23 August 2022

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse (amendment) (EU Exit) Regulations 2019/310 ("MAR"). With the publication of this announcement via a Regulatory Information Service, this inside 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, announces its final results for the year ended 31 March 2022.

Commercial and operational highlights

- Full year revenues increased by 15% to £4.8m (2021: £4.2m)
- Loss for the year of £1.2m (2021: loss £2.9m)
- Investment in R&D £0.7m (2021: £0.6m)
- First success milestones received from clients
- Cash position at the year-end £2.0m (2021: £2.7m)

Post period end highlights

- Appointment of Adrian Kinkaid as CEO in August 2022

Simon Douglas, Chairman of Fusion Antibodies commented: “*We are pleased with our overall performance in the year given the challenges that still exist with Covid-19. Our full year revenues increased, and we have strengthened our Board with the additions of Dr Matthew Barker as a Non-Executive Director and more recently, the appointment of Dr Adrian Kinkaid as our new CEO. We are delighted Adrian has come on board and we look forward to fully integrating him into the business. On behalf of the whole team, I would like to thank our shareholders for their continued support, and we feel positive for the next 12 months.”*

Investor briefing

Fusion will host an online live presentation open to all investors on Thursday, 1 September 2022 at 11.00am, delivered by Dr Adrian Kinkaid, CEO and James Fair, CFO via the Investor Meet Company platform. The Company is committed to providing an opportunity for all existing and potential investors to hear directly from management on its results whilst additionally providing an update on the business and current trading.

Investors can sign up to Investor Meet Company for free and add to meet Fusion Antibodies plc via the following link: https://www.investormeetcompany.com/fusion-antibodies-plc/register-investor

Enquiries:

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Simon Douglas, Chairman	*Via Walbrook PR*

James Fair, Chief Financial Officer
Adrian Kinkaid, Chief Executive Officer

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About Fusion Antibodies plc

Fusion is a Belfast-based Collaborative Research Organisation ("CRO") company, listed on AIM, providing a range of antibody engineering services for the development of antibodies for both therapeutic drug and diagnostic applications.

Fusion provides a broad range of services in antibody generation, development, characterisation, optimisation, and small-scale production. These services include antigen expression, purification and sequencing, antibody humanisation using Fusion's proprietary CDRxTM platform and cell line development, producing antibody generating stable cell lines optimised for use downstream by the customer to produce material for clinical trials. Since 2012, the Company has successfully sequenced and expressed over 250 antibodies and successfully completed over 200 humanisation projects for its international customer base, which has included eight of the top 10 global pharmaceutical companies by revenue.

At every stage, our client's vision is central to how we work in combining the latest technological advances with cutting edge science. In this work our world-class humanization and antibody optimization platforms harness the power of natural somatic hypermutation (SHM) to ensure the best molecule goes to the clinic. Fusion Antibodies' growth strategy is based on enabling Pharma and Biotech companies get to the clinic more effectively, using molecules with optimized therapeutic profile and enhanced potential for successful development and approval and, ultimately, on speeding up the drug discovery and development process. Fusion's use of SHM to create a fully human antibody library to capture the human antibody repertoire will address a continuing market need in antibody discovery,

Fusion Antibodies' emphasis on antibody therapeutics is based on the size and growth rate in the sector, with the market valued at $135.4 billion in 2018 and forecast to surpass $300 billion by 2025, a CAGR of 14.26%. As of May 2021, there were 100 approved antibody therapies on the market and more than 570 antibody therapies in clinical development.

Chairman's Statement

The last twelve months have seen the effects of the Covid-19 pandemic on both our staff and the business diminish and the vaccination programme has made a significant difference to how we can carry out our business. Northern Ireland has been slower to ease Covid-19 restrictions than other parts of the UK and our business development and financial teams continued to work from home for most of the year. However, the whole team have continued to work well together and shown a level of commitment that I am proud of and something for which I would like to thank them.

Availability of some reagents and consumables have occasionally been affected but overall, the Company was able to meet the challenges presented and has demonstrated good growth over the financial period concerned.

Revenues increased for FY2022 delivering year on year revenue growth of 15% with revenue of £4.8m for the year marginally above market expectation. This growth came from a good performance in our transient expression service significantly outperforming on the previous year. The revenue included two milestone payments totalling £300,000 from projects carried out in 2016 and 2018. The loss for the year was £1.2m (FY2021: £2.9m loss) as is explained in the Executive's report on page 10 of the annual report.

Our Optimas™ service continues to give us a unique edge in the market. This service covers a range of antibody engineering benefits based on the RAMP™ platform, which encompasses affinity maturation, the potential to optimize the manufacturing efficiency and improve the antibody yield from cell culture thus reducing the overall cost of goods. Additionally, in many cases the overall stability of the antibody can be improved and the immunogenicity reduced, with the opportunity to maximise the efficiency of a client's therapeutic antibody. Although not yet in itself a significant contributor to revenue, this service attracts customers as a powerful option that is available, if required, downstream of our humanization and discovery services.

We have begun to position ourselves as more of an outsourced full development partner, collaborating in project planning, and acting as a natural extension of our customer's business, promoting our world class scientific expertise across the range of services which covers the drug development programme from discovery to supply. This change resulted in our first and significant collaborative research and development agreement worth a minimum of $1.83m over a two-year period with a US biotechnology start-up company that has been specifically incorporated to focus on a number of innovative early-stage antibody discovery and development programmes. I see this as the beginning of an exciting partnership where Fusion will provide its discovery and engineering services in relation to the research and development of several pre-determined projects. Should a product be successfully developed, registered and commercialised, the Company will be entitled to both milestone and royalty payments based on a percentage of sales figures of that product.

As part of our strategy to grow into more global territories, we entered into a commercial collaboration agreement with Eurofins Discovery (Eurofins), a leading provider of products and services to the drug discovery industry. Fusion will provide comprehensive pre-clinical antibody development services from discovery, engineering and supply to Eurofins' customers. While not expected to have a material impact on the Company's earnings in the short term, we consider that it demonstrates a commitment by both parties to provide world-class scientific expertise and next-generation technology to the market.

The formation of the new Scientific Advisory Panel (the "SAP") is an exciting next step to ensure that we remain at the cutting edge of the science involved in antibody drug development. The SAP consists of leading experts to support the Company's research and development across its range of antibody services, and to provide advice regarding emerging science and technology issues and trends. The appointment of these industry experts adds a depth of expertise that will provide Fusion with relevant and informed technical and scientific counsel and broadens our access to a network of clinical and scientific advisors, as well as academic collaborators. I am delighted to welcome them to the team.

There have been a number of changes to the Board during the financial year and in the period since the reporting date. In March 2022 Dr Alan Mawson stepped down as a Non-Executive Director and on behalf of the Board, I would like to offer our sincere thanks. Alan has contributed greatly to the Company over many years, both pre and post Fusion's admission to listing on AIM and the Company has benefited a great deal from his wise advice and guidance.

Concurrently, I was pleased to announce the appointment of Dr Matthew Baker who joined the Board as a Non-Executive Director. He was, and continues to be, a member of SAP and his extensive experience of the antibody services business, both from a technical and commercial perspective, will be a great benefit to the Company going forward.

A search for a new CEO started when we learnt that Dr Richard Jones was moving on to pursue other career opportunities. He added significant value to the Company, both operationally and commercially during his short stay and I wish him well for the future.

In July we announced the appointment of Dr Adrian Kinkaid as CEO and he has recently taken up that post. Adrian brings a lot of experience in the life science and biotherapeutics industries and joins at an exciting time as the Company focuses on growing our existing services and finalising our current development programmes, including OptiMAL™.

We have continued to invest in improving our current services and in the development of new technologies to further enhance the service offered to our customers. Improvement in our B-cell cloning services have been made and further equipment purchased to deliver the growth in transient expression. The Mammalian Antibody Library Discovery Platform (OptiMAL™) is an ongoing R&D programme. Since our last report processes to screen and select antibodies have been optimised and work has commenced on extracting neutralising antibodies to oncology targets to build a body of data with a view to establishing commercial relationships for further validation by the end of the financial year.

Corporate governance

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

Current trading

Despite a second uniquely challenging year due to the pandemic, we continued to see growth and invest further in our core scientific based services. Our commitment to new R&D projects was maintained and OptiMAL™ remains on track to deliver initial revenues in the current financial year. The Covid-19 pandemic did not have a material impact on operations as the Company implemented procedures to protect our laboratory services. Again, my thanks to all the staff who, as a team, were committed to maintaining the full operations of the Company though either working from home or, for those in the laboratories, working flexible hours in controlled conditions. I would also like to thank the shareholders for their continued support.

Post year end trading has been in line with expectations. While conditions in the UK have improved significantly, there remains considerable uncertainty from current global macro conditions. Challenges remain for much of our international customer base, but the Board believe the Company has the expertise to meet these challenges and capitalise on opportunities as we have done over the past year.

Dr Simon Douglas
Chairman
22 August 2022

Executive report and operations review

FY 2022 was a second year of business with challenges and restrictions for all of us due to the COVID-19 pandemic. The Company delivered 15% revenue growth in the year and continued to invest for growth and increased investment in R&D by 14%. As a result of the ongoing investment strategy, the Company continues to return losses which reduced this year to £1.2m (FY2021: £2.9m loss for the year). Despite the challenges throughout the year, the Company's staff were able to win a new major client contract which contributed to delivery on the financial performance, and to enter into a commercial collaboration with Eurofins Discovery. Once again, we recognise and thank the staff who worked through the challenges to enable our clients to advance their discovery and development projects and to progress our pipeline of projects.

Included in the year's results are two milestones totalling £300,000. These arise from our clients' successes: one humanisation project performed in 2018 was successfully commercialised, and one project performed in 2016 which has commenced clinical trials. Client success is a clear demonstration of the value of the work done by the Company for clients developing the drugs of the future.

Business review

The Company's revenue for the financial year to 31 March 2022 grew by 15% vs FY2021 to £4.8m which was marginally ahead of market expectations. Growth was seen in both H1 and H2 of FY2022 compared to the comparable periods in FY2021.

This growth has come from the expansion of our existing services in discovery, engineering and supply, as well as recognition of two milestone receipts. We see increasing interest in the RAMP™ technology service platform which represents a key driver of growth for the business and was a major factor in winning new business in the year. We are pleased to report that the Company saw continued growth in our key geographical markets, in particular in North America which represented 42% of revenues and with an increasing number of key client accounts. Our main Asia Pacific markets such as Japan, India and Korea, where we have appointed distributors, continue to be impacted by the global pandemic, although client relationships and opportunities are increasing and the appointment of distributors in earlier years has counteracted the lack of travel to those countries from the UK.

Certain customer projects involve a significant level of contribution from Fusion to the development programme or the intellectual property. When this occurs, we seek to enter into a collaboration agreement structure which will enable Fusion to access the downstream value of the services and share in the commercial success. This will further enable Fusion to unlock the intrinsic value that our service platforms provide to our clients and generate additional shareholder value. During the year the Company entered into such an agreement with a US based biotech company with a structure of milestone success payments and royalties in addition to fee for service-based contract value.

We continued to drive investment and innovation to improve our current services and develop new technologies to further enhance the service offered to our customers. Investment in R&D increased by 14% to £699,000. Improvements in our B-cell cloning services have been made and further equipment has been purchased to create more capacity, and hence deliver growth, for transient expression. Our humanisation and RAMP™ procedures are beginning to benefit from improved computer-based design selection. We strongly believe that the Mammalian Antibody Library Discovery Platform (OptiMAL™) represents a key future driver of growth for the business, and is an ongoing R&D programme.

There are several key steps in the OptiMAL™ programme including design; DNA synthesis, cloning, expression, screening and lead selection. Since our last report we have completed the process development of all of the steps, in particular, processes to screen and select antibodies have been optimised using a combination of a new magnetic bead system and single cell sorting. The synthesis of the core Library oligo mix is outsourced and has been continually improved. The latest version has additional mutational hotspots to increase diversity. Work has been successful on extracting spiked-in control antibodies to model oncology targets to build a body of data with a view to further optimisation. This work is continuing post year end with a view to establishing commercial relationships for further validation by the end of the financial year.

The year also saw the first meeting of a Scientific Advisory Panel of industry experts and thought leaders in the field of antibody discovery and services. The Panel is expected to meet up to four times a year to guide the direction of future R&D in the Company.

As reported in October 2020, the Company received grants from Invest Northern Ireland to support Fusion's COVID-19 Discovery programme as part of the NI COVID-19 Antibody Development Alliance (NICADA) a collaboration between Fusion and Queen's University Belfast with an aim to develop and test antibodies to assist in tackling the COVID-19 pandemic. A portion of the grant was used to support the OptiMAL™ programme and to reinforce the work being performed at Fusion to produce fully human antibodies targeting the SARS-CoV-2 virus which could be used in therapeutic and diagnostic applications. The collaboration was initially for a period of one year but was extended to April 2022. The project did not produce any antibodies for further development and commercialisation but provided useful material and insight in the ongoing OptiMAL™ development programme.

Supply chain disruption from the UK's departure from the European Union and the COVID-19 pandemic continued throughout the year. As a result, the quantity and value of consumable stock held by the Company has been increased further in the year. The Company's revenues arising from exports to EU countries increased to £1.4m, representing 29% of total revenues. The Company continues to monitor potential risks and opportunities arising as negotiations with the EU continue, particularly in respect of the Northern Ireland Protocol. We also continue to develop other export markets to mitigate risks of overexposure to any one geographical market.

As pandemic restrictions around the world were eased the industry as a whole saw an increase in staff turnover as individuals sought new opportunities. The departure of a few employees during the year presented challenges but also an opportunity to strengthen our team with new talent bringing fresh ideas and experience. We are very grateful for the commitment, dedication and resilience shown by our staff over the last two years.

Post year end events

- Appointment of Adrian Kincaid as CEO in August 2022

Financial Results

The Company has continued to build on the revenue growth in the second half of FY2021 with revenue growth seen in both H1 and H2 relative to the comparable period in the previous year. Full year revenues for the year in total were up 15% to £4.8m (FY2021: £4.2m).

The EBITDA loss for the year was £0.6m (FY2021: £0.5m loss) (see note 27). However, excluding the R&D expenditure of £0.7m, EBITDA for the year was marginally positive. The loss before tax was similar at £1.3m (FY2021: £1.3m loss).

The Company held current net assets of £3.1m at 31 March 2022 (2021: £3.7m) which mainly comprised inventories and cash and cash equivalents.

The Company ended the year with £2.0m of cash and cash equivalents, having used £0.3m of cash in operations during the year, invested £0.3m in property, plant and equipment and £0.1m servicing asset-based borrowings. This cash level puts the Company in a strong position to progress plans for growth in existing services in FY2023.

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	FY2022	FY2021
Revenue change year on year	15%	7%
EBITDA	(£0.6m)	(£0.5m)
Cash used in operations	(£0.3m)	(£1.1m)

Corporate strategy

The Company continues to grow by following the existing Corporate Strategy of investing for growth through market development and the introduction of new services developed in-house.
Fusion is at a key value inflection point in its evolution. The Company has world class and cutting-edge Antibody Discovery, Engineering and Supply technology platforms with the potential to generate significant future shareholder value.

The Company's vision is to move into the next phase of its evolution as a commercially successful antibody service provider with a diversified range of technology platforms to enable our customers in pharma and biotech to identify and commercialise antibodies more cost effectively, more rapidly, with a higher probability of success and with a more competitive profile.

Outlook

Post year end trading has been in line with expectations. While conditions in the UK have improved significantly, there remains considerable uncertainty from current global macro conditions. Challenges remain for much of our international customer base, but the Board believe the Company has the expertise to meet these challenges and capitalise on opportunities as we have done over the past year.

Richard Buick
Chief Scientific Officer
22 August 2022

James Fair
Chief Financial Officer

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Revenue	4	**4,799**	4,165
Cost of sales		**(2,333)**	(2,141)
Gross profit		**2,466**	2,024
Other operating income		**30**	194
Administrative expenses		**(3,821)**	(3,467)
Operating loss	5	**(1,325)**	(1,249)
Finance income	8	**1**	3
Finance expense	8	**(9)**	(18)
Loss before tax		**(1,333)**	**(1,264)**
Income tax credit/(charge)	10	**133**	(1,635)
Loss for the financial year		**(1,200)**	(2,899)
Total comprehensive expense for the year		**(1,200)**	(2,899)
		Pence	Pence
Loss per share			
Basic	11	**(4.6)**	(11.4)

Statement of Financial Position

As at 31 March 2022

	Notes	2022 £'000	2021 £'000
Assets			
Non-current assets			
Intangible assets	12	**-**	2
Property, plant and equipment	13	**633**	1,123
		633	1,125
Current assets			
Inventories	16	**585**	480
Trade and other receivables	17	**1,517**	1,440
Current tax receivable		**131**	99
Cash and cash equivalents		**2,049**	2,686
		4,282	4,705
Total assets		**4,915**	5,830
Liabilities			
Current liabilities			
Trade and other payables	18	**1,142**	833
Borrowings	19	**66**	163
		1,208	996
Net current assets		**3,074**	3,709
Non-current liabilities			
Borrowings	19	**3**	67
Provisions for other liabilities and charges	20	**20**	20
		23	87
Total liabilities		**1,231**	1,083
Net assets		**3,684**	4,747
Equity			
Called up share capital	22	**1,040**	1,024
Share premium reserve		**7,647**	7,547
Accumulated losses		**(5,003)**	(3,824)
Total equity		**3,684**	4,747

Simon Douglas
Director

James Fair
Director

Registered in Northern Ireland, number NI039740

Statement of Changes in Equity

For the year ended 31 March 2022

	Called up share capital £'000	Share premium reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 April 2020	884	4,872	(944)	4,812
Loss and total comprehensive expense for the year	-	-	(2,899)	(2,899)
Issue of share capital	140	2,879	-	3,019
Cost of issuing share capital	-	(204)	-	(204)
Share options – value of employee services	-	-	19	19
Total transactions with owners, recognised directly in equity	140	2,675	19	2,834
At 31 March 2021	1,024	7,547	(3,824)	4,747
At 1 April 2021	**1,024**	**7,547**	**(3,824)**	**4,747**
Loss and total comprehensive expense for the year	**-**	**-**	**(1,200)**	**(1,200)**
Issue of share capital	**16**	**100**	**-**	**116**
Share options – value of employee services	**-**	**-**	**21**	**21**
Total transactions with owners, recognised directly in equity	**16**	**100**	**21**	**137**
At 31 March 2022	**1,040**	**7,647**	**(5,003)**	**3,684**

Statement of Cash Flows

For the year ended 31 March 2022

	2022	2021
	£'000	£'000
Cash flows from operating activities		
Loss for the year	**(1,200)**	(2,899)
Adjustments for:		
Share based payment expense	**21**	19
Depreciation	**749**	712
Amortisation of intangible assets	**2**	2
Finance income	**(1)**	(3)
Finance costs	**9**	18
Income tax (credit)/charge	**(133)**	1,635
Increase in inventories	**(105)**	(140)
Increase in trade and other receivables	**(77)**	(553)
Increase in trade and other payables	**309**	5
Cash used in operations	**(426)**	(1,204)
Income tax received	**101**	68
Net cash used in operating activities	**(325)**	(1,136)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(258)**	(365)
Finance income – interest received	**1**	3
Net cash used in investing activities	**(257)**	(362)
Cash flows from financing activities		
Proceeds from issue of share capital net of transaction costs	**116**	2,815
Proceeds from new borrowings	**-**	14
Repayment of borrowings	**(162)**	(164)
Finance costs – interest paid	**(9)**	(18)
Net cash (used in)/generated from financing activities	**(55)**	2,647
Net (decrease)/increase in cash and cash equivalents	**(637)**	1,149
Cash and cash equivalents at the beginning of the year	**2,686**	1,537
Cash and cash equivalents at the end of the year	**2,049**	2,686

Notes to the Financial Statements

For the year ended 31 March 2022

1 General information

Fusion Antibodies plc is a company incorporated and domiciled in the United Kingdom, and is registered in Northern Ireland having its registered office 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 2022 and 31 March 2021 but is derived from those accounts. Statutory accounts for the year ended 31 March 2021 have been delivered to the Registrar of Companies and those for 2022 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 include 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 £1,000.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Fusion Antibodies plc transitioned to UK-adopted International Accounting Standards in its financial statements on 1 April 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. The financial statements of Fusion Antibodies plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

International Financial Reporting Standards

The following new accounting standards, amendments and/or interpretations have been published and have been considered by the Company but are not expected to have a material impact on the financial statements in the current or future reporting periods and on the foreseeable future transactions:

Amendment to IFRS 16 Leases Covid 19 – related rent concessions (effective 1 April 2021)
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective date 1 January 2021)

Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform – phase 2 (effective 1 January 2021)

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

Going concern
The Company has returned a loss of £1,200,000 for the year and at the year-end had net current assets of £3,074,000 including £2,049,000 of cash and cash equivalents. 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 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 and where a contractual right to receive payment exists

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Current tax and deferred tax

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

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

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

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

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

Share based employee compensation

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

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

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

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

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

Financial assets

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

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

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

Recognition and measurement

At initial recognition, the Company measures a financial 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. Cash and cash equivalents represent monies held in bank current accounts and bank deposits. These assets are those held for contractual collection of cash flows, where those cash flows represent solely payments of principal and interest and are held at amortised cost. Any gains or losses arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line in the profit and loss account.

Impairment

The Company assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. For trade receivables the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be

recognised from the initial recognition of the receivables. For other receivables the Company applies the three stage model to determine expected credit losses.

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

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

Provisions
A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably

measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost. Provisions for dilapidation charges that will crystallise at the end of the period of occupancy are provided for in full.

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

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

Equity
Equity comprises the following;

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

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

Accumulated losses
Accumulated losses represent retained profits and losses.

3 Critical accounting estimates and judgements

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

Critical judgements in applying accounting policies

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

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

The remaining performance obligations are based on the stages with defined deliverables which are explicitly outlined in the customer contracts.

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

Critical accounting estimates and assumptions

- *Deferred Taxation*. The Company has accumulated tax losses of £10,000,000 (2021: £9,042,000). In principle these losses would support a deferred tax asset of approximately £2,000,000 (2021: £2,000,000). IAS 12 requires that a deferred tax asset relating to unused tax losses is carried forward to the extent that future taxable profits will be available. The company is in an investment phase, expecting to have increased expenditure on R&D and business development over the next two years which will increase the tax losses. After the investment period the Board expects the Company to generate healthy profits but it is difficult at this stage to reliably estimate the period over which profits may arise in the future. The Board has therefore determined to not recognise the asset at the reporting date. This approach does not affect the future availability of the tax losses for offset against future profits.

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	**2022** **£'000**	2021 £'000
UK	**724**	711
Rest of Europe	**1,394**	1,125
North America	**2,000**	1,714
Rest of World	**681**	615
	4,799	4,165

In the year there was one customer (2021: none) to whom sales exceeded 10% of revenues, that customer accounted for £693,000 or 14.4% of revenues.

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

	2022 £'000	2021 £'000
Employee benefit costs		
-wages and salaries	**2,126**	2,005
-social security costs	**205**	194
-other pension costs	**103**	113
-share based payments	**21**	19
	2,455	2,331
Depreciation of property, plant and equipment	**749**	712
Other operating expenses		
Rates, utilities and property maintenance	**100**	66
IT costs	**16**	23
Fees payable to the Company's auditors		
- for the audit of the financial statements	**40**	30
Raw materials and consumables used	**1,276**	1,245
Increase in inventories	**(105)**	(140)
Patent costs	**84**	2
Marketing costs	**115**	143
(Loss)/profit on foreign exchange	**(23)**	64
Other expenses	**1,447**	1,132
Total cost of sales and administrative expenses	**6,154**	5,608

Included in the costs above is expenditure on research and development totalling £699,000 (2021: £613,000).

6 Average staff numbers

	2022	2021
Employed in UK	**No.**	No.
(including executive directors)	**53**	49
Non-executive directors	**5**	5
	58	54

7 Remuneration of directors and key senior management

Directors

	2022 £'000	2021 £'000
Emoluments	**518**	562
Pension contributions	**22**	23
	540	585

Highest paid director

The highest paid director received the following emoluments:

	2022	2021
	£'000	£'000
Emoluments	**153**	151
Compensation for loss of office	**-**	30
Pension contributions	**9**	9
	162	190

The highest paid director did not exercise any share option in the year.

Key senior management

Key senior management is considered to comprise the directors of the Company with total remuneration for the year of £540,000 (2021: £585,000). Share based payments for the year attributable to key senior management totalled £15,000 (2021: £5,000).

8 Finance income and expense

	2022	2021
Income	**£'000**	£'000
Bank interest receivable	**1**	3

	2022	2021
Expense	**£'000**	£'000
Interest expense on other borrowings	**9**	18

9 Share based payments

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

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

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

The total share-based remuneration recognised in the Statement of Comprehensive Income was £21,000 (2021: £19,000). 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 24.0% and a compound risk free rate assumed of 0.62%.

	2022 Weighted average exercise price £	2022 Number	2021 Weighted average exercise price £	2021 Number
Outstanding at beginning of the year	**0.421**	**1,266,666**	0.400	1,685,417
Granted during the year	**1.275**	**250,000**	-	-
Exercised during the year	**0.288**	**(404,587)**	0.510	(185,834)
Lapsed during the year	**1.107**	**(324,996)**	0.103	(232,917)
Outstanding at the end of the year	**0.478**	**787,083**	0.421	1,266,666

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

Expiry	Nominal share value	Exercise price £	2022 Number	2021 Number
May 2027	**£0.04**	**0.040**	**103,750**	310,000
December 2028	**£0.04**	**0.545**	**683,333**	956,666
Total			**787,083**	1,266,666

Of the total number outstanding 787,083 (2021: 939,996) had vested at the reporting date.

10 Income tax (credit)/charge

	2022 £'000	2021 £'000
Current tax – UK corporation tax	**(133)**	(129)
Deferred tax asset derecognised	**-**	1,764
Income tax (credit)/charge	**(133)**	1,635

The difference between loss before tax multiplied by the standard rate of 19% (2021: 19%) and the income tax (credit)/charge is explained in the reconciliation below:

	2022 £'000	2021 £'000
Factors affecting the tax (credit)/charge for the year		
Loss before tax	**(1,333)**	(1,264)
Loss before tax multiplied by standard rate of UK corporation tax of 19% (2021: 19%)	**(253)**	(240)
Deferred tax not recognised on current year losses	**253**	240
Deferred tax not recognised on prior year losses	**-**	1,764
RDEC/R&D tax credit	**(131)**	(99)
RDEC/R&D tax credit – adjustment relating to prior year	**(2)**	(30)
Total income tax (credit)/charge	**(133)**	1,635

11 Loss per share

	2022 £'000	2021 £'000
Loss for the financial year	**(1,200)**	(2,899)

Loss per share	**pence**	Pence
Basic	**(4.6)**	(11.4)

	Number	Number
Issued ordinary shares at the end of the year	**26,014,946**	25,610,359
Weighted average number of shares in issue during the year	**25,945,780**	25,458,761

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

	2022 Software £'000	2021 Software £'000
Cost		
At 1 April	**8**	8
At 31 March	**8**	8
Accumulated amortisation		
At 1 April	**6**	4
Amortisation charged in the year	**2**	2
At 31 March	**8**	6
Net book value		
At 31 March	**-**	2
At 1 April	2	4

13 Property, plant and equipment

	Right of use assets £'000	**Leasehold improvements £'000**	**Plant & machinery £'000**	**Fixtures, fittings & equipment £'000**	**Total £'000**
Cost					
At 1 April 2021	**240**	**784**	**2,181**	**247**	**3,452**
Additions	**-**	**30**	**175**	**54**	**259**
At 31 March 2022	**240**	**814**	**2,356**	**301**	**3,711**
Accumulated depreciation					
At 1 April 2021	**139**	**583**	**1,446**	**161**	**2,329**

Depreciation charged in the year	**71**	**169**	**445**	**64**	**749**
At 31 March 2022	**210**	**752**	**1,891**	**225**	**3,078**
Net book value					
At 31 March 2022	**30**	**62**	**465**	**76**	**633**
At 31 March 2021	101	201	735	86	1,123

	Right of use assets £'000	**Leasehold improvements £'000**	**Plant & machinery £'000**	**Fixtures, fittings & equipment £'000**	**Total £'000**
Cost					
At 1 April 2020	**226**	**725**	**1,916**	**220**	**3,087**
Additions	**14**	**59**	**265**	**27**	**365**
At 31 March 2021	**240**	**784**	**2,181**	**247**	**3,452**
Accumulated depreciation					
At 1 April 2020	**68**	**425**	**1,015**	**109**	**1,617**
Depreciation charged in the year	**71**	**158**	**431**	**52**	**712**
At 31 March 2021	**139**	**583**	**1,446**	**161**	**2,329**
Net book value					
At 31 March 2021	**101**	**201**	**735**	**86**	**1,123**
At 31 March 2020	158	300	901	111	1,470

Plant & machinery with a net book value of £85,000 is held under hire purchase agreements or finance leases (2021: £216,000).

The carrying value of right of use assets at the reporting date comprises leasehold property of £22,000 and fixtures, fittings and equipment of £8,000.

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:

	2022 £	2021 £
Fusion Contract Services Limited	**1**	1
100% subsidiary		
Dormant company		
Marlborough House, 30 Victoria Street, Belfast BT1 3GG		

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

15 Deferred tax assets

	2022	2021
	£'000	£'000
At 1 April	**-**	1,764
Charged to the statement of comprehensive income in the year	**-**	(1,764)
At 31 March	**-**	-

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 2020	(6)	1,614	140	16	1,764
Credited/(charged) to Statement of Comprehensive Income	6	(1,614)	(140)	(16)	(1,764)
At 31 March 2021	**-**	**-**	**-**	**-**	**-**
Credited/(charged) to Statement of Comprehensive Income	**-**	**-**	**-**	**-**	**-**
At 31 March 2022	**-**	**-**	**-**	**-**	**-**

16 Inventories

	2022	2021
	£'000	£'000
Raw materials and consumables	**585**	480

The cost of inventories recognised as an expense for the year was £1,171,000 (2021: £1,105,000).

17 Trade and other receivables

	2022	2021
	£'000	£'000
Trade receivables	**900**	673
Loss allowance	**(124)**	(81)
Trade receivables – net	**776**	592
Other receivables	**117**	90
Prepayments and accrued income	**624**	758
	1,517	1,440

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

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

	2022	2021
	£'000	£'000
Individually impaired	**71**	71
Expected credit loss allowance	**53**	10
	124	81

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

	2022	2021
	£'000	£'000
UK pound	**664**	409
Euros	**1**	-
US dollar	**235**	264
	900	673

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	1%	1.1%	1.4%	2.5%	13.8%	
Gross carrying amount (£'000)	304	133	19	-	373	829
Loss allowance (£'000)	3	1	-	-	49	53

Movements on trade receivables loss allowance is as follows:

	£'000	£'000
At 1 April 2021/2020	**10**	1
Movement in loss allowance	**43**	9
At 31 March 2022/2021	**53**	10

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

	2022	2021
	£'000	£'000
Trade payables	**466**	344
Social security and other taxes	**68**	71
Other payables	**47**	45
Accruals and deferred income	**561**	373
	1,142	833

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 (2021: £23,000) was due to Invest Northern Ireland.

19 Borrowings

	Lease liabilities £'000	**Hire Purchase Contracts £'000**	**Total £'000**
At 1 April 2021	**100**	**130**	**230**
Interest charged in year	**4**	**5**	**9**
Repayments	**(77)**	**(93)**	**(170)**
At 31 March 2022	**27**	**42**	**69**
Amounts due in less than 1 year	**24**	**42**	**66**
Amounts due after more than 1 year	**3**	**-**	**3**
	27	**42**	**69**

	Lease liabilities £'000	Hire Purchase Contracts £'000	Total £'000
At 1 April 2020	155	225	380
Additions in year	14	-	14
Interest charged in year	8	10	18
Repayments	(77)	(105)	(182)
At 31 March 2021	100	130	230
Amounts due in less than 1 year	75	88	163
Amounts due after more than 1 year	25	42	67
	100	130	230

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 £65,000 (2021: £219,000 discounted at 5.5%).

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

20 Provisions for other liabilities and charges

	2022	2021
	£'000	£'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 and which is expected to be renewed. 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 years unless otherwise stated in this note.

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

Financial instruments by category

Financial instruments categories are as follows:

As at 31 March 2022	**Amortised cost £'000**
Trade receivables	**776**
Other receivables	**117**
Accrued income	**397**
Cash and cash equivalents	**2,049**
Total	**3,339**

As at 31 March 2021	Amortised cost £'000
Trade receivables	592
Other receivables	90
Accrued income	504
Cash and cash equivalents	2,686
Total	3,872

As at 31 March 2022	**Other financial liabilities at amortised cost £'000**

Trade payables	**466**
Other payables	**115**
Accruals	**279**
Borrowings	**69**
Total	**929**

As at 31 March 2021	Other financial liabilities at amortised cost £’000
Trade payables	344
Other payables	116
Accruals	252
Borrowings	230
Total	942

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 £32,000 (2021: £34,000) higher/lower and £5,000 (2021: £4,000) higher/lower respectively.

22 Called up share capital

	2022	2021
	£'000	£'000
Allotted, called up and fully paid		
- 25,610,359 Ordinary shares of £0.04		1,024
- 26,014,946 Ordinary shares of £0.04	**1,040**	

During the year the Company issued and allotted 404,587 ordinary shares for gross proceeds of £116,000.

23 Capital commitments

At 31 March 2022 the Company had contracted for but not incurred capital expenditure of £17,000 (2021: £nil).

24 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 £103,000 to the Statement of Comprehensive Income (2021: £113,000) in respect of Company contributions to the scheme. At the reporting date there was £18,000 (2021: £20,000) payable to the scheme and included in other payables.

25 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 (2021: £78,000). A balance of £nil (2021: £23,000) was due and payable to Invest NI at the reporting date.

26 Ultimate controlling party

There is no ultimate controlling party.

27 Reconciliation of loss to EBITDA

	2022	2021
	£'000	£'000
Loss before tax	**(1,333)**	(1,264)
Finance income	**(1)**	(3)
Finance expense	**9**	18
Depreciation and amortisation	**751**	714
EBITDA	**(574)**	(535)