seem that word has spread throughout industry possibly by attendance of scientists at international scientific meetings as the Company has been approached a number of times by new pharmaceutical customers.

4. Track record and execution – more than 100 projects completed, including the creation of more than 350 humanised monoclonal antibodies. Many of these have progressed in the hands of its customers and Fusion Antibodies believes that at least six have progressed further into pre-clinical development with one humanised mAb currently in a Phase II trial and two further humanised mAbs planned to be in clinical trials within the next twelve months based on the best of its intelligence from customer contacts.

5. Modular service offerings – Customers can buy a one stop shop or buy specific service offerings from Fusion Antibodies. This appeals to a broad range of customers and includes smaller start-up companies a few of whom Fusion Antibodies has helped to progress their financings through delivery of professional quality of humanised antibodies.

10. Overall conclusion

The market for global therapeutic monoclonal antibodies is currently $85 billion and likely to double or triple over the next 10 years according to assumed CAGR estimates. The volume of mAb approvals is gaining pace with 36 approvals in the last three years. Fully human antibodies product approvals are accelerating and leading the product approval race with humanised monoclonal antibodies. Commercially, however, the cumulative sales generated and thereby safety and patients treated with humanised mAbs exceeds those treated with fully human antibodies.

Acquisition of most of the fully human antibody generating companies' platforms by Big Pharma has placed fully human antibodies into the hands of a smaller number of the top 100 pharmaceutical companies. Whilst other technologies are being developed and are available it is extremely likely that the tried and tested

commercially successful humanised antibodies will continue to be a major part of the pharmaceutical landscape. It is an entirely reasonable assumption that humanised antibodies and engineered antibodies are likely to play an important part of the pharmaceutical future over the next 10 years.

There are at least six companies offering services in the humanisation space. What we believe sets Fusion Antibodies apart from its competition is a combination of proprietary technical skills – both computational and wet laboratory skills – technical judgements made by its employees and reputation in the industry shown by an outstanding repeated buying behaviour from Top 10 pharmaceutical companies. Further validation is shown in the Company's important collaboration with MAB Discovery GmbH (PRweb UK, 31 March 2016) which was a company formed by top Roche Executives. The Company's collaborative partners at MAB Discovery GmbH are individuals coming from a background of a leading Pharmaceutical company having developed numerous humanised monoclonal antibody products into successful blockbuster products.

APPENDIX A

List of approved therapeutic monoclonal antibodies

As of 8 July 2017 there were nine pending marketing applications for therapeutic antibodies that have not yet been approved in the US or EU. In addition, a marketing application for the antibody-drug conjugate gemtuzumab ozogamicin which was approved in 2000 by the US FDA and subsequently withdrawn from the US market is undergoing review in the EU and US.

Brand name	*WHO INN*	*Source*	*Approval Date*	*Company*
Besponsa	Inotuzumab ozogamicin	Humanised	17/8/2017	Pfizer
Tremfya	Guselkumab	Human	13/7/2017	Janssen Biotech
Imfinzi	Durvalumab	Human	1/5/2017	AstraZeneca
Bavencio	Avelumab	Human	23/3/2017	Merck Serono
Ocrevus	ocrelizumab	Humanised	28/3/2017	Roche
Dupixent	dupilumab	Human	28/3/2017	Sanofi
Siliq	Brodalumab	Human	15/2/2017	Amgen/AZ sold to Valeant
Kevzara	Sarilumab	Human	23/5/2017	Sanofi
Zinplava	bezlotoxumab	Human	21/10/2016	Merck Sharp Dohme
Lartruvo	Olaratumab	Human	19/10/2016	Eli Lilly & Co
Tecentriq	Atezolizumab	Humanised 2nd indication	18/10/2016	Genentech
Stelara	Ustekinumab	Human	23/9/2016	Janssen Biotech
Amjevita	Adalimumab-Atto	Human	23/9/2016	Amgen Inc
Zinbryta	Daclizumab	Humanised	27/5/2016	Biogen
Tecentriq	Atezolizumab	Humanised 1st indication	18/5/2016	Genentech
Cinqair	Reslizumab	Humanised	23/3/2016	Teva Respiratory
Taltz	Ixekizumab	Humanised	22/3/2016	Eli Lilly & Co
Anthim	Obiltoxaximab	Chimeric	18/3/2016	Elusys Therapeutics Inc
Empliciti	Eloztuzumab	Humanised	30/11/2015	Bristol Myers Squibb
Portrazza	Necitumumab	Human	24/11/2015	Eli Lilly Co
Darzalex	Daratumumab	Human	16/11/2015	Janssen Biotech
Nucala	Mepolizumab	Humanised	4/11/2015	GlaxoSmithKline
Praxbind	Idarucizumab	Humanised	16/10/2015	Boehringer Ingelheim
Repatha	Evolocumab	Human	27/8/2015	Amgen Inc
Praluent	Alirocumab	Human	24/7/2015	Sanofi Aventis
Unituxin	Dinutuximab	Chimeric	10/3/2015	United Therapies
Opdivo	Nivolumab	Human	4/3/2015	Bristol Myers Squibb
Cosentyx	Secukinumab	Human	21/1/2015	Novartis
Opdivo	nivolumab	Human	22/12/2014	Bristol Myers Squibb
Blincyto	Blinatumomab	Mouse bispecific	3/12/2014	Amgen
Keytruda	pembrolizumab	Humanised	4/9/2014	Merck & Co
Eloctate	Factor VIII Fc fusion protein		6/6/2014	Biogen
Entyvio	Vedolizumab	Humanised	20/5/2014	Takeda Pharma Co.
Sylvant	Siltuximab	Chimeric	23/4/2014	Janssen Biotech
Cyramza	Ramucirumab	Human	21/4/2014	Eli Lilly & Co.
Alprolix	Factor IX Fc fusion protein		28/3/2014	Biogen
Gazyva	obinutuzumab	Humanised	1/11/2013	Roche (Genentech)
Lemtrada	alemtuzumab	Humanised	17/9/2013 EMA	Sanofi
Remsima	Infliximab biosimilar	Chimeric	Sep 2013 EMA	Celltrion
Inflectra	Infliximab biosimilar	Chimeric	Sep 2013 EMA	Pfizer (Hospira)
Kadcyla	Ado-trastuzumab emtansine	Humanised	22/2/2013	Roche (Genentech)
Abthrax	Raxibacumab	Human	24/12/2012	GlaxoSmithKline (Human Genome Sci)

Brand name	*WHO INN*	*Source*	*Approval Date*	*Company*
Zaltrap	Ziv-aflibercept	VEGF Rec Fc fusion protein	3/8/2012	Sanofi
Perjeta	Pertuzumab	Humanised	8/6/2012	Roche (Genentech)
Adcentris	Brentuximab vedotin	Chimaeric conjugate	19/8/2011	Seattle Genetics & Takeda (EU)
Prolia	Denosumab	Human	19/9/2011	Amgen/GSK
Eylea	Aflibercept	Fc fusion protein	17/8/2011	Regeneron/Bayer
Nulojix	Belatacept	Fc fusion protein	15/6/2011	Bristol-Myers Squibb
Yervoy	Ipilimumab	Human	25/3/2011	Bristol-myers Squibb
Benlysta	Belimumab	Human	9/3/2011	HGS/GlaxoSmithKline
Xgeva	Denosumab	Human	1/7/2010	Amgen
Arzerra	Ofatumumab	Human	26/10/2009	GlaxoSmithKline
Stelara	Ustekinumab	Human	23/9/2009	Janssen-Cilag/J&J
Ilaris	Canakinumab	Human	17/6/2009	Novartis
Removab	Catumaxomab	Mouse	27/4/2009 EMA	Fresnius/NeoPharm
Actemra	Tocilizumab	Humanised	23/1/2009 (FDA 1/1/2010)	Roche
Nplate	Romiplostim	Fc-peptide fusion protein	22/8/2008	Amgen
Cimzia	Certolizumab	Humanised	22/4/2008	UCB
Arcalyst	Rilonacept	Fusion protein	28/2/2008	Regeneron
Soliris	Eculizumab	Humanised	16/3/2007	Alexion Pharma
Vectibix	Panitumumab	Human	27/9/2006	Amgen
Lucentis	Ranibizumab	Humanised	30/6/2006	Genentech/Roche/ Novartis
Orencia	Abatacept	Fusion protein	23/12/2005	Bristol-Myers Squibb
Erbitux	Cetuximab	Chimeric	12/2/2004	ImClone/BMS/ MerckKGaA
Avastin	Bevacizumab	Humanised	26/2/2004	Genentech/Roche
Xolair	Omalizumab	Humanised	20/6/2003	Genentech/Roche/ Novartis
Zevalin	Ibritumomab tiuxetan	Murine conjugate	19/2/2002	IDEC/Spectrum
Humira	Adalimumab	Human	31/12/2002	AbbVie
Simulect	Basiliximab	Chimaeric	5/12/1998	Novartis
Enbrel	Etanercept	Fusion protein	1/11/1998	Immunex/Amgen/ Pfizer
Herceptin	Trastuzumab	Humanised	25/9/1998	Genentech/Roche
Remicade	Infliximab	Chimaeric	24/8/1998	Centocor/J&J/ Merck & Co
Synagis	Palivizumab	Humanised	19/6/1998	Abbott/AZ/AbbVie
Rituxan	Rituximab	Chimaeric	26/11/1997	Genentech/Roche
ReoPro	Abciximab	Chimaeric	22/12/1994	Centocor/Eli Lilly & Co

APPENDIX B

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PART IV

SECTION A
ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

The Directors and the Proposed Director (together, the "**Directors**")
Fusion Antibodies Plc
1 Springbank Road
Springbank Industrial Estate
Belfast
BT17 0GL

Allenby Capital Limited
5 St Helen's Place
London
EC3A 6AB

12 December 2017

Dear Sirs

Fusion Antibodies PLC (the "Company")

We report on the financial information for the three years ended 31 March 2017 of the Company set out in section B of Part IV below (the "**Financial Information Table**"). The Financial Information Table has been prepared for inclusion in the admission document dated 12 December 2017 (the "**Admission Document**") of Fusion Antibodies PLC on the basis of the accounting policies set out in note 2 to the Financial Information Table. This report is required by Schedule Two of the AIM rules for Companies published by the London Stock Exchange plc (the "**AIM Rules**") and is given for the purpose of complying with that Schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Financial Information Table gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document

PricewaterhouseCoopers LLP, Waterfront Plaza, 8 Laganbank Road, Belfast, BT1 3LR.
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Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information Table gives, for the purposes of the Admission Document dated 12 December 2017, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits and losses, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION B
HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	*Note*	*2017* £	*2016* £	*2015* £
Revenue	4	1,913,956	1,481,265	909,294
Cost of sales		(952,459)	(618,055)	(460,440)
Gross profit		961,497	863,210	448,854
Other operating income	23	45,674	7,104	20,995
Administrative expenses		(880,641)	(842,629)	(568,636)
Operating profit/(loss)	5	126,530	27,685	(98,787)
Finance income		–	–	1
Finance costs	8	(615)	(496)	(665)
Profit/(loss) before income tax		125,915	27,189	(99,451)
Income tax (expense)/credit	10	(5,961)	1,126,903	14,339
Profit/(loss) for the financial year		119,954	1,154,092	(85,112)
Total comprehensive income/(deficit) for the year		119,954	1,154,092	(85,112)
		pence	*pence*	*pence*
Earnings/(loss) per share				
Basic	11	21.9	210.7	(15.7)
Diluted	11	20.2	200.2	(15.3)

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

STATEMENT OF FINANCIAL POSITION

As at 31 March	*Note*	*2017* £	*2016* £	*2015* £
Assets				
Non-current assets				
Property, plant and equipment	12	107,253	49,972	36,447
Deferred tax assets	14	1,118,864	1,126,903	–
		1,226,117	1,176,875	36,447
Current assets				
Inventories	15	70,261	–	–
Trade and other receivables	16	571,998	277,625	210,922
Current tax receivable		2,078	–	19,961
Cash and cash equivalents		285,685	413,945	103,632
		930,022	691,570	334,515
Total assets		2,156,139	1,868,445	370,962
Liabilities				
Current liabilities				
Trade and other payables	17	430,217	391,430	181,668
Net current assets		499,805	300,140	152,847
Non-current liabilities				
Provisions for other liabilities and charges	18	20,000	20,000	20,000
Total liabilities		450,217	411,430	201,668
Net assets		1,705,922	1,457,015	169,294
Equity				
Called up share capital	20	547,655	547,655	547,655
Share premium reserve		6,161,269	6,161,269	6,161,269
Accumulated losses		(5,003,002)	(5,251,909)	(6,539,630)
Equity		1,705,922	1,457,015	169,294

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March

	Called up share capital £	*Share premium reserve* £	*Accumulated losses* £	*Total equity* £
At 1 April 2016	547,655	6,161,269	(5,251,909)	1,457,015
Profit for the year	–	–	119,954	119,954
Share options – value of employee services	–	–	128,953	128,953
Total transactions with owners, recognised directly in equity	–	–	128,953	128,953
At 31 March 2017	**547,655**	**6,161,269**	**(5,003,002)**	**1,705,922**
At 1 April 2015	547,655	6,161,269	(6,539,630)	169,294
Profit for the year	–	–	1,154,092	1,154,092
Share options – value of employee services	–	–	133,629	133,629
Total transactions with owners, recognised directly in equity	–	–	133,629	133,629
At 31 March 2016	**547,655**	**6,161,269**	**(5,251,909)**	**1,457,015**
At 1 April 2014	531,568	6,018,904	(6,554,152)	(3,680)
(Loss) for the year	–	–	(85,112)	(85,112)
Issue of share capital	16,087	142,365	–	158,452
Share options – value of employee services	–	–	99,634	99,634
Total transactions with owners, recognised directly in equity	16,087	142,365	99,634	258,086
At 31 March 2015	**547,655**	**6,161,269**	**(6,539,630)**	**169,294**

CASH FLOW STATEMENT

Year ended 31 March	*2017*	*2016*	*2015*
	£	£	£
Cash flows from operating activities			
Profit/(loss) for the year	119,954	1,154,092	(85,112)
Adjustments for:			
Share based payment expense	128,953	133,629	99,634
Depreciation	32,990	22,236	19,435
Finance income	–	–	(1)
Finance costs	615	496	665
Income tax expense/(credit)	5,961	(1,126,903)	(14,339)
Increase in inventories	(70,261)	–	–
Increase in trade and other receivables	(294,373)	(66,703)	(86,432)
Increase/(decrease) in trade and other payables	38,787	209,762	(115,900)
Cash (used in)/generated from operations	(37,374)	326,609	(182,050)
Income tax received	–	19,961	–
Net cash (used in)/generated from operating activities	(37,374)	346,570	(182,050)
Cash flows from investing activities			
Purchase of property, plant and equipment	(90,271)	(35,761)	(11,197)
Net cash used in investing activities	(90,271)	(35,761)	(11,197)
Cash flows from financing activities			
Proceeds from issue of share capital	–	–	158,452
Interest received	–	–	1
Interest paid	(615)	(496)	(665)
Net cash (used in)/generated from financing activities	(615)	(496)	157,788
Net (decrease)/increase in cash and cash equivalents	(128,260)	310,313	(35,459)
Cash and cash equivalents at the beginning of the year	413,945	103,632	139,091
Cash and cash equivalents at the end of the year	285,685	413,945	103,632

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

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 3GS.

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.

Basis of preparation

This historical financial information presents the financial track record of Fusion Antibodies plc for the years ended 31 March 2015, 31 March 2016 and 31 March 2017 and is prepared for the purposes of admission to AIM, a market operated by the London Stock Exchange. This special purpose financial information has been prepared in accordance with the requirements of the Prospectus Directive regulation and the AIM Rules, in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

This historical financial information is prepared in accordance with IFRS under the historical cost convention, modified to include certain financial instruments at fair value.

The principal accounting policies adopted in the preparation of the historical financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

2. Significant accounting policies

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

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 2017, and have not been applied in preparing the historical financial information. None of these is expected to have a significant effect on the financial statements of the group or parent company, except the following, set out below:

- *IFRS 9, 'Financial instruments'*, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. IFRS9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different from that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, subject to EU endorsement. The impact of IFRS 9 is being assessed by management.
- *IFRS 15, 'Revenue from contracts with customers'*, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective

for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to EU endorsement. The impact is being assessed by management and a transition plan is being put in place.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Company and value added taxes. Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest. The Company recognises revenue when (i) the significant risks and rewards of ownership have been transferred to the buyer; (ii) the Company retains no continuing involvement or control over the goods; (iii) the amount of revenue can be measured reliably; and (iv) it is probable that future economic benefits will flow to the Company.

Revenue in respect of the services the Company provide are recognised using the percentage of completion method applied to each stage of its agreements with customers.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company currently has the single operating segment of research, development and manufacture of recombinant proteins and antibodies.

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.

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 group 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 that operations 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 straightline 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 cash-generating unit's or individual asset's recoverable amount 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. 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

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Statement of Financial Position.

Financial assets are initially recognised at fair value. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently measured at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, overdrafts are shown within borrowings in current liabilities.

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

All of the Company's financial liabilities are classified as financial liabilities carried at amortised cost. The Company does not use derivative financial instruments or hedge accounts for any transactions. Financial liabilities comprise Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

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

Accumulated losses 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 historical financial information 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 historical financial information. Information about such judgements and estimation is contained in the accounting policy and/or the notes to the historical financial information 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.

- *Share Based Payments*. The Company operates an employee share option scheme and has recognised an annual cost in the Income Statement. The calculation of the costs is based on a number of estimates and assumptions, of which two have a significant impact on the amounts recorded in the financial statements:

    - *Date at which an exercising event may occur has a significant effect on the number of options expected to be exercised*. If such an event was to be one year later than in the assumptions used by the Company the effect would be approximately £232,000 cumulatively lower charge to the income statement (2016: £198,000 lower) (2015: £161,000 lower).

    - *Fair value of the shares at date of grant*. As a private Company an open market share price is not available when shares are granted so the Company has applied the Black-Scholes method based on the most recent price at which capital was raised. A 5 per cent. fluctuation in the fair value of the company's shares on the grant date would have resulted in the cumulative charge to the income statement being approximately £36,000 higher or lower (2016: £30,000) (2015: £23,000).

4. Segmental information

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	*2017* £	*2016* £	*2015* £
UK (domicile)	309,150	214,852	95,577
Rest of Europe	846,628	607,743	609,511
North America	746,405	569,083	193,059
Rest of World	11,773	89,587	11,147
	1,913,956	1,481,265	909,294

In 2017 sales to one customer exceeded 10 per cent. of revenues, that customer accounted for £198,334, or 10.37 per cent. of revenues. In 2016 no customer (2015: none) made up more than 10 per cent. of revenues.

5. Operating profit/(loss) is stated after charging

	2017 £	*2016* £	*2015* £
Employee benefit costs			
– wages and salaries	643,081	569,810	321,270
– social security costs	61,975	36,399	30,448
– other pension costs	34,733	5,278	5,126
– share based payments	128,953	133,629	99,634
	868,742	745,116	456,478
Depreciation of property, plant and equipment	32,990	22,236	19,435
Other operating expenses			
Operating lease rentals – land & buildings	40,000	40,000	40,000
Other occupancy costs	19,910	12,673	9,182
IT costs	7,387	11,256	807
Fees payable to the Company's auditors			
Audit fee	9,000	6,000	6,000
Tax compliance	–	1,815	1,750
Payroll and other services	–	19,956	19,894
	9,000	27,771	27,644
Raw materials and consumables used	591,099	305,893	209,446
Increase in inventories	(70,261)	–	–
Patent costs	45,966	101,614	101,704
Transportation costs	13,165	9,004	9,096
Marketing costs	75,202	40,195	30,158
(Profit)/loss on foreign exchange	(21,113)	(3,977)	4,557
Other expenses	221,013	148,903	120,569
Total cost of sales and administrative expenses	1,833,100	1,460,684	1,029,076

6. Average staff numbers

	2017	*2016*	*2015*
Employed in UK (including executive directors)	15	10	9
Non-executive directors	6	5	5
	21	15	14

7. Remuneration of directors and key senior management

Directors	*2017* £	*2016* £	*2015* £
Emoluments	174,204	272,858	124,715
Pension contributions	21,322	5,278	5,126
Fees paid to third parties for services of directors	38,500	47,644	–
Total	234,026	325,780	129,841

Highest paid director

In 2016 the highest paid director received the following emoluments:

	£
Emoluments	77,715
Pension contributions	2,640
	80,355

Key senior management

Key senior management is considered to be the Directors of the Company with total remuneration for the year of £234,026 (2016: £325,780) (2015: £129,841).

8. Finance costs

	2017 £	*2016* £	*2015* £
Interest expense on other borrowings	615	496	665

9. Share based payments

The Company operates 2 share based reward schemes for employees:

- A United Kingdom tax authority approved scheme for executive directors and senior staff; and
- An unapproved scheme for non-executive directors.

Options under the approved scheme have no performance conditions other than the continued employment within the Company. Options vest ten years from the date of grant which may accelerate for a change of control or an admission to a public market. Options not exercised on the vesting date lapse. Options lapse if the individual leaves the Company, except under certain circumstances such as leaving by reason of redundancy.

Options under the unapproved scheme vest only upon certain conditions such as an admission to AIM or a takeover by another Company. Unapproved options that have not been exercised lapse ten years after the date of grant.

The total share-based remuneration recognised in the Statement of Comprehensive Income was £128,953 (2016: £133,629, 2015: £99,634). The more recent options (granted in 2015) were valued using the Black-Scholes method. With no open market valuation, the share price on grant used the most recent price at which the Company had raised capital in a share round, expected volatility of 13.4 per cent. and a compound risk free rate assumed of 1.53 per cent.

	2017 Weighted average exercise price £	*2017 Number*	*2016 Weighted average exercise price £*	*2016 Number*	*2015 Weighted average exercise price £*	*2015 Number*
Outstanding at beginning of the year	1.59	75,300	1.62	75,950	2.34	65,200
Granted during the year	–	–	–	–	1.00	27,100
Exercised during the year	–	–	–	–	–	–
Lapsed during the year	1.00	(1,000)	4.15	(650)	3.48	(16,350)
Outstanding at the end of the year	1.60	74,300	1.59	75,300	1.62	75,950

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

Expiry	*Exercise price £*	*2017 Number*	*2016 Number*	*2015 Number*
February 2016	4.15	–	–	650
April 2017	1.00	5,000	5,000	5,000
February 2018	6.00	2,300	2,300	2,300
February 2018	1.00	4,000	4,000	4,000
September 2018	1.00	2,000	2,000	2,000
October 2019	4.00	3,400	3,400	3,400
October 2019	1.00	12,250	12,250	12,250
May 2021	2.20	19,250	19,250	19,250
November 2024	1.00	26,100	27,100	27,100
Total	–	74,300	75,300	75,950

Of the total number outstanding none (2016: none) (2015: none) had vested at the year end.

10. Income tax expense/(credit)

	2017 £	*2016* £	*2015* £
Current tax – UK corporation tax	(2,078)	–	(14,339)
Deferred tax – origination and reversal of temporary differences	8,039	(1,126,903)	–
Income tax expense/(credit)	5,961	(1,126,903)	(14,339)

	2017 £	*2016* £	*2015* £
Factors affecting the tax charge for the year			
Profit/(loss) before tax	125,915	27,189	(99,451)
Profit/(loss) before tax multiplied by standard rate of UK corporation tax of 20%	25,183	5,438	(19,890)
Provisions and expenditure not deductible for tax purposes	(323)	13,404	2,535
Reduction in deferred tax asset due to change in enacted rate	22,228	–	–
RDEC/R&D tax credit	(2,078)	(12,984)	(14,339)
Adjustment in recognition of deferred tax	(39,049)	(1,132,761)	17,355
Income tax expense/(credit)	5,961	(1,126,903)	(14,339)

11. Earnings per share

	2017 £	*2016* £	*2015* £
Profit/(loss) for the financial year	119,954	1,154,092	(85,112)
Earnings/(loss) per share – adjusted	*Pence*	*Pence*	*Pence*
Basic	21.9	210.7	(15.7)
Diluted	20.2	200.2	(15.3)
	Number	*Number*	*Number*
Issued ordinary shares at the end of the year	547,655	547,655	547,655
Weighted average number of shares in issue	547,655	547,655	540,952
Dilutive effect of share options	47,134	28,747	13,705
	594,789	576,402	554,657

Basic earnings per share is calculated on the profit attributable to the Company's Shareholders divided by the weighted average number of shares in issue during the year. Diluted earnings per share is calculated on the basic earnings per share, adjusted to allow for the issue of Ordinary Shares on the assumed conversion of all dilutive options.

12. Property, plant and equipment

	Leasehold improvements £	*Plant & machinery* £	*Fixtures, fittings & equipment* £	*Total* £
Cost				
At 1 April 2016	156,059	403,456	50,766	610,281
Additions	–	80,314	9,957	90,271
At 31 March 2017	156,059	483,770	60,723	700,552
Accumulated depreciation				
At 1 April 2016	148,123	368,048	44,138	560,309
Depreciation charged in the year	7,936	21,484	3,570	32,990
At 31 March 2017	156,059	389,532	47,708	593,299
Net book value				
At 31 March 2017	–	94,238	13,015	107,253
At 31 March 2016	7,936	35,408	6,628	49,972

None of the above are held under finance leases (2016 & 2015: none).

The depreciation expense is included in administrative expenses in the Statement of Comprehensive Income in each for the financial years shown.

	Leasehold improvements £	*Plant & machinery* £	*Fixtures, fittings & equipment* £	*Total* £
Cost				
At 1 April 2015	156,059	372,412	46,049	574,520
Additions	–	31,044	4,717	35,761
At 31 March 2016	156,059	403,456	50,766	610,281
Accumulated depreciation				
At 1 April 2015	134,517	360,906	42,650	538,073
Depreciation charged in the year	13,606	7,142	1,488	22,236
At 31 March 2016	148,123	368,048	44,138	560,309
Net book value				
At 31 March 2016	7,936	35,408	6,628	49,972
At 31 March 2015	21,542	11,506	3,399	36,447

	Leasehold improvements £	*Plant & machinery* £	*Fixtures, fittings & equipment* £	*Total* £
Cost				
At 1 April 2014	156,059	361,724	45,540	563,323
Additions	–	10,688	509	11,197
At 31 March 2015	156,059	372,412	46,049	574,520
Accumulated depreciation				
At 1 April 2014	120,912	356,212	41,514	518,638
Depreciation charged in the year	13,605	4,694	1,136	19,435
At 31 March 2015	134,517	360,906	42,650	538,073
Net book value				
At 31 March 2015	21,542	11,506	3,399	36,447
At 31 March 2014	35,147	5,512	4,026	44,685

13. Investment in subsidiary

The Company has the following investment in a subsidiary:

	2017	*2016*	*2015*
Fusion Contract Services Limited 100% subsidiary Dormant Company Marlborough House, 30 Victoria Street, Belfast BT1 3GS	£1	£1	£1

14. Deferred tax

	2017 £	*2016* £	*2015* £
At 1 April	1,126,903	–	–
(Charged)/credited to income statement in the year	(8,039)	1,126,903	–
At 31 March	1,118,864	1,126,903	–

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 2014	–	–	–	–	–
(Charged)/credited to statement of comprehensive income	–	–	–	–	–
At 1 April 2015	–	–	–	–	–
Credited to statement of comprehensive income	16,086	1,034,639	76,178	–	1,126,903
At 1 April 2016	16,086	1,034,639	76,178	–	1,126,903
(Charged)/credited to statement of comprehensive income	(16,724)	(50,392)	58,557	520	(8,039)
At 31 March 2017	(638)	984,247	134,735	520	1,118,864

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 £5,414,228 is dependent on future taxable profits arising in the UK. 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.

A deferred tax asset was not recognised as at 31 March 2015 on the basis that the Company had made losses historically to 31 March 2015 and future profitability was uncertain. In light of profits and improved performance during the year ended 31 March 2016, and the Company's forecasts, the Company recognised a deferred tax asset as at 31 March 2016.

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 balance sheet date. The change on rate from 20 per cent. to 19 per cent., effective from 1 April 2017, and from 19 per cent. to 17 per cent. effective from 1 April 2020, were both substantively enacted as part of the Finance Act 2016.

Deferred tax liabilities and assets expected to arise after more than 12 months: £913,843 (2016: £1,118,864) (2015: £n/a).

15. Inventories

	2017 £	*2016* £	*2015* £
Raw materials and consumables	68,661	–	–
Materials for sale	1,600	–	–
	70,261	–	–

16. Trade and other receivables – current

	2017 £	*2016* £	*2015* £
Trade receivables	527,092	285,895	169,563
Provision for impairment of trade receivables	(17,045)	(44,243)	–
Trade receivables – net	510,047	241,652	169,563
Other receivables	49,712	8,542	15,414
Prepayments and accrued income	12,239	27,431	25,945
	571,998	277,625	210,922

The fair value of receivables approximates to their carrying value.

At the reporting date, trade receivables of £27,045 (2016: £44,243) were impaired. The individually impaired receivables relate to customers which are in unexpectedly difficult circumstances. It is assessed that £10,000 (2016: £nil) is expected to be recovered. The ageing of these receivables is as follows:

	2017 £	*2016* £	*2015* £
3 to 6 months	–	16,378	–
6 to 12 months	–	27,865	–
More than 12 months	27,045	–	–
	27,045	44,243	–

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

	2017 £	*2016* £	*2015* £
UK pound	343,804	243,292	152,170
Euros	51,278	509	380
US dollar	164,677	6,393	32,427
	559,759	250,194	184,977

The aging of unimpaired trade receivables which were past due at the reporting date was as follows:

	2017 £	*2016* £	*2015* £
Not more than 3 months	21,030	25,546	28,185
3 to 6 months	148	13,975	421
	21,178	39,521	28,606

Movements on the provision for impairment of trade receivables are as follows:

	2017 £	*2016* £	*2015* £
At 1 April	44,243	–	–
Provision	17,045	44,243	–
Write off as uncollectible	(44,243)	–	–
At 31 March	17,045	44,243	–

The creation and release of provision for impaired receivables has been included in administrative expenses in the Statement of Comprehensive Income.

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.

17. Trade and other payables

	2017 £	*2016* £	*2015* £
Trade payables	245,633	98,398	143,920
Social security and other taxes	34,951	11,084	7,376
Other payables	16,683	5,378	6,240
Accruals and deferred income	132,950	276,570	24,132
	430,217	391,430	181,668

The fair value of 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.

18. Provisions for liabilities

	2017 £	*2016* £	*2015* £
Due after less than 1 year	20,000	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 was in lease renewal negotiations at the reporting date with a view to agreeing a 5 year extension. The costs of dilapidations would be incurred on vacating the premises.

19. 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 2017	*Loans and receivables* £	*Assets at fair value through profit or loss* £	*Derivatives used for hedging* £	*Available for sale* £	*Total* £
Trade receivables	510,047	–	–	–	510,047
Other receivables	49,712	–	–	–	49,712
Cash and cash equivalents	285,685	–	–	–	285,685
Total	845,444	–	–	–	845,444

As at 31 March 2016	*Loans and receivables* £	*Assets at fair value through profit or loss* £	*Derivatives used for hedging* £	*Available for sale* £	*Total* £
Trade receivables	241,652	–	–	–	241,652
Other receivables	8,542	–	–	–	8,542
Cash and cash equivalents	413,945	–	–	–	413,945
Total	664,139	–	–	–	664,139

As at 31 March 2015	*Loans and receivables* £	*Assets at fair value through profit or loss* £	*Derivatives used for hedging* £	*Available for sale* £	*Total* £
Trade receivables	169,563	–	–	–	169,563
Other receivables	15,414	–	–	–	15,414
Cash and cash equivalents	103,632	–	–	–	103,632
Total	288,609	–	–	–	288,609

As at 31 March 2017	*Liabilities at fair value through profit or loss* £	*Derivatives used for hedging* £	*Other financial liabilities at amortised cost* £	*Total* £
Trade payables	–	–	245,633	245,633
Other payables	–	–	16,683	16,683
Accruals and deferred income	–	–	132,950	132,950
Total	–	–	395,226	395,266

As at 31 March 2016	*Liabilities at fair value through profit or loss* £	*Derivatives used for hedging* £	*Other financial liabilities at amortised cost* £	*Total* £
Trade payables	–	–	98,398	98,398
Other payables	–	–	5,378	5,378
Accruals and deferred income	–	–	276,570	276,570
Total	–	–	380,346	380,346

As at 31 March 2015	*Liabilities at fair value through profit or loss* £	*Derivatives used for hedging* £	*Other financial liabilities at amortised cost* £	*Total* £
Trade payables	–	–	143,920	143,920
Other payables	–	–	6,240	6,240
Accruals and deferred income	–	–	24,132	24,132
Total	–	–	174,292	174,292

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 no bank borrowings and 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 into contracts. Also, for certain new customers the Company will seek payment at each stage of a project to reduce the amount of receivable the Company has outstanding for that customer.

At the year end the Company's bank balances were all held with HSBC Bank plc (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 or Euro. For that reason the Company operates current bank accounts in these two currencies 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 occasion 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 Euro or dollar had been 10 per cent. higher/lower at the reporting date the effect on profit and equity would have been approximately £7,300 higher/lower and £17,400 higher/lower, respectively.

20. Share capital

	2017	*2016*	*2015*
	£	£	£
Allotted, called up and fully paid			
– 547,655 Ordinary shares of £1	547,655	547,655	547,655

21. Operating lease commitments

	2017	*2016*	*2015*
	£	£	£
Minimum operating lease payments falling due			
Within 1 year – land and property	40,000	40,000	40,000

The Company is holding over the lease with Invest Northern Ireland on a rolling 1 year basis.

22. 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 £34,733 to the Statement of Comprehensive Income

(2016:£5,278, 2015: £5,126) in respect of Company contributions to the scheme. At the reporting date there was £4,481 (2016: £1,848, 2015: £1,176) payable to the scheme and included in other payables.

23. Transactions with related parties

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

Invest Northern Ireland is a shareholder in the Company. The Company received invoices for rent and estate services amounting to £49,295 (2016: £40,920, 2015: £41,727). A balance of £24,235 (2016: £8,000, 2015: £3,147) was due and payable to Invest NI at the reporting date. The Company received various grants during the year from Invest NI amounting to £45,674 (2016: £7,104, 2015: £19,295).

Director Colin Walsh is also a director of Crescent Capital. During the year Crescent Capital charged the Company £10,000 (2016: £11,667, 2015: £nil) for his services as a Director and at the reporting date an amount of £5,000 (2016: £23,334, 2015: £11,831) was payable to Crescent Capital.

Director Alan Mawson is also a director of Clarendon Fund Managers. During the year Clarendon Fund Managers charged the Company £33,641 (2016: £30,000, 2015: £nil) for his services as a Director and at the reporting date an amount of £27,000 (2016: £24,310, 2015: £nil) was payable to Clarendon Fund Managers.

24. Ultimate controlling party

There is no ultimate controlling party.

25. Events after the reporting date

On 25 October 2017, a resolution for a capital reduction was passed. Under this capital reduction the Company's entire share premium as of that date of £6,161,269 was cancelled and credited to the profit and loss reserve.

PART V

UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

Condensed Statement of Comprehensive Income

For the six months ended 30 September 2017

		Six months to 30.9.17 Unaudited				
	Notes	*Before non-recurring items* £	*Non-recurring items (note 3)* £	*After non-recurring items* £	*Six months to 30.9.16 unaudited* £	*Year to 31.3.17 Audited* £
Revenue		1,414,081	–	1,414,081	830,053	1,913,956
Cost of sales		(596,863)	–	(596,863)	(450,822)	(952,459)
Gross profit		817,218	–	817,218	379,231	961,497
Other operating income		29,481	–	29,481	–	45,674
Administrative expenses		(753,851)	(241,000)	(994,851)	(311,500)	(880,641)
Operating (loss)/profit		92,848	(241,000)	(148,152)	67,731	126,530
Finance income		13	–	13	–	–
Finance costs	4	(2,388)	–	(2,388)	(615)	(615)
(Loss)/profit before tax		90,473	(241,000)	(150,527)	67,116	125,915
Income tax expense	5	(15,853)	–	(15,853)	(25,331)	(5,961)
(Loss)/profit for the period		74,620	(241,000)	(166,380)	41,785	119,954
Total comprehensive (deficit)/income for the period		74,620	(241,000)	(166,380)	41,785	119,954
Basic earnings per share	6			(30.4)p	7.6p	21.9p
Diluted earnings per share	6			(26.9)p	7.1p	20.2p

Condensed Statement of Financial Position

As at 31 March 2017

	Notes	*As at 30.9.17 (Unaudited)* £	*As at 30.9.16 (Unaudited)* £	*As at 31.3.17 (Audited)* £
Assets				
Non-current assets				
Property, plant and equipment	7	315,004	77,725	107,253
Deferred tax assets		1,156,831	1,101,185	1,118,864
		1,471,835	1,178,910	1,226,117
Current assets				
Inventories		103,477	4,428	70,261
Trade and other receivables	8	826,811	355,905	571,998
Current tax receivable		3,347	387	2,078
Cash and cash equivalents		188,977	464,344	285,685
		1,122,612	825,064	930,022
Total assets		2,594,447	2,003,974	2,156,139
Liabilities				
Current liabilities				
Trade and other payables	9,10	702,941	421,388	430,217
Non-current liabilities				
Borrowings	10	60,543	–	–
Provisions for other liabilities and charges		20,000	20,000	20,000
Total liabilities		783,484	441,388	450,217
Net assets		1,810,963	1,562,586	1,705,922
Equity				
Called up share capital		547,655	547,655	547,655
Share premium reserve		6,161,269	6,161,269	6,161,269
Accumulated losses		(4,897,961)	(5,146,338)	(5,003,002)
Equity		1,810,963	1,562,586	1,705,922

Statement of Changes in Equity

For the six months ended 30 September 2017

	Called up share capital £	*Share premium reserve* £	*Accumulated losses* £	*Equity* £
At 1 April 2017	547,655	6,161,269	(5,003,002)	1,705,922
Loss for the period	–	–	(166,380)	(166,380)
Value of employee services	–	–	216,332	216,332
Tax credit relating to share option scheme	–	–	55,089	55,089
Total transactions with owners, recognised directly in equity	–	–	271,421	271,421
At 30 September 2017	547,655	6,161,269	(4,897,961)	1,810,963
At 1 April 2016	547,655	6,161,269	(5,251,909)	1,457,015
Profit for the period	–	–	41,785	41,785
Share options – value of employee services	–	–	63,786	63,786
At 30 September 2016	547,655	6,161,269	(5,146,338)	1,562,586

Cash Flow Statement

For the six months ended 30 September 2017

	6 months to 30.9.17 (Unaudited) £	*6 months to 30.9.16 (Unaudited)* £	*Year to 31.3.17 (Audited)* £
Cash flows from operating activities			
(Loss)/profit for the period	(166,380)	41,785	119,954
Adjustments for:			
Share based payment expense	216,332	63,786	128,953
Depreciation	31,232	16,491	32,990
Finance income	(13)	–	–
Finance costs	2,388	615	615
Income tax expense	15,853	25,331	5,961
Increase in inventories	(33,216)	(4,428)	(70,261)
Increase in trade and other receivables	(254,813)	(78,280)	(294,373)
Increase in trade and other payables	239,912	29,958	38,787
Cash generated from/(used in) operations	51,295	95,258	(37,374)
Income tax received		–	–
Net cash generated from/(used in) operating activities	51,295	95,258	(37,374)
Cash flows from investing activities			
Purchase of property, plant and equipment	(136,514)	(44,244)	(90,271)
Net cash used in investing activities	(136,514)	(44,244)	(90,271)
Cash flows from financing activities			
Repayments of borrowings	(9,114)	–	–
Interest received	13	–	–
Interest paid	(2,388)	(615)	(615)
Net cash used in financing activities	(11,489)	(615)	(615)
Net (decrease)/increase in cash and cash equivalents	(96,708)	50,399	(128,260)
Cash and cash equivalents at the beginning of the period	285,685	413,945	413,945
Cash and cash equivalents at the end of the period	188,977	464,344	285,685

Notes to the Interim Results

For the six months ended 30 September 2017

1 Basis of Preparation

The condensed financial statements comprise the unaudited results for the six months to 30 September 2017 and 30 September 2016 and the audited results for the year ended 31 March 2017. The financial information for the year ended 31 March 2017 does not constitute the full statutory accounts for that period.

The condensed financial statements for the period ended 30 September 2017 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The information in these condensed financial statements does not include all the information and disclosures made in the annual financial statements.

Accounting policies

The condensed financial statements have been prepared in a manner consistent with the accounting policies set out in the financial statements for the year ended 31 March 2017 and on the basis of the International Financial Reporting Standards (IFRS) as adopted for use in the EU that the company expects to be applicable at 31 March 2018. IFRS are subject to amendment and interpretation by the International Accounting Standards Board (IASB) and there is an ongoing process of review and endorsement by the European Commission.

None of the new standard amendments or interpretations that have become effective in the period has had a material effect on the company. The company is reviewing the impact on the financial statements of the relevant forthcoming standards, including IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018), IFRS 16 'Leases' Effective 1 January 2019 and IFRS 9 'Financial Instruments' (effective 1 January 2018). IFRS 15 and IFRS 9 will first be applied to the financial statements for the year ending 31 March 2019.

2 Segmental information

For all the financial periods included in these Condensed Financial Statements, all the revenues and costs relate to the single operating segment of research, development and manufacture of recombinant proteins and antibodies.

3 Non-recurring items

	6 months to 30.9.17 (Unaudited) £	*6 months to 30.9.16 (Unaudited)* £	*Year to 31.3.17 (Audited)* £
Continuing operations			
Professional fees	241,000	–	–
	241,000	–	–

There were no non-recurring items in the year ended 31 March 2017. In the six months ended 30 September 2017 the company began preparations for admission to AIM during the year ending 31 March 2018. At 30 September 2017 the company had incurred professional fees in relation to this process which will not recur in future years. There will be additional costs from 1 October 2017 to the listing date and the board consider all such costs will be incurred by 31 March 2018.

4 Finance costs

	6 months to 30.9.17 (Unaudited)	*6 months to 30.9.16 (Unaudited)*	*Year to 31.3.17 (Audited)*
	£	£	£
Interest expense on other borrowings	760	615	615
Interest on hire purchase contracts	1,628	–	–
	2,388	615	615

5 Income tax expense

	6 months to 30.9.17 (Unaudited)	*6 months to 30.9.16 (Unaudited)*	*Year to 31.3.17 (Audited)*
	£	£	£
Current tax	(1,586)	(387)	(2,078)
Deferred tax	17,439	25,718	8,039
Total tax expense	15,853	25,331	5,961

The income tax expense reflects IPO costs which are not allowable expenses for corporation tax purposes, offset by additional deferred tax credits arising from share based payments.

6 Earnings per share

The calculation of earnings per share is based on loss after tax from continuing operations for six months to 30 September 2017 of £166,380 (6 months to 30 September 2016: £41,785, 31 March 2017: £119,954).

The weighted average number of shares used in the calculation of the basic and diluted earnings per share are as follows:

	6 months to 30.9.17 (Unaudited)	*6 months to 30.9.16 (Unaudited)*	*Year to 31.3.17 (Audited)*
	Number	*Number*	*Number*
Issued ordinary shares at the end of the year	547,655	547,655	547,655
Weighted average number of shares in issue during the period	547,655	547,655	547,655
Dilutive effect of share options	70,742	42,202	47,134
Diluted weighted average number of shares in issue during the period	618,397	589,857	594,789

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

Diluted earnings per share is calculated on the same basis as basic earnings per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of partially dilutive ordinary share options.

7 Property, plant and equipment

	Assets under construction £	*Leasehold improve-ments* £	*Plant & machinery* £	*Fixtures, fittings & equipment* £	*Total* £
Cost					
At 1 April 2017	–	156,059	483,770	60,723	700,552
Additions	89,975	–	141,710	7,298	238,983
At 30 September 2017	89,975	156,059	625,480	68,021	939,535
Accumulated depreciation					
At 1 April 2017	–	156,059	389,532	47,708	593,299
Depreciation charged in the period	–	–	28,129	3,103	31,232
At 31 March 2017	–	156,059	417,661	50,811	624,531
Net book value					
At 30 September 2017	89,975	–	207,819	17,210	315,004
At 31 March 2017	–	–	94,238	13,015	107,253

8 Trade and other receivables

	As at 30.9.17 £	*As at 30.9.16* £
Trade receivables	671,137	354,524
Provision for impairment of trade receivables	–	(44,243)
Trade receivables - net	671,137	310,281
Other receivables	66,564	30,048
Prepayments and accrued income	89,110	15,576
	826,811	355,905

9 Trade and other payables

	As at 30.9.17 £	*As at 30.9.16* £
Trade payables	343,769	133,729
Social security and other taxes	24,624	42,099
Other payables	71,774	43,506
Borrowings	32,812	–
Accruals and deferred income	229,962	202,054
	702,941	421,388

10 Borrowings

	As at 30.9.17 £	*As at 30.9.16* £
Hire purchase contracts		
At 1 April	–	–
Additions in period	102,469	–
Repayments	(9,114)	–
At 30 September	93,355	–
HP due in less than 1 year	32,812	–
HP due after more than 1 year	60,543	–
	93,355	–

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.

11 Adjusted results

	6 months to 30.9.17 (Unaudited) £	*6 months to 30.9.16 (Unaudited)* £
(Loss)/profit before tax	(150,527)	67,116
Share based payment charge (note a)	216,332	63,786
IPO costs (note b)	241,000	–
Adjusted profit before tax	306,805	130,902

(a) Share based payments incurred in the period of £216,332 (2016: £63,786) relate to the employee share option scheme. The increase in costs relative to the comparative six months is attributable to a combination of (i) the options in issue at 31 March 2017 are now expected to be exercised at an earlier date as a result of the planned IPO, and (ii) a new grant of options in May 2017 which will not vest or be exercised at the IPO but which have short vesting periods (50 per cent. of issue in 12 months and 50 per cent. in 24 months).

(b) In the six months ending 30 September 2017 the company incurred costs in preparation for an IPO which is planned to occur by the end of the financial year. Additional professional fees are expected to be incurred between this reporting date and the planned IPO.

12 Retirement benefits obligations

The company operates a defined contribution scheme, the assets of which are managed separately from the company.

13 Transactions with related parties

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

Invest Northern Ireland is a shareholder in the Company. The company was charged for rent and estate services amounting to £21,417 (6 months ended 30 September 2016: £21,410, year ended 31 March 2017: £49,295). A balance of £6,242 (30 September 2016: £4,000, 31 March 2017: £24,235) was due and payable to Invest NI at the reporting date. The company received various grants during the year from Invest NI amounting to £29,481 (6 months ended 30 September 2016: £nil, year ended 31 March 2017 £45,674).

Director Colin Walsh is also a director of Crescent Capital. During the period Crescent Capital charged the Company £5,468 (6 months ended 30 September 2016:£5,000, year ended 31 March 2017: £10,000) for his services as a director. At the reporting date an amount of £6,468 (30 September 2016: £3,000, 31 March 2017: £5,000) was payable to Crescent Capital.

Director Alan Mawson is also a director of Clarendon Fund Managers. During the period Clarendon Fund Managers charged the Company £21,000 (6 months ended 30 September 2016:£21,000, year ended 31 March 2017: £33,641) for his services as a director and at the reporting date an amount of £nil (30 September 2016: £nil, 31 March 17: £27,000) was payable to Clarendon Fund Managers.

14 Events after the reporting date

On 25 October 2017 a resolution for a capital reduction was passed. Under this capital reduction the Company's entire share premium as of that date of £6,161,269 was cancelled and credited to the profit and loss reserve.

PART VI

ADDITIONAL INFORMATION

1. Responsibility

1.1 The Directors and the Proposed Director, whose names appear on page 4 of this document, and the Company accept responsibility, both individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Directors and the Proposed Director and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors and the Proposed Director accept individual and collective responsibility for compliance with the AIM Rules.

2. THE COMPANY

2.1 The Company was incorporated and registered in Northern Ireland with registered number NI039740 on 29 November 2000 as a private company limited by shares under the name Fusion Antibodies Limited. On 11 December 2017, the Company was re-registered as a public limited company with the name Fusion Antibodies Plc. The Company's year end is 31 March in each year.

2.2 The principal legislation under which the Company operates is the Act and regulations made under the Act. The liability of the Company's members is limited to the amount, if any, unpaid on their shares

2.3 The Company does not have an authorised share capital.

2.4 The Company is domiciled in the United Kingdom. The registered office is at C/O Tughans Solicitors, Marlborough House, 30 Victoria Street, Belfast, BT1 (telephone number 02890 432800). The Company's website is www.fusionantibodies.com.

2.5 The average monthly number of staff employed by the Group for the year ended 31 March 2017 was 21, with 15 of these being employees, and 6 of these being non-executive directors. As at 11 December 2017, being the latest practicable date prior to publication of this document, the Group had 30 full time staff.

2.6 The following are the important events in the development of the Company's business:

2.6.1 Incorporation of the Company on 29 November 2000 as detailed in paragraph 2.1 above;

2.6.2 In 2011, the Company revised its operation from a drug development business to focus on CRO work in relation to antibody generation, development, production; characterisation and optimisation;

2.6.3 In 2012, the Company launched its proprietary antibody humanisation platform CDRx™; and

2.6.4 The Company re-registered as a public limited company on 11 December 2017.

3. SUBSIDIARIES

3.1 The Company is the holding company of the Group. The following table contains details of the Company's sole subsidiary:

Company name	*Principal activity*	*Country of incorporation*	*Percentage ownership*
Fusion Contract Services Limited	Dormant	Northern Ireland	100%

3.2 Save as disclosed in paragraph 3.1, there are no undertakings in which the Company has a capital interest likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

4. SHARE CAPITAL

4.1 Set out below are details of the issued share capital of the Company (i) as at the date of this document and (ii) as it will be immediately following the Placing and Admission:

	Present		*Immediately following Admission*	
	Number	*Nominal value (£)*	*Number*	*Nominal value (£)*
Issued Ordinary Shares	15,383,875	615,355	22,091,192	883,647.68

4.2 On 31 March 2015, the issued share capital was £547,655 divided into 547,655 ordinary shares of £1.00 each.

4.3 The following changes to the issued share capital of the Company have taken place since 31 March 2015:

4.3.1 On 27 October 2017, the issued share capital of 547,655 ordinary shares of £1.00 each was sub-divided into 13,691,375 Ordinary Shares of £0.04 each; and

4.3.2 On 11 December 2017, 1,692,500 Ordinary Shares were issued pursuant to the exercise of employee options that were granted between 2008 and 2014 at exercise prices ranging between £0.04 and £0.24. There are no further options outstanding under the scheme pursuant to which these employee options were issued and no new options are capable of being issued under this scheme.

4.4 The following is a reconciliation of the number of issued ordinary shares of £1.00 each at the beginning and end of the 12 months ended 30 September 2017:

Date	*Description*	*Issued Ordinary Shares*
1 October 2016	Balance at start of year	547,655
October 2016 to September 2017	Issue of shares	NIL
30 September 2017	Balance at end of year	547,655

4.5 The New Ordinary Shares are to be allotted and issued in accordance with the following resolutions of the Company passed on 25 October 2017 and conditional on (but effective immediately prior to) Admission taking place not later than 8 January 2018, which:

4.5.1 pursuant to section 551 of the Act, the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of:

4.5.1.1 £400,000, in respect of the proposed Placing; and

4.5.1.2 otherwise £345,235,

provided that (unless previously revoked, varied or renewed), the authority shall expire at the conclusion of the next annual general meeting of the Company or on the date which is 15 months from the date of the passing of this resolution (whichever is the earlier), save that the Company may make an offer or agreement before the authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if the authority had not expired.

The authority is in substitution for all existing authorities under section 551 of the Act; and

4.5.2 that, subject to the passing of the resolutions referred to in 4.5.1 above and pursuant to section 570 of the Act, the Directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority granted by the resolution referred to in 4.5.1 above as if section 561 of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities:

4.5.2.1 referred to in the resolution referred to in 4.5.1.1 above;

4.5.2.2 otherwise than pursuant to the resolution referred to in 4.5.1.1 above, up to an aggregate nominal amount of £103,570,

and the power shall expire at the conclusion of the next annual general meeting of the Company or on the date which is 15 months from the date of the passing of this resolution (whichever is the earlier), save that the Company may make an offer or agreement before this authority expires which would or might require equity securities to be allotted for cash after the authority expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power had not expired.

The power is in substitution for all existing powers under section 570 of the Act.

4.6 The provisions of section 561 of the Act confer on shareholders rights of pre-emption in respect of the allotment of securities which are, or are to be, paid up in cash (other than by way of allotments to employees under any employee share scheme as defined in section 1166 of the Act). Subject to certain limited exceptions, unless the approval of shareholders is obtained in a general meeting of the Company, the Company must normally offer Ordinary Shares to be issued for cash to existing shareholders on a *pro rata* basis.

4.7 By a resolution of the Board passed on 11 December 2017 it was resolved conditionally upon (but effective immediately prior to) Admission taking place prior to 8 January 2018, to allot the New Ordinary Shares for cash at the Placing Price.

4.8 The following table shows the number of Ordinary Shares under option pursuant to the terms of the Historic Share Scheme as at 11 December 2017 (being the last practicable date before publication of this document):

Exercise period	*Number of Ordinary Shares under option*	*Earliest date of exercise*	*Exercise period expiry date*	*Exercise price*
Historic Share Scheme	508,750	25 May 2018	25 May 2027	£0.04

50 per cent. of the Historic Share Options are exercisable from 25 May 2018 and 50 per cent. are exercisable after 25 May 2019.

4.9 The Ordinary Shares in issue on Admission will be in registered form and, following Admission, will be capable of being held in uncertificated form. In the case of Ordinary Shares held in uncertificated form, the Articles permit the holding and transfer of Ordinary Shares under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Directors have applied for the Ordinary Shares to be admitted to CREST. The records in respect of Ordinary Shares held in uncertificated form will be maintained by Euroclear UK & Ireland Limited and the Company's registrar, Link Asset Services (details of whom are set out on page 5).

4.10 It is anticipated that, where appropriate, share certificates will be despatched by first class post by ten business days following admission. Temporary documents of title will not be issued. Prior to the despatch of definitive share certificates, transfers will be certified against the register.

4.11 The ISIN of the Ordinary Shares is GB00BDQZGK16, the SEDOL number is BDQZGK1 and the LEI code is 213800KBAYRC9VOQ9V39.

4.12 The legislation under which the New Ordinary Shares will be issued is the Act and regulations made under the Act.

4.13 The Ordinary Shares are denominated in pound sterling.

4.14 Following the Placing and Admission (assuming all the New Ordinary Shares are allotted pursuant to the Placing), the Existing Ordinary Shares will represent 69.64 per cent. of the Enlarged Share Capital.

4.15 Save as disclosed in this paragraph 4, as at the date of this document:

4.15.1 the Company did not hold any treasury shares and no Ordinary Shares were held by, or on behalf of, any member of the Group;

4.15.2 no shares have been issued otherwise than as fully paid;

4.15.3 the Company had no outstanding convertible securities, exchangeable securities or securities with warrants;

4.15.4 the Company has given no undertaking to increase its share capital; and

4.15.5 no capital of any member of the Group is under option or is agreed, conditionally or unconditionally, to be put under option.

5. ARTICLES OF ASSOCIATION

Articles of association

The Articles include provisions to the following effect:

5.1 ***Objects***

Section 31 of the Act provides that the objects of a company are unrestricted unless any restrictions are set out in the articles. There are no such restrictions in the Articles and the objects of the Company are therefore unrestricted.

5.2 ***Voting rights***

5.2.1 Subject to any rights or restrictions attached to any shares, on a show of hands:

5.2.1.1 every shareholder who is entitled to vote on the resolution and is present in person has one vote;

5.2.1.2 every proxy present who has be duly appointed by one or more shareholders entitled to vote on the resolution(s) has one vote; and

5.2.1.3 a proxy has one vote for and one vote against the resolution(s) if he has been duly appointed by more than one shareholder and either (i) is instructed by one or more of those shareholders to vote for the resolution and by one or more others to vote against it; or (ii) is instructed by one or more of those shareholders to vote in one way and is given a discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way).

5.2.2 Subject to any rights or restrictions attached to any shares, on a poll every shareholder present in person or by proxy shall have one vote for every share of which he is the holder.

5.2.3 Where there are joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holder or holders. Seniority is determined by the order in which the names of the holders stand in the register.

5.2.4 Unless the Board otherwise determines, a shareholder shall not be entitled to vote unless all calls or other sums due from him in respect of shares in the Company have been paid.

5.2.5 In the case of equality of votes the chairman shall be entitled to have a casting vote, in addition to any other vote he may have.

5.3 ***Dividends***

5.3.1 Subject to the Act and the Articles, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. Subject to the Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the Board to be justified by the profits of the Company available for distribution.

5.3.2 Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid in proportions according to the amounts paid up (other than amounts paid in advance of calls) on the nominal value of the shares during any portion or portions of the period in respect of which the dividend is paid.

5.3.3 Dividends may be declared or paid in whatever currency the Board decide. Unless otherwise provided by the rights attached to the shares, dividends shall not carry a right to receive interest.

5.3.4 All dividends unclaimed for a period of 12 years after having been declared or becoming due for payment shall be forfeited and cease to remain owing by the Company.

5.3.5 The Board may, with the authority of an ordinary resolution of the Company:

5.3.5.1 offer holders of Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid, instead of cash in respect of all or part of any dividend or dividends specified by the ordinary resolution or otherwise decided by the Board;

5.3.5.2 direct that payment of all or part of any dividend declared may be satisfied by the distribution of specific assets.

5.3.6 There are no fixed or specified dates on which entitlements to dividends payable by the Company arise.

5.4 ***Pre emption rights***

In certain circumstances, shareholders may have statutory pre emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre emption rights would be set out in the documentation by which such shares would be offered to shareholders.

5.5 ***Distribution of assets on a winding-up***

On a winding-up, the liquidator may, with the authority of a special resolution of the Company and any other sanction required by law, divide among the shareholders in kind the whole or any part of the assets of the Company and may value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the like sanction, transfer any part of the assets of the Company to trustees on such trusts for the benefit of shareholders as he may determine. The liquidator shall not, however (except with the consent of the shareholder concerned) distribute to a shareholder any asset to which there is attached a liability or potential liability for the owner.

5.6 ***Transfer of shares***

5.6.1 Every transfer of shares which are in certificated form must be in writing in any usual form or in any form approved by the Board and shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.

5.6.2 Every transfer of shares which are in uncertificated form must be made by means of a relevant system (such as CREST).

5.6.3 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares if: (a) it is in respect of a share which is not fully paid up (provided that the refusal does not prevent dealings in the Company's shares from taking place on an open and proper basis); (b) it is in respect of more than one class of share; (c) it is not duly stamped (if so required); or (d) it is not delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the Articles) where a certificate has not been issued) by the relevant share certificate and such

other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

5.6.4 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares which is in favour of: (a) a child, bankrupt or person of unsound mind; or (b) more than four joint transferees.

5.7 ***Suspension of rights***

If a shareholder or any person appearing to be interested in shares held by such a shareholder has been duly served with a notice under section 793 of the Act and has failed in relation to any shares ("**default shares**") to give the Company the information thereby required within 14 days from the date of the notice, then, unless the Board otherwise determines, the shareholder shall not be entitled to vote or exercise any right conferred by membership in relation to meetings of the Company in respect of such default shares. Where the holding represents more than 0.25 per cent. of the issued shares of that class (excluding any shares of that class held as treasury shares), the payment of dividends shall be withheld and such shareholder shall not be entitled to transfer such shares other than by arm's length sale or unless the shareholder himself is not in default and the shareholder proves to the satisfaction of the Board that no person in default is interested in the shares the subject of the transfer.

5.8 ***Untraced shareholders***

The Company is entitled to sell any share of a shareholder who is untraceable, provided that:

5.8.1 for a period of not less than 12 years (during which at least three cash dividends have been payable on the share), no cheque, warrant or money order sent to the shareholder has been cashed or all funds sent electronically have been returned;

5.8.2 at the end of such 12 year period, the Company has advertised in a national and local (ie the area in which the shareholder's registered address is situated) newspaper its intention to sell such share; and

5.8.3 the Company has not, during such 12 year period or in the three month period following the last of such advertisements, received any communication in respect of such share from the shareholder.

The Company shall be indebted to the former shareholder for an amount equal to the net proceeds of any such sale.

5.9 ***Variation of class rights***

5.9.1 Subject to the Act, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights, or, in the absence of any such provision, either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of such holders of shares of that class, but not otherwise. The quorum at any such meeting (other than an adjourned meeting) is two persons holding or representing by proxy at least one third in nominal amount of the issued shares of the class in question.

5.9.2 The rights attached to any class of shares shall not, unless otherwise expressly provided in the rights attaching to such shares, be deemed to be varied or abrogated by the creation or issue of shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of any of its own shares.

5.10 ***Share capital, changes in capital and purchase of own shares***

5.10.1 Subject to the Act and to the Articles, the power of the Company to allot and issue shares shall be exercised by the Board at such times and on such terms and conditions as the Board may determine.

5.10.2 Subject to the Articles and to any rights attached to any existing shares any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution.

5.10.3 The Company may issue redeemable shares and the Board may determine the terms, conditions and manner of redemption of such shares, provided it does so before the shares are allotted.

5.11 ***General meetings***

5.11.1 The Board may convene a general meeting whenever it thinks fit. Shareholders have a statutory right to requisition a general meeting in certain circumstances.

5.11.2 A general meeting of the Company shall be called by notice of at least such length as is required in the circumstances by the Act and the Company may give notice by any means or combination of means permitted by the Act. Pursuant to the Act, an annual general meeting shall be called on not less than 21 clear days' notice. All other general meetings shall be called by not less than 14 clear days' notice.

5.11.3 The quorum for a general meeting is two shareholders present in person or by proxy and entitled to vote.

5.11.4 The Board and, at any general meeting, the chairman of the meeting may make any arrangement and impose any requirement or restriction which it or he considers appropriate to ensure the security or orderly conduct of the meeting. This may include requirements for evidence of identity to be produced by those attending, the searching of their personal property and the restriction of items which may be taken into the meeting place.

5.12 ***Appointment of directors***

5.12.1 Unless otherwise determined by ordinary resolution there shall be no maximum number of directors, but the number of directors shall not be less than two.

5.12.2 Subject to the Act and the Articles, the Company may by ordinary resolution appoint any person who is willing to act as a director either as an additional director or to fill a vacancy. The Board may also appoint any person who is willing to act as a director, subject to the Act and the Articles. Any person appointed by the Board as a director will hold office only until conclusion of the next annual general meeting of the Company, unless he is re-elected during such meeting.

5.12.3 The Board may appoint any director to hold any employment or executive office in the Company and may also revoke or terminate any such appointment (without prejudice to any claim for damages for breach of any service contract between the director and the Company).

5.13 ***Remuneration of directors***

5.13.1 The total of the fees paid to the non-executive directors for their services must not exceed £250,000 a year, unless otherwise determined by ordinary resolution. This amount shall be automatically increased each year by the same amount as the increase in the General Index of Retail Prices. The Board may decide to pay additional remuneration to a non-executive director for services which the Board determines are outside the scope of the ordinary duties of a director, whether by way of additional fees, salary, percentage of profits or otherwise.

5.13.2 The salary or remuneration of executive directors shall be determined by the Board and may be either a fixed sum of money or may altogether or in part by governed by business done or profits made or otherwise determined by the Board

5.13.3 Each director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as director.

5.14 ***Retirement and removal of directors***

5.14.1 At each annual general meeting of the Company, one-third of the directors (or the number nearest to but not exceeding one-third if the number of directors is not a multiple of three) shall retire from office. In addition, any director who has been a director at each of the preceding two annual general meetings shall also retire. Each such director may, if eligible, offer himself for re-election. If the Company, at the meeting at which a director retires, does not fill the vacancy the retiring director shall, if willing, be deemed to have been reappointed unless it is expressly resolved not to fill the vacancy or a resolution for the reappointment of the director is put to the meeting and lost.

5.14.2 Without prejudice to the provisions of the Act, the Company may by ordinary resolution of which special notice has been given in accordance with section 312 of the Act remove any director before the expiration of his period of office and may appoint by ordinary resolution appoint another director in his place.

5.15 ***Directors' interests***

5.15.1 Subject to the Act and provided that he has disclosed to the directors the nature and extent of any interest, a director is able to enter into contracts or other arrangements with the Company, hold any other office (except auditor) with the Company or be a director, employee or otherwise interested in any company in which the Company is interested. Such a director shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement or proposal.

5.15.2 Save as otherwise provided by the Articles, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning any contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he (together with any person connected with him) is interested. Interests of which the director is not aware, interests which cannot reasonably be regarded as likely to give rise to a conflict of interest and interests arising purely as a result of an interest in the Company's shares, debentures or other securities are disregarded. However, a director can vote and be counted in the quorum where the resolution relates to any of the following:

5.15.2.1 the giving of any guarantee, security or indemnity in respect of (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

5.15.2.2 the participation of the director, in an offer of securities of the Company or any of its subsidiary undertakings, including participation in the underwriting or sub-underwriting of the offer;

5.15.2.3 a proposal involving another company in which he and any persons connected with him has a direct or indirect interest of any kind, unless he and any persons connected with him hold an interest in shares representing one per cent. or more of either any class of equity share capital, or the voting rights, in such company;

5.15.2.4 any arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award the director any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

5.15.2.5 any proposal concerning the purchase or maintenance of any insurance policy under which he may benefit; and

5.15.2.6 any proposal concerning indemnities in favour of directors or the funding of expenditure by one or more directors on defending proceedings against such director(s).

5.15.3 Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or its termination) of two or more directors to offices or

places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each director. In such case, each of the directors concerned (if not otherwise debarred from voting under the articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution, except that concerning his own appointment.

5.15.4 The Board may authorise any matter that would otherwise involve a Director breaching his duty under the Act to avoid conflicts of interest, provided that the interested director(s) do not vote or count in the quorum in relation to any resolution authorising the matter. The Board may authorise the relevant matter on such terms as it may determine including:

5.15.4.1 whether the interested director(s) may vote or be counted in the quorum in relation to any resolution relating to the relevant matter;

5.15.4.2 the exclusion of the interested director(s) from all information and discussion by the Company of the relevant matter; and

5.15.4.3 the imposition of confidentiality obligations on the interested director(s).

An interested director must act in accordance with any terms determined by the Board. An authorisation of a relevant matter may also provide that where the interested director obtains information that is confidential to a third party (other than through his position as director) he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs, if to do so would amount to a breach of that confidence.

5.16 ***Powers of the directors***

5.16.1 The business of the Company shall be managed by the Board, which may exercise all the powers of the Company whether relating to the management of the business or not.

5.16.2 Subject to the provisions of the Act, the Board may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security, either outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and, insofar as it is able, of its subsidiary undertakings, so as to procure that the aggregate principal amount outstanding in respect of borrowings by the Group shall not, without an ordinary resolution of the Company, exceed a sum equal to five times the aggregate of the amount paid up on the Company's issued share capital and the total amount standing to the credit of the capital and revenue reserves of the Group as shown in the latest audited balance sheet of the Group, after such adjustments and deductions as are specified in the Articles.

5.16.3 The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities, by insurance or otherwise, for any person who is, or has at any time been, a director of or employed by or in the service of the Company or of any company which is a subsidiary company of the Company, or is allied to or associated with the Company or any such subsidiary, or any predecessor in business of the Company or any such subsidiary, and for any member of his family (including a spouse or former spouse) or any person who is, or was, dependent on him.

5.17 ***Directors' indemnity and insurance***

5.17.1 Subject to the Act, each director of the Company and of any associated company may be indemnified against any liability.

5.17.2 Subject to the Act, the Board may purchase and maintain insurance against any liability for any director of the Company or of any associated company.

6. SHARE SCHEMES

6.1 The Company has established the EMI and Unapproved Employee Share Option Scheme ("New Share Scheme") under which employees (and executive directors) of the Group may be granted options ("New Share Scheme Options") to acquire Ordinary Shares.

6.2 Options granted under the New Share Scheme may be granted as options which are qualifying enterprise management incentive options ("EMI Options") for the purposes of Schedule 5 ("Schedule 5") to the Income Tax (Earnings and Pensions) Act 2003 ("ITEPA") (which offers certain tax advantages), or may be granted as non-tax-advantaged options ("Unapproved Options"). The New Share Scheme will be administered by the remuneration committee of the Company ("Remuneration Committee").

6.3 No New Share Scheme Options have been granted under the New Share Scheme prior to Admission.

6.4 The principal features of the New Share Scheme are as follows:

6.4.1 *Overall Option Scheme limits*

No New Share Scheme Option may be granted under the New Share Scheme at any time to the extent that it would result in the aggregate number of new Ordinary Shares that could be issued pursuant to that and any other option granted at the same time, when aggregated with the number of Ordinary Shares issued or issuable on the exercise of options granted during the previous 10 years under the New Share Scheme or any other employees' share scheme established by the Company, exceeding 10 per cent. of the ordinary share capital of the Company for the time being issue.

The total market value (at the date of grant) of all Ordinary Shares subject to unexercised options which are qualifying options for the purposes of Schedule 5 may not exceed £3 million.

6.4.2 *Grant of Options*

Options may be granted under the New Share Scheme at any time at the discretion of the Remuneration Committee. Options may generally only be granted within the period of 42 days;

6.4.2.1 after the date of adoption, being 11 December 2017; or

6.4.2.2 immediately following the end of a Closed Period (within the meaning of the Market Abuse Regulation). However, New Share Scheme Options may be granted outside of these periods if the Remuneration Committee decides there are exceptional circumstances.

New Share Scheme Options may not be granted after the expiry of 10 years from date on which the New Share Option Scheme was adopted.

6.4.3 *Participation*

6.4.3.1 Eligibility

Any employee (including an executive director) is eligible to participate in the New Share Scheme but only employees who satisfy the requirements for eligibility under Schedule 5 are eligible to be granted EMI Options. Actual participation is at the discretion of the Remuneration Committee.

6.4.3.2 Individual participation limit

Subject to the overall limit referred to in paragraph 6.4.1 above, Unapproved Options may be granted over such number of Ordinary Shares as the Remuneration Committee shall determine.

The aggregate market value (at the date of grant) of Ordinary Shares subject to all unexercised options held by any one individual and which are EMI Options or which are options meeting the requirements of Schedule 4 ITEPA ("CSOP" options) may not exceed £249,999 (or such other limit from time to time specified by the relevant legislation).

6.4.4 *Terms of Options*

6.4.4.1 Non-transferability

Options are personal to the option holder and not capable of assignment except that, on death, the option holder's personal representatives may exercise the option within 12 months following the option holder's death.

6.4.4.2 No consideration for grant of options

No consideration shall be payable by an option holder for the grant of an option.

6.4.4.3 Performance conditions and vesting

Options will vest in accordance with a vesting schedule and may be subject to performance conditions.

The Remuneration Committee will have discretion to accelerate the vesting of options and may waive or vary any performance conditions provided that any amended performance conditions will be no more difficult to satisfy than the original performance condition.

An option may not be exercised more than 10 years after the date on which it was granted.

6.4.4.4 Exercise price

The exercise price for each Ordinary Share under option will be the mid-market closing price of an Ordinary Share on the last dealing day immediately preceding the date of grant of the option, or such other price determined by the Remuneration Committee, but shall not be less than the nominal value of an Ordinary Share.

6.4.4.5 Ceasing to be an employee

Option holders who cease to hold office or employment within the Company will normally forfeit subsisting options.

However, if an option holder so ceases as a result of death, ill health, injury or disability, retirement, redundancy, the sale out of the Group of the Company or business by which the option holder is employed, or for any reason determined by the Remuneration Committee in exceptional circumstances to constitute a "good" leaver reason, the option holder (or his personal representatives in the case of death), may exercise any option to the extent vested (or to such greater extent as is determined by the Remuneration Committee) at the date of cessation of employment. In these circumstances, Options may be exercised within 90 days of cessation of employment (or 12 months in the case of death).

6.4.5 *Change of control and other corporate events*

In the event of a change of control of the Company as a result of a general offer, or as a result of a court sanctioned compromise or arrangement, or in the event of a disposal by the Company or a Group Company or all or substantially all of the business and assets of the Group, options may be exercised to the extent vested (subject to the discretion of the Remuneration Committee to accelerate vesting) during such period prior to the change of control or disposed and subject to such conditions as are determined by the Remuneration Committee.

Alternatively, with the agreement of the acquiring company, options may in certain circumstances be exchanged for options over shares in the acquiring company or in a company associated with the acquiring company.

If notice is given of a resolution for the voluntary winding up of the Company, an option may be exercised to the extent vested at any time prior to the resolution being passed (but conditional upon it).

6.4.6 *General matters*

6.4.6.1 Income tax and social security contributions

The New Share Scheme includes provisions to ensure that any income tax and employee's social security contributions (and employer's social security contributions if the Remuneration Committee so determines at the date of grant of an option) which are payable as a result of the exercise or release of any options will be payable by the option holder.

6.4.6.2 Shares issued on exercise of options

Ordinary Shares issued pursuant to the exercise of an option will rank equally with the Company's existing issued Ordinary Shares (save that they will not qualify for any dividends or other rights arising by reference to a record date prior to the date of exercise of the option).

6.4.6.3 Variation of share capital

In the event of a variation of share capital or in such other circumstances as the Remuneration Committee considers appropriate, options may be adjusted in such way as is considered appropriate.

6.4.6.4 Amendments

The Remuneration Committee may at any time alter or add to the Option Scheme or the terms of any option.

In the case of any employee who is or may live or become subject to taxation outside the UK, the Remuneration Committee may establish such schemes or sub-schemes based on the New Share Scheme but subject to such modifications as the Remuneration Committee considers necessary or desirable to take account of or mitigate or to comply with relevant overseas taxation, labour, securities or exchange control laws.

7. INTERESTS OF DIRECTORS, PROPOSED DIRECTOR AND OTHER MAJOR SHAREHOLDERS

7.1 As at the date of this document and immediately following Admission, the interests (all of which are beneficial unless otherwise stated), whether direct or indirect, of the Directors, the Proposed Director and their families (within the meaning set out in the AIM Rules) in the issued share capital of the Company and the existence of which is known to or could, with reasonable diligence, be ascertained by that Director and the Proposed Director, are as follows:

	As at the date of this document		*Following Admission*	
Director	*Number of Ordinary Shares*	*Percentage of Existing Shares*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
Dr Richard John Buick	512,125	3.33	512,125	2.32
Dr Simon Gordon Douglas	255,800	1.66	255,800	1.16
Sonya Maria Ferguson	–	–	–	–
Dr Paul Gerard Kerr[1]	532,500	3.46	532,500	2.41
Dr Alan Mawson[2]	–	–	30,488	0.14
Colin James Walsh[3]	–	–	–	–
James Alexander Fair	–	–	–	–
Timothy William Watts	–	–	12,195	0.06

[1] 21,250 of these Ordinary Shares are registered in the name of Paul Kerr's wife, Brigid Kerr.

[2] Alan Mawson is a non-executive director of Clarendon Fund Managers Limited ("Clarendon") and sits on Clarendon's investment committee. Clarendon is the fund manager for Nitech Growth Fund LP which holds 358,850 Ordinary Shares and Viridian Growth Fund LP which holds 1,831,500 Ordinary Shares.

[3] Colin Walsh is the Chief Executive and founder of Crescent Capital NI Limited, which is the fund manager for Crescent Capital II LP which holds 2,652,325 Ordinary Shares and Crescent Capital III LP which, immediately following Admission, will hold 731,707 Ordinary Shares. Further details are set out in paragraph 7.5 below.

7.2 As at the date of this document, the following options over Ordinary Shares had been granted pursuant to the Historic Share Scheme to the following Directors for nil consideration:

Director	*Number of Ordinary Shares under option*	*Earliest date of exercise*	*Exercise period expiry date*	*Exercise price*
Dr Richard John Buick	125,000	25 May 2018	25 May 2027	£0.04
Dr Paul Gerald Kerr	125,000	25 May 2018	25 May 2027	£0.04
James Alexander Fair	75,000	25 May 2018	25 May 2027	£0.04
Sonya Maria Ferguson	25,000	25 May 2018	25 May 2027	£0.04

50 per cent. of the Historic Share Options are exercisable from 25 May 2018 and 50 per cent. are exercisable after 25 May 2019.

7.3 Following Admission, grants under the New Share Scheme will be made at the discretion of the Company's remuneration committee, which will be convened not less than twice a year.

7.4 Save as disclosed in paragraphs 7.1, 7.2 and 7.3 above, none of the Directors nor the Proposed Director has any interest in the share capital of the Company or of any of its subsidiaries nor does any member of his or her family (within the meaning set out in the AIM Rules) have any such interest, whether beneficial or non-beneficial.

7.5 As at 11 December 2017 (being the last practicable date prior to the publication of this document) and so far as the Directors and Proposed Director are aware, the only persons (other than any Director and Proposed Director) who are or will be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company prior to and immediately following Admission are as follows:

	As at the date of this document		*Following Admission*	
Shareholder	*Number of Ordinary Shares*	*Percentage of Existing Ordinary Shares*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
Crescent Capital II LP[1]	2,652,325	17.24	2,652,325	12.01
Viridian Growth Fund LP[2]	1,831,500	11.91	1,831,500	8.29
Jim Johnston	1,317,325	8.56	1,317,325	5.96
Invest Northern Ireland[3]	974,450	6.33	974,450	4.41
Sir John Cadogan	853,800	5.55	282,150	1.28
QUBIS Limited	709,375	4.61	709,375	3.21
Michael Townsley	603,750	3.92	603,750	2.73
Patrick Johnston estate	517,500	3.36	517,500	2.34
Hargreave Hale Limited	–	–	1,402,439	6.35
Amati Global Investors Limited	–	–	1,341,463	6.07
Livingbridge VC LLP	–	–	1,219,512	5.52
Unicorn AIM VCT plc	–	–	1,219,512	5.52
Octopus Investments Limited	–	–	1,219,512	5.52
Crescent Capital III LP[1]	–	–	731,707	3.31

(1) Managed by Crescent Capital NI Limited.

(2) Managed by Clarendon.

(3) In addition to the 974,450 Ordinary Shares held directly by Invest Northern Ireland, Invest Northern Ireland is also indirectly interested in the Ordinary Shares held by Crescent Capital II LP, Crescent Capital III LP and 358,850 Ordinary Shares held by Nitech Growth Fund LP, which is managed by Clarendon.

7.6 Save as disclosed in paragraph 7.5 above, the Company, the Directors and the Proposed Director are not aware of (i) any persons who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company, nor (ii) any arrangements the operation of which may at a subsequent date result in a change in control of the Company.

7.7 The voting rights of the persons listed in paragraph 7.5 above do not differ from the voting rights of any other holder of Ordinary Shares.

7.8 There are no outstanding loans granted by any member of the Group to any Director or Proposed Director nor are there any guarantees provided by any member of the Group for the benefit of any Director or the Proposed Director.

7.9 The Directors and the Proposed Director hold the following directorships and are partners in the following partnerships and have held the following directorships and been partners in the following partnerships within the five years prior to the date of this document:

Director	*Current*	*Previous*
Dr Simon Gordon Douglas	BioFortuna Ltd	C-Major Limited
Dr Paul Gerard Kerr	Fusion Contract Services Limited	None
James Alexander Fair	Green Door Limited FourCan Limited Queen Street Studios	None
Dr Richard John Buick	Fusion Contract Services Limited	None
Dr Alan Mawson	Innvotel Limited Clarendon Fund Managers Limited NI Venture Partners Limited Clarendon Fund Nominees Limited NITech Venture Partners Limited Serpico Software Limited The Salters Management Company Limited	Spectrum (General Partner) Limited NI Growth Loan Fund General Partner Limited Whiterock Carried Interest Limited Traceassured Limited Innvotel General Partner Limited WCP OriginalCo Limited Seges Development Company Limited Viridian Growth Fund LP Nitech Growth Fund LP
Sonya Maria Ferguson	None	Randox Laboratories (India) Private Ltd
Colin James Walsh	Crescent Capital NI Limited Walsh Strategic Management Limited HAMNIV GP limited Tyrone House Limited Crescent Capital II Founder Partner Limited Crescent Capital II GP Limited NiSoft Holdings Limited NiSoft Asia Pacific PTE Limited Safecote Limited Crescent Capital III GP Limited Crescent Capital III Founder Partner Limited Replify Limited Biznet Solutions Limited Acheson & Glover Holdings Limited Belfast Power Limited NISoft (UK) Limited NISoft (USA) Limited Aldersgate House Limited Fusion Contract Services Limited Wellington Business Centre Property Limited Crescent Nominees Limited Barnardo's Notting Hill House Management Company Aurora Prime Real Estate Limited Aurora Fund Managers Limited Innova Development (NI) Limited	Proofpoint NI Limited Andor Technology plc Balcas Limited Digital Advertising NI Limited

Director	*Current*	*Previous*
Timothy William Watts	TWW Ltd BioIndustry Association	Oxford BioMedica (UK) Limited Oxford BioMedica PLC Oxxon Therapeutics Limited

Dr Alan Mawson is currently a director of Serpico Software Limited (registered number NI037462) and was a director when it was put into compulsory liquidation on 18 September 2008.

Dr Alan Mawson was a director of Luxury Food Group Limited (registered number NI037388) when the company was put into compulsory liquidation on 11 November 2005.

Dr Alan Mawson was appointed as a director of Parsys Limited (registered number 02212263) on 10 January 1996 after the company had been put into a voluntary arrangement on 24 August 1995. The company was dissolved by way of voluntary creditors' liquidation on 4 July 2005.

Dr Alan Mawson was a director of TT Industries Ltd (registered number 01241347) when the company entered into a voluntary arrangement on 11 September 2000. An administrative receiver was appointed on 24 September 2001 and the company was dissolved on 13 May 2008.

Dr Alan Mawson was a director of Daytona Engineering Limited (registered number 01833118) when the company entered into a voluntary arrangement on 3 April 2003. The company was dissolved by way of compulsory liquidation on 30 March 2005.

Dr Alan Mawson was a director of Richmont Limited (registered number 03386748) until 1 July 2000. The company had entered into a voluntary arrangement on 3 April 2000 and was subsequently dissolved by way of compulsory liquidation 10 February 2005.

Dr Alan Mawson was a director of Industrial Friction International Limited (registered number 02024571) until 24 August 1999. The company was put into a voluntary arrangement on 24 August 1999 and was dissolved by way of voluntary creditors' liquidation on 1 August 2008.

Dr Alan Mawson was a director of North West Industries Limited (registered number 03386753) and Escort Engineering (Accrington) Limited (registered number 02058355) until 3 July 2000. Both companies were put into a voluntary arrangement on 3 April 2000 and was dissolved by way of compulsory liquidation. North West Industries Limited was dissolved on 30 June 2003 and Escort Engineering (Accrington) Limited was dissolved on 5 January 2006.

Mr Colin Walsh is currently a director of Digital Advertising Solutions NI Limited (registered number NI604126) which was put into compulsory liquidation on 21 January 2016.

Mr Colin Walsh was a director of Aunt Mollies Foods Limited (registered number NI034386) when it entered into compulsory liquidation on 13 November 2003. A receiver was appointed on 18 December 2003 and the company was dissolved on 11 April 2006.

Mr Colin Walsh was a director of Toughglass Limited (registered number NI022460) when it entered into administration on 15 August 2008. The company was subsequently dissolved on 21 October 2010.

7.10 Save as disclosed in paragraph 7.9 of this Part VI, as at the date of this document no Director or the Proposed Director:

7.10.1 has any unspent convictions in relation to any indictable offences; or

7.10.2 has been bankrupt or entered into an individual voluntary arrangement; or

7.10.3 was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or

7.10.4 has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

7.10.5 has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or

7.10.6 has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

7.11 In 2012, the Northern Ireland industrial tribunal upheld a claim for the unfair dismissal by Randox Laboratories Limited ("**Randox**") of an employee following a failure to follow proper contractual procedure when handling his departure. Ms Sonya Ferguson was a senior manager of Randox and a director of an Indian subsidiary of Randox at the time of the dismissal. The tribunal negatively referenced Ms Ferguson's approach to the tribunal primarily on the basis that Randox maintained that the employee was employed by the Indian subsidiary and that she was only acting in her capacity as a director of that entity (which the tribunal did not accept).

8. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

8.1 Each of the executive Directors has a service agreement with the Company. Details of these service agreements are set out below:

Director	*Date of agreement*	*Current salary (per annum)*
Dr Paul Kerr	12 December 2017	£87,500
Dr Richard Buick		£87,500
James Fair		£78,750

Each Director is appointed for an initial fixed term of 12 months and shall continue thereafter on a continuous basis, and is required to give and entitled to receive six months' notice of termination following the initial fixed term of 12 months. There are provisions contained in each Director's service agreement which, in the event of termination, restrict the Director from soliciting or dealing with the Group's key customers, from poaching key employees, and from being involved in any capacity with any business which competes with the Group. Each of these restrictions are intended to apply for a period of 12 months following the termination of their employment. The service agreements also contain provisions which, *inter alia*, restrict the disclosure of confidential information and protect the Group's intellectual property rights. Each Director's period of continuous employment began on the date of agreement, as noted in paragraph 8.1.

Each Director is entitled to receive a Company mobile phone and private healthcare paid by the Company. The Board (acting by its Remuneration Committee) will review each Director's salary annually on a discretionary basis. Each Director is entitled to participate in the Company's annual discretionary performance incentive scheme, and is eligible to become a member of the Company's pension scheme, into which the Company will pay an amount equivalent to 5 per cent. of their basic salary, subject to each Director's personal pensions earnings cap.

8.2 Dr Simon Douglas is a non-executive Director and the Chairman of the Company. His letter of appointment is dated 12 December 2017 and his appointment is for a period of 12 months from Admission (subject to re-election at the next annual general meeting) and thereafter is terminable on three months' notice by either the Company or the non-executive Director. The fee payable for Dr Simon Douglas's services as a non-executive Director and as the Chairman is £30,000 per annum and is subject to annual review.

8.3 Dr Alan Mawson is a non-executive Director of the Company. His letter of appointment is dated 12 December 2017 and his appointment is for a period of 12 months from Admission (subject to re-election at the next annual general meeting) and thereafter is terminable on three months' notice by either the Company or the non-executive Director. The fee payable for Dr Alan Mawson's services as a non-executive Director is £23,000 and is subject to annual review.

8.4 Timothy Watts was appointed a non-executive Director of the Company conditional upon and with effect from Admission, by letter of appointment dated 12 December 2017. The appointment is for a period of 12 months from Admission (subject to re-election at the next annual general meeting) and

thereafter is terminable on three months' notice by either the Company or the non-executive Director. The fee payable for Timothy Watts's services as a non-executive Director is £27,000 per annum and is subject to annual review.

8.5 Colin Walsh is a non-executive Director of the Company who has been appointed by way of an appointment letter dated 12 December 2017, between the Company and Walsh Strategic Management Limited. Under the terms of the appointment, Walsh Strategic Management Limited agree to provide the services of Colin Walsh for a period of 12 months from Admission (subject to re-election at the next annual general meeting) and thereafter such an appointment is capable of termination on three months' notice by either the Company or Walsh Strategic Management Limited. The fee payable for the provision of the services of Colin Walsh as a non-executive Director is £27,000 per annum and is subject to annual review. Walsh Strategic Management Limited will invoice the Company in respect of such fees.

8.6 Sonya Ferguson is a non-executive Director of the Company. Her letter of appointment is dated 12 December 2017 and her appointment is for a period of 12 months from Admission (subject to re-election at the next annual general meeting) and thereafter is terminable on three months' notice by either the Company or the non-executive Director. The fee payable for Sonya Ferguson's services as a non-executive Director is £23,000 per annum and is subject to annual review.

8.7 Save as disclosed in paragraphs 8.1 to 8.6 above, there are no existing or proposed service agreements or consultancy agreements between any of the Directors or the Proposed Director and the Company which cannot be terminated by the Company without payment of compensation within 12 months.

8.8 The aggregate of the remuneration paid and benefits in kind (including bonus payments) granted to the Directors and the Proposed Director by any member of the Group in respect of the financial year ended 31 March 2017 was approximately £234,026. This approximation is provided based on the following (excluding pension contributions):

- Paul Kerr – salary £51,750 plus a bonus of £12,900
- Richard Buick – salary £63,750 plus a bonus of £12,900
- Dr Simon Douglas – payment of £20,000 per annum
- Sonya Ferguson – payment of £12,000 (£15,000 per annum)
- Sir John Cadogan – payment of £15,000 per annum
- Colin Walsh, Crescent Capital – payment by invoice of £7,500 per annum
- Alan Mawson, Clarendon Fund Managers – payment by invoice of £31,000 per annum.

8.9 There are no arrangements under which any Director or Proposed Director has waived or agreed to waive future emoluments nor have there been any such waivers of emoluments during the financial year immediately preceding the date of this document.

9. RELATED PARTY TRANSACTIONS

9.1 Invest Northern Ireland is a shareholder in the Company and:

9.1.1 pursuant to the Historic Lease, is also the landlord of 1 Springbank Road, Springbank Industrial Estate, Belfast which is the Company's sole trading premises. During the Company's financial year ended 31 March 2017, the Company received from Invest Northern Ireland invoices for rent and estate services, pursuant to the Historic Lease amounting to £49,295 (2016: £40,920, 2015: £41,727). A balance of £24,235 (2016: £8,000, 2015: £3,147) was due and payable to Invest Northern Ireland as at the reporting date of the accounts for the financial year ended 31 March 2017. In the 6 months ended 30 September 2017, Invest Northern Ireland charged the Company £21,417 (6 months ended 30 September 2016: £21,410) for rent and estate services, pursuant to the Historic Lease, a balance of £6,242, (30 September 2016: £4,000) was due and payable to Invest Northern Ireland as at the reporting date for the unaudited interims for the 6 months ended 30 September 2017;

9.1.2 gave the Company various grants during the Company's financial year ended 31 March 2017 amounting to £45,674 (2016: £7,104, 2015: £19,295), and in the 6 months ended 30 September 2017 amounting to £29,481 (6 months ended 30 September 2016: £nil); and

9.1.3 entered into a grant agreement with QUB and Innovate UK dated 16 February 2017 in respect of the funding of the placement at QUB, for the benefit of the Company, by Invest Northern Ireland and Innovate UK.

9.1.4 The Company is party to the Lease of the premises known as Unit 4, Springbank Industrial Estate, Lisburn, County Antrim together with the factory, buildings, erections and fixed plant and fixtures thereon. The term of the Lease is five years commencing on 1 August 2017. The rent commencement date is 1 May 2018 from which point the Company will pay an annual rent of £75,000 per annum (plus VAT) payable quarterly in advance. In accordance with the Lease, the Company is obliged to carry out works set out in a condition report to the satisfaction of Invest Northern Ireland, by 31 July 2018 or the Company will be obliged to pay the sum of £55,000 (plus VAT) to Invest Northern Ireland. The Lease is a full repairing lease and the Company is obliged to pay Invest Northern Irelands insurance premium in relation to the building. The Lease also contains a tenant's option to determine on 31 July 2020 on six months' prior written notice to Invest Northern Ireland. If the option to determine is exercised, the Company must pay a penalty equivalent to 3 months' rent to Invest Northern Ireland. The Company benefits under the Lease from an option to purchase the premises for the sum of £850,000 (plus VAT) which must be exercised by 31 July 2019.

9.2 Colin Walsh is a director of Crescent Capital, and during the Company's financial year ended 31 March 2017 Crescent Capital charged the Company £10,000 (2016: £11,667, 2015: £nil) for his services as a Director. As at the reporting date of the accounts for the financial year ended 31 March 2017 a further amount of £5,000 (2016: £23,334, 2015: £11,831) is payable to Crescent Capital. In the 6 months ended 30 September 2017 the Company was charged £5,468 (6 months ended 30 September 2016: £5,000) for Colin Walsh's services as a Director, and as at the reporting date for the unaudited interims for the 6 months ended 30 September 2017 a further amount of £6,468 (6 months ended 30 September 2016: £3,000) was payable to Crescent Capital. The investment agreement pursuant to which these payments were made was terminated on 11 December 2017 and a final amount of £2,028 is payable to Crescent Capital in respect of the period from 1 October 2017 to 11 December 2017. There are no further amounts due from the Company to Crescent Capital as at the date of this document pursuant to this arrangement.

9.3 Alan Mawson is a director of Clarendon Fund Managers, and during the Company's financial year ended 31 March 2017 Clarendon Fund Managers (or funds managed by it) charged the Company £33,641 (2016: £30,000, 2015: £nil) for his services as a Director. As at the reporting date of the accounts for the financial year ended 31 March 2017 a further amount of £27,000 (2016: £24,310, 2015: £nil) is payable to Clarendon Fund Managers (or funds managed by it). In the 6 months ended 30 September 2017 the Company was charged £21,000 (6 months ended 30 September 2016: £21,000) for Alan Mawson's services as a Director, and as at the reporting date for the unaudited interims for the 6 months ended 30 September 2017, a further amount of £nil (6 months ended 30 September 2016: £nil) was payable to Clarendon Fund Managers (or funds managed by it). The investment agreement pursuant to which these payments were made was terminated on 11 December 2017 and a final amount of £21,284.21 is payable to Clarendon Fund Managers (or funds managed by it) in respect of the period from 1 October 2017 to 11 December 2017. There are no further amounts due from the Company to Clarendon Fund Managers (or funds managed by it) as at the date of this document pursuant to this arrangement.

9.4 Save as disclosed in this paragraph 9, no Director or Proposed Director has any interest, direct or indirect, in any assets which have been acquired by, disposed of by, or leased to, any member of the Group or which are proposed to be acquired by, disposed of by, or leased to, any member of the Group.

10. TAXATION

10.1 ***Introduction***

The information in this section, which is intended as a general guide only, is based on current UK tax legislation and the current published practice of HMRC both of which are subject to change, possibly with retrospective effect, regarding the ownership and disposition of Ordinary Shares. They apply only to Shareholders resident (and, in the case of individuals, domiciled) for UK tax purposes in the UK

(except in so far as express reference is made to the treatment of non-UK residents), who hold Ordinary Shares as an investment rather than trading stock and who are the absolute beneficial owners of those Ordinary Shares.

Certain categories of Shareholders are subject to special UK tax rules, such as persons who acquire their Ordinary Shares in connection with their office or employment or hold them otherwise than as investments. These special rules are not considered further in this section. Shares held through an ISA or a SIPP are also excluded from the scope of this section.

The following paragraphs should be regarded as a summary and should not be construed as constituting advice.

Shareholders who are in doubt as to their tax position, or who are subject to tax in a jurisdiction other than the UK, are strongly advised to consult their tax advisors.

10.2 ***Taxation of chargeable gains***

UK resident individual Shareholders

UK resident individual Shareholders, depending upon their individual circumstances and any available reliefs, may be subject to capital gains tax at the prevailing rate on any disposals (or deemed disposals) of Ordinary Shares. For individuals whose total taxable income and gains after all allowable deductions is less than the upper limit of the basic rate income tax band, the rate of capital gains tax will be 10 per cent. (2017/2018). For gains (and any parts of gains) above that limit, the rate will be 20 per cent. (2017/2018) for gains above the applicable capital gains tax annual exempt amount (currently £11,300 for the year to 5 April 2018). For trustees and personal representatives, the rate will be 20 per cent. (2017/2018) for gains above the applicable capital gains tax annual exempt amount (currently £11,300 for personal representatives and £5,650 for most other trustees for the year to 5 April 2018).

If the conditions for EIS and VCT relief are met, any capital gain may be exempt from tax. Please refer to section 10.6 for further details.

UK non-resident individual Shareholders

An individual Shareholder who is not resident for tax purposes in the UK will not generally be liable to UK taxation on chargeable gains unless the Shareholder carries on a trade, profession or vocation in the UK through a branch or agency and the Ordinary Shares disposed of are, or have been, used, held or acquired for the purposes of such trade, profession or vocation or for the purposes of such branch or agency. Such Shareholders may be subject to tax under any law to which they are subject outside the UK.

An individual Shareholder who has ceased to be resident in the UK for tax purposes for a period of less than five years and who disposes of the Ordinary Shares during that period may also be liable to capital gains tax on his return to the UK in relation to any capital gain realised (subject to any available exemption or relief).

UK resident corporate Shareholders

Where a Shareholder is within the charge to UK corporation tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the prevailing corporation tax rate applicable to that company (currently 19 per cent. with effect from 1 April 2017). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax by increasing the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index, but may not create or increase any allowable loss.

10.3 ***Inheritance tax***

The Ordinary Shares are assets situated in the UK for the purposes of UK inheritance tax. A gift of Ordinary Shares by, or the death of, an individual Shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the Shareholder is not domiciled in the UK.

10.4 ***Taxation of dividends***

The Company will not be required to withhold amounts on account of UK tax at source when paying a dividend.

Individual Shareholders

With effect from 6 April 2016, the first £5,000 of dividend income received by an individual Shareholder in a tax year (the "Nil Rate Amount") is exempt from UK income tax, regardless of what tax rate would otherwise apply to that dividend income. The Finance Bill 2017-19 provides for the reduction of this Nil Rate Amount to £2,000 with effect from the 2018/2019 tax year, if enacted in its current form. If an individual receives dividends in excess of the Nil Rate Amount in a tax year, the excess is taxed at the following dividend rates for 2017/18: 7.5 per cent. (for individuals not liable to tax at a rate above the basic rate), 32.5 per cent. (for individuals subject to the higher rate of income tax) and 38.1 per cent. (for individuals subject to the additional rate of income tax).

Dividend income that is within the dividend Nil Rate Amount counts towards an individual's basic or higher rate limits – and will therefore affect the level of savings allowance to which they are entitled, and the rate of tax that is due on any dividend income in excess of the Nil Rate Amount. In calculating into which tax band any dividend income over the nil rate amount falls, savings and dividend income are treated as the highest part of an individual's income. Where an individual has both savings and dividend income, the dividend income is treated as the top slice.

Corporate Shareholders

UK resident corporate Shareholders which are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 and pension funds will not normally be liable to taxation on any dividend received provided certain conditions are met (including an anti-avoidance condition) and pension funds will not normally be liable to taxation on any dividends received.

A UK resident corporate Shareholder which is not a "small company" for the purposes of the UK taxation of dividends legislation in Part 9A of the Corporation Tax Act 2009 will be liable to UK corporation tax (currently at a rate of 19 per cent. from 1 April 2017) unless the dividend falls within one of the exempt classes set out in Part 9A. Examples of exempt classes include dividends paid on shares that are "ordinary shares" (that is shares that do not carry any present or future preferential right to dividends or to the Company's assets on its winding up) and which are not ''redeemable", and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital in respect of which the distribution is made). However, the exemptions are not comprehensive and are subject to anti-avoidance rules.

Non UK Resident Shareholder

Non-UK resident individual Shareholders who receive a dividend from the Company are treated as having paid UK income tax on their dividend income at the dividend ordinary rate (7.5 per cent.). Such income tax will not be repayable to a non-UK resident individual Shareholder. A non-UK resident Shareholder is not generally subject to further UK tax on dividend receipts.

A non-UK resident individual Shareholder may also be subject to taxation on dividend income under local law, in their country or jurisdiction of residence and/or citizenship. A shareholder who is not solely resident in the UK for tax purposes should consult his own tax advisers concerning his tax liabilities (in the UK and any other country) on dividends received from the Company in respect of liability to both UK taxation and taxation of any other country of residence or citizenship.

10.5 ***Stamp duty and stamp duty reserve tax ("SDRT")***

The allocation and issue of the New Ordinary Shares will not give rise to a liability to stamp duty or SDRT.

Following Admission, the Ordinary Shares will be eligible securities admitted to trading on a recognised growth market (but not listed on that or any other market) and accordingly no stamp duty or SDRT will be charged on the conveyance, transfer or sale of Ordinary Shares (nor will any stamp duty or SDRT be chargeable on any transfer of Ordinary Shares effected on a paperless basis through CREST) in accordance with the Finance Act 2014.

10.6 ***EIS and VCTs***

Enterprise Investment Scheme

The Company has obtained provisional assurance from HMRC that a subscription for Eligible Shares will be eligible for EIS purposes, subject to the submission of the EIS1 forms in due course. The obtaining of such provisional assurance and submission of such a claim by the Company does not guarantee EIS qualification for an individual, whose claim for relief will be conditional upon his own circumstances and is subject to holding the shares throughout the relevant three year period.

In addition, for EIS relief not to be withdrawn, the Company must comply with a number of conditions throughout the qualifying three year period relating to those shares.

The following provides an outline of the EIS tax reliefs available to individuals. Any potential investors should obtain independent advice from a professional tax adviser in relation to their own circumstances.

In summary, EIS relief may be available where a qualifying company issues new shares, the purpose of which is to raise money for a qualifying business activity. The EIS shares must be subscribed for in cash and be fully paid up at the date of issue and must be held, broadly, for three years from the later of the date they were issued or the commencement of the Company's trade.

EIS income tax relief is available to individuals only. The current relief is 30 per cent. of the amount subscribed for EIS shares to be set against the individual's income tax liability for the tax year in which the EIS investment is made, and is available up to a maximum of £1,000,000 in EIS subscriptions per tax year. This relief can be 'carried back' one tax year. This relief is only available to individuals who are not connected with the Company in the period of two years prior to and three years after the subscription.

Very broadly, an individual is connected with the issuing company if, *inter alia*, he or his associates are employees or directors or have an interest in more than 30 per cent., of the Company's ordinary share capital.

Where EIS income tax relief has been given and has not been withdrawn, any gain on the subsequent disposal of the shares in qualifying circumstances is generally free from capital gains tax. If the shares are disposed of at a loss, capital gains tax relief will generally be available for that loss net of any income tax relief previously given.

Alternatively, an election can be made to set that loss (less any income tax relief already given) against income of that year or the preceding year.

Individuals who have realised gains on other assets within one year before or up to three years after the EIS shares are issued, are able to defer a capital gains tax liability arising on those gains by making a claim to reinvest an amount of those gains against the cost of the EIS share subscription. Deferred gains will become chargeable on a disposal or deemed disposal of the EIS shares. The investor can be connected with the Company (as outlined above) and obtain such capital gains tax deferral relief.

Venture Capital Trusts

The Company has obtained provisional assurance from HMRC that the Eligible Shares will be capable of being a "qualifying holding" for the purposes of the investment by VCTs and that the Eligible shares will be eligible shares.

The status of the Eligible Shares as a qualifying holding for VCTs will be conditional, *inter alia*, upon the Company continuing to satisfy the relevant requirements. It is the Board's intention that the Company will continue to meet the VCT requirements so that it continues to be a qualifying company for these purposes. However, the Board cannot give any warranty or undertaking that the Company will continue to meet the conditions, including in the event that the Board believes that the interests of the Company are not best served by preserving the VCT status, or as a result of changes in legislation.

11. WORKING CAPITAL

The Directors and the Proposed Director are of the opinion, having made due and careful enquiry, taking into account available bank and other facilities and the net proceeds of the Placing receivable by the Company that the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

12. SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Group since 30 September 2017, the date to which the Group's unaudited interim financial information set out in Part V of this document was prepared.

13. LITIGATION

No member of the Group is involved in any legal or arbitration proceedings which are having or may have a significant effect on the Group's financial position nor, so far as the Company is aware, are any such proceedings pending or threatened by or against any member of the Group.

14. PLACING AGREEMENT

In connection with the Placing, the Company, the Directors, the Proposed Director and Allenby Capital entered into the Placing Agreement on 12 December 2017. The Placing Agreement is conditional on, *inter alia*, Admission occurring on 18 December 2017 or such later date (not being later than 8.00 a.m. on 8 January 2018) as the Company and Allenby Capital may agree. The principal terms of the Placing Agreement are as follows:

14.1 Allenby Capital has agreed, as agent of the Company, to use its reasonable endeavours to procure placees for the New Ordinary Shares, in each case, at the Placing Price;

14.2 the Company has agreed to pay Allenby Capital, whether or not the Placing Agreement becomes unconditional, a corporate finance fee of £150,000 and, provided the Placing Agreement becomes unconditional, a commission of 5 per cent. of the aggregate value at the Placing Price of the New Ordinary Shares (plus any applicable VAT), and a commission of 1 per cent. of the aggregate value at the Placing Price of the New Ordinary Shares (plus any applicable VAT) in respect of any New Ordinary Shares placed to placees which have been introduced by parties other than Allenby Capital;

14.3 the Company has agreed to pay all of the costs and expenses of and incidental to the Placing and related arrangements together with any applicable VAT;

14.4 the Company, the Directors and the Proposed Director have given certain warranties to Allenby Capital as to the accuracy of the information in this document and as to other matters relating to the Group. The liability of the Directors and the Proposed Director under these warranties is limited in time and amount, save in certain circumstances. The Company has also given an indemnity to Allenby Capital against any losses or liabilities arising out of the proper performance by Allenby Capital of its duties under the Placing Agreement; and

14.5 Allenby Capital may terminate the Placing Agreement before Admission in certain circumstances, including for breach of the warranties referred to above and in the event of certain *force majeure* events or a material adverse change relating to the Company.

15. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into in the two years preceding the date of this document by any member of the Group and are, or may be, material to the Group or have been entered into by any member of the Group and contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document:

15.1 **the Placing Agreement;** The Company is a party to the Placing Agreement detailed in paragraph 14 of this Part VI;

15.2 **the Nominated Adviser and Broker Agreement;** A nominated adviser and broker agreement dated 12 December 2017 was entered into between (1) Allenby Capital, (2) the Company (the "Nomad Agreement") and (3) the Directors and Proposed Director, pursuant to which Allenby Capital agrees to act as the Company's nominated adviser and broker as required by the AIM Rules with effect from Admission. The Nomad Agreement is terminable by either party on three months' prior written notice following the first anniversary of Admission, or forthwith by the parties in certain circumstances. Allenby Capital undertakes to provide the services of a nominated adviser as required under the AIM Rules and the Company agrees to comply with their obligations under the AIM Rules. The Company will pay Allenby Capital a fee of £50,000 per annum (plus applicable VAT) pursuant to the terms of the Nomad Agreement;

15.3 **the Orderly Market arrangements;** An orderly market agreement dated 12 December 2017 was entered into between (1) the Company and (2) Allenby Capital (the "Orderly Market Agreement") and to which each of the Orderly Market Parties have agreed to adhere to. The Orderly Market Parties have agreed, subject to certain limited exceptions, that they will not dispose of any Ordinary Shares (or any interest therein) before the second anniversary of Admission, without the prior written consent of Allenby Capital, or its successor, and that any disposal permitted by Allenby Capital, or its successor, of Ordinary Shares during this period will be made through Allenby Capital, or its successor, in such orderly manner as they shall reasonably determine;

15.4 **Lock-in arrangements;** Each of the Locked-in Parties, which includes the Directors and the Proposed Director, has undertaken pursuant to a lock-in agreement entered into between each individual Locked-in Party, Allenby Capital and the Company not to dispose of any Ordinary Shares (or any interest therein) held by him (including any options, as appropriate) immediately following Admission:

15.4.1 for a period of 12 months following Admission without the prior written consent of Allenby Capital, or its successor, except in limited circumstances; and

15.4.2 for a period from the date which is 12 months from the date of Admission to the date that is 24 months from the date of Admission, except in certain limited exceptions, and otherwise with the prior written consent of Allenby Capital, or its successor, and that any disposal permitted by Allenby Capital, or its successor, of Ordinary Shares during this period will be made through Allenby Capital, or its successor, in such orderly manner as they shall reasonable determine;

15.5 the Historic Lease pursuant to which the Company is a party, which is a related party transaction as detailed in paragraph 9.1 of this Part VI;

15.6 the agreement relating to the provision of Colin Walsh's services as a director of the Company up to the date of this document on behalf of Crescent Capital, which is a related party transaction as detailed in paragraph 9.2 of this Part VI;

15.7 the agreement relating to the provision of Alan Mawson's services as a director of the Company up to the date of this document on behalf of Clarendon Fund Managers, which is a related party transaction as detailed in paragraph 9.3 of this Part VI;

15.8 the Company is a party to a collaboration agreement with MAB Discovery dated 3 June 2016, which is for an indefinite term. In addition to standard termination rights for material breach of the agreement or insolvency-related scenarios, there is a mutual right of termination for convenience which either party can exercise on 31 December of each year upon giving at least 6 months' written notice to the other party. The agreement sets out the basis on which the Company provides humanization services in respect of MAB proprietary sequences through the use of the Company's proprietary in-silico technologies;

15.9 the Company is a party to a collaboration agreement with Celonic AG ("**Celonic**") dated 20 September 2014, as amended by way of an amendment agreement dated 30 October 2014, and a separate services collaboration agreement dated 30 October 2014. Under the collaboration agreement, Celonic grants the Company a non-exclusive licence to use host cells which it has created to create client protein expressing cells. This agreement has a term of 5 years commencing 20 September 2014, with an option for Celonic only to renew thereafter. The Company has the right

to terminate on serving 3 months' notice (without cause) and there are standard rights for termination in the event of a material breach for Celonic;

15.10 the Company is a party to a knowledge transfer protocol agreement with QUB, which is effective from the 16 February 2017. The agreement sets out the basis on which the Company will develop an affinity maturation protocol which will enable the Company to develop a mammalian antibody library. The staff in relation to this agreement will be jointly paid by the Company and QUB. The Company will retain all intellectual property rights in relation to the affinity maturation protocol and the mammalian antibody library. Under this agreement, QUB may bring background intellectual property which is necessary for the fulfilment of the services and the Company will in-licence this from QUB;

15.11 the Lease pursuant to which the Company is a party, which is a related party transaction as detailed in paragraph 9.1.4 of this Part VI;

15.12 **Selling Shareholder Agreements**; Selling shareholder agreements dated between 7 and 12 December 2017 were entered into between (1) Allenby Capital and (2) each of the Selling Shareholders pursuant to which Allenby Capital agreed, as the agent of each of the Selling Shareholders, to procure placees for 1,310,976 Existing Ordinary Shares, in each case at the Placing Price. Pursuant to the Selling Shareholder Agreements, each Selling Shareholder has agreed to pay to Allenby Capital a commission of 5 per cent. of the aggregate value at the Placing Price of Existing Ordinary Shares sold on their behalf. Each Selling Shareholder has given certain warranties to Allenby in relation to title and capacity to the Existing Ordinary Shares and their ability to sell their respective Existing Ordinary Shares. The Selling Shareholder Agreements will automatically terminate in the event of a termination of the Placing Agreement.

16. CONSENTS

16.1 PricewaterhouseCoopers LLP has given and not withdrawn its consent to the inclusion in this document of its accountants' report on the Company set out in Section A of Part IV of this document in the form and context in which they appear and has authorised its report for the purposes of Schedule Two of the AIM Rules for Companies.

16.2 ProPharma Partners Limited has given and not withdrawn its consent to the issue of this document with the inclusion herein of its report in Part III of this document and the references to such report and to its name in the form and context in which they appear and has authorised the contents of Part III of this document.

16.3 Allenby Capital has given and not withdrawn its consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

17. MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE ORDINARY SHARES

17.1 ***Mandatory bid***

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties) would be required, except with the consent of the Panel on Takeovers and Mergers, to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

17.2 ***Squeeze out***

Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making the offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares

and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

17.3 ***Sell out***

The Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

18. General

18.1 The total costs and expenses of, or incidental to, the Placing and Admission, all of which are payable by the Company (save for the fees payable by the Selling Shareholders to Allenby Capital), are estimated to be approximately £0.75 million (exclusive of value added tax). This amount includes the commissions referred to in paragraph 14 of this Part VI. The expected net proceeds of the Placing receivable by the Company, after deduction of such costs and expenses, is £4.75 million. No expenses of the Placing are being charged to subscribers under the Placing.

18.2 Save as disclosed in this document, and save in respect of the consultancy fees of £27,500 paid to and £10,000 payable to Ross Andrews which relate to the project management services he has provided to the Company in connection with the Admission and Placing, no person (other than the Company's professional advisers named in this document and trade suppliers) has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or any other member of the Group or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the Group on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.

18.3 The Placing is not being underwritten.

18.4 The Placing Price of £0.82 represents a premium of £0.78 above the nominal value of £0.04 per Ordinary Share. The Placing Price is payable in full on application.

18.5 The auditors of the Company for each of the two financial years ended 31 March 2015 and 2016 was Harbinson Mulholland, chartered accountants and registered auditors, who are regulated by the Institute of Chartered Accountants in Ireland, and for the financial year ended 31 March 2017 it was PricewaterhouseCoopers LLP, chartered accountants and registered auditors, who are regulated by the Chartered Accountants in England and Wales. The audit reports were unqualified and did not contain a statement under sections 498(2) or (3) of the Act.

18.6 The information contained in paragraph 9 of Part I relating to the biologic drug discovery market has been sourced from the 2016 Nice Insight Contract Research – Preclinical and Clinical Survey (CRO Oursourcing Survey) and the Nice Insight 2016 Contract Development & Manufacturing Survey (CDMO Oursourcing Survey), January 2016. This information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by Nice Insight, no facts have been omitted which would render such information inaccurate or misleading.

18.7 Save as disclosed in this document, the Company currently has no significant investments in progress and the Company has made no firm commitments concerning future investments.

18.8 Save as disclosed in Part I of this document, the Directors and the Proposed Directors are not aware of any patents or other intellectual property rights, licences, particular contracts or manufacturing processes on which the Company is dependent.

18.9 Save in connection with the application for Admission, none of the Ordinary Shares has been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.

Dated 12 December 2017

fusion antibodies

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