10 August 2021

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 Regulations (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, announces its final results for the year ended 31 March 2021.

Commercial and operational highlights

- Commercial roll out and revenues from Rational Affinity Maturation Platform ("RAMP™")
- Investment in R&D increased by 57% from prior year
- Full year revenues increased by 7% to £4.2m (2020: £3.9m)
- Deferred tax asset of £1.8m derecognised, but tax losses of £9.0m remain available to offset future profits
- Loss for the year of £2.9m (2020: loss £0.7m)
- £3.0m equity fundraise
- Cash position at the year-end £2.7m (31 March 2020: £1.5m)

Post period end highlights

- Receipt of first success milestone payment of £150,000 from a key client

Presentation on the results

Fusion will host an online live presentation open to all investors on Monday, 23 August at 11am, delivered by Richard Jones, CEO and James Fair, CFO. The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via your Investor Meet Company dashboard up until 9am the day before the meeting or at any time during the meeting. 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

Richard Jones, CEO of Fusion Antibodies commented: *"We are pleased with our performance in what has been a challenging year for everyone. We have made significant progress with sustained revenue growth, progress on the R&D pipeline, and continue to expand our range of services.*

"On behalf of the Board, I would like to thank our shareholders for their continued support and we hope to be able to provide further positive updates as we go through the year."

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About Fusion Antibodies plc

Fusion is a Belfast based contract research organisation ("CRO") providing a range of antibody engineering services for the development of antibodies for both therapeutic drug and diagnostic applications.

The Company's ordinary shares were admitted to trading on AIM on 18 December 2017. Fusion provides a broad range of services in antibody generation, development, production, characterisation and optimisation. These services include antigen expression, antibody production, purification and sequencing, antibody humanisation using Fusion's proprietary CDRx ™ platform and the production of antibody generating stable cell lines to provide material for use in clinical trials. Since 2012, the Company has successfully sequenced and expressed over 250 antibodies and successfully completed over 200 humanisation projects and has an international, blue-chip client base, which has included eight of the top 10 global pharmaceutical companies by revenue.

The Company was established in 2001 as a spin out from Queen's University Belfast. The Company's mission is to enable pharmaceutical and diagnostic companies to develop innovative products in a timely and cost-effective manner for the benefit of the global healthcare industry. Fusion Antibodies provides a broad range of services in antibody generation, development, production, characterisation and optimisation.

Fusion Antibodies growth strategy is based on combining the latest technological advances with cutting edge science to deliver new platforms that will enable Pharma and Biotech companies get to the clinic faster, with the optimal drug candidate and ultimately speed up the drug development process.

The global monoclonal antibody therapeutics market was valued at $135.4 billion in 2018 and is forecast to surpass $212.6 billion in 2022, an increase at a CAGR of 12.0 per cent. for the period 2018 to 2022. In 2017, seven of the world's ten top selling drugs were antibody-based therapeutics with the combined annual sales of these drugs exceeding $63.2 billion.

Chairman's Statement

Due to the pandemic, this year has been a difficult year for the Company, our staff and many of our customers. However, our staff have been flexible, committed and dedicated to continue to grow our services and deliver a positive year, something for which I would like to thank them. Where possible, staff have worked from home and in the case of the Technical and R&D teams good social distancing and control has allowed a challenging but safe working environment. Overall, the Board believes that Company was able to meet the challenges presented as a result of the pandemic which affected the whole financial year.

Revenues increased in both H1 and H2 to deliver year on year revenue growth of 7% with revenue of £4.2m for FY2021 marginally above market expectation. This growth came from good performance across all of the business areas with our humanisation service significantly outperforming the previous year. The loss for the year was £2.9m (FY2020: £0.7m loss) as is explained in the Chief Executive Officer's report.

Earlier in the year the Company continued with its strategy to invest for growth and raised a further £3.0 million (gross proceeds) via a placing of new ordinary shares in order to expand the ongoing programme to develop a Mammalian Antibody Library Discovery Platform (OptiMAL^{TM}). The Covid-19 pandemic presented us with an opportunity to add this new target to the already planned oncology targets and validate OptiMAL^{TM} in a real-world setting. This proof-of-concept project is ongoing with the control models demonstrated. The next steps to optimise the screening and selection of antibodies are in progress with the selection of validation partners and the generation of a body of data from the range of targets expected towards the end of the current financial year and initial revenues from OptiMAL^{TM} in 2022.

The scientific approach behind RAMP^{TM}, our affinity maturation platform, has been expanded and being marketed under the OptiMAS^{TM} brand. We now offer an exciting broader service which encompasses the potential to improve the antibody yield from cell culture, optimizing the manufacturing efficiency and 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 maximize the efficiency of a client's therapeutic antibody drug.

As we grow our range of services, which are underpinned by world class scientific expertise, we are attracting more new clients looking for the ideal development partner with the flexibility and skills to meet all of their needs. We will be targeting companies at the earlier stage of their journey who are committed to outsourcing much of their drug development program and we are positioning ourselves as a partner who works and acts as an extension of their business. To identify and attract companies at the earlier stage of development we are also looking at extending our global reach over the coming year through working with new partners and distributors who can offer our services to a wider audience.

This year has seen a change in our leadership and I am delighted to welcome our new CEO, Dr Richard Jones, who joined the Company in February this year. Richard Jones is an accomplished life sciences executive with 25 years' experience in the pharmaceutical industry both in big pharma and biotech companies as well as running a contract development and manufacturing organisation ("CDMO"). He replaces Dr Paul Kerr who I would like to thank for his contribution to the business over the last 10 years and his enthusiastic attitude in taking the business to where it is today. I am looking forward to working with Richard for the next phase of our exciting journey in creating a world class service company and adding value both to customers and to you as shareholders.

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.

Current trading

Despite a uniquely challenging year 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^{TM} remains on track to deliver initial revenues in 2022. The Covid-19 pandemic did not have a material impact on operations as the Company implemented procedures to protect our laboratory services. Again, our 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 over the past few months, there remains considerable uncertainty around the world as countries ease or increase restrictions to manage the global Covid-19 pandemic. 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
10 August 2021

Business model – milestone and royalty payments

Payment for current services is primarily by way of “fee for service” revenue model. In certain circumstances, particularly when there is a significant contribution to the client’s intellectual property, the Company will also obtain a commercial interest in the client project. This may take the form of a milestone based success payment or it may be by way of a royalty on future income streams. The number and potential value of such interest increases periodically as the Company enters into new agreements and reduces either when a milestone is realised or when a project is ceased before a payment milestone is reached.

At the reporting date the Company had an interest in fifteen such client projects which it understands its clients to be actively developing: six projects have fixed success payments with a maximum potential income of £1,525,000 and nine projects carry royalty agreements. Such payments would be expected a number of years after the service is performed and would depend on the successful further progression of the project by the client. Due to the uncertainty of the success of such development programmes and the commercial sensitivities for our clients, the Company will not be fully aware of a project’s status at any given point in time, and therefore does not intend to regularly update the market on the above figures nor does it estimate a potential value of future revenues or include such a value in its Statement of Financial Position.

After the reporting date, the Company announced in July that it had received £150,000 milestone payment as a result of a humanised antibody project which was successfully commercialised by a key client. This was the first such payment received by the Company and is in line with our strategic objectives of unlocking the intrinsic value that our service offerings represent to our clients where we have access to the downstream value of successful projects.

Chief Executive Officer's Statement

FY 2021 was a remarkable and challenging year for all of us due to the COVID-19 pandemic. Despite these head winds, the Company continued to make progress on multiple fronts with continued revenue growth and progress on the R&D pipeline. As a result of our ongoing investment for growth and in R&D, the Company continues to return losses which increased this year to £2.9m (FY2020: £0.7m loss for the year). I am delighted to have joined the Company as the CEO, building on the Company's strong foundations and generating shareholder value from its current and future technology platform and services. I am also proud of how, despite the challenges throughout the year, the Company staff were able to work diligently, delivering on the financial performance, enabling our clients to advance their discovery and development projects and progressing our pipeline of projects.

In addition, the Company has been well placed to deal with the uncertainties which arose as companies and governments around the world took steps to control the spread of the Coronavirus pandemic. Early in the financial year, the Company successfully raised additional capital funds of £3m to 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, now branded as OptiMAL™.

Business review

The Company's revenue performance for the financial year to 31 March 2021 grew by 7% vs FY2020 to £4.2m which was marginally ahead of market expectations. Growth was seen in both H1 and H2 of FY2021 compared to the comparable periods in FY2020, although growth in H2 was modest as the effects of the worldwide pandemic continued.

The majority of this growth has come from the expansion of our existing services such as discovery, engineering and supply, as well as increasing interest and uptake of our new RAMP™ technology service platform which represents a key driver of growth for the business. Over the course of the year, Fusion has initiated and successfully completed a number of RAMP™ client projects which further affirms the value contribution of this new service offering to both the Company and to our customers. I am pleased to report that the Company saw continued growth in our key geographical markets, in particular in North America which represented 41% 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. However, I am pleased to report that progress is being made with Biotickle, our distributor in India, with the successful initiation of client projects as well as with Bizcom, our distributor in Japan, who successfully secured a client humanisation project.

In addition to the current 'Fee for Service' revenue model, and where this significant contribution to the client's intellectual property we will look 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.

We continued to drive investment and innovation into the R&D pipeline of new service offerings. In the financial year, we made further progress on the development work of OptiMAL™ with the successful production of control models having been achieved and work commencing on two further oncology targets to be developed in addition to the SARS-CoV-2 work. I strongly believe that OptiMAL™ represents a key future driver of growth for the business and will enable the Company to access a sizeable addressable market which will generate significant shareholder value.

I am also pleased to report that as part of our commitment and drive into R&D, Dr Richard Buick will assume the role of Chief Scientific Officer, overseeing and managing the R&D platform and pipeline. Dr Buick will be fully focused on driving the Library and B-Cell Cloning programs as well as exploring early stage R&D pipeline experimental work which can be further developed into exciting new service offerings. As part of this focus on R&D, Dr Buick will be establishing a Scientific Advisory Panel of industry experts and thought leaders in the field of antibody discovery and services.

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.

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, 27% 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.

I am very grateful for the commitment, dedication and resilience 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. I also want to thank our collaborators and partners who also had to adjust to the challenges and enabled us to continue to operate throughout the year.

The Company held current net assets of £3.7m at 31 March 2021 (2020: £1.8m) which mainly comprised inventories and cash and cash equivalents.

The Company ended the year with £2.7m of cash and cash equivalents, having used £1.1m of cash in operations during the year, invested £0.4m 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 FY2022.

Post year end events

- Receipt of first success milestone payment of £150,000 from a key client

Financial Results

The Company has continued to build on the revenue growth in the second half of FY2020 with revenue growth seen in both H1 and H2. Full year revenues for the year in total were up 7% to £4.2m (FY2020: £3.9m).

The EBITDA loss for the year was £0.5m (FY2020: £0.4m loss) (see note 27). Continued losses are a result of ongoing investment in operations and research which are expected to contribute towards future revenue growth. The loss before tax increased to £1.3m (FY2020: £1.1m loss).

An additional tax charge was incurred upon the decision to derecognise the deferred tax asset, which has resulted in an additional tax charge of £1.8m in the year. IAS12 requires that a deferred tax asset relating to unused tax losses is carried forward to the extent that it is probable that future taxable profits will be available. The Company raised £2.8m to continue investment in R&D and business development. After the investment period the Board expects the Company to generate healthy profits but considering the immediate outlook for the business, it is difficult at this stage to reliably estimate the period over which profits many arise in the future. The Board has therefore determined that derecognising the asset in the current year is the most appropriate course of action. This approach does not affect the future availability of the tax losses for offset against future profits.

The Company used £1.1m of cash in operations (2020: £0.2m) and invested £0.4m in expenditure on capital equipment and a further £0.2m servicing asset-based borrowings. Cash and cash equivalents as at 31 March 2021 totaled £2.7m (2020: £1.5m).

Key performance indicators

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

KPI	FY2021	FY2020
Revenue change year on year	7%	79%
EBITDA	(£0.5m)	(£0.4m)
Cash used in operations	(£1.1m)	(£0.2m)

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

There continues to be a level of uncertainty around the world as countries ease or increase restrictions to manage the global COVID-19 pandemic though we are seeing the situation improving.

The Board believes that the Company has the expertise to meet these challenges and capitalise on opportunities and, having raised capital in the year, that it also has the financial resources to face the coming months with confidence. We will continue to build on our current commercial performance accessing additional value generating opportunities, advancing the OptiMAL R&D program in preparation for commercialisation and growing the value from our current proprietary service platforms.

Dr Richard Jones
Chief Executive Officer
10 August 2021

Statement of Comprehensive Income

	Notes	**2021** **£'000**	2020 £'000
Revenue	4	**4,165**	3,895
Cost of sales		**(2,141)**	(2,123)
Gross profit		**2,024**	1,772
Other operating income		**194**	56
Administrative expenses		**(3,467)**	(2,887)
Operating loss	5	**(1,249)**	(1,059)
Finance income	8	**3**	6
Finance expense	8	**(18)**	(20)
Loss before tax		**(1,264)**	**(1,073)**
Income tax (charge)/credit	10	**(1,635)**	376
Loss for the financial year		**(2,899)**	(697)
Total comprehensive expense for the year		**(2,899)**	(697)
		Pence	Pence
Loss per share			
Basic	11	**(11.4)**	(3.2)

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

Statement of Financial Position

	Notes	**2021**	2020
		£'000	£'000
Assets			
Non-current assets			
Intangible assets	12	**2**	4
Property, plant and equipment	13	**1,123**	1,470
Deferred tax assets	15	**-**	1,764
		1,125	3,238
Current assets			
Inventories	16	**480**	340
Trade and other receivables	17	**1,440**	887
Current tax receivable		**99**	38
Cash and cash equivalents		**2,686**	1,537
		4,705	2,802
Total assets		**5,830**	6,040
Liabilities			
Current liabilities			
Trade and other payables	18	**833**	828
Borrowings	19	**163**	161
		996	989
Net current assets		**3,709**	1,813
Non-current liabilities			
Borrowings	19	**67**	219
Provisions for other liabilities and charges	20	**20**	20
		87	239
Total liabilities		**1,083**	1,228
Net assets		**4,747**	4,812
Equity			
Called up share capital	22	**1,024**	884
Share premium reserve		**7,547**	4,872
Accumulated losses		**(3,824)**	(944)
Total equity		**4,747**	4,812

Statement of Changes in Equity

	Called up share capital £'000	Share premium reserve £'000	Accumulated losses £'000	Total equity £'000
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 charge 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
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**

Statement of Cash Flows

	2021 £'000	2020 £'000
Cash flows from operating activities		
Loss for the year	**(2,899)**	(697)
Adjustments for:		
Share based payment expense	**19**	83
Depreciation	**712**	620
Amortisation of intangible assets	**2**	2
Finance income	**(3)**	(6)
Finance costs	**18**	20
Income tax charge/(credit)	**1,635**	(376)
Increase in inventories	**(140)**	(97)
(Increase)/decrease in trade and other receivables	**(553)**	169
Increase in trade and other payables	**5**	99
Cash used in operations	**(1,204)**	(183)
Income tax received	**68**	23
Net cash used in operating activities	**(1,136)**	(160)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(365)**	(109)
Finance income – interest received	**3**	6
Net cash used in investing activities	**(362)**	(103)
Cash flows from financing activities		
Proceeds from issue of share capital net of transaction costs	**2,815**	-
Proceeds from new borrowings	**14**	-
Repayment of borrowings	**(164)**	(172)
Finance costs – interest paid	**(18)**	(12)
Net cash generated from/(used in) financing activities	**2,647**	(184)
Net increase/(decrease) in cash and cash equivalents	**1,149**	(447)
Cash and cash equivalents at the beginning of the year	**1,537**	1,984
Cash and cash equivalents at the end of the year	**2,686**	1,537

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 2021 and 31 March 2020 but is derived from those accounts. Statutory accounts for the year ended 31 March 2020 have been delivered to the Registrar of Companies and those for 2021 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.

The financial statements have been prepared in accordance with international accounting standards in conformity with the Companies Act 2006.

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 £2,899,000 for the year and at the year-end had net current assets of £3,709,000 including £2,686,000 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 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, 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 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 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 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 accumulated tax losses of £9,042,000. In principle these losses would support a deferred tax asset of approximately £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. In the year the Company raised £2,800,000 of capital (net of costs) and the company is in an investment phase, expecting to have an increase in 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 that derecognising the asset in the current year is the most appropriate course of action. 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	**2021 £'000**	2020 £'000
UK	**711**	561
Rest of Europe	**1,125**	1,246
North America	**1,714**	1,435
Rest of World	**615**	653
	4,165	3,895

In the year there were no customers (2020: none) to whom sales exceeded 10% of revenues.

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

	2021 £'000	2020 £'000
Employee benefit costs		
-wages and salaries	**2,005**	1,748
-social security costs	**194**	169
-other pension costs	**113**	76
-share based payments	**18**	72
	2,330	2,065
Depreciation of property, plant and equipment	**712**	620

Other operating expenses		
Rates, utilities and property maintenance	**66**	64
IT costs	**23**	25
Fees payable to the Company's auditors		
- for the audit of the financial statements	**30**	19
- non-audit assurance services	**-**	7
	30	26
Raw materials and consumables used	**1,245**	1,337
Increase in inventories	**(140)**	(97)
Patent costs	**2**	20
Marketing costs	**143**	134
Loss on foreign exchange	**64**	1
Other expenses	**1,133**	815
Total cost of sales and administrative expenses	**5,608**	5,010

Included in the costs above is expenditure on research and development totalling £613,000 (2020: £391,000).

6 Average staff numbers

	2021	2020
Employed in UK	**No.**	No.
(including executive directors)	**49**	42
Non-executive directors	**5**	5
	54	47

7 Remuneration of directors and key senior management

Directors

	2021	2020
	£'000	£'000
Emoluments	**562**	486
Pension contributions	**23**	19
	585	505

Highest paid director

The highest paid director received the following emoluments:

	2021	2020
	£'000	£'000
Emoluments	**151**	121
Compensation for loss of office	**30**	-
Pension contributions	**9**	6
	190	127

During the year the highest paid director exercised options over 125,000 ordinary shares at an exercise price of £0.04 per share.

Key senior management

Key senior management is considered to comprise the directors of the Company with total remuneration for the year of £586,000 (2020: £505,000). Share based payments for the year attributable to key senior management totalled £5,000 (2020: £38,000).

8 Finance income and expense

Income	**2021 £'000**	2020 £'000
Bank interest receivable	**3**	6

Expense	**2021 £'000**	2020 £'000
Interest expense on other borrowings	**18**	20

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".

9 Share based payments continued

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 £18,000 (2020: £72,000). 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%.

	2021 Weighted average exercise price £	**2021 Number**	2020 Weighted average exercise price £	2020 Number
Outstanding at beginning of the year	**0.400**	**1,685,417**	0.0401	1,718,750
Granted during the year	**-**	**-**	-	-

Exercised during the year	**0.510**	**(185,834)**	-	-
Lapsed during the year	**0.103**	**(232,917)**	0.545	(33,333)
Outstanding at the end of the year	**0.421**	**1,266,666**	0.400	1,685,417

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

Expiry	**Nominal share value**	**Exercise price £**	**2021 Number**	2020 Number
May 2027	**£0.04**	**0.040**	**310,000**	488,750
December 2028	**£0.04**	**0.545**	**956,666**	1,196,667
Total			**1,266,666**	1,685,417

Of the total number outstanding 939,996 (2020: 895,416) had vested at the reporting date.

10 Income tax credit

	2021 £'000	2020 £'000
Current tax - UK corporation tax	**(129)**	(38)
Deferred tax – origination and reversal of temporary differences	**-**	(338)
Deferred tax asset written off	**1,764**	-
Income tax charge/(credit)	**1,635**	(376)

The difference between loss before tax multiplied by the standard rate of 19% (2020: 19%) and the income tax credit is explained in the reconciliation below:

	2021 £'000	2020 £'000
Factors affecting the tax credit for the year		
Loss before tax	**(1,264)**	(1,073)
Loss before tax multiplied by standard rate of UK corporation tax of 19% (2020: 19%)	**(240)**	(204)
Provisions and expenditure not deductible for tax purposes – permanent	**-**	23
Provisions and expenditure not deductible for tax purposes - temporary	**-**	(2)
Deferred tax not recognised on current year losses	**240**	-
Deferred tax not recognised on prior year losses	**1,764**	
Increase in deferred tax asset due to increase in the enacted rate	**-**	(155)
RDEC/R&D tax credit	**(99)**	(38)
RDEC/R&D tax credit – adjustment relating to prior year	**(30)**	-
Total income tax charge/(credit)	**1,635**	(376)

11 Loss per share

	2021 £'000	2020 £'000

Loss for the financial year	**(2,899)**	(697)

Loss per share	**pence**	Pence
Basic	**(11.4)**	(3.2)

	Number	Number
Issued ordinary shares at the end of the year	**25,610,359**	22,091,192
Weighted average number of shares in issue during the year	**25,458,761**	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

	2021 Software £'000	2020 Software £'000
Cost		
At 1 April 2020	**8**	8
At 31 March 2021	**8**	8
Accumulated amortisation		
At 1 April 2020	**4**	2
Amortisation charged in the year	**2**	2
At 31 March 2021	**6**	4
Net book value		
At 31 March	**2**	4
At 1 April	4	6

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

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 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

	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	**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

Plant & machinery with a net book value of £216,000 is held under hire purchase agreements or finance leases (2020: £331,000).

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:

	2021	2020
	£	£
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

	£'000	£'000
At 1 April 2020/2019	**1,764**	1,343
(Charged)/credited to the statement of comprehensive income in the year	**(1,764)**	338
Credited to equity in the year on share based payments	**-**	83
At 31 March 2121/2020	**-**	1,764

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 2019	(72)	1,388	20	7	1,343
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**
(Charged)/credited to Statement of Comprehensive Income	**6**	**(1,614)**	**(140)**	**(16)**	**(1,764)**
At 31 March 2021	**-**	**-**	**-**	**-**	**-**

16 Inventories

	2021 £'000	2020 £'000
Raw materials and consumables	**480**	340

The cost of inventories recognised as an expense for the year was £1,105,000 (2020: £1,240,000).

17 Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	**673**	542
Loss allowance	**(81)**	(1)

Trade receivables – net	**592**	541
Other receivables	**90**	49
Prepayments and accrued income	**758**	297
	1,440	887

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

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

	2021	2020
	£'000	£'000
Individually impaired	**71**	-
Expected credit loss allowance	**10**	1
	81	1

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

	2021	2020
	£'000	£'000
UK pound	**418**	497
Euros	**-**	12
US dollar	**264**	81
	682	590

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)	373	68	118	-	28	587
Loss allowance (£'000)	4	1	1	-	4	10

Movements on trade receivables loss allowance is as follows:

	£'000	£'000
At 1 April 2020/2019	**1**	2
Movement in loss allowance	**9**	(1)
At 31 March 2021/2020	**10**	1

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

	2021 £'000	2020 £'000
Trade payables	**344**	415
Social security and other taxes	**71**	73
Other payables	**45**	22
Accruals and deferred income	**373**	318
	833	828

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 £23,000 (2020: £nil) was due to Invest Northern Ireland.

19 Borrowings

	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**

	Lease liabilities £'000	Hire Purchase Contracts £'000	Total £'000
At 1 April 2019	-	140	140
Adoption of IFRS 16	226	-	226
Additions in year		166	166
Interest charged in year	11	9	20
Repayments	(82)	(90)	(172)
At 31 March 2020	155	225	380
Amounts due in less than 1 year	67	94	161
Amounts due after more than 1 year	88	131	219
	155	225	380

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 £219,000 (2020: £359,000 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

	2021	2020
	£'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. 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 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 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 2021	**Other financial liabilities at amortised cost £'000**
Trade payables	**344**
Other payables	**116**
Accruals	**252**
Borrowings	**230**
Total	**942**

As at 31 March 2020	Other financial liabilities at amortised cost £'000
Trade payables	415
Other payables	95
Accruals	318
Borrowings	380
Total	1,208

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 £34,000 (2020: £7,000) higher/lower and £4,000 (2020: £1,000) higher/lower respectively.

22 Called up share capital

	2021	2020
	£'000	£'000
Allotted, called up and fully paid		
- 22,091,192 Ordinary shares of £0.04		884
- 25,610,359 Ordinary shares of £0.04	**1,024**	

During the year the Company issued and allotted 3,519,167 ordinary shares for gross proceeds of £3,019,000.

23 Capital commitments

At 31 March 2021 the Company had contracted for but not incurred capital expenditure of £nil (2020: £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 £113,000 to the

Statement of Comprehensive Income (2020: £76,000) in respect of Company contributions to the scheme. At the reporting date there was £20,000 (2020: £18,000) 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 (2020: £78,000). A balance of £23,000 (2020: £nil) was due and payable to Invest NI at the reporting date. The Company claimed various grants during the year from Invest NI amounting to £194,000 (2020: £56,000). A balance of £47,000 was due on submitted claims from Invest NI (2020: £nil).

26 Ultimate controlling party

There is no ultimate controlling party.

27 Reconciliation of loss to EBITDA

	2021	2020
	£'000	£'000
Loss before tax	**(1,264)**	(1,073)
Finance income	**(3)**	(6)
Finance expense	**18**	20
Depreciation and amortisation	**714**	620
EBITDA	**(535)**	(439)