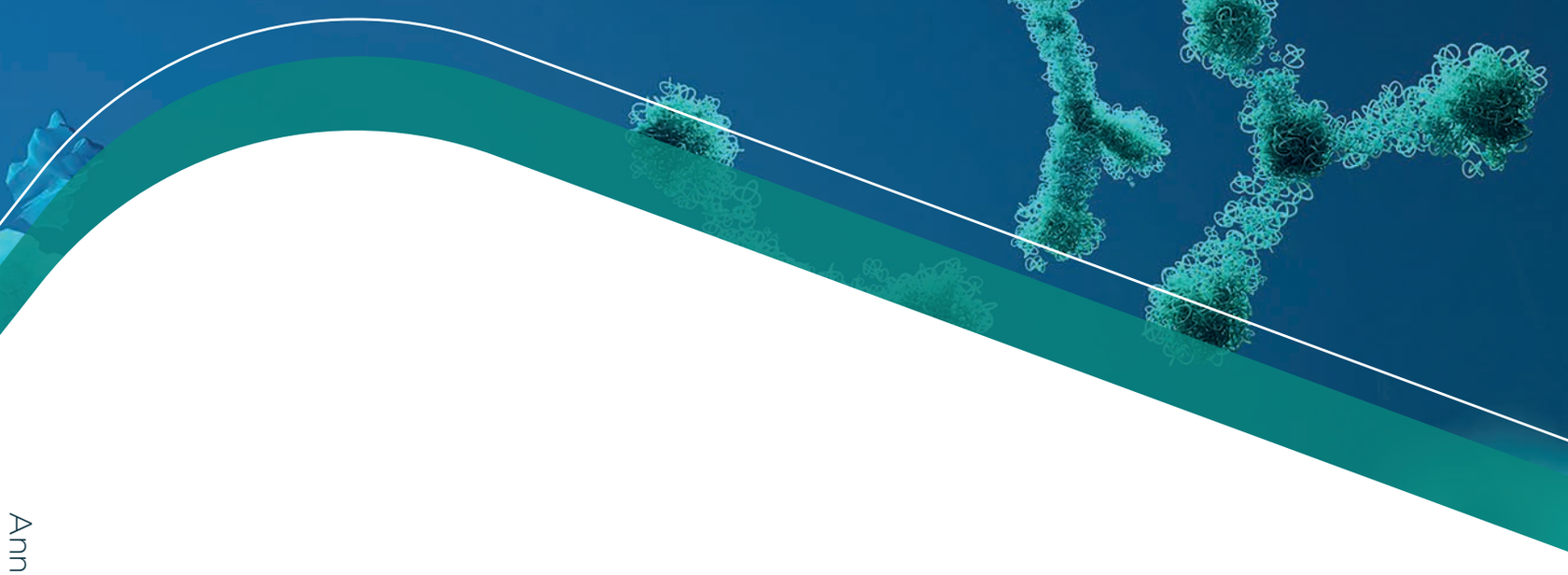

Annual Report and Accounts 2024

fusionantibodies.com

ANNUAL REPORT & ACCOUNTS

For the year ended 31 March 2024

Registration number: NI039740

fusionantibodies

fusionantibodies.com

HEADLINES

- Audited revenues for FY2024 of £1.14m (FY2023: £2.90m)
- Increased activity in the second half of FY2024, including:
  - the entry into a collaboration agreement with the National Cancer Institute for the use of OptiMAL®;
  - a first purchase order received under a master services agreement ("**MSA**") with a leading diagnostics company; and
  - a follow-on project received with a US based biotechnology client.
- Fundraise announced in February 2024, raising £1.37m (before expenses) for general working capital and investment into commercial activities
- Significant increase in sales pipeline opportunities during H2 FY2024, with an orderbook at 31 March 2024 of £0.75m, representing 65 per cent. of total FY2024 audited revenues
- Cash position as at 31 March 2024 of £1.2m (31 March 2023: £0.2m)

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STRATEGIC REPORT

FUSION AT A GLANCE

Fusion Antibodies plc ("Fusion Antibodies", "Fusion" or the "Company") is a Contract Research Organisation (CRO) located in Northern Ireland that offers a range of antibody discovery, engineering and expression services for all stages of human therapeutic, veterinary therapeutic and diagnostic antibody development. Our unrivalled experience working with antibodies and our established philosophy to "begin with the end in mind" makes Fusion Antibodies a first-choice partner for the discovery and development of antibodies for whatever the application. We position ourselves as an extension of our clients' infrastructure and work closely together to jointly meet their objectives. We can be their partner for their whole development journey, or they can opt to utilise our extensive experience at any stage. Our three service areas, which are explained more fully later in this report, include:

- **Discovery:** the identification, screening and sequencing of novel antibodies for therapeutic and diagnostic applications, using both proprietary discovery engines and traditional recombinant antibody discovery technologies;
- **Engineering:** optimising the performance of antibodies, either generated by us or originating from our client, to be used in diagnostics or drug development by altering the antibody at a molecular level. This includes switching species to enable use as a therapeutic in humans or animals i.e. humanisation, caninisation, felinisation, equinisation. Improving the performance and manufacturability of antibodies CDRx™, RAMP™, Antibody Developability by Design (ADD™) OptiMAS® and Ab-ility™; and
- **Supply:** production and purification of high quality and high purity antibodies for characterisation and further research as well as the generation and supply of high expressing cGMP ready-manufacturing cell lines used to produce clinical grade antibodies for further development or research, including transient expression and cGMP ready stable cell lines.

Our mission is to enable biopharmaceutical, veterinary and diagnostic companies to discover and maximise the performance of their antibodies so that highly optimized antibodies are available to enter the clinic more rapidly for the benefit of the global healthcare industry. Our Integrated Therapeutic Antibody Service (ITAS) integrates our current Discovery, Engineering and Supply services into one proposition which aims to enhance the client journey with the development of high performing antibodies to their targets. We continue to develop new improved services and technologies to ensure we are at the cutting edge of the market as the partner of choice.

THE BUSINESS:

- We are an established contract research organisation (CRO), providing a multi-service offering from antibody discovery and development to clinical supply;
- Our customers are pharmaceutical, biotech, veterinary, diagnostic, and life science research companies seeking to develop antibody based therapeutic drugs and diagnostics;
- We continue to invest in technological advances to ensure our offering to customers is at the industry's leading edge: exemplified by the current R&D investment in the OptiMAL® Mammalian Antibody Library, OptiPhage® phage display library, and our expansion into artificial intelligence driven services through AI/ML-Ab™; and
- Our clients have progressed many projects into clinical trials confirming the value of our work.

fusion**antibodies**

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

The financial year ended 31 March 2024 ("FY24") started the way the previous financial year had ended, in that the markets in which we operate remained muted, and it was commercially challenging for the Company. However, this challenge was met head on by the board of directors of the Company (the "Board" or the "Directors"), and in particular, through determination and a belief that Fusion has world class skills and expertise to create value for our shareholders, the turnaround process began. In FY24, costs were cut, headcount reduced, Board salaries deferred and a new strategy was developed. With venture capital and other investments for our customers' early-stage human therapeutic pipelines still slow, creative solutions and antibody related new market opportunities were explored. Fusion responded both by introducing our existing services into new markets as well as introducing new services into our current markets.

NEW MARKETS

Antibodies play an important part in most of our lives at some point. Obviously internally your immune system is there to combat disease and keep you healthy. But antibodies are used in many different healthcare related applications, and Fusion's skills and expertise are applicable to all of them.

Human antibody therapeutics was our sole focus and will still be the main source of revenue in the near term but expanding into the smaller but growing veterinary medicine (VetMed) therapeutics market is an exciting new opportunity. The 30-year gap between the development of antibodies for humans and those for animals is partly because while some other human medications can be easily adopted to use in animals, antibody therapy is species specific. However, the genetic differences between species is now better understood and, in the same way as we gained a leading position in humanisation, Fusion has the capability for producing dog and cat specific antibodies, through processes known as caninisation and felinisation. There is a growing need for these

therapies in veterinary medicine. For example, in the USA alone there are 6 million cases of cancer[1] diagnosed each year in dogs, with a similar number in cats, and one in four American dogs is diagnosed with some form of arthritis[1]. In addition, allergies, dermatological conditions, renal diseases, cardiac diseases, and cancer are five key disease categories for research into new animal specific antibody therapies[2].

The global monoclonal antibodies in veterinary health market size was estimated at USD 700m million in 2022 and is expected to grow at a compound annual growth rate (CAGR) of 17.1% from 2023 to 2030[3]. Amongst other developments, in 2016, the USDA[3] approved a monoclonal antibody to treat allergic dermatitis and atopic dermatitis in dogs and, in January 2022, the FDA granted its first approval for an antibody for animals to control pain associated with osteoarthritis in cats[2].

We believe that this new market represents a strong opportunity in a strongly growing sector where most of our current services, such as OptiPhage™, Rational Affinity Maturation Platform ("RAMP"), affinity maturation, transient expression and cell line development ("CLD") are applicable.

At some point in our lives, most of us will have a blood or urine sample that is sent off to a laboratory to be tested and the test will involve antibodies in one form or another. Over the counter pregnancy tests are antibody based and we are now all familiar with the lateral flow tests for Covid-19, with the red coloured lines that appear being antibody driven. With the diagnostic market becoming more competitive, the quality, specificity and reliability of the antibody is key to the success of that test. Diagnostic companies from small to large are starting to look at ways of improving their tests through the manipulation of their antibodies to which the skills that Fusion have developed throughout the years are applicable. In addition to improving the antibody, diagnostic companies are also looking to improve continuity of supply as many of the tests will be based on polyclonal antibodies (antibodies taken directly from blood as opposed to a cell culture) which have a finite supply. While not simple, the possibility to convert these polyclonal antibodies to a secure cell structure-based supply exists, presenting Fusion with a further market opportunity. Additionally, many antibodies used in diagnostics and therapeutics start their life in pure research laboratories and companies that supply these products globally represent a further adjacent market for Fusion to sell into.

The Board of Fusion believe that this diversification strategy into the adjacent markets of VetMed, diagnostics, and research, together with the recovering economic climate, provides us with confidence for growth in the current year and the prospects for the business in the future.

BUSINESS PERFORMANCE

The poor global market conditions seen at the end of the financial year ended 31 March 2023 ("FY23") continued into FY24. FY24 showed a significant downturn in revenue from the previous year at £1.14m (FY23: £2.9m). The headwinds of inflation, higher interest rates, weak global growth and continued global political instability have kept the global markets relatively quiet throughout 2023 resulting in weak market investment conditions for new drug discovery and development programs, particularly in SME's and small earlier stage companies, which represented our primary customer type during the first half of the financial year and directly impacted the Company's revenues for the year. Most notably was a significant downturn in venture capital ("VC") investment into biotechnology companies, including therapeutic antibody development programmes. As an example, in the USA VC Life Healthcare and Life Sciences secured US$15.2 billion in fund closures in 2023, down 52% from a high of US$28.9 billion in 2021[5].

Recognising the economic challenges at the beginning of the financial year, the Company took decisive action to re-structure the business and significantly cut the cost base and implemented circa. £1.6m in restructuring savings, including

1 Antibody Therapeutics - PetMedix
2 Monoclonal antibodies show promise as new therapy for veterinary patients | American Veterinary Medical Association (avma.org)
3 The U.S. Department of Agriculture (USDA) approves antibodies that target the immune system, while the FDA approves antibodies that have other targets in VetMed.
4 Monoclonal Antibodies In Veterinary Health Market Report, 2030 (grandviewresearch.com)
5 Pitchbook's Healthcare Fund Performance Update, as reported by Tracy Alper from Marks Sattin.

a significant reduction in headcount. Although business conditions are improving, the Board will continue to closely monitor the Company's cost base and seek to identify additional cost savings over time. Alongside the restructuring, a new commercial strategy was implemented, targeting the adjacent antibody-based Diagnostic, Veterinary Medicine and Research Antibody markets, with this diversification opening up more sales opportunities as well as making the sales pipeline more resilient with less exposure to individual sectors.

Whilst controlling costs tightly, we still believe that to maintain our scientific cutting edge and to compete in the global marketplace, we need to stay at the front of technology. We continue to invest in R&D, and particularly the OptiMAL® library project, with investment in R&D of £0.3m for FY24 (FY23: £0.8m). The downturn in revenues, together with the restructuring savings, generated a loss for FY24 of £2.3m (FY23: loss £2.9m). It is worth noting that whilst the Company continues to retain an interest of longer-term future success milestone or royalty payments in many of our client projects, there were no such payments in FY24.

The Board would like to thank our shareholders for their continued support and confidence in the Company and in the growth opportunity in front of us. In particular in supporting us through two rounds of funding in FY24, the first of which was to supply working capital to allow us to re-structure the Company and develop a new more diversified strategy. During H1 FY24, the pipeline grew significantly as we entered into the adjacent markets of Diagnostics, VetMed and research antibodies with the second round supporting the further implementation of the strategy and in particular the expansion of the commercial team.

Specifically, in June 2023 the Company successfully completed a £1.67m (before expenses) fundraise through the placing of new ordinary shares of 4p each in the capital of the Company ("Ordinary Share") at a price of 5 pence per new Ordinary Share (the "Issue Price"), to provide additional working capital. £1.56 million was raised through a placing, £0.14m through a subscription by certain of the directors of the Company and their closely associated persons (as defined in UK MAR) and £0.11m through a Retail Offer on the REX Platform, which resulted in the issue of a total of 33,438,768 new Ordinary Shares. The Issue Price represented a discount of approximately 84 per cent. to the closing mid-market price of an Ordinary Share on 18 May 2023.

With a new commercial strategy in place, and a strengthened pipeline, the Company successfully raised an additional £1,375,000 (before expenses) in March 2024 through a placing of 34,375,000 new Ordinary shares at a price of 4 pence. In this regard, I would like to thank our shareholders, both new and old, who supported this round, in what was a challenging economic environment. 2024 has so far been one of the quietest years for investment on AIM since 2002 and yet the issue price of the second placing was at only a small discount (~ 5.88%) to the closing mid-market price of an Ordinary Share in the Company on 13 February 2024.

Allenby Capital Limited ("Allenby Capital") acted as broker in connection with the placing, with Shard Capital Partners LLP acting as sub-placing agent to Allenby Capital and following the placing the Company appointed Shard as joint broker to Fusion. We look forward to continuing to work with both brokers as we continue our recovery journey.

THREE RS PRINCIPLE

- **Replacement** refers to methods which avoid or replace the use of animals,
- **Reduction** refers to any strategy that will result in fewer animals being used
- **Refinement** refers to the modification of husbandry or procedures to enhance the welfare of an animal used in science

NEW SERVICES

The antibody drug discovery industry and indeed other markets are gradually moving away from the use of antibodies, something that as a Company we recognise and support. Whilst animals can still be used on occasions, our R&D and new service offerings

are very much aligned to the 'Three Rs' principle: Replacement, Reduction and Refinement. This is the one of the competitive edges that we offer utilising our core discovery engines, *OptiMAL®*, OptiPhage™, and AI/ML-Ab™. The first two are cell-based systems, while the latter is a method of designing panels of antibodies in-silico, using software algorithms. These discovery engines all work as the beginning of a customer's journey with Fusion, with the potential to move onto the rest of our services all the way through to CLD, where the final antibody of choice is ready to be transferred externally into the production stage.

OptiMAL® is our cell-based mammalian display technology screening library in development for the direct identification of intact fully human antibodies against biomarkers and other targets of interest. It will be very much positioned as a discovery engine for human therapeutic antibodies and when fully optimised should reduce the time required to identify a target specific antibody or panel of antibodies and simplify the process of reaching that goal. The Company signed a collaboration agreement with the National Cancer Institute ("NCI") for access to OptiMAL® over a two-year period in the discovery of novel antibodies against targets selected by NCI, which is the first time the library has been in external hands for independent validation.

Whereas OptiMAL® expresses whole antibodies, our new OptiPhage™ library is a phage display based version where smaller antibody fragments, the antibody's specific binding components, are expressed and can be screened, at which point the DNA sequences of these fragments can be used to produce a full antibody for downstream development and further optimisation. It may also be the platform of choice for those wanting antibody fragments as their end-product. As a new service available since March 2024, we believe that the ability to provide OptiPhage™ at a lower price point allows the Company to protect the premium pricing of the OptiMAL® programme and to open it up to other markets who may have greater budgetary constraints. Our novel DNA library of antibody sequences from OptiMAL® can be used as the input design, as can other inputs for non-human applications.

In conjunction with our partners, the AI/ML-Ab™ platforms provide a method of designing panels of antibodies *in-silico,* with the AI/ML-Ab™ algorithms typically producing small libraries of sequences which are an excellent match with our Mammalian Display platform, which can transform these designs into real protein molecules for screening and final selection. While customer uptake to date has been slow, we believe that this remains an important part of our broad mix of discovery services that we offer which gives the client the choice to select which one suits them the best from their timescales, development plans and budgets.

BOARD AND EMPLOYEES

August 2023 saw the appointment of Stephen Smyth as our interim Chief Financial Officer (CFO) and Company Secretary. Stephen has over 25 years' experience working in audit & accounting, finance, and operations management within both the public accounting and commercial sectors and we are delighted that he could join us. In addition, we have outsourced some other financial management accounting activities enabling the Company to streamline its financial position, following which the Company intends to identify a more permanent solution.

Prior to this we announced that Mr James Fair, our former CFO, was stepping down from the Board and that we would like to thank Mr James Fair for his significant contribution to the Company over the past 14 years and wish him well in his future endeavours. We are also grateful to Ms Frances Johnston who temporarily stepped in as the Company Secretary until Stephen Smyth's appointment.

One further change to the Board during the financial year was in relation to Sonya Ferguson, who stepped down in September 2023 as a Non-executive Director to move into another business opportunity. Sonya was with the Company for seven years and was the Chair of the Company's Remuneration Committee. On behalf of the Board, I would like to thank her for all that she had done for the Company, for her valuable insights and contributions and her balanced views. We wish her well in her new venture.

During the first half of FY24, the Executive team had to make some decisive and tough decisions as part of the restructuring process, something for which the Board is very grateful. In this respect, a big thank you to all the staff who stuck with us through the turbulent times and worked in the difficult transitionary environment with professionalism and integrity and their strength and belief in the Company has allowed us to ride the storm and to turn the Company around. With a significantly reduced headcount, staff have received extensive cross training to ensure that the Company can still offer its full range of services. A true team effort.

As part of their commitment and belief in the Company, in order to minimise the outgoing costs until the Company had secured the funds from the second fundraise in March 2024, the executive directors, Adrian Kinkaid and Richard Buick, deferred 20% of their salary and then only took half as salary with the remainder in new Ordinary Shares at the issue price of 4 pence. Likewise, the Company's non-executive directors deferred their fees for 10 months and were subsequently remunerated part in salary and part in new Ordinary Shares, a structure that will continue until the end of FY25.

CORPORATE GOVERNANCE

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

POST YEAR END AND OUTLOOK

As reported, the full year results for FY24 are lower than anticipated, but the restructuring, fundraising and market diversification strategy has given the Company a new foundation on which to grow. Trading has improved throughout the year with February and March 2024 being the Company's highest earning months of FY24. There has been a significant increase in sales pipeline opportunities, which are now around three times greater than they were at the beginning of the financial year, and include new Diagnostic, VetMed and Research potential customers. In addition to the increased sale pipeline our R&D OptiMAL® library project hit a major milestone in H2 FY24 and signed a collaboration agreement with the **NCI** for the use of OptiMAL® in the discovery of novel antibodies against targets selected by NCI post year.

There was an increased commercial activity and momentum in the fourth quarter of FY24 and into the beginning of FY25, including:

- receipt of a first purchase order under a master services agreement ("**MSA**") with a leading diagnostics company in FY24 - with further orders having been received in FY25 under the MSA from the customer;
- securing an estimated $650,000 follow-on project under a collaborative research and development agreement with a US based biotechnology company that Fusion started working with in 2021; and
- A commercial contract to develop a bespoke OptiPhage™ library for a non-human antibody species with a leading global provider of antibodies for use in research and diagnostics.

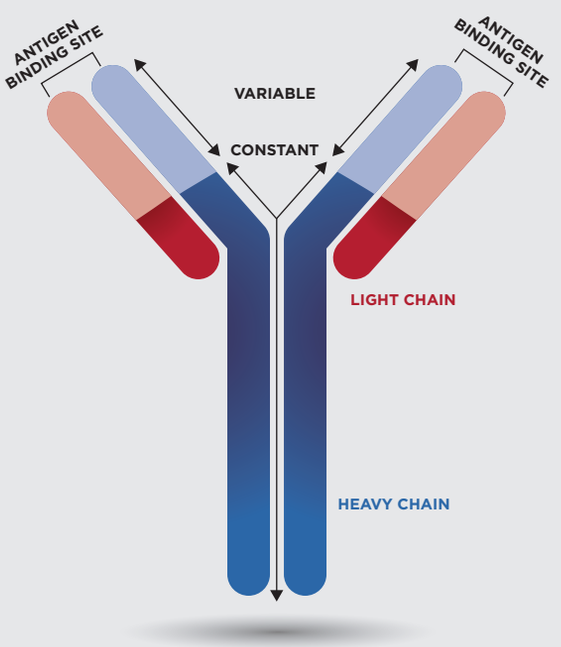
In July 2024, we announced that our unaudited revenues for the first quarter ("Q1") of FY25 was c. £522k (Q1 FY24: £241k and FY24: £1.14m) with a strong sales pipeline. The order book includes a number of multi-stage projects for its clients and, subject to these projects progressing in line with expectations, revenue is expected to be recognised for all projects in the current order book in the current financial year.

The Company continues to carefully control its cash and, as set out at the time of the fundraise in February 2024. Based on updated internal estimates the Company now has a cash runway into the second half of FY26. The Company continues to seek to achieve cash neutrality during that timeframe.

The Board of Fusion believe that this momentum and developments provide strong evidence that the Company's diversification strategy, together with the recovering economic climate, provide confidence for growth in FY25.

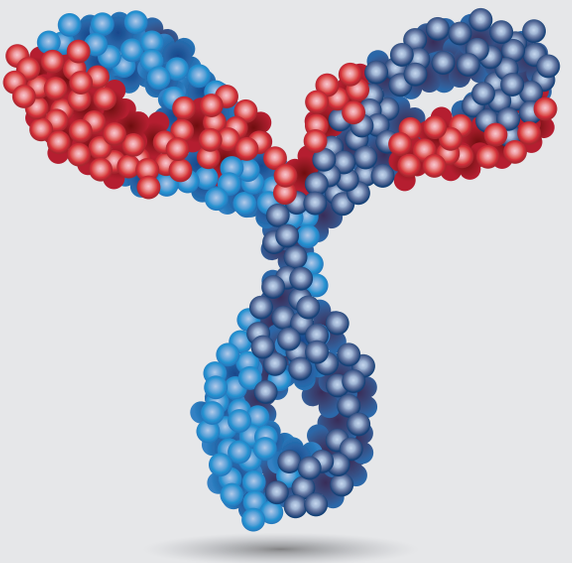
Simon Douglas
Chairman

04 September 2024



Antibodies are immune related proteins called immunoglobulins.

Each antibody consists of 4 polypeptides, two heavy chain and two light chains joined to form a 'Y' shaped molecule. The antigen binding site is the region that binds to the target of interest and can either neutralise its actions or flag it to be destroyed by other components of the immune system.



A 3D model of an antibody showing some of the protein structure.

Parts of the protein structure derived from the original host, usually mice, are replaced with structures found in humans through our humanisation service.

STRATEGIC REPORT
COMPANY OVERVIEW

Fusion Antibodies is an established Contract Research Organisation (CRO), providing a multi-service offering, from antibody discovery and development to clinical supply, for clients such as pharmaceutical, biotech and diagnostic companies developing antibody based therapeutic drugs and diagnostics.

The Power of Antibodies

Antibodies are naturally occurring proteins which are produced by the immune system in the body of most mammals to selectively bind and neutralise pathogens such as bacteria and viruses circulating in the blood stream or to remove other foreign bodies. They are very powerful in that they target a very specific structure on the surface of a foreign cell or protein in the body. Monoclonal antibodies are individual antibodies which have been produced as multiple identical copies. They are made in the laboratory using cultured cells, and which are isolated and engineered to ensure they are highly specific and homogeneous. They can be selected due to their ability to bind a chosen target of interest. For example, in cancer therapy, antibodies can be used to bind selectively to the receptors of the cancer cells which can stimulate the body's defences and lead to cell death, making it possible to specifically fight and kill abnormal cancer cells. Healthy cells are not usually attacked in this process so there are often fewer side effects than in classic chemotherapy. This has led to the rapid growth in the search for, and development of, monoclonal antibodies as therapeutics to target many clinical conditions. Likewise, the specificity of monoclonal antibodies can be used in clinical diagnostics to specifically detect pathogens and proteins and are used around the world in laboratory based tests and in point of care monitoring such as with lateral flow tests.

- Total antibody therapeutic Market size $186 billion in 2021 with a projected value of $445 billion in 2028[1]
- Approximately 150 monoclonal antibody therapies were approved and marketed globally as of June 2022[2]
- By 2021 the Food and Drug Administration (FDA – USA) have approved more than 100 antibody therapies[1].
- Top four antibody drugs each had sales of more than $3 bn in 2021[3]

Fusion Antibodies partners with clients involved in all stages of antibody development from early discovery for novel or biosimilar antibody therapeutic drug development to the generation of stable cell lines ultimately used in scaled manufacturing processes. Our clients range from global pharmaceutical companies, through asset-centric "virtual" companies to smaller research institutes and university-based research teams. This diverse client base is seeking high quality antibodies for:

- human therapeutics
- veterinary medicine therapeutics

(Source: [1]Global Market Insights, 2 National Center for Biotechnology Information (NCBI), 3Biospace)

- diagnostics humans and veterinary medicine in both lab-based and point of care formats
- research antibodies to support a wide range of fundamental research applications

With the trend in antibody drug development industry moving away from the use of animals, our ongoing R&D program is to develop the cell-based mammalian display technology screening library, OptiMAL®. OptiMAL® will allow the direct selection of fully human antibodies against biomarkers and other targets of interest and will add another strength to our service offering. Similarly we can deploy OptiPhage™ libraries designed to produce antibodies identical to non-human species which might be required for diagnostics or as tools for fundamental research.

Current services

The discovery of antibodies is a long, arduous and potentially cost intensive process. As a result, many developers opt to outsource all or parts of these operations. Fusion Antibodies has developed a suite of service platforms that address the need to produce highly manufacturable, scalable therapeutic antibodies from the discovery phase through to the production of stable, high yielding stable cell lines for clinical supply. Fusion offers antibody engineering services to companies and academic research institutes engaged in research, development and commercialisation of monoclonal antibodies.

Our three key service areas offered are:

Antibody discovery

The creation and screening of novel antibodies for therapeutic and diagnostic applications. A first step and key to success in this area is to design and create a suitable target (antigen) to identify and bind to new antibodies. Fusion uses a combination of extensive 3D modelling and scientific expertise to design effective antigens.

Specific antibodies can then be produced that bind specifically to this target. The Company is highly experienced, and its work is well regarded in the traditional hybridoma method of antibody generation and B-cell based methods. More recently the company has developed and launched two new discovery platform technologies: OptiPhage™ and AI/ML-Ab™ and is developing a third, OptiMAL®. Fusion's expertise and experience in *de novo* antibody discovery from antigen design and the range of discovery methods ensures that we can partner with our clients through their early discovery journey offering the best discovery platform for their needs.

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

Antibody engineering

CDRx™ Antibody Humanisation Platform: Genetic engineering techniques are used to convert antibodies from other species so that they are suitable for human applications. This process makes these antibodies as close in structure to human antibodies as possible thereby reducing the likelihood of rejection by the body before the patient receives the therapeutic benefit. Since 2012, the Company has performed over 280 antibody humanisations and, our understanding is that eight antibodies from our first 33 projects were taken into in-human trials. This figure is an estimation as the Company will not always be notified when its customers' projects progress to human trials, however, as the Company has expanded its capacity, we believe that more will follow.

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

RAMP™: This is a technically advanced platform to improve the performance of antibody-based drugs. Our rational design approach allows for the optimisation of biophysical properties by changing part of the structure of the antibody that can have a beneficial effect on the strength of the antibody binding (affinity) to the target can be improved through the affinity maturation process.

OptiMAS™: Applying the RAMP™ platform in different scenarios can improve various aspects of the antibody drug. This technique has produced additional benefits to the molecules screened from our clients, including increased functionality, improved manufacturability, and enhanced specificity. In some cases, the altered

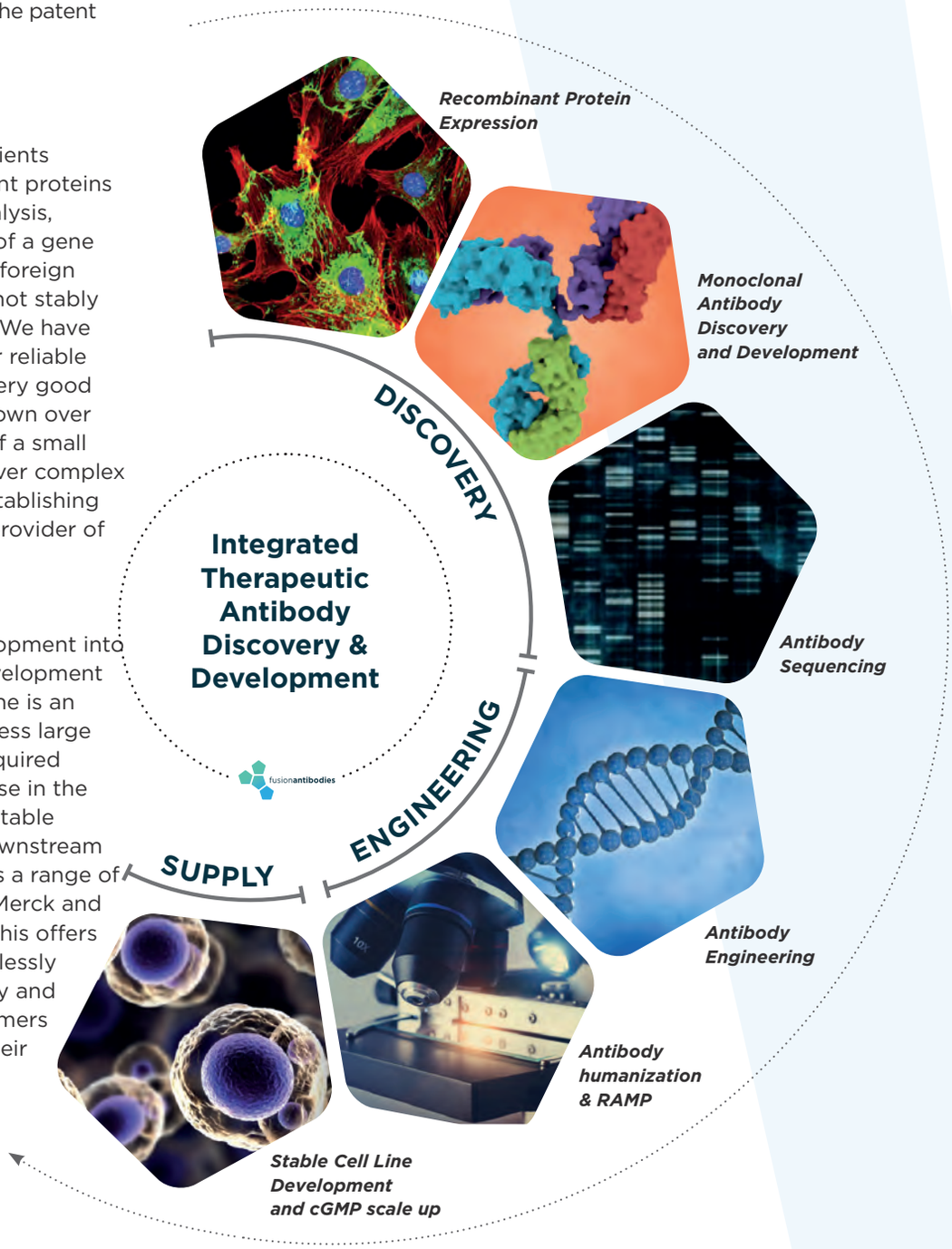
Strategic Report: Company Overview continued

structure has enabled our customers to file for new patents effectively extending the patent life of their therapeutic antibody.

Antibody Supply

Transient gene expression: Our clients require research grade recombinant proteins and antibodies for testing and analysis, and we do this by the expression of a gene resulting from the introduction of foreign or synthetic DNA material that is not stably integrated into the cell's genome. We have optimised processes which deliver reliable proteins with optimal yields in a very good timescale. Demand for this has grown over the last two years as we are one of a small number of companies able to deliver complex molecules to a very high grade establishing Fusion Antibodies as a premium provider of high quality antibodies.

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



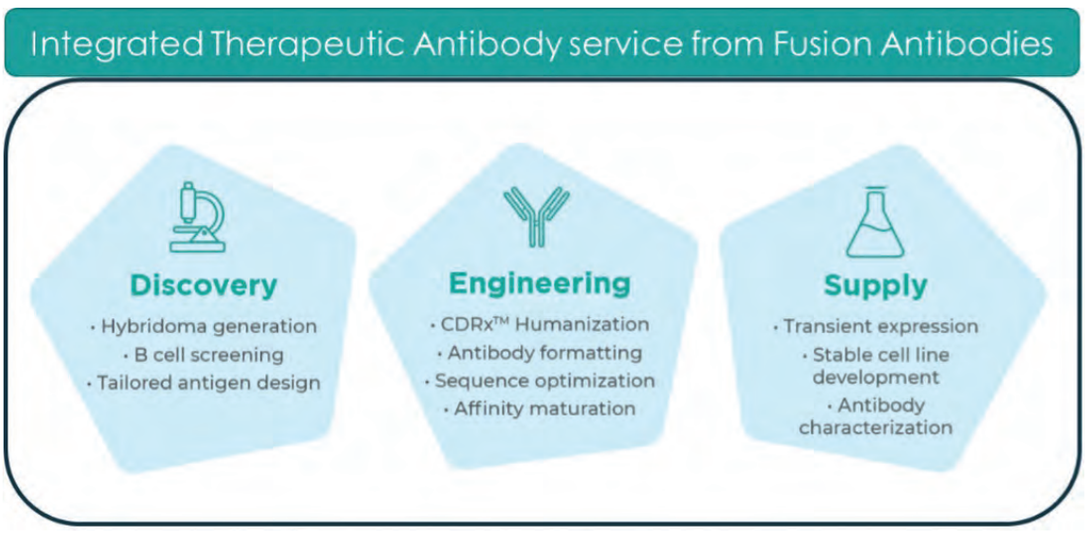
Business model

Our client base covers several industries including therapeutics, diagnostics and research reagents. The primary focus is on high value projects with the significant majority of these being for therapeutic antibodies. The ITAS (Integrated Therapeutic Antibody Services) offering pulls together all our current services to provide a continuous service from target discovery to a final stable cell line ready for larger scale production and positions the Company as a trusted collaboration partner. This service has now been extended to cover the needs of clients seeking antibodies for diagnostics. Initial engagement with prospective customers is usually through a business development ("BD") team member and followed up with scientist-to-scientist discussion which is maintained throughout the client engagement. Our approach throughout the selling and project delivery phases is to work closely alongside the customer team to help them to achieve their desired outcomes.

Understanding our customers' requirements is a key first step and extensive scientist-to-scientist conversations are held to arrive at a tailored approach with Fusion's experience contributing to the final project specification. Our range of services offered gives the flexibility desired by our customers to accelerate their antibody discovery and development programmes. The development of the project specification can last for several months as together with the customer we bring their project to the point where Fusion becomes involved.

A project is usually divided into a number of development stages, each might be dependent on the results of the previous stage and may be covered by a separate purchase order tailored to account for findings from previous phases. On more complex projects the next step may depend on the customer reviewing their project internally which can lead to a decision to continue, to proceed on an amended programme of work or occasionally to stop. It is the nature of the industry that some customer projects are cancelled or postponed and that this can happen at any point.

Due to the nature of a research based business there is inevitably commercial uncertainty in forecasting the commencement date of a project and the timing of the customer committing to later stages. The Company has extensive experience when scheduling projects, planning purchases and resource allocation in terms of staff and equipment as well as forecasting revenues but the inherent uncertainty in forecasting activity, and therefore revenue, cannot be completely eliminated. Nevertheless, the introduction of the Integrated Therapeutic Antibody Services, now extended to cover diagnostics, is expected to improve retention of clients from one phase to the next and so improve our pipeline visibility. It is also worth noting that several clients have commented positively on Fusion's ability to accurately forecast phase outcomes and the impact on timelines and costs. This is considered a strength of the business and is very helpful to our clients' planning.



Payment for current services is predominantly by way of "fee-for-service" revenue model, with an upfront payment often invoiced to cover set up costs. If a significant contribution to the client's intellectual property is made, or other appropriate circumstances, the Company will also seek to obtain a commercial interest in the client project in addition to the revenue component. This may take the form of a milestone-based success payment, or it may be by way of a royalty on future income streams. The number and potential value of such commercial interest increases periodically as the Company enters into new agreements and reduces either when a milestone is realised or when a project is cancelled before a payment milestone is reached. The Directors believe that the introduction of the Integrated Antibody Services increases the opportunity to contribute to the client's intellectual property and so enhance opportunities for milestones and royalties.

The Company has an interest in many such client projects which it understands its clients to be actively developing. It is expected that payments would be a number of years after the service is performed and the client has further developed their product, be it a drug or a diagnostic, and would depend on its success. Due to the uncertainty of the progression of such development programmes and the commercial sensitivities for our clients, the Company will not be fully aware of a project's status at any given point in time, and therefore does not intend to regularly update the market on any estimate of the potential value of future revenues or include such a value in its Statement of Financial Position.

Future services

The Company continues to innovate and develop new services. A fully developed component of the OptiMAL® library is the Mammalian Display platform that enables the library to be expressed on the surface of mammalian cells as fully intact human IgG antibodies. This Mammalian Display is ideally suited to be used in conjunction with the output from AI/ML discovery platforms. This is a potentially powerful combination to speed up the discovery process and the Company is actively engaging with leading AI/ML companies as potential partners to make these novel approaches available to our client base.

A significant project under way is the development of a Mammalian Antibody Library, OptiMAL®. This will deliver a faster discovery approach and reduce the number of development steps in the discovery of a new antibody drug. New targets will be screened against a panel of cells expressing whole human IgG antibodies removing the need for animal hosts. The Board believes the development of the Library will lead to the shortening of the development time, improved therapeutic effectiveness and manufacturability and provide significant scientific and commercial benefits to therapeutic drug development companies. The Company will explore the opportunity to make its proprietary discovery platforms available to drug developers under licence. As demand for therapeutic products increases and as future services are developed and marketed, the opportunities for the Company are expected to increase in the foreseeable future.

Summary of Fusion's competitive advantages

- A broad range of services from discovery to clinical supply
- A 'one stop' solution for clients to partner for their whole drug development journey
- High quality client base and strong reputation
- Proprietary humanisation CDRx™ platform
- Proprietary RAMP™ platform for engineering antibody developability
- *In silico* computational analysis of antibodies and antigens form the core of our service platforms
- In house characterisation of customer molecules
- Technical expertise and scientific knowhow
- New discovery platforms: AI/ML-Ab™ and OptiPhage™
- Continuous improvement in services with OptiMAL® under late stage development

Stakeholder engagement (inclusive of s172 disclosure)

At Fusion we value the views of not only our shareholders but also our wider stakeholder group. We aim to provide clear and understandable information about the Company and our activities and to welcome and consider the views of stakeholders. Under section 172 of the Companies Act 2006 the Directors have a duty to act in good faith in a way that is most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the likely consequences of decisions for the long term, the interests of the Company's employees, the need to foster relationships with other key stakeholders, the impact on the community and the environment, maintaining a reputation for high standards of business conduct, and the need to act fairly as members of the Company.

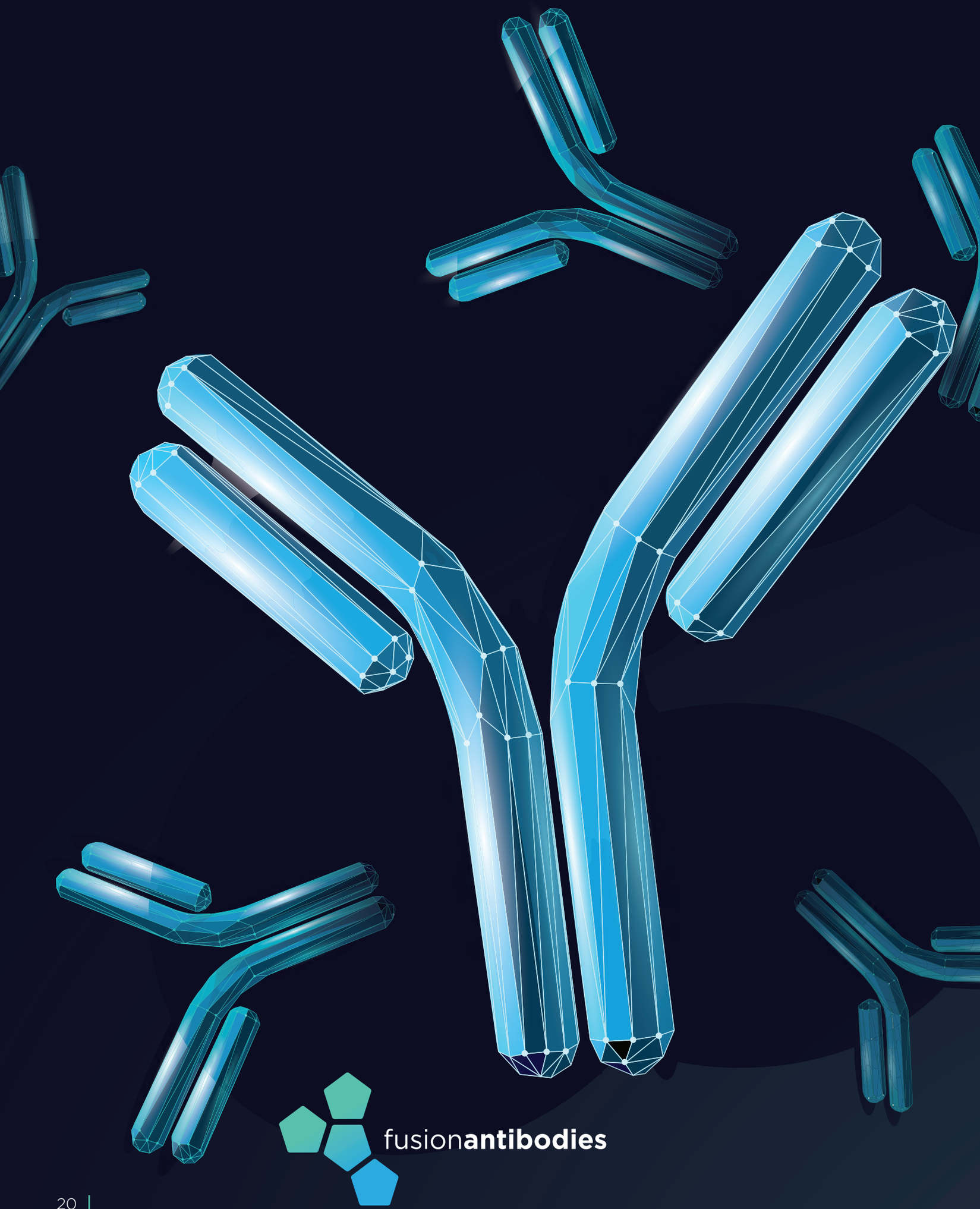
At the current stage of the Company's development there is a need to deliver continued growth year on year and be able to respond swiftly to short-term risks, challenges and opportunities. The longer-term consequences of our decisions are equally important, and these decisions are made within the Company's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

Strategic Report: Company Overview continued

Our stakeholder engagement in the year ended 31 March 2024 was as follows:

STAKEHOLDER	WHO ENGAGED	HOW WE ENGAGED	OUTCOMES
Shareholders/ investors/ analysts	**Board/CEO/CFO/ CSO**	Our annual general meeting and the distribution of the Annual Report and interim report remain the primary method of engagement with our private shareholders. For any material milestones or other significant news we issue an RNS.	The annual report provides a format to explain the Company's business strategy and results. Formal and informal feedback from investors is welcomed and used by the Board to inform future decisions.
Shareholders/ investors/ analysts	**Chairman/CEO/ CFO**	We use video based presentations, such as Investor Meet the Company (IMC) and others, to engage with a wider section of our shareholder base. Meetings in person, or on Microsoft Teams / Zoom are also utilised.	These presentations allow us to outline the vision and longer term progress against our objectives on a broader basis that individual specific RNS's may not cover. The Investor Meets Company platform enabled private investors and potential investors to receive the same briefing as institutional investors and to have their questions answered directly by Directors of the Company.
Employees	**CEO/CFO/CSO**	Our employees form a key stakeholder group with whom we engage on a daily basis. Company-wide email communication and periodic CEO presentations to all staff enable two-way communications across all levels of staff. Video conferencing was used to ensure the participation of those working from home. Where appropriate, staff are invited to present at Board meetings.	Enabled us to update all employees on developments and initiatives, R&D strategy and the Company's financial performance, and to receive feedback and suggestions for improvements. Board presentations ensured that as a small company the Board are kept closely informed of key progress and challenges and can react quickly.
Employees	**All line managers**	A system of regular 1-1 meetings or calls, usually weekly, between all line managers and their direct reports is in place	Important to ensure than good inter departmental communication is maintained and that client projects run smoothly. This is very important in a busy working environment.

STAKEHOLDER	WHO ENGAGED	HOW WE ENGAGED	OUTCOMES
Employees	**Available to all employees**	To support employees with increased levels of stress an Employee Assistance Programme from an external provider was made available to all employees. Support material was supplied and counselling and support can be accessed from the service.	A number of employees benefited from the counselling service for support during the year and access to a 24 hour support helpline.
Customers	**CEO/CSO/ Business Development team**	Customers and potential customers engage initially on a scientist-to-scientist basis as they seek solutions for their development programmes. Site visits and calls combine for customer engagement and the building of relationships.	Our approach is to work as scientific partners to aid our customers in their development programmes. Feedback is used to improve our practices, be they communication (oral and written), technical or commercial to enhance customer satisfaction.
Suppliers	**Production manager/CFO**	Suppliers and supply chains continue to require attention with the continued uncertainties created by the departure of the UK from the EU. The Production manager oversees individual supplier engagement, approving new scientific suppliers, negotiating terms and meeting supplier representatives. The CFO oversees approval of non-scientific suppliers, the purchasing and payment interactions with suppliers.	The primary outcome has been to identify potential risks to the supply chain and mitigate these by reducing reliance on single suppliers and by holding larger stocks of key consumables and items with supply risks. Good supplier relations and payment practices ensure the stability of the supply chain and improve value for money.
Community	**CEO/CSO/CFO**	The Company aims to support the local community through its interaction with and support for the academic and scientific community in the two universities in Northern Ireland. The Company has joint PhD students and Knowledge Transfer Partnerships with, and the CSO is an Honorary Senior Lecturer at Queen's University.	The academic and scientific community in Northern Ireland is a source of business, ideas and graduates for the Company. Engagement activities enable the Company to keep a high profile in that community to mutual benefit.


fusionantibodies

STRATEGIC REPORT

CEO'S REPORT AND OPERATIONS REVIEW

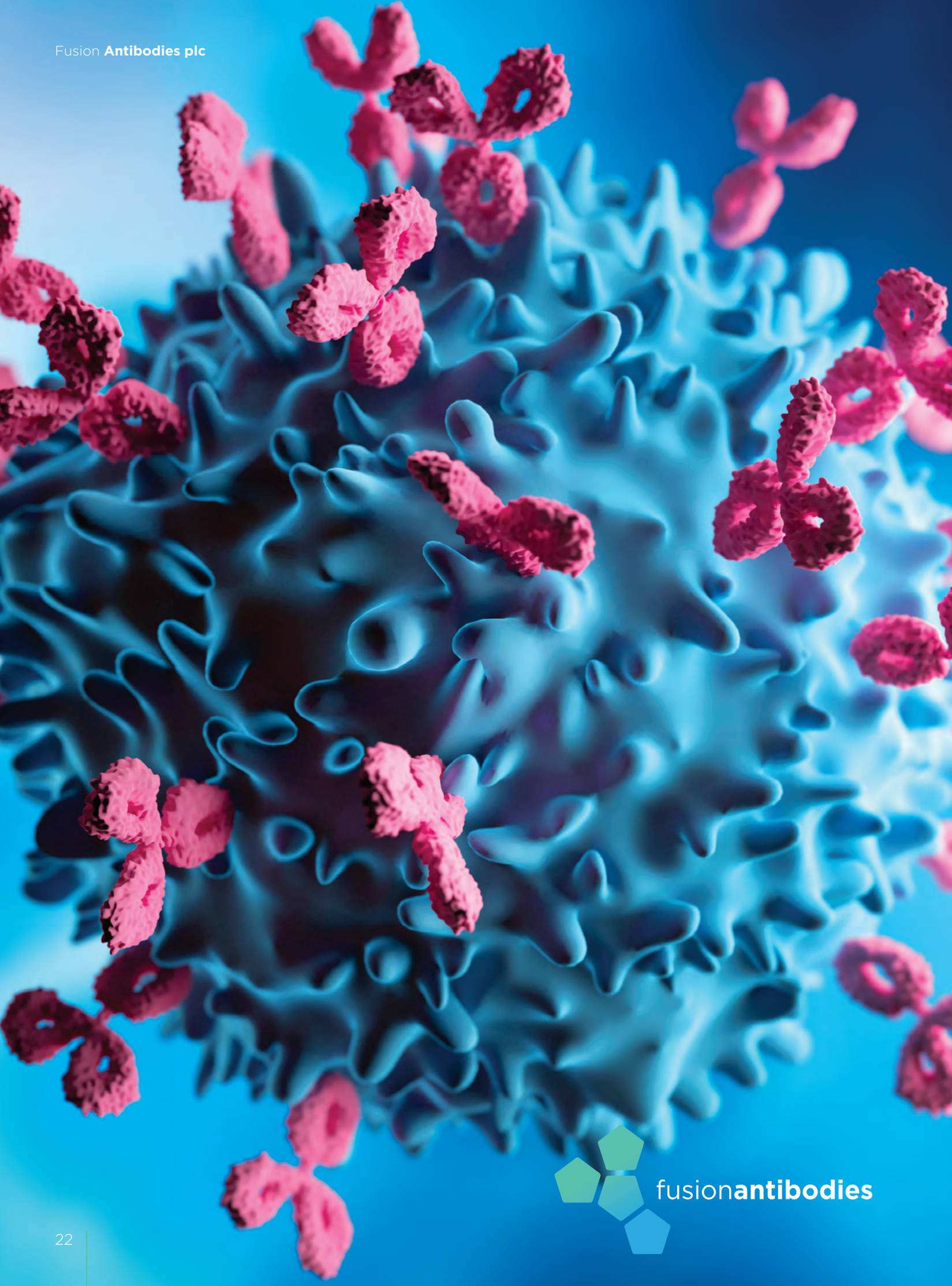
Fusion emerges from a difficult and challenging FY24 as a much improved, more capable and more efficient business with great prospects for growth in revenues and value creation courtesy of our proprietary technologies.

During FY24, the Company was presented with several commercial and financial challenges which we met robustly and with determination. Most notable was a continued downturn in the global market. Through 2023, many of our clients experienced challenges in securing investment to support their research and development activities. This was especially so for the smaller biotechnology companies reliant on venture capital funding for novel therapeutic discovery projects. This represented a significant proportion of our pre-existing client base and, with their delayed plans for early-stage development projects had significant knock-on effects on revenues for the Company. Remedial action was speedily taken and effectively realised. A defined programme of cost saving measures was put in place at the start of FY24 which included significant restructuring, reducing various costs including a 38% reduction in headcount. At the same time, plans to extend and diversify the client base were implemented to address the adjacent and substantial Diagnostic, Veterinary Medicine and Research Antibody markets. The positioning of the Company's offerings were adjusted to improve efficiency and have more impact with this diversification making the sales pipeline more resilient with less exposure to individual sectors and increasing the overall addressable market size.

In particular, we increased our efforts in targeting the diagnostics industry, which has been enjoying an unprecedented level of awareness especially through the Covid-19 related antibody enabled lateral flow devices and related cash inflows. In the latter part of the year this resulted in several contract wins for Fusion with both small and large diagnostics organizations, the latter exemplified by the Master Service Agreement announced on 14th February 2024. The process of discovering and developing antibodies for diagnostics applications is very similar to that for therapeutics and fits well with our preferred business model whereby we can take responsibility for the process from as early as antigen design for the nominated target through to supply of antibodies. As previously stated for therapeutics, this fully integrated approach allows us to derive more revenue per project by assuming more responsibility for more of the research programme. It also positions the business to better exploit our emerging platforms for antibody discovery, our "Discovery Engines", which we continue to develop making best use of the different component technologies from the OptiMAL® research project.

Similarly for the Veterinary Medicine market, which has an estimated global value of $46.5bn and a forecasted compound annual growth rate of 8.3% from 2024 to 2030 Veterinary Medicine Market Size, Share, Growth Report 2030 (grandviewresearch.com), the Company identified several potential partners and projects. The requirement for making antibodies suitable for use in companion animals such as dogs and cats known as caninisation and felinisation respectively is very similar in nature to the humanisation processes for which Fusion is an established world leader. The Company is therefore continuing to exploit this growth market and increasing its sales and marketing efforts in the area building awareness with this specialist client base.

The initial objective for the research project was to create OptiMAL®, a groundbreaking and industry leading platform for the discovery of human antibodies through a highly diverse library of DNA



fusion**antibodies**

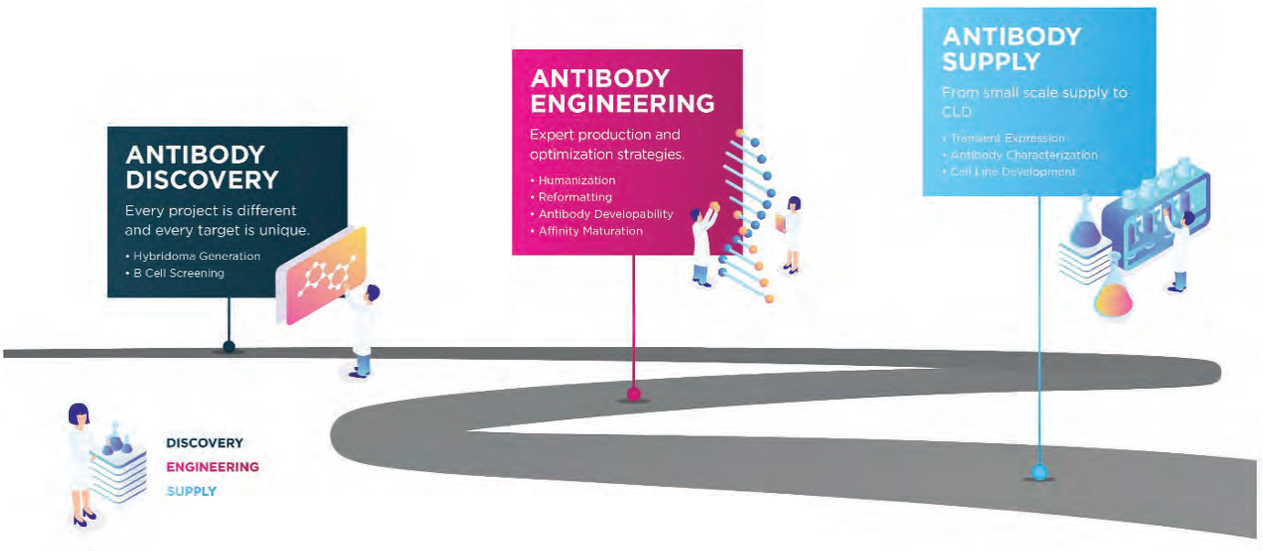
sequences expressed as fully intact antibodies, or IgG molecules, expressed on the surface of mammalian cells. This has now been largely achieved and whilst in beta-testing stage we were delighted to announce in November 2023, a 2-year agreement with the NCI, part of the National Institutes of Health in the USA, to validate OptiMAL® screening against a small number of targets in the NCI's own laboratories. This will validate not only the technology but also the ability to transfer it to other organizations and so lay the path for potential licensing agreements with, for example, big pharma and major biotechnology companies. Furthermore, the significant prestige and kudos associated with NCI make them an ideal partner for this process and an organization with which we seek to strengthen our connections.

Two further discovery platforms: Optiphage™ and AI/ML-Ab™ have also been launched off the back of the OptiMAL® research programme. Optiphage™ utilises a library based on the same principles as OptiMAL®, but in a more industry standard phage-display format, whilst the Mammalian Display element of OptiMAL® can be combined with algorithms for the *de novo* design of novel antibodies from various artificial intelligence (AI) and Machine Learning (ML) technologies which continue to generate interest and excitement in the field. We were very pleased to launch AI/ML-Ab™ in August 2023 with an almost immediate contract win. Optiphage™ also attracted significant client attention even before launching in April 2024. This was achieved through a contract with an early adopter seeking a non-animal-based solution to generating non-human antibodies primarily for research and diagnostic applications as announced on 15th April 2024. The availability of these diverse and complementary proprietary "Discovery Engines", which can be deployed individually or in concert, also enables us to provide a de-risked approach to antibody discovery further benefiting our clients and strengthening Fusion's position as the partner of choice.

Discovery Engine	Library size	Antibody or Fragment	Primary Advantages	Status
OptiMAL®	10^8 current 10^9 planned	Full IgG	Mammalian Full Size Direct to product	Beta-testing
AI/ML-Ab™	10^4 to 10^6	Full IgG	Enables AI/ML Mammalian Full Size	Available
OptiPhage®	10^9	Fragments	Low risk/Market norm	In development
Hybridoma	Non-library	Full IgG	Mammalian Full Size	Available
B-Cell Cloning	Non-library	Full IgG	Mammalian	Available

A summary of the antibody "Discovery Engines" available to Fusion and its clients.

At Fusion, our aim is to develop a range of services that gives our clients choice and a range of solutions best suited to the biological needs of their targets and applications. We understand that 'one size' does not fit all and have therefore broadened our service menu to give the customer the best chance of meeting their technical objectives with the least risk. We will continue to develop further solutions to enhance the competitive advantages for Fusion and for our clients.



The Company secured additional investment in June 2023, raising just under £1.7 million (before expenses) and a further £1.37 million in March 2024 primarily to fund additional commercial activities addressing the additional market sectors of diagnostics and veterinary medicine. Thanks to the continued support of our shareholders, we can move forward with establishing our presence in these adjacent markets and maintaining investment into our new discovery services.

BUSINESS REVIEW

The Company's revenue in FY24 fell by 61% vs FY23 to £1.14m due to the macroeconomic headwinds. By 30 June 2024, orders had been received amounting to some £0.75m forming the basis for revenue recognisable in FY25 on which we are pleased to have continued to build upon. This is a significant improvement on the position of the prior year and provides positive indications that the business is recovering.

The Directors believe that the addressable market for the Company's existing 'Fee for Service' revenue model is sufficiently large to enable the business to achievable profitability, but that is not the limit to the potential value creation the Company represents. We seek to enter into collaborative agreements which enable Fusion to share in the downstream value of the deliverables of our services and share in their commercial success through milestone payments and royalties. This strategy will further enable the Company to unlock the intrinsic value that our proprietary service platforms provide to our clients and generate additional shareholder value. AI/ML-Ab™, Optiphage™ and OptiMAL® represent key proprietary differentiators and drivers of growth for the business which will enable the Company to access a sizeable addressable market generating significant shareholder value. Furthermore, they underpin our ability to secure value generating milestone and royalty agreements.

The Company ended the year with £1.2m of cash and cash equivalents, having used £2m of cash in operations during the year, invested £0.1m in property, plant and equipment and £0.1m servicing asset-based borrowings. As previously mentioned, in June 2023 and in March 2024 the Company issued equity for combined net proceeds of £2.7m which places Fusion in a good position to continue its sales and marketing activities and progress the development of new discovery platforms and services. Despite FY24 having been a commercially challenging year, the Company took the hard decisions, made the right choices and has survived. As a result, the Company has emerged stronger, more capable and more efficient with better developed proprietary technologies and improved traction in a broader marketplace. We also have some further exciting and enviable technologies in development and are now in a phase of growth from a stronger more stable foundation with three new Discovery Engines: OptiMAL®, Optiphage™ and AI/Ml-Ab™ to power our transition toward breakeven and profitability.

During FY24, Fusion was presented with several commercial challenges. Most notably, a significant downturn in venture capital investment into biotechnology companies, including therapeutic antibody development programmes, impacted Fusion's primary customer type going into the financial year. This directly impacted the Company's revenues for the financial year.

The Company took steps to meet the challenges presented by the increasing headwinds in the first half of FY24 ("H1") through a significant restructuring exercise, reducing various costs including a 38% reduction in headcount. Furthermore, a new commercial strategy was implemented, additionally targeting the adjacent Diagnostic, Veterinary Medicine and Research Antibody markets. This diversification has made the sales pipeline more resilient with less exposure to individual sectors.

During H2 FY24, the adverse investment conditions, although improving, continued to impede certain clients placing orders, with some pipeline projects yet to convert and some being received later than anticipated. In several cases this was due to limited availability of client provided materials. This resulted in revenue for H2 FY24 being lower than was anticipated at the time of announcement of the H1 FY24 interim results.

Despite the effects of the headwinds described above, Fusion's client conversion rate nevertheless improved throughout FY24, with February and March of 2024 being the Company's highest earning months of FY24. This contributed to revenues in the fourth quarter of FY24 being approximately 47% higher than the first quarter of FY24.

This increase in activity towards the end of the financial year has resulted in a marked increase in the Company's sales opportunity pipeline. The Company's order book as at 31 March 2024 was approximately £0.75m, representing approximately 65% of the total FY24 audited revenues.

This increase in activity and the order book provides a foundation for revenue growth in the current financial year ("**FY25**").

The Company achieved a number of exciting developments in H2 FY2024, including:

- signing a collaboration agreement with the NCI for the use of OptiMAL® in the discovery of novel antibodies against targets selected by NCI post year end;
- securing an estimated $650,000 follow-on project under a collaborative research and development agreement with a US based biotechnology company that Fusion started working with in 2021;
- receipt of a first purchase order under a new MSA with a leading diagnostics company - with further orders having been received under the MSA by the customer subsequently; and
- securing its first OptiPhage™ contract whereby Fusion will design a phage display library using the diversity principles behind the OptiMAL® library.

The Board believes that these developments provide strong evidence that the Company's diversification strategy, together with the recovering economic climate, provide confidence for growth in FY25.

The Company's cash balance as at 31 March 2024 was £1.2m, positioning the Company well for the current economic environment.

The 2023 calendar year was very challenging for our clients and therefore also for us. We responded by taking difficult but necessary action whilst also extending our traction with adjacent markets (notably diagnostics, research antibodies and veterinary medicine). As a result, we have secured some excellent new clients, including global leaders in their respective fields, who are now engaging with the Company for multiple projects, several of which are being run in parallel. Achieving this diversification in client base, combined with a recovery in our core human therapeutic sector, provides a very welcomed improvement in market conditions going forward. We remain optimistic for our prospects and look forward to updating the market further. We continue to be thankful to our shareholders for all their support.

OUTLOOK

The economic environment in which the Company is now operating has significantly improved in recent months with revenues now increasing and prospects being converted into orders at a significantly improved rate. We continue to attract clients from around the world including securing initial and follow on work from a new client, the life sciences division of a well-known Japanese conglomerate amongst others. The Company also continues to further exploit its technologies to create additional value: our Mammalian Display platform, which was designed initially for antibodies, has recently been trialled with other proteins. One client found a 10-30 fold increase in yield over their current established production method.

Having made a specific effort to complement the core therapeutics market by targeting adjacent sectors, the push for more diagnostics business is proving fruitful with revenues from this sector currently accounting for around 20% of current year to date earned income.

It remains our goal to reach cash flow breakeven by the second half of calendar year 2025, and as we continue to meet our objectives on that path, we have no plans to raise cash through an equity placement.

Adrian Kinkaid
Chief Executive Officer

04 September 2024

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

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

RISKS RELATING TO THE COMPANY AND ITS BUSINESS

1 Risk that services will not achieve commercial success

The Company currently offers a range of services, namely: antibody sequencing, antibody humanisation/caninisation, stable cell line development, antibody engineering, affinity maturation, transient protein expression and stable cell line development. It is also developing new services such as OptiMAL® Mammalian Antibody Library, the AI/ML-Ab™ platform for in silico antibody design and OptiPhage™. The commercial success of each of these services is in part based on factors outside the Company's control, including market demand and new competition for those services. There can be no absolute assurance that market demand for any of these areas will continue to exist and/or increase, or that the Company's services will be favourably received by the market, will be profitable or will produce a reasonable return. Drug development, by its nature is a risky and expensive business, albeit with the potential of a high return, and our clients' access to capital can be eroded through macroeconomic events such as war and political risk, inflation, and interest rates, that are out of both our and their control, resulting in a loss of sales for the Company. 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. If the service is not commercially successful it could result in a financial loss to the Company.

2 Dependence on agreements with third parties

The Company enters into agreements, including partnerships and collaborations, with third parties to deliver both its current and new services including the supply of materials and equipment. Such partnerships also include those related to marketing, sales and distribution in order to market and sell products and services on a global basis. There are no guarantees that the Company will be able to find suitable, commercially viable relationships nor that any parties with whom it enters into commercial arrangements will meet their obligations. This could impact upon the Company's revenue and profitability and potentially leave the Company with a financial loss, unable to proceed with development or sale of the products or services and/or needing to enter into litigation with the partner which could have both negative finance and reputational consequences.

Strategic Report: Principal Risks and Uncertainties continued

3 The Company relies on certain key personnel

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

The Company's scientific capability, financial condition, operational and commercial expertise 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.

As stated above, the Company's success is in part attributable to the retention of the scientific and commercial expertise and experience of its senior management and key 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 and there is no guarantee that it can attract such new staff on commercially acceptable terms. This could in turn adversely affect its business, financial condition, results and/or future operations.

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

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

Third parties may assert their own intellectual property infringement claims against the Company's use of technology or products and require the Company to cease the infringing activity and/or require the Company to enter into licensing and royalty arrangements. The third party could take legal action against the Company; if the Company is required to defend itself against charges of patent infringement or to protect its own proprietary rights against third parties, substantial costs and significant management time and effort could be incurred regardless of whether the Company is successful. Such proceedings are typically protracted and there is no certainty of success. If there is an adverse outcome, this could subject the Company to significant liabilities to third parties and force it to curtail or even cease altogether the development of products or the provision or particular services (if provision of those services is reliant on a particular method which is the subject of the proceedings), or the sale or licensing of products. In addition, the Company may be required to develop alternative, non-infringing solutions which may require significant time and substantial, unanticipated resources. It is therefore possible that such claims could have a material adverse effect on the Company's business, financial condition or results.

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

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

GENERAL RISKS RELATING TO THE BIOTECHNOLOGY AND PHARMACEUTICAL INDUSTRIES

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

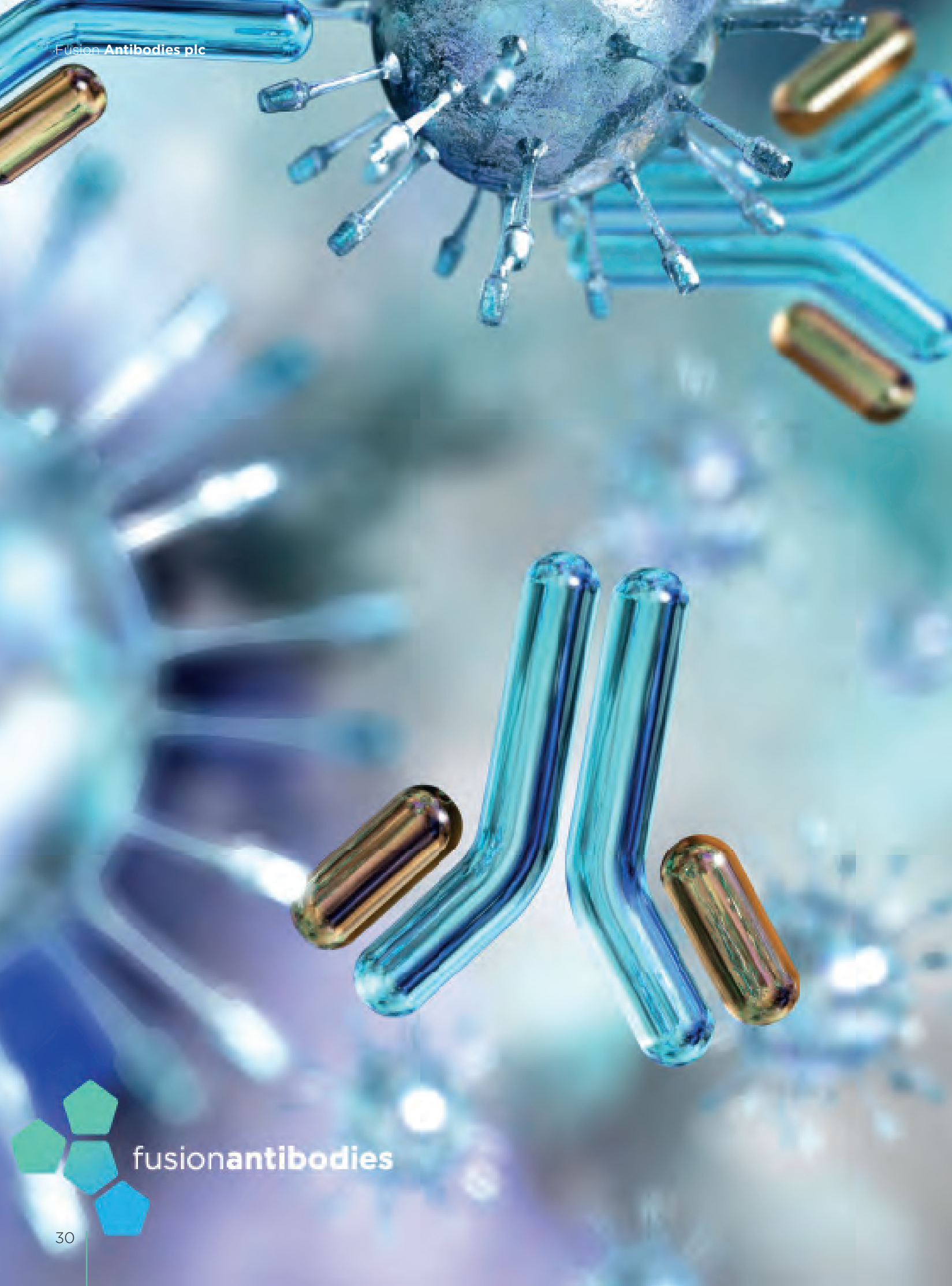
As a CRO, the Company's revenue is primarily generated through contracts with pharmaceutical and biotechnology companies and is dependent upon there being a demand in these industries for its antibody services. There is a risk that there may be a reduction in the demand in the pharmaceutical and biotechnology industries for antibody services, either through a reduction in capital for new drug development due to external macro-economic factors or even if expenditure on drug development and discovery is maintained or increased drug development companies meeting their requirements for antibody services internally rather than outsourcing these to CROs such as the Company.

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

The regulations governing the biotechnology and pharmaceutical industries in the countries in which the Company operates may be subject to change without prior notice or consultation. Any such changes or amendments may significantly impact the business of the Company. For example, it has become more complex and costly to both import and export goods within the EU, which can cause delays or even loss of perishable goods. There may also be other increased costs to the Company of complying with any changes in the global regulatory requirements within the biotechnology and pharmaceutical industries which could have an impact on the financial prospects of the Company.

The strategic report on pages 4 to 29 was approved by the Board on 04 September 2024 and signed on its behalf by:

Simon Douglas
Director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CORPORATE GOVERNANCE
BOARD OF DIRECTORS

Simon Douglas PhD[1]
Non-executive Chairman

Simon, 65, was appointed Non-executive Chairman in September 2011 having previously been CEO. He has over 35 years' experience in the biotech industry, including 10 years working for Amersham International (now GE), ICI and Zeneca (now Astra Zeneca), in a variety of commercial and technical positions, and over five years with Tepnel Life Sciences plc (now Hologic Inc), a London Stock Exchange listed diagnostic company where he was Chief Executive. He has been the CEO/Executive Chairman on three other venture capital backed Life Science companies and headed up the trade sale of two of these as well as Chairman of Cambridge Nutritional Sciences plc, an AIM listed Healthcare company. He is currently Executive Chairman of Abselion Ltd and Chairman of C-Major Medical Ltd, two venture capital backed companies. Simon is not considered to be independent as he formerly held the position of CEO.

Adrian Kinkaid PhD
CEO

Adrian, 57, was appointed director and Chief Executive Officer in August 2022. Adrian has over twenty-five years' experience working in the bioscience sector. He holds a PhD in Biochemistry from University of Southampton and has expertise in development and commercialisation of all the main classes of affinity reagents. Adrian's previous experience has included senior management positions in drug discovery, reagent technology and diagnostics. He is passionate about harnessing biotechnology to create better drugs and diagnostics in order to improve health and wellbeing on a global scale.

Corporate Governance: Board of Directors continued

Richard Buick PhD
CSO

Richard, 48, was appointed director and Chief Technical Officer in August 2011 and Chief Scientific Officer in 2021. Richard has worked in the Company since 2002 and been responsible for overseeing contract research services. He previously had four years' experience discovering novel antibodies from synthetic libraries for diagnostic purposes. Richard has been appointed as a legal expert witness in a number of drug patent dispute cases and in 2018 he was made Honorary Senior Lecturer in Queen's University, Belfast. Richard is the Chairman of the Company's Scientific Advisory Panel.

Stephen Smyth
Interim CFO and Company Secretary

Stephen, 49, has over 25 years' experience working in audit & accounting, finance, and operations management within both the public accounting and commercial sectors. Stephen's previous roles include acting as Chief Financial Officer at Sera Global LP, as well as holding senior finance functions at Cormark Securities Inc and at PricewaterhouseCoopers (PwC) LLP. Stephen is a chartered accountant and is currently a partner at AAB, a Chartered Accountancy practice with offices throughout the UK and Ireland, including Belfast. At AAB, he provides virtual finance function solutions to clients ranging from start-ups to private equity backed multinationals. He was appointed in September 2023.

Matthew Baker PhD[2]
Non-executive Director

Matthew, 53, joined the Company as a non-executive director in 2022 and has more than 20 years' experience developing biologics in biotech and pharma companies and is a research expert in lymphocyte immunology. During his career Matthew has founded and led a number of biotech companies to exits, including acquisition of Antitope (CEO/CSO) and the IPO of Abzena (CSO). Matthew has held a number of biotech Non-Executive Director positions including Oxgene which was acquired by Wuxi Apptech in 2021. His most recent role was as CEO of NeoPhore, a private company focused on the discovery and development of novel small molecule therapies to treat cancer through stimulation of the immune system. Matthew brings detailed immunology and virus-based mammalian display knowledge as well as industry and market insight. Matthew is also a member of the Company's Scientific Advisory Panel.

Colin Walsh[1,2]
Non-executive Director

Colin, 69, is chief executive and founder of Crescent Capital NI Limited and has been an active venture capital investor in the high-tech sector for the past 28 years. He joined the Company as a non-executive director in 2007 as a representative of Crescent Capital. Crescent Capital is the fund manager of Crescent Capital III LP which is a shareholder in the Company. Due to Crescent Capital's shareholding in the Company, Colin is not considered to be independent under the QCA Guidelines due to his length of tenure.

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

CORPORATE GOVERNANCE
CORPORATE GOVERNANCE STATEMENT

Compliance Statement

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

- The Chairman retains responsibility for, and takes the lead on, all matters of corporate governance;
- The Board meets regularly for formal Board meetings. It met seven times in FY2024 to discuss the routine business and a further seven times that were related to the funding rounds. It will consider strategy, performance and approve financial statements, dividends and significant changes in accounting practices and key commercial matters, such as decisions on the introduction of new services.
- The Company has an audit committee and remuneration committee, further details of which are provided below; and
- The Company does not have a nomination committee, as the Board does not consider it appropriate to establish one at this stage of the Company's development. The Board as a whole takes decisions regarding the appointment of new directors and this will follow a thorough assessment of a potential candidate's skill and suitability for the role.

The Company is managed by a Board of Directors and they have the necessary skills and experience to effectively operate and control the business. There are currently six directors at the date of this report being: Simon Douglas, Adrian Kinkaid, Richard Buick, Stephen Smyth, Matthew Baker, and Colin Walsh. The Board comprises three non-executive directors and three executive directors.

Sonya Ferguson did not seek re-election at the Annual General Meeting having served on the Board from 2016. Board members are expected to attend relevant continuing professional development to ensure their technical skills are kept up to date as well as attending relevant industry and regulatory conferences and briefings.

The Board considers Matthew Baker to be independent in character and judgement. The Board is cognisant of the importance of independence of non-executive members of the Board. However, while we continue to recognise that both Simon Douglas and Colin Walsh are not considered to be independent directors under the UK Corporate Governance Code, due to length of tenure with the Company, we believe that they both meet the QCA's less prescriptive assessment of independence, bring independent judgement to bear in their respective roles and are able to resist inappropriate demands from executive directors and senior management. Furthermore, while the Company continues to control costs until a stronger financial position is reached both Simon Douglas and Colin Walsh are taking reduced fees (a reduction of 50% and 100% respectively) with the remainder paid in new Ordinary Shares. With this in mind, the recruitment of additional non-executive directors at this time would be difficult. The Ordinary Shares received by the non-executive directors are not considered to form a material portion of their overall wealth and are therefore not considered to impact their independence.

James Fair, the Company's former CFO and Company Secretary, resigned and left the Board at the end of May 2023 and was replaced by Mr Stephen Smyth as

a part time interim CFO / Company secretary. The Board consider that given the current size and financial position of the Company this arrangement is a suitable solution and enables the Board to maintain financial and corporate control of the Company. The Company Secretary advises the Board, through the Chairman, on legal, governance and procedural matters. The Chairman and the Company Secretary together review the Company's governance processes and consider improvements and initiatives to maintain standards at a high level.

Fusion remains committed and fully supportive of the provisions of the Quoted Companies Alliance Corporate and Governance Code (the "QCA Code"). To date we have complied with the guidelines and have had all Directors nominated for re-election at our AGM on a rotational basis. It is our intention to comply with the new guidelines and plan to nominate all of the Directors of Fusion Antibodies for annual re-election commencing at our next AGM. This enables the shareholders to decide on the election of the Company's Board.

The Board recognises the importance of consulting with shareholders and obtaining their support in relation to performance-related remuneration. The Company's transparent approach is already demonstrated through the Company publicly disclosing its remuneration policy and associated reports to all shareholders in the Company's annual financial report. To comply further it is our intention to provide shareholders with an annual say-on-pay vote through the addition of a relevant resolution at our next AGM.

As the business develops, the composition of the Board will remain under review to ensure that it remains appropriate for the managerial requirements of the Company. The mix of skills required on the Board is aligned to the needs of the Company and delivery of current strategy.

Board committees

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

Audit Committee

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

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

Since the last Annual Report, the audit committee has met two times with both members in attendance, in December 2023 and May 2024. The auditors were in attendance at one of these meetings. At the December 2023 meeting the main agenda item was to review the draft financial statements for the six months ended 30 September 2023. At the May 2024 meeting the committee reviewed and approved the proposed audit plan for the year ending 31 March 2024.

Internal controls and financial risk management

The directors are responsible for the Company's system of internal controls, the setting of appropriate policies on these controls and regular assurance that the system is functioning effectively and that it is effective in managing business risk. Risk management is embedded as part of the Board culture and is on the agenda of every meeting to ensure that it is at the centre of arriving at, and monitoring strategy. Principal risks and uncertainties are discussed in the Strategic Report and financial risk management policies are detailed in note 20 of the Notes to the Financial Statements. The audit committee monitors the Company's internal control procedures, reviews the internal control procedures and reports its conclusions and recommendations to the Board.

Remuneration Committee

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

The remuneration committee comprises two members who are non-executive directors: Simon Douglas, who took over the Chair from Sonya Ferguson in October 2023 and Colin Walsh

Meetings and attendance

	BOARD	AUDIT COMMITTEE	REMUNERATION COMMITTEE
Meetings held during the year			
Attendance:			
Simon Douglas	7/7	-	-
Adrian Kinkaid	7/7	-	-
Richard Buick	7/7	-	-
James Fair	1/1	-	-
Stephen Smyth	4/4	-	-
Matthew Baker	6/8	2/2	-
Sonya Ferguson	4/4	-	1/1
Colin Walsh	7/8	2/2	2/2

It is the intention of the Board that alternate meetings will be conducted in person and the remainder by video call. The board met for routine Board meetings 7 times in the year (2023: 8 times).

Non-executive directors are expected to spend a minimum of one day a month on Company activities in addition to preparation for and attendance at Board and sub-committee meetings. The Chairman will routinely spend an additional day per month, however, this year he worked more closely with the Executives in particular during the restructuring and fund raising periods.

Communication with shareholders

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

The corporate governance report on pages 34 to 36 was approved by the Board on 04 September 2024 and signed on its behalf by:

Simon Douglas
Chairman

CORPORATE GOVERNANCE
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2024

The directors present their annual report and the audited financial statements of the Company for the financial year ended 31 March 2024.

The Company is a public company limited by shares incorporated and domiciled in the United Kingdom, and registered in Northern Ireland. The Company's shares are listed on AIM, a market operated by London Stock Exchange.

Principal activities

The principal activity of the Company is the provision of services for the research, development and manufacture of recombinant proteins and antibodies for the use in human therapeutics, veterinary therapeutics, diagnostics and life science research.

Review of the business and future developments

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

Directors

Biographical information on each of the directors at the date of signing this report is set out on pages 31 to 33. The directors who served during the year and up to the date of signing comprised those directors and Sonya Ferguson who resigned as a non-executive director on 26 October 2023 and James Fair who resigned as a director, CFO and Company Secretary on 31 May 2023.

The Company intends to apply the updated 2023 QCA code as soon as is practicable and therefore in accordance with the new code all directors will be seeking reappointment as a director of the Company at the 2024 Annual General Meeting. Furthermore the annual remuneration report, including any significant changes to our existing option scheme will be put to an advisory shareholder vote.

Policy on executive directors and senior management remuneration

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

Directors' remuneration

The remuneration committee comprises Simon Douglas and Colin Walsh with Simon taking over Chair in October 2023 following the resignation of Sonya Ferguson. The committee is responsible for reviewing the Company's remuneration policy, the emoluments of the executive directors and other senior management and the Company's pension arrangements and for making recommendations thereon to the Board. The committee also makes recommendations to the Board in respect of awards of options under the EMI and Unapproved Employee

Share Option Scheme under which employees, and directors may be granted options to acquire Ordinary Shares. It also reviews the terms of service contracts with senior employees and the executive directors and any compensation arrangements resulting from the termination by the Company of such contracts.

As part of the cost savings implemented following the Company's fundraise in May 2023, the Executive Directors Adrian Kinkaid and Richard Buick both agreed to a change in their remuneration structure, deferring 20% of their salaries for the eight months commencing 1 July 2023 and taking shares in part in lieu of cash remuneration. In addition, the Company's non-executive directors agreed to forgo all remuneration that they were entitled to with effect from 1 May 2023.

As part of the fundraising in February 2024 the remuneration committee recommended and implemented the allotment of new Ordinary Shares at 4.00p (equal to the Issue Price) representing 50% of the amounts of the Executive Directors deferred salaries, with the balance to be paid in cash. In addition, due to their ongoing commitments to the Company, the remuneration committee agreed to align the non-executive directors with these executive directors and pay them their forgone fees in part in new Ordinary Shares at 4.00p at a level no less than 25% agreed individually with each NED, dependant of their personal circumstances, with the remainder of their foregone fees being paid in cash.

Director	Amount of salary/fees received in Director Shares	No. of Director Shares	Total holding of ordinary Shares post issue.
Adrian Kinkaid	12,017	300,425	440,425
Richard Buick	8,207	205,175	905,175
Simon Douglas	12,500	312,500	
Colin Walsh	22,500	562,500	2,562,500[2]
Matthew Baker	6,250	156,250	156,250

1 Excludes Ordinary Shares held by relatives of Simon Douglas.
2 Includes 600,000 Ordinary Shares held by Walsh Strategic Management Limited, a company controlled by Colin Walsh and 1,400,000 Ordinary Shares held by Hamniv (GP) Limited, a subsidiary of Crescent Capital NI Limited ("Crescent Capital"). Colin Walsh is the Chief Executive and founder of Crescent Capital.

Grant of new share options under the Option Schemes

In order to incentivise and retain staff and senior management, especially after the significant restructuring that was implemented at the beginning of the year, the remuneration committee recommended the grant of new share options under the current Option Scheme, together with a restructuring of some of the previously awarded options in order to align all the staff in an even and fair environment going forward and to align a reward for the staff through an increase in share price. A total of 3,760,700 new share options over Ordinary Shares were granted to certain directors and employees of the Company as further detailed below.

730,700 existing share options with exercise prices ranging from 47.5p to 54.5p have been surrendered by certain directors and employees of the Company and, conditional on such surrender, an equivalent aggregate amount of 730,700 new share options over Ordinary Shares have been granted to those option holders on a 1:1 basis, maintaining their vesting condition of time. In addition, 3,030,000 further new share options over Ordinary Shares have also been granted to certain directors and employees of the Company, all of which have a vesting condition that is share price related save for those issued to the non-executive directors of Fusion for reasons of independency. The number of options granted for employees was linked to their seniority and job grade within the Company, independent of their specific role. Likewise, the number of options granted to the Executive and non-executive Directors was linked to seniority, with all NED's considered on a par.

The Options have an exercise price of 4.25p, being the closing mid-market price of an Ordinary Share on 13 February 2024, the day prior to the grant, all, of which are subject to a three-year vesting period, spread in equal proportions over the three years. The options shall be subject to the following performance-based vesting criteria:

- Year 1: the closing mid-market price of an Ordinary Share must have been equal to or above 5p for a period of 20 consecutive business days prior to the date of exercise;
- Year 2: the closing mid-market price of an Ordinary Share must have been equal to or above 6.375p, being a 50% premium to the Exercise Price, for a period of 20 consecutive business days prior to the date of exercise; and
- Year 3: the closing mid-market price of an Ordinary Share must have been equal to or above 8.50p, being a 100% premium to the Exercise Price, for a period of 20 consecutive business days prior to the date of exercise.

Director grants

A total of 2,330,000 Options have been awarded to directors of the Company, as follows:

Director	No. of existing options surrendered	No. of replacement New Options granted	No. of Additional New Options granted[1]	Total New Options granted	Total no. of options over Ordinary Shares now held
Adrian Kinkaid	300,000	300,000	600,000	900,000	900,000
Richard Buick	280,000	280,000	400,000	680,000	680,000
Simon Douglas	-	-	250,000	250,000	250,000
Colin Walsh	-	-	250,000	250,000	250,000
Matthew Baker	-	-	250,000	250,000	250,000

1 Subject to performance related conditions.

Following the grant of the Options and surrender of the existing options, the Company has options outstanding over a total of 3,799,450 Ordinary Shares, representing approximately 6.23% of the Company's share capital as enlarged by the issue of the Director Shares.

Bonus payments

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

For the year ended 31 March 2024 no executive director bonuses have been awarded on the basis of the achievement of financial performance in relation to target, or for the attainment of individual non-financial performance targets

Long term incentives

At the reporting date the Company had three share based reward schemes, two of which are now closed to new awards. Details of share options in issue are included in note 9.

Corporate Governance: Directors' Report continued

Movement in options held by directors are as follows:

	At 1 April 2023	Granted in year	Exercised in Year	Lapsed in year	Surrendered in year	**At 31 March 2024**	Exercise period	Exercise price per share
Richard Buick								
2017 EMI and	280,000	-	-	-	280,000	**-**	2019-2032	£0.475 - £0.545
Unapproved	-	280,000	-	-	-	**280,000**	2024-2034	£0.0425
Employee share Option Scheme	-	400,000	-	-	-	**400,000**	2024-2034	£0.0425[1]
	280,000	680,000	-	-	280,000	**680,000**		
Adrian Kinkaid								
2017 EMI and	300,000	-	-	-	300,000	**-**	2022-2032	£0.520
Unapproved	-	300,000	-	-	-	**300,000**	2024-2034	£0.0425
Employee share Option Scheme	-	600,000	-	-	-	**600,000**	2024-2034	£0.0425[1]
	300,000	900,000	-	-		**900,000**		
James Fair[2]								
2017 Unapproved Share Scheme	75,000	-	-	75,000	-	**-**	2018-2027	£0.04
2017 EMI and Unapproved Employee Share Option Scheme	300,000	-	-	300,000	-	**-**	2019-2032	£0.475 -£0.545
	375,000		-	375,000		**-**		
Simon Douglas								
2017 EMI and Unapproved Employee Share Option Scheme	-	250,000	-	-	-	**250,000**	2024-2034	£0.0425
Colin Walsh								
2017 EMI and Unapproved Employee Share Option Scheme	-	250,000	-	-	-	**250,000**	2024-2034	£0.0425
Matt Baker								
2017 EMI and Unapproved Employee Share Option Scheme	-	250,000	-	-	-	**250,000**	2024-2034	£0.0425

1 Subject to performance related conditions
2 Mr James Fair (CFO) resigned May 2023 and these options have now lapsed

Directors' remuneration

The remuneration of directors for the year ended 31 March 2024 was as follows:

		Salary & fees £'000	Benefits £'000	Bonus £'000	Company pension contributions £'000	Total £'000
Executive directors						
Adrian Kinkaid[1]	**2024**	**169**	**-**	**-**	**10**	**179**
	2023	111	-	-	7	118
Richard Buick	**2024**	**115**	**-**	**-**	**7**	**122**
	2023	120	-	-	7	127
James Fair[5]	**2024**	**24**	**-**	**-**	**1**	**25**
	2023	113	-	-	7	120
Non – executive directors						
Simon Douglas	**2024**	**18**	**-**	**-**	**-**	**18**
	2023	30	-	-	-	30
Sonya Ferguson[2]	**2024**	**2**	**-**	**-**	**-**	**2**
	2023	25	-	-	-	25
Matthew Baker[3]	**2024**	**21**	**-**	**-**	**-**	**21**
	2023	30	-	-	-	30
Colin Walsh	**2024**	**-**	**-**	**-**	**-**	**-**
	2023	27	-	-	-	27
Tim Watts[4]	**2024**	**-**	**-**	**-**	**-**	**-**
	2023	14	-	-	-	**14**
Total	**2024**	**349**	**-**	**-**	**18**	**367**
	2023	470	-	-	21	491

1 Adrian Kinkaid remuneration from 25 August 2022
2 Sonya Ferguson remuneration up to 26 October 2023
3 Matthew Baker's remuneration includes fees for membership of the Scientific Advisory Panel
4 Tim Watts remuneration up to 23 September 2022
5 James Fair remuneration up to 31 May 2023

Directors and their interests

	At 1 April 2023 number	% issued share capital	**Shareholding at 31 March 2024 number**	**% issued share capital**
Adrian Kinkaid	4,000	0.02%	546,272	0.90%
Richard Buick	631,250	2.43%	905,175	1.48%
Simon Douglas	255,800	0.98%	668,865	1.10%
Sonya Ferguson	102,567	0.39%	400,000	0.42%
Matthew Baker	-	-	156,250	0.26%
Colin Walsh[1]	-	-	2,562,500	2.69%

1 Includes 600,000 Ordinary Shares held by Walsh Strategic Management Limited, a company controlled by Colin Walsh and 1,400,000 Ordinary Shares held by Hamniy (GP) Limited, a subsidiary of Crescent Capital NI Limited ("Crescent Capital"). Colin Walsh is the Chief Executive and founder of Crescent Capital.

Results and dividends

The loss before tax for the year was £2,290k (2023: loss £2,859k) and Loss Before Interest Taxation Depreciation and Amortisation (EBITDA) was £1,946k (2023: £2,486k loss).

After an income tax credit of £63k (2023: £263k) the loss for the financial year of £2,067k (2022: loss £2,596k) has been transferred to reserves. The results for the year are set out the statement of comprehensive income.

No dividends were paid (2023: £nil). The directors do not recommend payment of a final dividend (2023: £nil).

Key Performance Indicators

The directors are of the opinion that the main KPIs to understand the performance of the Company are revenues, EBITDA, and net assets. Taken together, these data points provide the Directors with guidance on the stable performance of operations and the Company as a whole. The Board will review this position during 2024/2025 and will continue to look to introduce and modify KPI indicators where appropriate to do so.

KPI	FY2024	FY2023
Revenue change year on year	(61%)	(40)%
EBITDA	(£2.1m)	(£2.5m)
Net cash used in operations	(£1.8m)	(£1.8m)

Principal shareholders

At the close of business on 28 August 2024 (being the latest practical date prior to the signing of this report) the Company had received notification of the following substantial interests representing over 3% of the issued share capital:

	Number of Ordinary 4p shares	Percentage held
Jim Nominees Limited Jarvis Acct	11,470,467	12.03%
The Bank of New York (Nominees) Limited	6,397,290	6.71%
BNY (OCS) Nominees Limited	4,716,463	4.95%
Rathbone Nominees Limited	4,466,485	4.68%
Hargreaves Lansdown (Nominees) Limited 15942 Acct	4,454,285	4.67%
Interactive Investor Services Nominees Limited SMKTISAS Acct	4,250,301	4.46%
Hargreaves Lansdown (Nominees) Limited HLNOM Acct	4,100,091	4.30%
Interactive Investor Services Nominees Limited SMKTNOMS Acct	3,834,982	4.02%
Barclays Direct Investing Nominees Limited CLIENT1 Acct	3,384,229	3.55%

Pension

The Company operates a defined contribution pension scheme.

Research and development

During the year ended 31 March 2024 the Company has invested £254k (2023: £877k) in research and development. This is incurred in the development of existing and new antibody engineering services and is expensed until the development project meets the criteria in IAS 38.

Financial risk management

The Company's approach to risk management is described in Principal risks and uncertainties within the Strategic Report and is included in this report by cross reference. Financial risks are disclosed in note 20 to the financial statements.

Going concern

The Company has returned a loss of £2.2m for the year ended 31 March 2024 (Year ended 31 March 2023: Loss of £2.6m) and at the year-end had net current assets of £1.7m (31 March 2023: £0.8m) including £1.2m of cash and cash equivalents (31 March 2023: £0.2m). During the year the Company has raised net proceeds of £2.8m from the issue of ordinary shares and has undergone a restructuring process to reduce annual costs. The Company continues to expend cash in a planned manner to both grow the trading aspects of the business and to develop new services through research and development projects. Revenues for the year were £1.14m, significantly below market expectations and 60% lower than revenues for the prior year. Uncertainty in levels of investment in the sector has diminished but still persists. The impact of this has been somewhat reduced through the Company's targeting of wider market sectors.

The financial statements have been prepared on the going concern basis, which assumes that the company will continue to be able to meet its liabilities as they fall due for at least twelve months from the date of signing these financial statements. The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence at least for 12 months from the reporting date. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. To support the going concern basis of preparation, cash flow forecasts have been prepared which incorporate a number of assumptions upon which sensitivities have been performed to reflect severe but plausible downside scenarios. These assumptions include the rate at which revenue growth can be achieved.

The directors note that there is inherent uncertainty in any cash flow forecast, however this is further exacerbated given the nature of the company's trade and the industry in which it operates. Due to the risk that revenues and the related conversion of revenue to cash inflows may not be achieved as forecast over the going concern period, the Directors believe that there exists a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Payments to suppliers

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

Directors' indemnity

Every director and other officer of the Company is entitled to be indemnified out of the assets of the Company against all losses or liabilities properly incurred by him or her in or about the discharge of the duties of his or her office. This qualifying third-party indemnity was in force throughout the financial year and also at the date of approval of the financial statements. The Company has insurance cover in place to mitigate such costs.

Political donations

There were no political donations made by the Company during the year (2023: none).

Corporate governance

The Corporate Governance Report on pages 34 to 36 forms part of the Directors' Report and is included in this report by cross reference.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Annual general meeting

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

Statement of Directors' Responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the Annual report and accounts and financial statements , taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

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

- the company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the company; and
- the Annual report and accounts includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

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

Independent Auditors

Kreston Reeves LLP has been appointed as auditors for the year ended 31 March 2024 and has expressed its willingness to continue in office as auditors. A resolution to reappoint Kreston Reeves LLP will be proposed at the next annual general meeting.

By order of the Board

Stephen Smyth
Company Secretary

04 September 2024

Company registration number NI039740


fusionantibodies

INDEPENDENT AUDITOR REPORT TO THE SHAREHOLDERS OF FUSION ANTIBODIES PLC

FOR THE YEAR ENDED 31 MARCH 2024

Opinion

We have audited the financial statements of Fusion Antibodies PLC for the year ended 31 March 2024 which comprise the Statement of comprehensive income, Statements of financial position, Statement of cash flows, Statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation of the financial statements is applicable law and UK-adopted international accounting standards.

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2024 and of the company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. To support the going concern basis of preparation, the directors have prepared budget forecasts and provided information to support the pipeline of business for at least 12 months after the signing of these financial statements. However, there is a risk that revenues and the related conversion of revenue to cash inflows may not be achieved as forecast over the going concern period and consequently, the company may not be able to pay its debts as they fall due, continue to fund the development of products and raise external finance. These conditions along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

INDEPENDENT AUDITOR REPORT TO THE SHAREHOLDERS OF FUSION ANTIBODIES PLC CONTINUED

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting including the following:

- Gained an understanding of the systems and controls around managements' going concern assessment, including for the preparation and review process for forecasts and budgets.
- Analysed the financial strength of the business at the year end date and considered key trends in balance sheet strength and business performance over the last three years.
- Based on our above assessment we performed our own sensitivity analysis in respect of the key assumptions underpinning the forecasts.
- We considered post year end performance of the business, comparing this to budget.
- We performed lookback procedures to compare the accuracy of management's assessment at the prior period balance sheet date to assess management's budgeting ability.
- We reviewed the adequacy and completeness of the disclosure included within the financial statements in respect of going concern.

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

An overview of the scope of our audit

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

Our application of materiality

	Financial Statements
Materiality	£64,000
Basis for determining materiality	~3.5% of Net assets
Rationale for benchmark applied	The entity's principal activity is the research, development and manufacture of recombinant proteins and antibodies. In recent years, there has been less funding within this sector which has led to a downturn in the financial performance of the entity. After a restructuring of the business, the entity seeks to re-establish itself as a key player in the biotech industry and improve the overall financial performance being reported in its financial statements. In order to do so, it is vital that are sufficient net assets to build upon so that it can develop into a profitable entity.
Performance materiality	£45,000
Basis for determining performance materiality	70% of materiality
Rationale for performance materiality applied	On the basis of our risk assessments, together with our assessment of the company's overall control environment and the company being listed on the AIM market, our judgement was that performance materiality was 70% of our planning materiality. In assessing the appropriate level, we consider the nature, the number and impact of the audit differences identified in the previous year's audit.
Triviality threshold	£1,300
Basis for determining triviality threshold	2% of materiality

INDEPENDENT AUDITOR REPORT TO THE SHAREHOLDERS OF FUSION ANTIBODIES PLC CONTINUED

We reported all audit differences found in excess of our triviality threshold to the directors and the management board.

The scope of our audit was influenced by our application of materiality as we set certain quantitative thresholds for performance materiality and use these thresholds as a consideration tool to help to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

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

<table>
<tr><th colspan="2">Revenue recognition including accrued and deferred income:</th></tr>
<tr><th>Significance and nature of key risk</th><th>How our audit addressed the key risk</th></tr>
<tr><td>The company recognises revenue over time, based on the stage which a particular project is in terms of completion. Each project consists of a number of different stages with associated, distinct performance obligations. Assessment of the stage of completion is through the review of “lab books” which are updated by the project scientists. There is therefore the risk of revenue recognition policies not being accurately complied with.</td><td>We undertook walkthrough testing to confirm our understanding of the revenue stream and respective recognition policies, with further specific testing on those contracts that were open around the year end.
We identified several customer contracts and reviewed the substance of each contract, in particular the identification of performance obligations and the allocation of the transaction price against each obligation.
Performance obligations were verified to supporting evidence from management which confirmed the transfer of knowledge and / or products between the two parties, thus demonstrating that key deliverables were being met as part of each performance obligation’s requirements.
The accuracy of revenue disclosures in the accounts was confirmed to be consistent with the revenue cycle observed and audited. The completeness of these disclosures was confirmed by reference to the full disclosure requirements as detailed in IFRS 15.</td></tr>
<tr><td colspan="2">Key observations communicated to the Audit Committee
We have no concerns over the material accuracy of revenue recognised in the financial statements.</td></tr>
</table>

INDEPENDENT AUDITOR REPORT TO THE SHAREHOLDERS OF FUSION ANTIBODIES PLC CONTINUED

Going concern:	
Significance and nature of key risk	**How our audit addressed the key risk**
The company has reported an operating loss in the year to 31 March 2024 of £2,288k (2023: loss of £2,858k). The statement of financial position shows a net asset position of £1,793k (2023: £1,123k) with cash at bank of £1,199k (2023: £195k). In light of the historic loss-making position of the company and the uncertain economic climate, going concern was considered to be a key audit risk area.	We reviewed the company's results and financial position and assessed the ability of the company to meet its future financial obligations based upon its available resources. We obtained the Directors' trading and cash flow forecasts which covered the periods to 2026, and which support their assessment of the company's ability to continue as a going concern. Our audit work on the forecasts included checking their mathematical accuracy, assessing the reasonableness of assumptions used and carrying out sensitivity analysis primarily on differing levels of revenue to assess the impact on the forecasts and considering the accuracy of previously prepared forecasts to actual results achieved. We reviewed the post balance sheet date financial information associated with the entity to ensure that there are sufficient plans in place to support the budgeted future operational activity.
Key observations communicated to the Audit Committee We have material uncertainty over the material accuracy of the going concern disclosures in the financial statements.	

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or any material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

INDEPENDENT AUDITOR REPORT TO THE SHAREHOLDERS OF FUSION ANTIBODIES PLC CONTINUED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement (set out on page 44), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, and through discussion with the directors and other management (as required by auditing standards), we identified that the principal risks of non-compliance with laws and regulations related to health and safety, anti-bribery and employment law. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journals to increase revenue, reduce expenditure or overstate the true and fair value of the balance sheet. Audit procedures performed by the engagement team included:

- Discussions with management and assessment of known or suspected instances of fraud, review of the reports made by management, and review of reports made by external parties to the company; and
- Assessment of identified fraud risk factors; and
- Challenging assumptions and judgements made by management in its significant accounting estimates; and
- Performing analytical procedures to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud; and
- Confirmation of related parties with management, and review of transactions throughout the period to identify any previously undisclosed transactions with related parties outside the normal course of business; and
- Performing analytical procedures with automated data analytics tools to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud; and
- Reading minutes of meetings of those charged with governance; and
- Performing integrity testing to verify the legitimacy of banking records obtained from management; and
- Physical inspection of tangible assets and inventories susceptible to fraud or irregularity; and
- Identifying and testing journal entries, in particular any manual entries made at the year-end for financial statement preparation.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

INDEPENDENT AUDITOR REPORT TO THE SHAREHOLDERS OF FUSION ANTIBODIES PLC CONTINUED

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the company or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters which we are required to address

We were appointed by the audit committee in the year to audit the financial statements. Our total uninterrupted period of engagement is 1 year, covering the year ended 31 March 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our Report

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

Anne Dwyer BSc(Hons) FCA (Senior Statutory Auditor)

For and on behalf of Kreston Reeves LLP
Chartered Accountants Statutory Auditor
London
Date: 04 September 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2024

	Note	**2024 £'000**	2023 £'000
Revenue	4	**1,136**	2,901
Cost of sales		**(1,181)**	(2,327)
Gross profit		**(45)**	574
Other operating income		**5**	11
Administrative expenses		**(2,247)**	(3,443)
Operating loss	5	**(2,288)**	(2,858)
Finance income	8	**3**	3
Finance expense	8	**(5)**	(4)
Loss before tax		**(2,289)**	(2,859)
Income tax credit	10	**63**	263
Loss for the financial year		**(2,226)**	(2,596)
Total comprehensive expense for the year		**(2,226)**	(2,596)
		Pence	Pence
Loss per share			
Basic	11	**(3.9)**	(10.0)

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

The accompanying notes on pages 56 to 75 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024

	Notes	**2024 £'000**	2023 £'000
Assets			
Non-current assets			
Intangible assets	12	**-**	-
Property, plant and equipment	13	**158**	375
		158	375
Current assets			
Inventories	15	**460**	539
Trade and other receivables	16	**557**	690
Current tax receivable		**46**	263
Cash and cash equivalents		**1,199**	195
		2,262	1,687
Total assets		**2,420**	2,062
Liabilities			
Current liabilities			
Trade and other payables	17	**564**	844
Borrowings	18	**20**	35
		584	879
Net current assets		**1,678**	808
Non-current liabilities			
Borrowings	18	**23**	40
Provisions for other liabilities and charges	19	**20**	20
		43	60
Total liabilities		**627**	939
Net assets		**1,793**	1,123
Equity			
Called up share capital	21	**3,815**	1,040
Share premium reserve		**7,743**	7,647
Accumulated losses		**(9,765)**	(7,564)
Total equity		**1,793**	1,123

The accompanying notes on pages 56 to 75 form an integral part of these financial statements.

The financial statements on pages 52 to 75 were approved by the Board on 04 September 2024 and signed on its behalf:

Simon Douglas
Director

Adrian Kinkaid
Director

Registered in Northern Ireland, number NI039740

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2024

	Notes	Called up share capital £'000	Share premium reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 April 2022		1,040	7,647	(5,003)	3,684
Loss and total comprehensive expense for the year		-	-	(2,596)	(2,596)
Share options – value of employee services		-	-	35	35
Total transactions with owners, recognised directly in equity		-	-	35	35
At 31 March 2023	21	1,040	7,647	(7,564)	1,123
At 1 April 2023		**1,040**	**7,647**	**(7,564)**	**1,123**
Loss and total comprehensive expense for the year		**-**	**-**	**(2,226)**	**(2,228)**
Issue of share capital		**2,775**	**96**	**-**	**2,871**
Share options – value of employee services		**-**	**-**	**25**	**25**
Total transactions with owners, recognised directly in equity		**2,775**	**96**	**25**	**2,896**
At 31 March 2024	21	**3,815**	**7,743**	**(9,765)**	**1,793**

The accompanying notes on pages 56 to 75 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2024

	Notes	**2024 £'000**	2023 £'000
Cash flows from operating activities			
Loss for the year		**(2,226)**	(2,596)
Adjustments for:			
Share based payment expense		**86**	35
Depreciation		**220**	372
Finance income		**(3)**	(3)
Finance costs		**5**	4
Income tax credit		**(63)**	(263)
Decrease/(Increase) in inventories		**79**	46
Decrease/(increase) in trade and other receivables		**133**	819
(Decrease)/increase in trade and other payables		**(280)**	(299)
Cash used in operations		**(2,049)**	(1,885)
Income tax received		**280**	131
Net cash used in operating activities		**(1,769)**	(1,754)
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(2)**	(114)
Finance income – interest received	8	**3**	3
Net cash used in investing activities		**1**	(111)
Cash flows from financing activities			
Proceeds from new issue of share capital net of transaction costs		**2,808**	-
Proceeds from new borrowings	18	**-**	69
Repayment of borrowings	18	**(33)**	(62)
Finance costs – interest paid	8	**(5)**	(4)
Net cash generated/(used in) from financing activities		**2,770**	3
Net decrease in cash and cash equivalents		**1,002**	(1,862)
Cash and cash equivalents at the beginning of the year		**195**	2,049
Effects of exchange rate changes on cash and cash equivalents		**2**	8
Cash and cash equivalents at the end of the year		**1,199**	195

The accompanying notes on pages 56 to 75 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

1 General information

Fusion Antibodies plc is a company incorporated and domiciled in the United Kingdom and is registered in Northern Ireland having its registered office and principal place of business at 1 Springbank Road, Springbank Industrial Estate, Dunmurry, Belfast, BT17 0QL

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

2 Significant accounting policies

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

Basis of preparation

The financial statements have been prepared on the historical cost convention.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements of Fusion Antibodies plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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

Going concern

The Company has returned a loss of £2.2m for the year ended 31 March 2024 (Year ended 31 March 2023: Loss of £2.6m) and at the year-end had net current assets of £1.7m (31 March 2023: £0.8m) including £1.2m of cash and cash equivalents (31 March 2023: £0.2m). During the year the Company has raised net proceeds of £2.8m from the issue of ordinary shares and has undergone a restructuring process to reduce annual costs. The Company continues to expend cash in a planned manner to both grow the trading aspects of the business and to develop new services through research and development projects. Revenues for the year were £1.14m, significantly below market expectations and 60% lower than revenues for the prior year. Uncertainty in levels of investment in the sector has diminished but still persists. The impact of this has been somewhat reduced through the Company's targeting of wider market sectors.

The financial statements have been prepared on the going concern basis, which assumes that the company will continue to be able to meet its liabilities as they fall due for at least twelve months from the date of signing these financial statements. The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence at least for 12 months from the reporting date. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. To support the going concern basis of preparation, cash flow forecasts have been prepared which incorporate a number of assumptions upon which sensitivities have been performed to reflect severe but plausible downside scenarios. These assumptions include the rate at which revenue growth can be achieved.

The directors note that there is inherent uncertainty in any cash flow forecast, however this is further exacerbated given the nature of the company's trade and the industry in which it operates. Due to the risk that revenues and the related conversion of revenue to cash inflows may not be achieved as forecast over the going concern period, the Directors believe that there exists a material uncertainty that may cast significant doubt on the Company's ability to

2 Significant accounting policies continued

continue as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Company's activities. Revenue is shown net of value added tax and where a contractual right to receive payment exists.

The Company's performance obligations for its revenue streams are deemed to be the provision of specific services or materials to the customer. Performance obligations are identified on the basis of distinct activities or stages within a given contract that the customer can benefit from, independent of other stages in the contract. The transaction price is allocated to the various performance obligations, based on the relative fair value of those obligations, and then revenue is recognised as follows:

- Revenue is recognised over the period that services are provided using the percentage of completion method, based on the input method using costs incurred to date relative to the expected total costs for each performance obligation; and
- Where a contract includes a payment contingent upon the customer subsequently achieving a pre-defined milestone with their development programme, revenue in the amount of the total success payment due is recognised when the pre-defined condition(s) have been met.

Contract assets arise on contracts with customers for which performance obligations have been satisfied (or partially satisfied on an over time basis) but for which the related amounts have not yet been invoiced or received.

Contract liabilities arise in respect of amounts invoiced during the year for which the relevant performance obligations have not been met by the year-end. The Company's contracts with customers are typically less than one year in duration and any contract liabilities would be expected to be recognised as revenue in the following year.

Grant income

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

2 Significant accounting policies continued

Intangible assets

Software

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

Software is amortised over its expected useful economic life, which is currently estimated to be 4 years. Amortisation expense is included within administrative expenses in the Statement of Comprehensive Income.

Property, plant and equipment

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

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

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

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

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

Right of use assets	The remaining length of the lease
Leasehold improvements	The lesser of the asset life or the remainder of the lease
Plant and machinery	4 years
Fixtures, fittings & equipment	4 years

Leases

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

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.

2 Significant accounting policies continued

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. Value in use is based on estimated future cash flows from each cash-generating unit or individual asset, discounted at a suitable rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures is directly linked to the Company's latest approved budgets, adjusted as necessary to exclude any restructuring to which the Company is not yet committed. Discount rates are determined individually for each cash-generating unit or individual asset and reflect their respective risk profiles as assessed by the directors. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. Cash generating units and individual assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Impairment charges are included in administrative expenses in the Statement of Comprehensive Income. An impairment charge that has been recognised is reversed if the recoverable amount of the cash-generating unit or individual asset exceeds the carrying amount.

Current tax and deferred tax

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

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

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

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

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

Share based employee compensation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

2 Significant accounting policies continued

Financial assets

Classification

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

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

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

Recognition and measurement

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

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

Impairment

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

Inventories

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

Financial liabilities

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

Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost. Provisions for dilapidation charges that will crystallise at the end of the period of occupancy are provided for in full.

2 Significant accounting policies continued

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 year 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 year 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 represent retained profits and losses.

Adoption of new and revised standards and changes in accounting policies

In the current year the following new and revised Standards and Interpretations have been adopted by the company. The adoption has had no impact on the current period however may have an effect on future periods.

IFRS 17	Insurance contracts	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
IAS 8 (Amendment)	Definition of accounting estimates	1 January 2023
IAS 12 (Amendment)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

2 Significant accounting policies continued

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been in issue but are not yet effective. The Directors do not expect that the adoption of the other Standards listed below will have a material impact on the financial statements of the Company aside from additional disclosures:

IAS 1 (Amendment)	Classification of liabilities as current or non-current – deferral of effective date	1 January 2024
IAS 1 (Amendment)	Non-current liabilities with covenants	1 January 2024
IFRS 16 (Amendment)	Liability in a Sale and Leaseback	1 January 2024
IAS 7 and IFRS 7 (Amendments)	Statement of Cashflows and Supplier finance agreements	1 January 2024
IFRS S1	General requirements for disclosure of sustainability-related financial information	1 January 2024
IFRS S2	Climate-related disclosures	1 January 2024
IAS 21	Clarification of currency exchanges	1 January 2025

3 Critical accounting estimates and judgements

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

Critical judgements in applying accounting policies

- ***Revenue recognition.*** The Company typically enters into a contract comprising one or more stages for each customer project. In the application of IFRS 15 "Revenue from Contracts with Customers" and the accounting policy set out in Note 2 to these financial statements, significant judgement is required to identify the individual performance obligations contained within each contract, particularly when a set-up charge is made relating to the initial collaboration with the customer to formulate a programme of development work, or when the pattern of sales invoices does not align with those stages explicit in the contract.

  Customer contracts may contain a non-refundable set up charge of up to 30% of contract value which becomes payable upon commencement of the project. This represents the value of the transfer of knowledge involved in design, planning and preparation for the work to be done, and for the time and consumables committed to commence work on the project. As this work is distinct and of benefit to the customer independent of later stages within the contract, it is therefore judged to be a separate performance obligation within the meaning of IFRS 15 and is recognised as revenue in line with the accounting policy. The remaining performance obligations are based on the stages with defined deliverables which are explicitly outlined in the customer contracts.

  During the process of delivering the contract, where delivery is part way through a stage at the reporting date, an estimate is made of the amount of revenue to recognise for that stage to reflect the work performed up to that date. This amount is estimated on a percentage completion basis.

3 Critical accounting estimates and judgements continued

Critical accounting estimates and assumptions

- ***Deferred Taxation.*** The Company has accumulated tax losses of £14,359k (2023: £13,000k). In principle these losses would support a deferred tax asset of approximately £3,590k (2023: £2,500k). IAS 12 requires that a deferred tax asset relating to unused tax losses is carried forward to the extent that future taxable profits will be available. The company is in an investment phase, expecting to have increased expenditure on R&D and business development over the next two years which will increase the tax losses. After the investment period the Board expects the Company to generate healthy profits but it is difficult at this stage to reliably estimate the period over which profits may arise in the future. The Board has therefore determined to not recognise the asset at the reporting date. This approach does not affect the future availability of the tax losses for offset against future profits.

- ***Share Options.*** The Company offers share options to employees in recognition of their service. These share options are valued using the Black Scholes model and accounted for under IFRS 2. Key estimates and judgements in the valuation model are the probability of exercise, as well as the volatility of the share price. For valuation, the Company has assumed that all outstanding options will vest and become exercisable. The Company has estimated volatility of the share price to be 24% which is based on historical movement in the Company's share price.

- ***Dilapidations.*** The company leases space under an operating lease. A condition of the lease is to maintain the rented space and return the space in a suitable condition at the end of the lease period. The company maintain a dilapidation provision to account for any wear and tear during the lease period and to return the property to its original condition. At the time of leasing, the Company estimated future cost not to exceed £20k. This amount is reviewed annually. No adjustment was considered necessary for the year ended 31 March 2024.

4 Revenue

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

Geographic analysis	**2024 £'000**	2023 £'000
UK	**195**	621
Rest of Europe	**95**	409
North America and Rest of World	**846**	1,871
	1,136	2,901

In the year there were two customers (2023: three) to whom sales exceeded 10% of revenues, those customers together accounted for £485k or 43% of revenues (2023: £1,040k or 36% of revenues).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

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

	2024 £'000	2023 £'000
Employee benefit costs		
-wages and salaries	**1,191**	2,201
-social security costs	**122**	247
-other pension costs	**61**	110
-share based payments	**86**	35
	1,460	2,595
Depreciation of property, plant and equipment (owned)	**217**	347
Depreciation of property, plant and equipment (leased)	**2**	25
Other operating expenses		
Rates, utilities and property maintenance	**155**	168
IT costs	**52**	30
Fees payable to the Company's auditors		
- for the audit of the financial statements	**45**	73
Raw materials and consumables used	**296**	1,129
Decrease/(increase) in inventories	**81**	47
Patent costs	**31**	30
Marketing costs	**123**	223
Loss/(gain) on foreign exchange	**15**	(36)
Other expenses	**951**	1,139
Total cost of sales and administrative expenses	**3,429**	5,770

Included in the costs above is expenditure on research and development totalling £254k (2023: £806k). Non-audit fees of £173k (2023: £9k) were paid in the year and are included in other expenses above, none of which were paid to the Company's auditor Kreston Reeves LLP

6 Average staff numbers

	2024 Monthly Avg Number	2023 Monthly Avg Number
Employed in UK (including executive directors)	**27**	50
Non-executive directors	**4**	4
	31	54

7 Remuneration of directors and key senior management

Directors

	2024 £'000	2023 £'000
Emoluments	**349**	470
Pension contributions	**18**	21
	367	491

7 Remuneration of directors and key senior management continued

Highest paid director
The highest paid director received the following emoluments:

	2024	2023
	£'000	£'000
Emoluments	**169**	120
Pension contributions	**10**	7
	179	127

The highest paid director did not exercise any share options in the year. (2023: £nil).

Key senior management personnel

Key senior management is considered to comprise the directors of the Company with total remuneration for the year of £367k (2023: £491k). Share based payments for the year attributable to key senior management totalled £24k (2023: £10k).

8 Finance income and expense

	2024	2023
Income	**£'000**	£'000
Bank interest receivable	**3**	3

	2024	2023
Expense	**£'000**	£'000
Interest expense on other borrowings	**5**	4

9 Share based payments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

9 Share based payments continued

The total share-based remuneration recognised in the Statement of Comprehensive Income was £86k (2023: £35k). The most recent options granted in the year were valued using the Black-Scholes method. The share price on grant used the share price of open market value, expected volatility of 24.0% and a compound risk free rate assumed of 3.47% based on historical experience.

	2024 Weighted average exercise price £	**2024 Number**	2023 Weighted average exercise price £	2023 Number
Outstanding at beginning of the year	**0.481**	**2,317,883**	0.478	787,083
Granted during the year	**0.043**	**3,760,700**	0.483	1,745,800
Exercised during the year	**-**	**-**	-	-
Lapsed during the year	**0.466**	**(1,548,433)**	0.486	(215,000)
Surrendered during the year	**0.515**	**(730,700)**	-	-
Outstanding at the end of the year	**0.047**	**3,799,450**	0.481	2,317,883

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

Expiry	**Nominal share value**	**Exercise price £**	**2024 Number**	2023 Number
May 2027	£0.04	0.040	**3,750**	103,750
December 2028	£0.04	0.545	**-**	648,333
September 2032	£0.04	0.520	**-**	300,000
September 2032	£0.04	0.475	**35,000**	1,265,800
February 2034	£0.04	0.0425	**3,760,700**	-
Total			**3,799,450**	2,317,883

Of the total number of shares outstanding, 3,750 were exercisable at the reporting date at a weighted average price of £0.04p/share (2023: 752,083 at a weighted average price of £0.48p/share).

10 Income tax (credit)

	2024 £'000	2023 £'000
Current tax – UK corporation tax	**(63)**	(263)
Income tax credit	**(63)**	(263)

10 Income tax (credit) continued

The difference between loss before tax multiplied by the standard rate of 25% (2023: 19%) and the income tax credit is explained in the reconciliation below:

	2024	2023
	£'000	£'000
Factors affecting the tax credit for the year		
Loss before tax	**(2,290)**	(2,859)
Loss before tax multiplied by standard rate of UK corporation tax of 25% (2023: 19%)	**(573)**	(545)
Deferred tax not recognised on current year losses	**573**	545
RDEC/R&D tax credit	**(46)**	(263)
RDEC/R&D tax credit – adjustment relating to prior year	**(17)**	-
Total income tax credit	**(63)**	(263)

Impact of future tax changes are not expected to materially impact the position of the Company, and no corporate tax liability is expected in the subsequent period.

11 Loss per share

	2024	2023
	£'000	£'000
Loss for the financial year	**(2,190)**	(2,596)

Loss per share	**pence**	pence
Basic	**(3.9)**	(10.0)

	Number	Number
Issued ordinary shares at the end of the year	**95,365,564**	26,014,946
Weighted average number of shares in issue during the year	**55,556,020**	26,014,946

Basic earnings per share is calculated by dividing the basic earnings for the year by the weighted average number of shares in issue during the year. Diluted earnings per share is calculated by dividing the basic earnings for the year by the diluted weighted average number of shares in issue inclusive of share options outstanding at year end. As the Company is loss making for current and prior year, diluted earnings per share is not presented.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

12 Intangible assets

	2024/2023 Software £'000	2023/2022 Software £'000
Cost		
At 1 April	**8**	8
At 31 March	**8**	8
Accumulated amortisation		
At 1 April	**8**	8
Amortisation charged in the year	**-**	-
At 31 March	**8**	8
Net book value		
At 31 March	**-**	-
At 31 March	**-**	-

Amortisation is included in administrative expenses on the statement of comprehensive income.

13 Property, plant and equipment

	Right of use assets £'000	**Leasehold improvements £'000**	**Plant & machinery £'000**	**Fixtures, fittings & equipment £'000**	**Total £'000**
Cost					
At 1 April 2023	**14**	**844**	**2,396**	**277**	**3,531**
Additions	**-**	**-**	**2**	**-**	**2**
Disposals	**-**	**-**	**-**	**-**	**-**
At 31 March 2024	**14**	**844**	**2,398**	**277**	**3,533**
Accumulated depreciation					
At 1 April 2023	**9**	**812**	**2,112**	**223**	**3,156**
Depreciation charged in the year	**2**	**32**	**159**	**26**	**219**
Disposals	**-**	**-**	**-**	**-**	**-**
At 31 March 2024	**11**	**844**	**2,271**	**249**	**3,375**
Net book value					
At 31 March 2024	**3**	**-**	**127**	**28**	**158**
At 31 March 2023	5	32	284	54	375

13 Property, plant and equipment continued

	Right of use assets £'000	Leasehold improvements £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost					
At 1 April 2022	**240**	**814**	**2,356**	**301**	**3,711**
Additions	**-**	**30**	**72**	**12**	**114**
Disposals	**(226)**	**-**	**(32)**	**(36)**	**(294)**
At 31 March 2023	**14**	**844**	**2,396**	**277**	**3,531**
Accumulated depreciation					
At 1 April 2022	**210**	**752**	**1,891**	**225**	**3,078**
Depreciation charged in the year	**25**	**60**	**253**	**34**	**372**
Disposals	**(226)**	**-**	**(32)**	**(36)**	**(294)**
At 31 March 2023	**9**	**812**	**2,112**	**223**	**3,156**
Net book value					
At 31 March 2023	**5**	**32**	**284**	**54**	**375**
At 31 March 2022	**30**	**62**	**465**	**76**	**633**

Plant & machinery with a net book value of £49k is held under hire purchase agreements or finance leases (2023: £49k).

The carrying value of right of use assets at the reporting date comprises fixtures, fittings and equipment of £3k (2023: £5k).

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

14 Investment in subsidiary

The Company has the following investment in a subsidiary:

	2024 £	2023 £
Fusion Contract Services Limited	**1**	1
100% subsidiary		
Dormant company		
1 Springbank Road, Belfast, BT17 0QL		

Under section 402, group financial statements are not prepared on the basis that the subsidiary company is dormant and not material to the financial statements for the purpose of giving a true and fair view.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

15 Inventories

	2024 £'000	2023 £'000
Raw materials and consumables	**460**	539

The cost of inventories recognised as an expense for the year was £400k (2023: £1,129k).

16 Trade and other receivables

	2024 £'000	2023 £'000
Trade receivables	**584**	511
Loss allowance	**(147)**	(151)
Trade receivables – net	**437**	360
Other receivables	**8**	72
Prepayments and accrued income	**112**	258
	557	690

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

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

	2024 £'000	2023 £'000
Individually impaired	**102**	122
Expected credit loss allowance	**45**	29
	147	151

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

	2024 £'000	2023 £'000
UK pound	**282**	273
Euros	**30**	-
US dollar	**272**	238
	584	511

The expected credit loss allowance has been calculated as follows:

31 March 2024	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**More than 120 days past due**	**Total**
Expected loss rate	1.9%	2.1%	2.7%	4.9%	26.6%	
Gross carrying amount (£'000)	280	97	74	-	133	584
Loss allowance (£'000)	5	2	2	-	36	45

31 March 2023	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**More than 120 days past due**	**Total**
Expected loss rate	1.9%	2.1%	2.7%	4.9%	26.6%	
Gross carrying amount (£'000)	113	87	68	43	78	389
Loss allowance (£'000)	2	2	2	2	21	29

16 Trade and other receivables continued

Movements on trade receivables loss allowance is as follows:

	£'000	£'000
At 1 April 2023/2022	**29**	53
Movement in loss allowance	**16**	(24)
At 31 March 2024/2023	**45**	29

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

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

17 Trade and other payables

	2024 £'000	2023 £'000
Trade payables	**283**	480
Social security and other taxes	**43**	136
Other payables	**11**	51
Accruals and deferred income	**208**	177
	546	844

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

The Company hold an operating lease with Invest Northern Ireland (note 24). At the reporting date a balance of £11k (2023: £45k) was due to Invest Northern Ireland.

18 Borrowings

	Lease liabilities £'000	**Hire Purchase Contracts £'000**	**Total £'000**
At 1 April 2023	**6**	**69**	**75**
Additions	**-**	**-**	**-**
Interest charged in year	**-**	**5**	**5**
Repayments	**(3)**	**(34)**	**(37)**
At 31 March 2024	**3**	**40**	**43**
Amounts due in less than 1 year	**3**	**20**	**23**
Amounts due after more than 1 year	**-**	**20**	**20**
	3	**40**	**43**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

18 Borrowings continued

	Lease liabilities £'000	Hire Purchase Contracts £'000	Total £'000
At 1 April 2022	27	42	69
Additions	-	69	69
Interest charged in year	3	1	4
Repayments	(24)	(43)	(67)
At 31 March 2023	6	69	75
Amounts due in less than 1 year	5	30	35
Amounts due after more than 1 year	1	39	40
	6	69	75

All borrowings are denominated in UK pounds. Using a discount rate of 8.5% per annum the fair value of borrowings at the reporting date is £40k (2023: £69k discounted at 8.5%).

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

19 Provisions for other liabilities and charges

	2024 £'000	2023 £'000
Due after more than 1 year	**20**	20

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

20 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 years 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:

Financial assets at amortised cost	**As at March 2024 £ '000**	As at March 2023 £ '000
Trade receivables	**437**	360
Other receivables	**32**	72
Accrued income	**77**	26
Cash and cash equivalents	**1,199**	195
Total	**1,745**	653

20 Financial instruments continued

Financial Liabilities at amortised cost	**As at March 2024 £ '000**	As at March 2023 £ '000
Trade payables	**284**	480
Other payables	**180**	100
Accruals	**125**	127
Borrowings	**43**	75
Total	**607**	782

Capital management

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

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

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

General objectives, policies and processes – risk management

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

Credit risk

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

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

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

Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

20 Financial instruments continued

The table below analyses the company's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts presented are the undiscounted cash flows:

31 March 2024	Less than 6 months £000	6 to 12 months £000	Between 1 and 2 years £000	Between 2 and 5 years £000
Trade and other payables	**463**	**-**	**-**	**-**
Accruals	**125**	**-**	**-**	**-**
Borrowings	**-**	**30**	**13**	**-**
	564	**30**	**13**	**-**

31 March 2023				
Trade and other payables	716	-	-	-
Accruals	127	-	-	-
Borrowings	-	35	40	-
	843	35	40	-

Foreign currency risk

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

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

If the exchange rate between Sterling and the Dollar or Euro had been 10% higher/lower at the reporting date the effect on profit and equity would have been approximately £34,000 (2023: £34,000) higher/lower and £4,000 higher/lower (2023: immaterial) respectively.

21 Called up share capital

	2024 £'000	2023 £'000
Allotted, called up and fully paid		
- 95,365,564 (2023: 26,014,946) Ordinary shares of £0.04	**3,815**	1,040

The company is authorised to issue 104,902,120 shares

No dividends were paid (2023: £nil). The directors do not recommend payment of a final dividend (2023: £nil).

22 Capital commitments

At 31 March 2024 the Company had contracted for but not incurred capital expenditure of £nil (2023: £nil).

23 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 £61,000 to the Statement of Profit or Loss and Other Comprehensive Income (2023: £96,000) in respect of Company contributions to the scheme. At the reporting date there was £11,000 (2023: £19,000) payable to the scheme and included in other payables.

24 Transactions with related parties

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

Invest Northern Ireland ("Invest NI") is a shareholder in the Company. The Company received invoices for rent and estate services amounting to £79,000 (2023: £79,000). A balance of £11,000 (2023: £45,000) was due and payable to Invest NI at the reporting date.

Walsh Strategic Management Limited("Walsh") is a company wholly owned by Colin Walsh, a director of the Company. The Company received strategic management consultancy services from Walsh amounting to £27,000 (2023: £27,000). A balance of £27,000 (2023: £nil) was accrued at year end and payable to Walsh as at the reporting date.

25 Ultimate controlling party

There is no ultimate controlling party.

26 Post balance sheet events

There have been no significant events affecting the company since the year end.

27 Reconciliation of loss to EBITDA

	2024	2023
	£'000	£'000
Loss before tax	**(2,289)**	(2,859)
Finance income	**(3)**	(3)
Finance expense	**5**	4
Depreciation and amortisation	**219**	372
EBITDA	**(2,068)**	(2,486)

COMPANY INFORMATION

Directors

Dr Simon Douglas (Non-Executive Chairman)
Dr Adrian Kinkaid (Chief Executive Officer)
Dr Richard Buick (Chief Scientific Officer)
Dr Matthew Baker (Non-Executive Director)
Mr Colin Walsh MBE (Non-Executive Director)

Mr James Fair (CFO) resigned May 2023
Mr Stephen Smyth (interim CFO) appointed September 2023
Ms Sonya Ferguson (Non-Executive Director) resigned October 2023

Company secretary

Mr Stephen Smyth (interim) appointed September 2023
Mr James Fair (CFO) resigned May 2023

Registered office

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Joint Broker

Shard Capital Partners LLP
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London
EC3A 8BE

Public relations advisor

Walbrook PR
4 Lombard Street
EC3V 9HD

Independent auditors

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London
E1 6RA

Registrar

Link Group
10th Floor
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29 Wellington Street
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Bankers

Danske Bank
Donegall Square West
Belfast
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Solicitors

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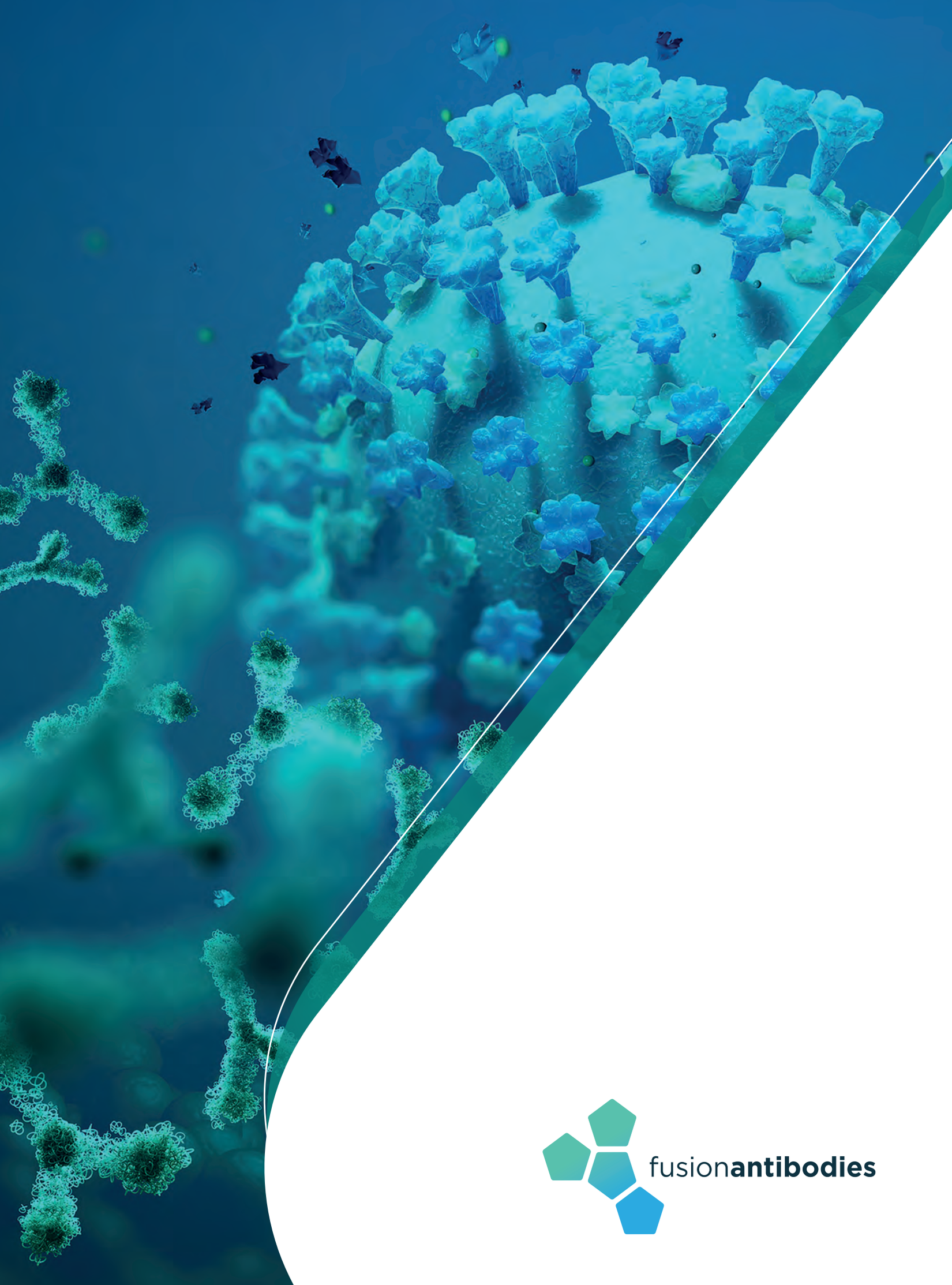

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