The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). With the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

26 November 2018

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

Interim Report for the six months ended 30 September 2018

Fusion Antibodies plc (AIM: FAB), a pharmaceutical contract research organisation specialising in antibody engineering services, announces its unaudited interim results for the six months ended 30 September 2018.

Highlights

Operational

- Planned facilities and technical capacity expansion completed on time and within budget
- Affinity maturation service on schedule to launch in December 2018
- New contract signed with MAB Discovery GmbH ("MAB")
- Orders and revenues in the six months to 30 September 2018 ("H1 2019") below expectations, as previously announced
- Mammalian antibody library on track for delivery in 2020

Financial

- Revenues of £658k (H1 2018: £1,414k)
- Loss for the period of £742k (H1 2018: £166k)
- Cash and cash equivalents at 30 September 2018 of £2,802k (31 March 2018: £4,490k)

Post-period end

- Patent application covering affinity maturation filed in October 2018
- Strong recovery in order levels seen in October and November 2018

Commenting on the interim results, Paul Kerr, CEO of Fusion Antibodies plc, said: *"As we have previously announced, the first six months of the current financial year have been challenging due to increasing competition and consequential pricing pressures. However, order levels have started to accelerate in October and November and I am cautiously optimistic that we have turned a corner. I am pleased that the laboratory capacity expansion was completed on time and within budget, in August 2018, and the launch of the Rational Affinity Maturation Platform (RAMP™) is on schedule for completion in December 2018. These important developments will reinforce our market-leading offering and enable us to resume growth of the business."*

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About Fusion Antibodies plc

Fusion is a Belfast based contract research organisation ("CRO") providing a range of antibody engineering services for the development of antibodies for both therapeutic drug and diagnostic applications. The Company's ordinary shares were admitted to trading on AIM on 18 December 2017. Fusion provides a broad range of services in antibody generation, development, production, characterisation and optimisation. These services include antigen expression, antibody production, purification and sequencing, antibody humanisation using Fusion's proprietary CDRx™ platform and the production of antibody generating stable cell lines to provide material for use in clinical trials. Since 2012, the Company has successfully sequenced over 250 antibodies and successfully completed over 100 humanisation projects for its international, blue-chip client base.

The Company was established in 2001 as a spin out from Queen's University Belfast. It was initially a drug development business but revised its operations to focus on CRO work in 2011. The Company has a highly experienced management team with a combined 47 years' experience in the biopharma industry. The global monoclonal antibody therapeutics market, which accounted for 43 per cent. of the global biologics market in 2016, was valued at between $85.4 billion and $86.7 billion in 2015 and is forecast to increase at a CAGR of between 8.2 per cent. and 12.2 per cent. for the period 2016 to 2024.

Operational Review

As announced in August 2018, the Company's order levels and revenues in the second six months of the previous financial year and the first few months of the current financial year were substantially below original market expectations and previously achieved levels. The Directors believe that this market disruption has been caused by intense competition recently in the antibody engineering market. The Directors are firmly of the view that the fundamental market for Fusion's antibody engineering services remains attractive and that customers appreciate the high-quality services that Fusion provides. The Company has therefore continued to invest in the development of new and improved services and the expansion of its facilities, believing that these will be rewarded in due course.

The Company was therefore pleased to announce in August that the laboratory expansion was completed within budget. This will provide the Company with the capacity to grow revenues substantially over the next few years.

The development of the new proprietary Rational Affinity Maturation Platform (RAMP™) is nearing completion and the Company has begun marketing the service to potential users. The Board believes RAMP™ is highly innovative, represents highly valuable intellectual property and will offer the Company a significant competitive advantage. The company filed a patent application covering the technology in October 2018. The Board is confident that this new service will support further long-term growth.

Progress on the new proprietary mammalian antibody library is also on schedule and is expected to be completed and available as a service offering to customers during 2020.

In June 2018, the Company announced that it was in discussions intended to lead to a revised agreement with MAB Discovery GmbH which would provide greater clarity around the nature of services that Fusion provides to MAB. A new fee for service only contract has now been agreed and the Company and MAB are planning to commence a project under the new agreement.

The Company has recruited more staff for business development, delivery of services and for research and development. The cost of these recruits has been partially offset by grants from Invest Northern Ireland, as announced in May 2018. The Company is in the process of recruiting a Commercial Director.

Financial Review

Revenues for the six-month period to 30 September 2018 (H1 2019) were £658k compared with £1,414k in the six months to 30 September 2017 (H1 2018). As previously announced and as discussed in the Operational Review above, this performance was substantially below the Directors' expectations and has been caused by more intense competition. The bulk of the revenues came from antibody humanisation and mammalian expression projects for customers.

Cost of sales in H1 2019 were £545k, compared with £597k in H1 2018. The recruitment and training of additional scientists for the new laboratories has resulted in these costs not reducing in direct proportion to revenues.

Administrative expenses of £1,063k in H1 2019 were 7% higher than £995k in H1 2018. Administrative costs in H1 2018 included £241k of non-recurring costs, reflecting a 41% increase in like-for-like costs occurred. As part of the capacity expansion plans, the Company has leased additional premises and all related occupation costs have increased as a result of this. Depreciation charges have also increased significantly as laboratory capacity has been expanded.

The total cost base (cost of sales and administrative expenses) in H1 2019 was therefore £1,608k, £16k (1%) higher than £1,592k in H1 2018 (or an increase of 19% on the underlying costs).

Other operating income of £58k (H1 2018: £29k) includes revenue grants relating to employment costs, as announce in May 2018.

As a consequence of the lower revenues, operating loss for H1 2019 was £892k (H1 2018: £148k).

After adjusting the net loss for non-cash items such as depreciation, amortisation and share based payments, and for cash flow timing differences arising on working capital movements, cash used in operations was £446k compared with £51k in H1 2018. £1,232k was invested in H1 2019 (H1 2018: £137k), predominantly in the planned expansion of the facilities, so that together with other minor cash flows, the overall cash outflow for the six months to 30 September 2018 was £1,688k. The resulting cash balance at 30 September 2018 was £2,803k.

Having considered the current trading and expenditure forecasts in light of going concern, the Directors have satisfied themselves that the Company has adequate funds in place to continue to meet its obligations as they fall due.

The total expenditure on the investment in facilities in the last 12 months (i.e. H2 2018 and H1 2019) was £1,677k which is significantly below the £2,600k expected to be incurred at the time of the Company's admission to AIM in December 2017. This underspend has been achieved by reconfiguring the expansion to achieve the same capacity expansion at a lower cost and less disruption to operations than originally expected.

Basic loss per share was 3.4 pence per share (H1 2018 loss per share: 30.4 pence). This includes the effect of the issue of new shares in H2 2018. For the six months ended 30 September 2017 the number of shares, and therefore the loss per share, has not been adjusted to take account of the subsequent division of each ordinary share of £1 each into 25 shares of 4 pence each.

The Board is not recommending the payment of a dividend in relation to the first half of the current financial year.

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

KPI	**H1 2019**	H1 2018
Revenue growth	**(53%)**	70%
EBITDA*	**(£712k)**	(£116k)
Cash (used in)/generated from operations	**(£446k)**	£51k

* Earnings before interest, tax, depreciation and amortisation

Outlook
Although revenues for the first six months were below expectation, the board continues to believe that modest revenue growth can be achieved in 2018-19. This is based on the orders already in hand, our extensive pipeline of opportunities and the recent marked improvement is order intake.

RAMP™ is set to be introduced in December 2018 and is not expected to impact revenues in Q4 in the current financial year. However, the Board is optimistic that the launch of RAMP™ will have a positive impact on revenues for FY 2020.

Statement of Directors' Responsibilities

The Directors confirm, to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting', as adopted by the European Union;
- The interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules of the of the United Kingdom's Financial Conduct Authority, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year, and gives a true and fair view of the assets, liabilities, financial positions and profit for the period of the company; and
- The interim management report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority, being a disclosure of related party transactions and changes therein since the previous annual report.

By order of the Board

Dr Simon Douglas
Chairman

26 November 2018

Condensed Statement of Comprehensive Income
For the six months ended 30 September 2018

	Notes	**6 months to 30.09.18 Unaudited £**	6 months to 30.09.17 Unaudited £	Year to 31.03.18 Audited £
Revenue		**658,456**	1,414,081	2,690,744
Cost of sales		**(545,492)**	(596,863)	(1,207,331)
Gross profit		**112,964**	817,218	1,483,413
Other operating income	11	**57,969**	29,481	54,626
Administrative expenses		**(1,063,336)**	(994,851)	(2,248,582)
Operating loss		**(892,403)**	(148,152)	(710,543)
Finance income	4	**6,926**	13	4,043
Finance costs	4	**(1,894)**	(2,388)	(4,862)
Loss before tax		**(887,371)**	(150,527)	(711,362)
Income tax credit/(expense)	5	**145,273**	(15,853)	11,421
Loss for the period		**(742,098)**	(166,380)	(699,941)
Total comprehensive (expense) for the period		**(742,098)**	(166,380)	(699,941)

		Pence	Pence	Pence
Basic loss per share	6	**(3.4)**	(30.4)	(4.3)
Diluted earnings per share	6	**(3.3)**	(26.9)	(4.2)

Condensed Statement of Financial Position
As at 30 September 2018

	Notes	**As at 30.09.18 Unaudited £**	As at 30.09.17 Unaudited £	As at 31.03.18 Audited £
Assets				
Non-current assets				
Intangible assets	7	**7,220**	-	-
Property, plant and equipment	8	**1,591,478**	315,004	546,734
Deferred tax assets		**1,276,988**	1,156,831	1,156,047
		2,875,686	1,471,835	1,702,781
Current assets				
Inventories		**95,880**	103,477	81,815
Trade and other receivables		**650,615**	826,811	926,220
Current tax receivable		**13,103**	3,347	6,906
Cash and cash equivalents		**2,802,630**	188,977	4,490,931
		3,562,228	1,122,612	5,505,872
Total assets		**6,437,914**	2,594,447	7,208,653
Liabilities				
Current liabilities				
Trade and other payables		**521,541**	670,129	536,299
Borrowings	9	**34,655**	32,812	33,758
		556,196	702,941	570,057
Net current assets		**3,006,032**	419,671	4,935,815
Non-current liabilities				
Borrowings	9	**25,989**	60,543	43,529
Provisions for other liabilities and charges		**20,000**	20,000	20,000
Total liabilities		**602,185**	783,484	633,586
Net assets		**5,835,729**	1,810,963	6,575,067
Equity				
Called up share capital		**883,648**	547,655	883,648
Share premium reserve		**4,872,327**	6,161,269	4,872,327
Retained earnings/(accumulated losses)	13	**79,754**	(4,897,961)	819,092
Equity		**5,835,729**	1,810,963	6,575,067

Condensed Statement of Changes in Equity
For the six months ended 30 September 2018

6 months ended 30 September 2018 Unaudited	**Called up share capital £**	**Share premium reserve £**	**Retained earnings £**	**Equity £**
At 1 April 2018	**883,648**	**4,872,327**	**819,092**	**6,575,067**
Restatement (see note 13)	**-**	**-**	**(23,632)**	**(23,632)**
At 1 April 2018 restated	**883,648**	**4,872,327**	**795,460**	**6,551,435**
Loss for the period	**-**	**-**	**(742,098)**	**(742,098)**
Share options - value of employee services	**-**	**-**	**46,593**	**46,593**
Tax credit relating to share option scheme	**-**	**-**	**(20,201)**	**(20,201)**
Total transactions with owners, recognised directly in equity	**-**	**-**	**26,392**	**26,392**
At 30 September 2018	**883,648**	**4,872,327**	**79,754**	**5,835,729**

6 months ended 30 September 2017 Unaudited	Called up share capital £	Share premium reserve £	Accumulated losses £	Equity £
At 1 April 2017	547,655	6,161,269	(5,003,002)	1,705,922
Loss for the period	-	-	(166,380)	(166,380)
Share options - value of employee services	-	-	216,332	216,332
Tax credit relating to share option scheme	-	-	55,089	55,089
Total transactions with owners, recognised directly in equity	-	-	271,421	271,421
At 30 September 2017	547,655	6,161,269	(4,897,961)	1,810,963

Year ended 30 March 2018 Audited	Called up share capital £	Share premium reserve £	Retained earnings £	Equity £
At 1 April 2017	547,655	6,161,269	(5,003,002)	1,705,922
Loss for the year	-	-	(699,941)	(699,641)
Capital reduction	-	(6,161,269)	6,161,269	-
Issue of share capital	335,993	5,270,359	-	5,606,352
Cost of issuing share capital	-	(398,032)	-	(398,032)
Share options - value of employee services	-	-	330,176	330,176
Tax credit relating to share option scheme	-	-	30,590	30,590
Total transactions with owners, recognised directly in equity	335,993	(1,288,942)	6,522,035	5,569,086
At 31 March 2018	883,648	4,872,327	819,092	6,575,067

Cash Flow Statement
For the six months ended 30 September 2018

	6 months to 30.09.18 Unaudited £	6 months to 30.09.17 Unaudited £	Year to 31.03.18 Audited £
Cash flows from operating activities			
Loss for the period	**(742,098)**	(166,380)	(699,941)
Adjustments for:			
Share based payment expense	**46,593**	216,322	330,176
Cost of raising capital	**-**	-	609,836
Depreciation	**178,800**	31,232	69,625
Amortisation of intangible assets	**824**	-	-
Finance income	**(6,926)**	(13)	(4,043)
Finance costs	**1,894**	2,388	4,862
Income tax (credit)/expense	**(145,273)**	15,853	(11,421)
Increase in inventories	**(14,065)**	(33,216)	(11,554)
Decrease/(increase) in trade and other receivables	**247,430**	(254,803)	(225,322)
(Decrease)/increase in trade and other payables	**(14,758)**	239,912	14,974
Cash (used in)/generated from operations	**(447,579)**	51,295	77,192
Income tax received	**2,078**	-	-
Net cash (used in)/generated from operating activities	**(445,501)**	51,295	77,192
Cash flows from investing activities			
Purchase of intangible assets	**(8,044)**	-	-
Purchase of property, plant and equipment	**(1,223,544)**	(136,514)	(444,595)
Net cash used in investing activities	**(1,231,588)**	(136,514)	(444,595)
Cash flows from financing activities			
Proceeds from issue of share capital	-	-	4,598,650
Repayments of borrowings	**(16,643)**	(9,114)	(25,182)
Finance income - interest received	**7,325**	13	4,043
Finance costs - interest paid	**(1,894)**	(2,388)	(4,862)
Net cash (used in)/generated from financing activities	**(11,212)**	(11,489)	4,572,649
Net (decrease)/increase in cash and cash equivalents	**(1,688,301)**	(96,708)	4,205,246
Cash and cash equivalents at the beginning of the period	**4,490,931**	285,685	285,685
Cash and cash equivalents at the end of the period	**2,802,630**	188,977	4,490,931

Notes to the Interim Results
For the six months ended 30 September 2018

1 Basis of Preparation

The condensed financial statements comprise the unaudited results for the six months to 30 September 2018 and 30 September 2017 and the audited results for the year ended 31 March 2018. The financial information for the year ended 31 March 2018 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 March 2018 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for 2018 was unmodified and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

The condensed financial statements for the period ended 30 September 2018 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The information in these condensed financial statements does not include all the information and disclosures made in the annual financial statements.

Going concern

The directors are satisfied that the company has sufficient resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these condensed financial statements.

Accounting policies

The condensed financial statements have been prepared in a manner consistent with the accounting policies set out in the financial statements for the year ended 31 March 2018 and on the basis of the International Financial Reporting Standards (IFRS) as adopted for use in the EU that the company expects to be applicable at 31 March 2019. IFRS are subject to amendment and interpretation by the International Accounting Standards Board (IASB) and there is an ongoing process of review and endorsement by the European Commission.

Of the new standards, amendments or interpretations that have become effective in the period IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' have had a material effect on the company. The changes in accounting policies and resultant adjustments to the financial statements are set out in note 13.

The company is reviewing the impact on the financial statements of the relevant forthcoming standards, including IFRS 16 'Leases' effective 1 January 2019. IFRS 16 will first be applied to the financial statements for the year ended 31 March 2020. Under IFRS 16 the company's operating leases will be accounted for as right of use assets, which will largely be offset by equivalent lease liabilities. The assets will be recognised as property, plant and equipment and the lease liability will increase net debt.

2 Segmental information

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

3 Non-recurring items

There were no non-recurring items to report for the 6 months to 30 September 2018. In the previous accounting period the company incurred non-recurring costs arising from preparations for and professional fees in relation to the listing on AIM, a market operated by the London Stock Exchange.

	6 months to 30.09.18 Unaudited £	6 months to 30.09.17 Unaudited £	Year to 31.03.18 Audited £
Accelerated share based payments	-	-	163,100
IPO costs	-	241,000	609,836
	-	241,000	772,936

4 Finance income and costs

Income	**6 months to 30.09.18 Unaudited £**	6 months to 30.09.17 Unaudited £	Year to 31.03.18 Audited £
Bank interest receivable	**6,926**	13	4,043

Cost	**6 months to 30.09.18 Unaudited £**	6 months to 30.09.17 Unaudited £	Year to 31.03.18 Audited £
Interest expense on other borrowings	**1,894**	2,388	4,857
Bank interest payable	**-**	-	5
	1,894	2,388	4,862

5 Income tax (credit)/expense

	6 months to 30.09.18 Unaudited £	6 months to 30.09.17 Unaudited £	Year to 31.03.18 Audited £
Current tax	**(8,275)**	(1,586)	(4,828)
Deferred tax	**(136,998)**	17,439	(6,593)
Total tax (credit)/expense	**(145,273)**	15,853	(11,421)

Notes to the Interim Results

For the six months ended 30 September 2018

6 Earnings per share

The calculation of earnings per share is based on loss after tax from continuing operations for six months to 30 September 2018 of £742,098 (6 months to 30 September 2017: £166,380, Year to 31 March 2018: £699,941).

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

	6 months to 30.09.18 Unaudited Number	6 months to 30.09.17 Unaudited Number	Year to 31.03.18 Audited Number
Issued ordinary shares at the end of the period	**22,091,192**	547,655	22,091,192
Weighted average number of shares in issue during the period	**22,091,192**	547,655	16,117,206
Dilutive effect of share options	**404,661**	70,742	399,732
Diluted weighted average number of shares in issue during the period	**22,495,853**	618,397	16,516,938

Basic earnings per share is calculated by dividing the basic earnings for the period by the weighted average number of shares in issue during the period. For the six months ended 30 September 2017 the number of shares has not been adjusted to take account of the subsequent division of each ordinary share of £1 each into 25 shares of 4 pence each.

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

Notes to the Interim Results

For the six months ended 30 September 2018

7 Intangible assets

	Software

	£
Cost	
At 1 April 2018	-
Additions	8,044
At 30 September 2018	8,044
Accumulated amortisation	
At 1 April 2018	-
Amortisation charged in the period	824
At 30 September 2018	824
Net book value	
At 30 September 2018	**7,220**
At 31 March 2018	-

Software additions represents the costs of development of proprietary software.

8 Property, plant and equipment

	Assets under construction £	Leasehold Improve-ments £	Plant & machinery £	Fixtures, fittings & equipment £	Total £
Cost					
At 1 April 2018	205,129	156,059	691,245	107,687	1,160,120
Additions	-	340,499	802,780	80,265	1,223,544
Assets brought into use	(205,129)	205,129	-	-	-
Disposals	-	-	(119)	(8,097)	(8,216)
At 30 September 2018	-	701,687	1,493,906	179,855	2,375,448
Accumulated depreciation					
At 1 April 2018	-	156,059	430,851	26,476	613,386
Disposals	-	-	(119)	(8,097)	(8,216)
Depreciation charged in the period	-	57,742	102,068	18,990	178,800
At 30 September 2018	-	213,801	532,800	37,369	783,970
Net book value					
At 30 September 2018	**-**	**487,886**	**961,106**	**142,486**	**1,591,478**
At 31 March 2018	205,129	-	260,394	81,211	546,734

9 Borrowings

Hire purchase contracts	**At 30 September 2018 £**	At 30 September 2017 £	At 31 March 2018 £
At 1 April	**77,287**	-	-
Additions in period	**-**	102,469	102,469
Repayments	**(16,643)**	(9,114)	(25,182)
At 30 September	**60,644**	93,355	77,287
Amounts due in less than 1 year	**34,655**	32,812	33,758
Amounts due after more than 1 year	**25,989**	60,543	43,529
	60,644	93,355	77,287

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.

10 Retirement benefits obligations

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

11 Transactions with related parties

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

Invest Northern Ireland is a shareholder in the company. The company was charged for rent and estate services amounting to £42,223 (6 months ended 30 September 2017: £21,417, year ended 31 March 2018: £78,957). A balance of £nil (30 September 2017: £6,242, 31 March 2018: £6,879) was due and payable to Invest NI at the reporting date. The company received various grants during the period from Invest NI amounting to £57,969 (6 months ended 30 September 2017: £29,481, year ended 31 March 2018 £47,591).

Director Colin Walsh is also a director of Crescent Capital. During the period Crescent Capital charged the company £2,960 (6 months ended 30 September 2017: £5,468, year ended 31 March 2018: £10,800) for consultancy services. At the reporting date an amount of £nil (30 September 2017: £6,468, 31 March 2018: £2,000) was payable to Crescent Capital.

12 Events after the reporting date

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

13 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue form Contracts with Customers on the company's financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

(a) Impact on financial statements

As a result of changes in the company's accounting policies, a restatement of prior year financial statements was not required. As explained later in this note, IFRS 9 and IFRS 15 were adopted without restating comparative information. The reclassifications and the adjustments arising from adoption of these standards are therefore not reflected in Statement of Financial Position as at 31 March 2018, but are recognised in the opening Statement of Financial Position on 1 April 2018.

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

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

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

Retained earnings	819,092	(3,398)	-	(20,234)	-	795,460

Notes to the Interim Results

For the six months ended 30 September 2018

13 Changes in accounting policies (continued)

(b) IFRS 9 Financial Instruments - impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the classification and measurement of financial assets and financial liabilities, financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 'Financial Instruments' from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 13(c) below. In accordance with the transitional provisions in IFRS 9 (7.2.15), comparative figures have not been restated.

The total impact on the company's retained earnings is shown in 13(a) above.

Impairment of financial assets

Trade receivables is the only financial asset of the company that is subject to the new expected credit loss model of IFRS9.

The company was required to revise its impairment methodology for trade receivables under IFRS 9. The impact of the change in impairment methodology on retained earnings and equity is shown in the table in 13(a) above.

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

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

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

13 Changes in accounting policies (continued)

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

1 April 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
Expected loss rate	0.3%	0.4%	0.5%	0.8%	4.8%	
Gross carrying amount	276,905	181,617	13,345	1,761	37,158	510,786
Loss allowance	879	636	61	15	1,807	3,398

The above loss allowance relates solely to trade receivables.

The loss allowances increased by £510 to £3,908 for trade receivables during the six months to 30 September 2018. The loss allowance for contract assets at 31 March 2018 and 30 September 2018 was £nil.

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

(c) IFRS 9 Financial Instruments - Accounting policies applied from 1 April 2018

Financial assets

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

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

13 Changes in accounting policies (continued)

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

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

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

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

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

From 1 April 2018, the company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised costs and FVOCI. For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be deducted from initial recognition of the receivables.

13 Changes in accounting policies (continued)

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

Trade receivables

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

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

Cash and cash equivalents

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

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

The adoption of IFRS15 'Revenue from Contracts with Customers' from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 13(e) below. In accordance with the transitional provisions in IFRS 15 (Appendix C 7), comparative figures have not been restated.

The total impact on the company's retained earnings is shown in 13(a) above. At 31 March the company had recognised an amount of £24,378 included in other debtors, which was reclassified as Contract assets upon adoption of IFRS 15 and then reduced to £nil as it no longer met the recognition criteria of the new accounting policy. As a result of this adjustment, the deferred tax asset arising from the taxable losses of the company increased by £4,144 being £24,378 at an expected corporation tax rate of 17%.

13 Changes in accounting policies (continued)

Accounting for performance obligations within a customer contract

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

(e) IFRS 15 Revenue from Contracts with Customers - Accounting policies applied from 1 April 2018

Revenue recognition

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