**19 August 2020**

*Prior to publication, the information contained within this announcement was deemed by the Company to constitute inside information for the purposes of Article 7 under the Market Abuse Regulation (EU) No. 596/2014 ("MAR"). With the publication of this announcement, this information is now considered to be in the public domain.*

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

**Final Results**

Fusion Antibodies plc (AIM: FAB), specialists in pre-clinical antibody discovery, engineering and supply for both therapeutic drug and diagnostic applications, is pleased to announce its final results for the year ended 31 March 2020.

**Highlights**

- Full year revenues increased by 79% to £3.9m (2019: £2.2m)
- Loss for the year of £0.7m (2019: loss £1.3m)
- Commercial roll out and revenues from Rational Affinity Maturation Platform (RAMP™)
- Cash position at the year-end £1.5m (2019: £2.0m)

**Post year end and looking ahead**

- £3.0m equity fundraise post year end
- Covid-19 programme introduced as part of the Mammalian Antibody Library Development Plan to assist clients working towards solutions for Covid-19
- Partnership with MAB Discovery continues with further development work being undertaken
- Investment in laboratory automation equipment

**Paul Kerr, CEO of Fusion Antibodies commented:** *"We have had a strong year with the increased revenue performance in H1 and H2 driven by the expansion of our existing services and newly introduced RAMP™. The Company has also seen strong geographical growth in FY20 with the appointment of two new distributors in Asia as well carrying out a RAMP™ project for a large indigenous company in China. While Covid-19 has brought a lot of uncertainty for FY21, trading so far has been in line with expectations and the £3.0m fundraise in April has allowed Fusion to expand the existing proof-of-concept work on the Mammalian Antibody Library to include Covid-19 as a new target. We are positive about the next 12 months and are grateful to our shareholders for their continued support."*

Enquiries:

**Fusion Antibodies plc** www.fusionantibodies.com
Dr Paul Kerr, Chief Executive Officer *Via Walbrook PR*
James Fair, Chief Financial Officer

**Allenby Capital Limited** Tel: +44 (0)20 3328 5656
James Reeve / Asha Chotai (Corporate Finance)
Tony Quirke (Sales)

**Walbrook PR** Tel: +44 (0)20 7933 8780 or fusion@walbrookpr.com
Anna Dunphy Mob: +44 (0)7876 741 001
Paul McManus Mob: +44 (0)7980 541 893

**Chairman's Statement**

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

**Strategy and progress**

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

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

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

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

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

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

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

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

**Corporate governance**

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

**Current trading**

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

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

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

**Dr Simon Douglas**
***Chairman***

19 August 2020

**CEO's report and operations review**

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

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

**Business review**

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

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

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

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

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

With the Covid-19 crisis reaching the UK towards the year end, the Company took the decision to expand the original development programme for the Library. Shortly after the year end we raised additional funds to enable the Company to broaden the Library programme testing to include Covid-19 as a new target alongside the Immuno-oncology and GPCR targets in the existing plans, thus accelerating the overall programme. This provides the Company with the opportunity to showcase the application of the new platform and may also present opportunities to out-license the novel antibodies discovered as a result.
The MAB Discovery partnership continues as we work with them to deliver their antibodies onward towards clinical development. We maintain our interest in in several molecules developed by MAB Discovery and other customers and have added new milestones for customer projects completed during the year.

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

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

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

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

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

Inventory of consumables was increased at the year end to allow for any supply chain disruption from the UK's planned departure from the European Union and the Coronavirus outbreak reaching Europe in the final quarter of the financial year. In the year, 32% of the Company's revenues arose from exports to the EU countries. The Company continues to monitor potential risks and opportunities arising as the future EU trade deal is negotiated. We also continue to develop other export markets to mitigate risks of overexposure to any one geographical market.

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

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

**Post-period end events**

- £3.0m capital (gross proceeds) raised post year end
- Covid-19 programme introduced as part of the Mammalian Antibody Library Development Plan

- Partnership with MAB Discovery continues with further development work being undertaken
- Investment in laboratory automation equipment

**Financial Results**

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

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

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

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

**Key performance indicators**

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

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

**Outlook**

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

**Dr Paul Kerr**
***Chief Executive Officer***

**19 August 2020**

**Statement of Comprehensive Income**
**For the year ended 31 March 2020**

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

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

**Statement of Financial Position**
**As at 31 March 2020**

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

**Statement of Changes in Equity**
**For the year ended 31 March 2020**

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

**Statement of Cash Flows**
**For the year ended 31 March 2020**

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

**Notes to the Financial Statements**

1. **General information**

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

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

2. **Significant accounting policies**

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

**Basis of preparation**

The financial information included in this preliminary announcement does not constitute statutory accounts of the company for the years ended 31 March 2020 and 31 March 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts: their reports were (i) unqualified , (ii) did not included a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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

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

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

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

**Going concern**

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

**Revenue recognition**

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

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

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

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

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

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

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

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

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

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

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

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

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

| | |
|---|---|
| Leasehold improvements | The lesser of the asset life and the remaining length of the lease |
| Plant and machinery | 4 years |
| Fixtures, fittings & equipment | 4 years |

**Leases 2020**
Leases in which a significant portion of the risks and rewards of ownership remain with the lessor are deemed to give the Company the right-of-use and accordingly are recognised as property, plant and equipment in the statement of financial position. Depreciation is calculated on the same basis as a similar asset purchased outright and is charged to profit or loss over the term of the lease. A corresponding liability is recognised as borrowings in the statement of financial position and lease payments deducted from the liability. The difference between remaining lease payments and the liability is treated as a finance cost and taken to profit or loss in the appropriate accounting period.

**Leases 2019**
Leases in which a significant portion of the risks and rewards of ownership remain with the lessor are classified as operating leases and are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

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

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

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

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

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

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

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

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

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

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

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

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

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

**Financial assets**
*Classification*

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

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

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

*Recognition and measurement*

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

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

*Impairment*

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

**Inventories**

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

**Financial liabilities**

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

**Provisions**

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

**Employee benefits – Defined contribution plan**

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

**Foreign currency translation**

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

**Equity**

Equity comprises the following;

*Called up share capital*
Share capital represents the nominal value of equity shares.

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

*Accumulated losses*
Accumulated losses represents retained profits and losses.

### 3. Critical accounting estimates and judgements

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

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

**Critical accounting estimates and assumptions**

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

### 4. Revenue

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

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

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

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

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| Employee benefit costs | | |
| -wages and salaries | **1748** | 1,247 |
| -social security costs | **169** | 118 |
| -other pension costs | **76** | 49 |
| -share based payments | **72** | 98 |
| | **2,065** | 1,512 |
| | | |
| Depreciation of property, plant and equipment | **620** | 429 |
| | | |
| Other operating expenses | | |
| Operating lease rentals – land & buildings | **-** | 75 |
| Rates, utilities and property maintenance | **64** | 66 |
| IT costs | **25** | 16 |
| | | |
| Fees payable to the Company's auditors | | |
| - for the audit of the financial statements | **19** | 19 |
| - non-audit assurance services | **7** | 7 |
| | **26** | 26 |
| | | |
| Raw materials and consumables used | **1,337** | 913 |
| Increase in inventories | **(97)** | (161) |
| Patent costs | **20** | 7 |
| Marketing costs | **134** | 162 |
| Loss on foreign exchange | **1** | - |
| Other expenses | **815** | 732 |
| | | |
| Total cost of sales and administrative expenses | **5,010** | 3,777 |

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

## 6. Average staff numbers

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

## 7. Remuneration of directors and key senior management

**Directors**

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

**Highest paid director**

The highest paid director received the following emoluments:

| | **2020** | 2019 |
|---|---|---|

| | £'000 | £'000 |
|---|---|---|
| Emoluments | **121** | 112 |
| Pension contributions | **6** | 5 |
| | **127** | 117 |

**Key senior management**

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

## 8. Finance income and costs

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

| | **2020** | 2019 |
|---|---|---|
| Costs | **£'000** | £'000 |
| Interest expense on other borrowings | **20** | 4 |
| Bank interest payable | **-** | - |
| | **20** | 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 unapproved scheme; and
- A United Kingdom tax authority approved scheme for executive directors and senior staff which incorporates unapproved options for grants to be made following listing of the Company shares, "2017 EMI and Unapproved Employee Share Option Scheme".

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

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

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

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

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

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

## 10. Income tax credit

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

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

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

## 11. Earnings per share

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Loss for the financial year | **(697)** | (1,264) |

| | **pence** | Pence |
|---|---|---|
| Loss per share | | |
| Basic | **(3.2)** | (5.7) |

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

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

## 12. Intangible assets

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

## 13. Property, plant and equipment

| | **Right of use Assets £'000** | **Leasehold Improve-ments £'000** | **Plant & machinery £'000** | **Fixtures, fittings & equipment £'000** | **Total £'000** |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 April 2019 | **-** | **712** | **1,707** | **202** | **2,621** |
| Adoption of IFRS 16 (note 29) | **226** | **-** | **-** | **-** | **226** |
| Additions | **-** | **13** | **245** | **18** | **276** |
| Disposals | **-** | **-** | **(36)** | **-** | **(36)** |
| At 31 March 2020 | **226** | **725** | **1,916** | **220** | **3,087** |

| | | | | | |
|---|---|---|---|---|---|
| Accumulated depreciation | | | | | |
| At 1 April 2019 | **-** | **283** | **691** | **59** | **1,033** |
| Depreciation charged in the year | **68** | **142** | **360** | **50** | **620** |
| Disposals | **-** | **-** | **(36)** | **-** | **(36)** |
| At 31 March 2020 | **68** | **425** | **1,015** | **109** | **1,617** |
| | | | | | |
| Net book value | | | | | |
| At 31 March 2020 | **158** | **300** | **901** | **111** | **1,470** |
| At 31 March 2019 | - | 429 | 1,016 | 143 | 1,588 |

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

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

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

**14. Investment in subsidiary**

The Company has the following investment in a subsidiary:

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

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

**15. Deferred tax assets**

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

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

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

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

Deferred tax liabilities and assets expected to reverse after more than 12 months: £1,595,000 (2019: £1,343,000).

**16. Inventories**

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

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

## 17. Trade and other receivables

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

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

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

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

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

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

The expected credit loss allowance has been calculated as follows:

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

Movements on trade receivables loss allowance is as follows:

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

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

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

**18. Trade and other payables**

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

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

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

**19. Borrowings**

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

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

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

**20. Provisions for other liabilities and charges**

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

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

**21. Financial instruments**

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

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

**Financial instruments by category**
Financial instruments categories are as follows:

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

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

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

| As at 31 March 2019 | Other financial liabilities at amortised cost £'000 |
|---|---|

| | |
|---|---|
| Trade payables | 462 |
| Other payables | 25 |
| Accruals | 242 |
| Borrowings | 140 |
| Total | 869 |

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

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

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

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

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

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

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

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

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

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

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

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

### 22. Called up share capital

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

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

### 23. Capital commitments

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

### 24. Operating lease commitments

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

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

### 25. Retirement benefits obligations

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

### 26. Transactions with related parties

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

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

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

### 27. Events after the reporting date

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

### 28. Ultimate controlling party

There is no ultimate controlling party.

### 29. Changes in accounting policies

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

#### (a) Impact on financial statements

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

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

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

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

Impact on the opening balance on the statement of financial as at 1 April 2019:

**Balance sheet extract**

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

**(b) Impact of adoption**

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

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

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

**Leases**

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

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

The following judgements have been made by the directors:

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

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

## 30. Reconciliation of profits to EBITDA

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