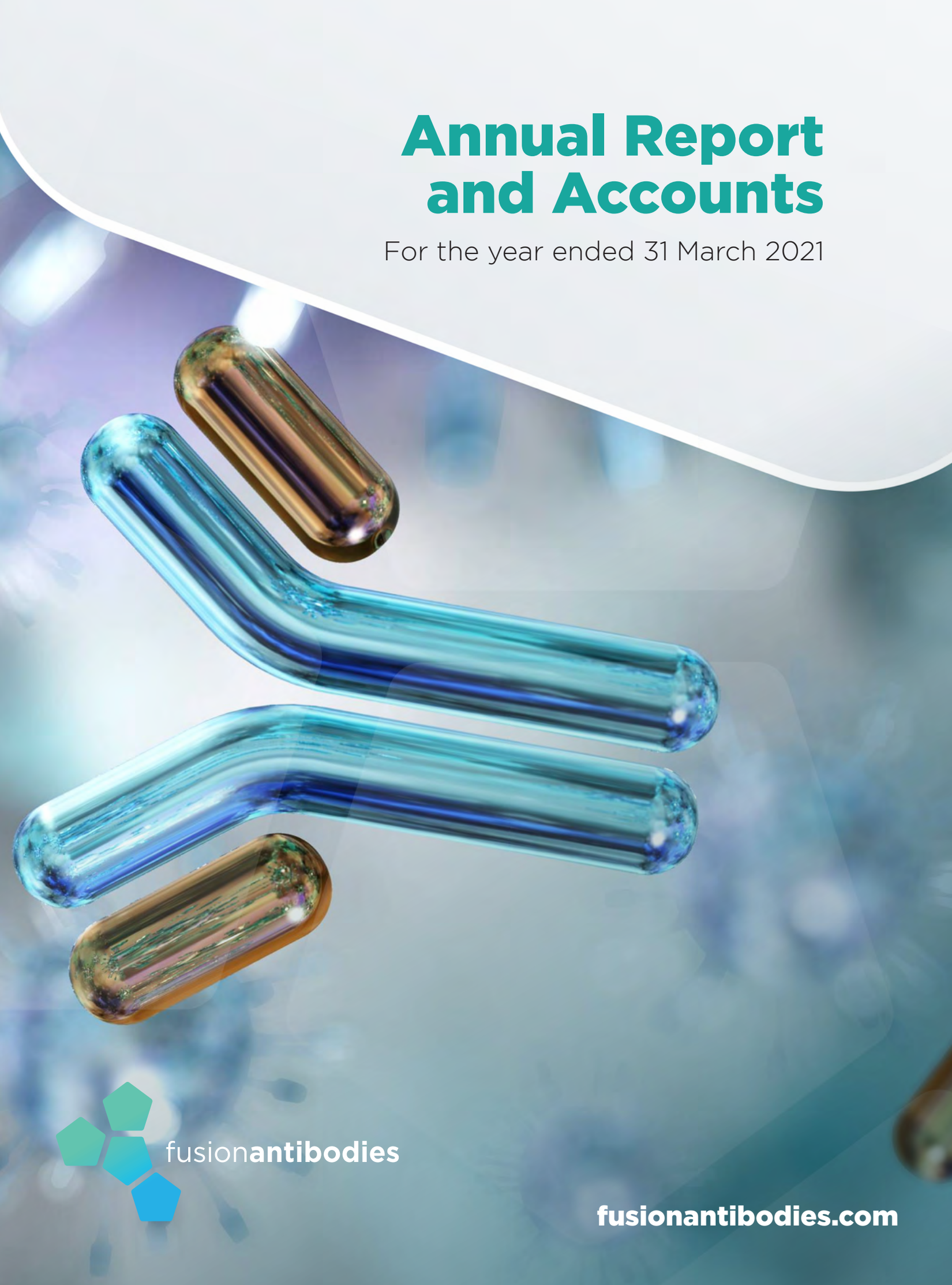
Annual Report and Accounts

For the year ended 31 March 2021



fusion**antibodies**

fusionantibodies.com

HEADLINES

FOR THE YEAR

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** (2020: £1.5M)

POST YEAR END AND LOOKING AHEAD

RECEIPT OF FIRST SUCCESS MILESTONE PAYMENT OF **£150,000** FROM A KEY CLIENT

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STRATEGIC REPORT

FUSION AT A GLANCE

Fusion Antibodies is a Contract Research Organisation (CRO) located in Northern Ireland that offers a range of antibody engineering services for all stages of therapeutic and diagnostic antibody development. Our unrivalled experience working with antibodies makes Fusion Antibodies a first choice partner for the development of antibodies for both therapeutic drug and diagnostic applications. Our services include:

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

Our mission is to enable biopharmaceutical and diagnostic companies to develop innovative products in a timely and cost-effective manner for the benefit of the global healthcare industry.

SNAPSHOT

55 **staff based in Belfast, UK**

83% **of our revenues are from outside the UK**

£4.2M **generated revenues**

THE BUSINESS

- We are an established contract research organisation, providing a multi-service offering from antibody discovery and development to clinical supply;
- Our customers are pharmaceutical, biotech and diagnostic companies seeking to develop antibody based therapeutic drugs and diagnostics;
- We continue to invest in technological advances to ensure our offering to customers is at the industry's leading edge: proof of concept work on OptiMAL™, the Mammalian Antibody Library Platform is ongoing; and
- Our clients have progressed projects into clinical trials confirming the value of our work.

fusion**antibodies**

STRATEGIC REPORT

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 on page 13.

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™). The Covid-19 pandemic presented us with an opportunity to add this new target to the already planned oncology targets and validate OptiMAL™ 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™ in 2022.

The scientific approach behind RAMP™, our affinity maturation platform, has been expanded and being marketed under the OptiMAS™ 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.

More details on financial performance are given in the Chief Executive Officer's report on pages 13 to 17.

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 as explained more fully in the Governance Report.

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™ 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

STRATEGIC REPORT
COMPANY OVERVIEW

Fusion Antibodies is an established Contract Research Organisation (CRO), providing a multi-service offering, from antibody discovery to clinical supply, to global pharmaceutical, biotech and diagnostic companies looking to develop antibody based therapeutic drugs and diagnostics.

Why antibodies?

Antibodies are naturally occurring biological molecules which are produced by the immune system in the body to neutralise pathogens such as bacteria and viruses circulating in the blood stream or to remove other foreign bodies. They are specialised in targeting a very specific structure on the surface of a cell or protein in the body. Monoclonal antibodies are made in the laboratory by identical immune cells, which are isolated and engineered to ensure they are as specific and homogeneous as possible. They maintain their unique specificity characteristics as found in nature but now can be intentionally directed towards a therapeutic target. For example, in cancer therapy, antibodies can be used to bind selectively to the receptors of the cancer cells which can stimulate the body's defences and lead to cell death, making it possible to mark and to fight specific abnormal cells. Healthy cells are not usually attacked in this process so there are often fewer side effects than in classic chemotherapy. This has led to the rapid growth in the search for, and development of, monoclonal antibodies to target many clinical conditions.

Antibody based drugs have an accelerated approval rate compared with small molecule therapies:

- **100 approved antibody therapies** on the market as May 2021 (increased from 67 when the Company listed in December 2017);
- **Over 570 antibody therapies** in clinical development; and
- Of those antibody drugs entering phase 1 clinical trials, **1 in 4 is approved for use as a drug**, twice the rate of 1 in 8 for small molecules.

Investment in the industry continues with calendar year 2020 seeing the highest ever VC Biotech funding recorded in the United States ($6.4bn). The global antibody therapeutic market in 2018 was valued at $115bn and is projected to reach $300bn by 2025.

The companies engaged in antibody therapeutic research represent the market for Fusion Antibodies. They range from global pharmaceutical companies, through asset-centric "virtual" companies to smaller research institutes and university-based research teams. The directors believe that the Company's directly addressable research market in the year was approximately $170m (growing annually at 4-8%).

Proof-of-concept development of OptiMAL™, the Company's Library platform, is ongoing during FY2022 to greatly expand the discovery service it can offer to organisations in its current market. The development of the Library is expected to increase the Company's directly addressable market to $2.0bn in FY2023 through custom products and licencing activities.

Current services

Fusion offers a range of antibody engineering services to companies in research, development and commercialisation of monoclonal antibodies. Key services offered include:

Antibody discovery: the creation and screening of novel antibodies for therapeutic and diagnostic applications. A key to success in this area is to design a suitable toxin or foreign substance (antigen) to induce well-targeted antibodies. Fusion uses a combination of extensive 3D modelling and scientific expertise to design effective antigens to successfully generate the specific immune response required.

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

CDRx™ Antibody Humanisation Platform: genetic engineering techniques are used to convert antibodies from other species so that they are suitable for human applications. This process makes these antibodies more similar to human antibodies and thereby reduces the likelihood of rejection by the body before the patient receives the therapeutic benefit. Since 2012, the Company has performed over 200 antibody humanisations and, to the best of our knowledge, twenty five percent of our early antibody engineering projects for clients (eight antibodies from our first 33 projects) have been taken into in-human trials. This figure is an estimation as the Company will not always be notified when its customers' projects progress to human trials, however, as the Company has expanded its capacity we believe that more will follow.

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

RAMP™: This is a technically advanced platform to improve performance of antibody-based drugs. Our rational design approach allows for the optimisation of biophysical properties by changing part of the structure of the antibody that can have a beneficial effect on various aspects of the antibody drug. The platform has produced additional benefits to the molecules screened from our clients. Besides improved affinity maturation, we have seen increased functionality, improved manufacturability, and enhanced specificity. Additionally, in some cases, the altered structure has enabled our customers to file for new patents effectively extending the patent life of their therapeutic antibody.

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

Business model

Fusion performs all of its operations through a single trading entity. Initial engagement with prospective customers is usually through a business development (BD) team member although both BD and scientists are involved throughout the client engagement. Our approach throughout the selling and project delivery phases is to work closely alongside the customer team to help them to achieve their desired outcomes.

Understanding the client requirements involves BD staff as well as scientist-to-scientist conversations to arrive at a tailored approach and job specification, with the range of services offered giving the flexibility desired by our customers to accelerate their drug development programmes. This flexibility includes the ability to access our range of services at any point. The process can last for several months as a customer plans and brings their project to the point where Fusion becomes involved. It is the nature of the industry that some customer projects are cancelled or postponed prior to this point.

A client order is usually divided into a number of development stages, each dependent on the results of the previous stage. On more complex projects there may be points where the customer reviews their project which can lead to a decision to continue, to proceed on an amended programme of work or to stop.

This structure means that there is significant scientific and commercial uncertainty in forecasting the commencement date of a project and the timing of later stages. The Company uses its extensive experience of these uncertainties when scheduling projects, planning purchases and staff and equipment allocation as well as forecasting revenues but the inherent uncertainty in forecasting activity, and therefore revenue, cannot be eliminated.

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.

Future services

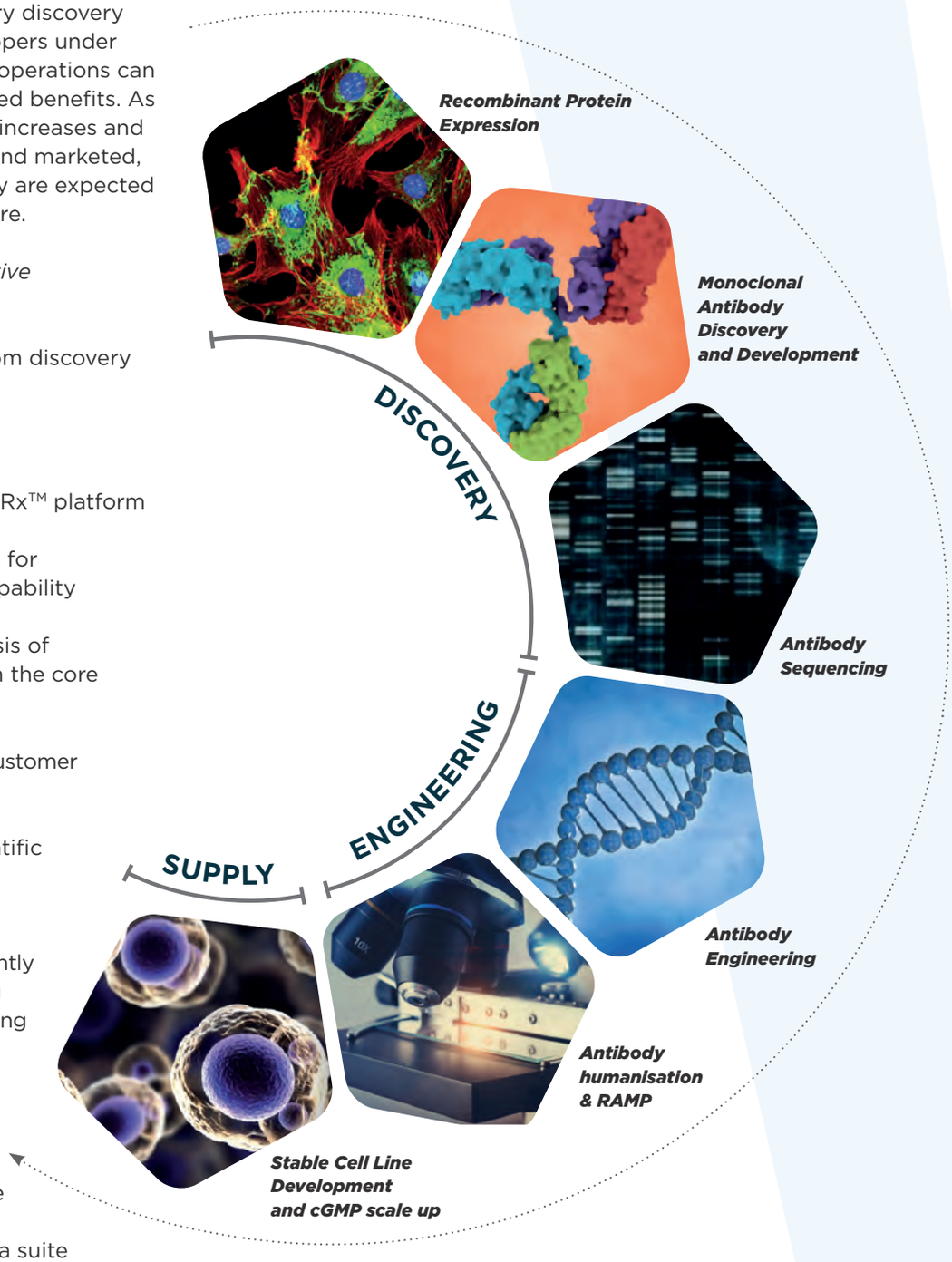
The Company continues to innovate and develop new services. The most significant project under way is the development of a Mammalian Antibody Library, OptiMAL™. This will reduce the number of development steps in the discovery of a new antibody drug by allowing the screening of new targets against a panel of whole antibodies that are already human in nature removing the need for animal hosts. Furthermore, it also removes the limitations of the major alternative approach, phage-display, which is restricted to the use of non-mammalian cells. This restriction can lead to the selection of antibodies which perform poorly when transferred to a mammalian system. The Board believes development of the Library will provide significant scientific and commercial benefits for drug developers in terms of shortening the development time, therapeutic effectiveness and manufacturability.

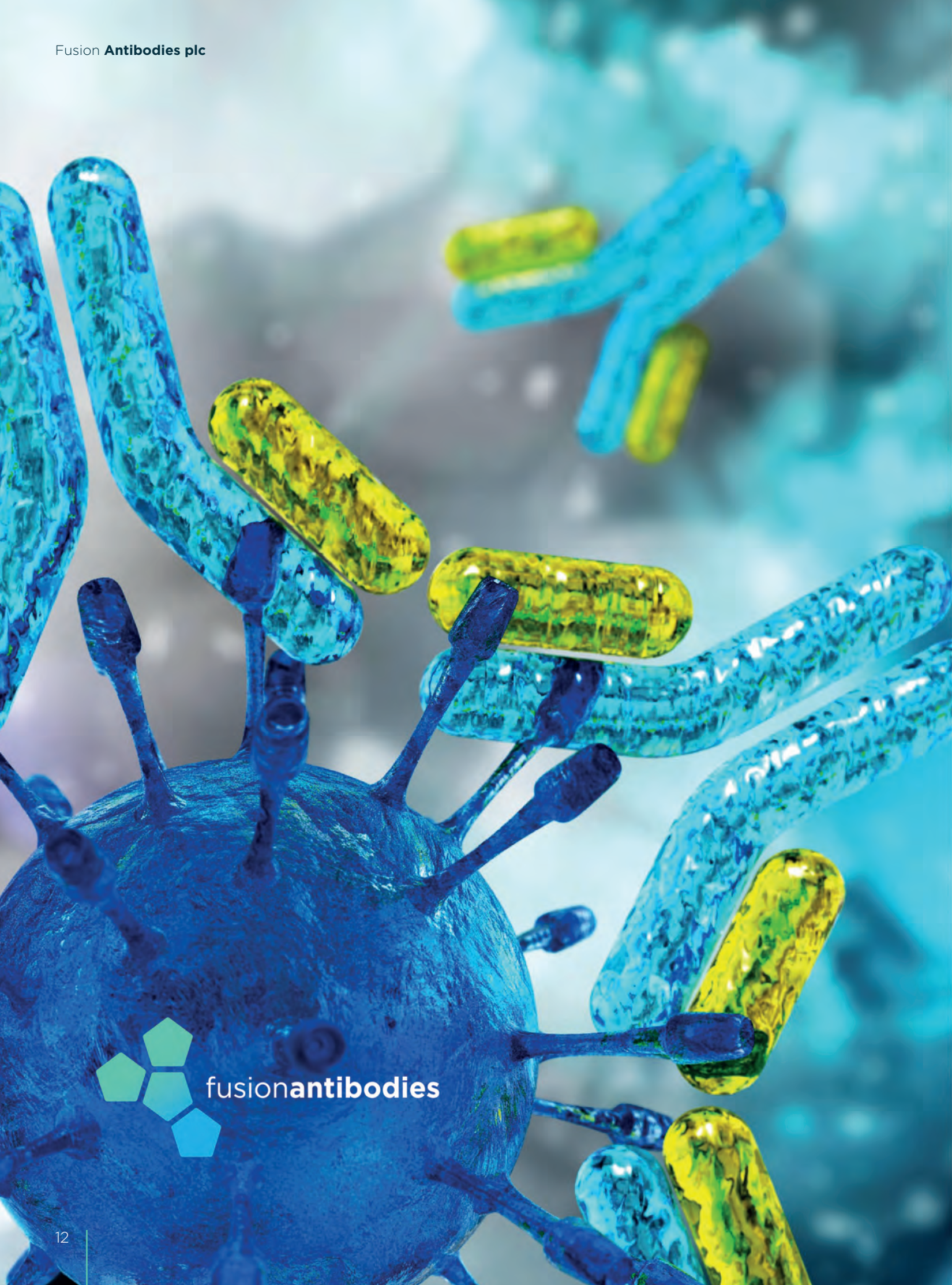
Additionally, the Company will explore the opportunity to make its proprietary discovery platforms available to drug developers under licence. Licencing drug discovery operations can offer licensees time and cost related benefits. As demand for therapeutic products increases and as future services are developed and marketed, the opportunities for the Company are expected to increase in the foreseeable future.

What are the Company's competitive advantages?

- A broad range of services from discovery to clinical supply
- High quality client base
- Proprietary humanisation CDRx™ platform
- Proprietary RAMP™ platform for engineering antibody developability
- *In silico* computational analysis of antibodies and antigens form the core of our service platforms
- In house characterisation of customer molecules
- Technical expertise and scientific knowhow
- Continuous improvement in services including those currently under development: new drug discovery technologies including a Mammalian Library Platform

The discovery of antibodies is a long, arduous and cost intensive process. As a result, many developers opt to outsource all or parts of these operations. Fusion Antibodies has developed a suite of service platforms that address the need to produce highly manufacturable, scalable therapeutic antibodies from the discovery phase through to the production of stable, high yielding CHO cell lines for clinical supply.

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STRATEGIC REPORT

CEO'S REPORT AND OPERATIONS REVIEW

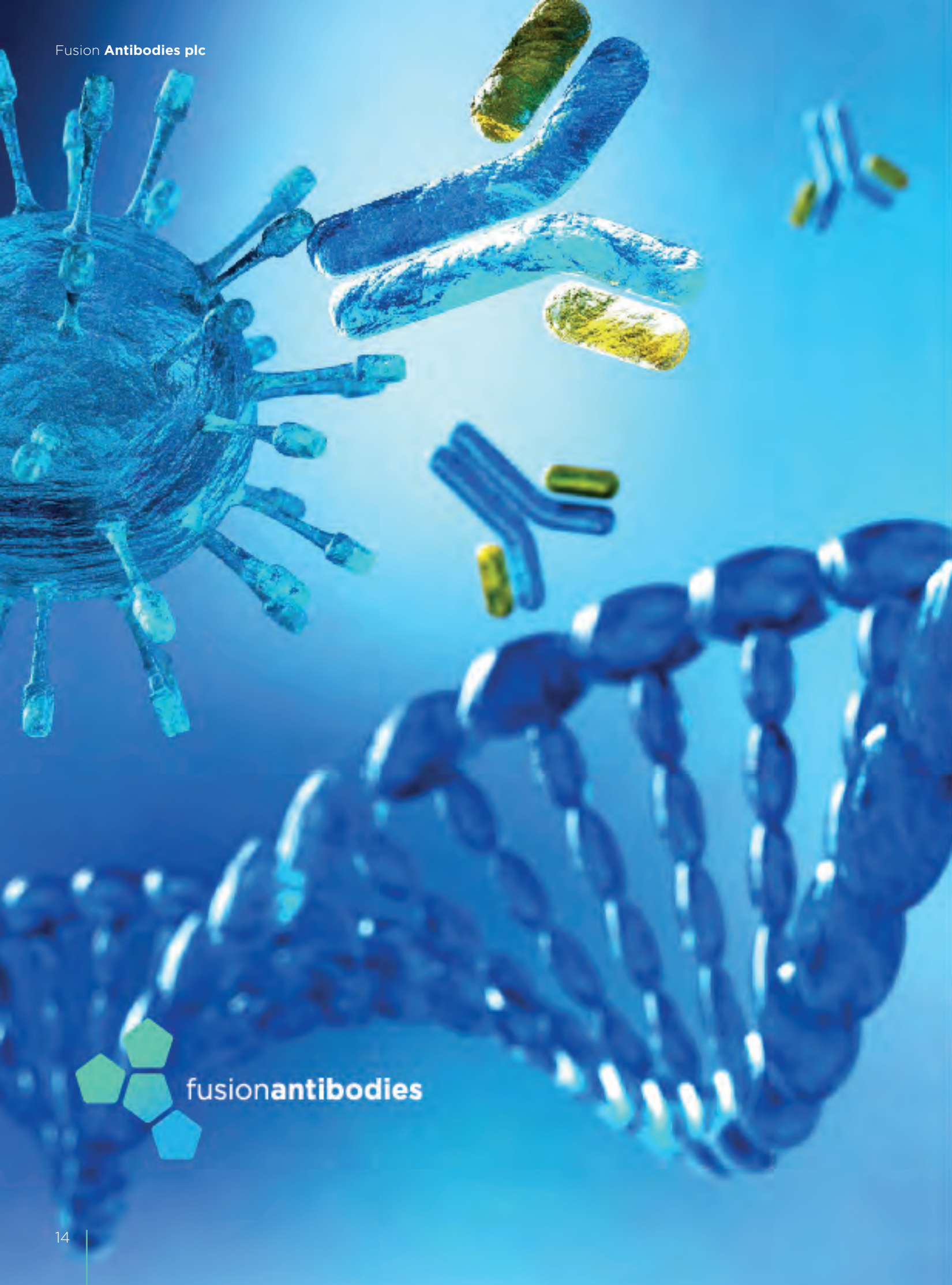
FY 2021 was a remarkable and challenging year for all of us due to the COVID-19 pandemic. Despite these head winds, the Company continued to make progress on multiple fronts with continued revenue growth and progress on the R&D pipeline. As a result of our ongoing investment for growth and in R&D, the 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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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).

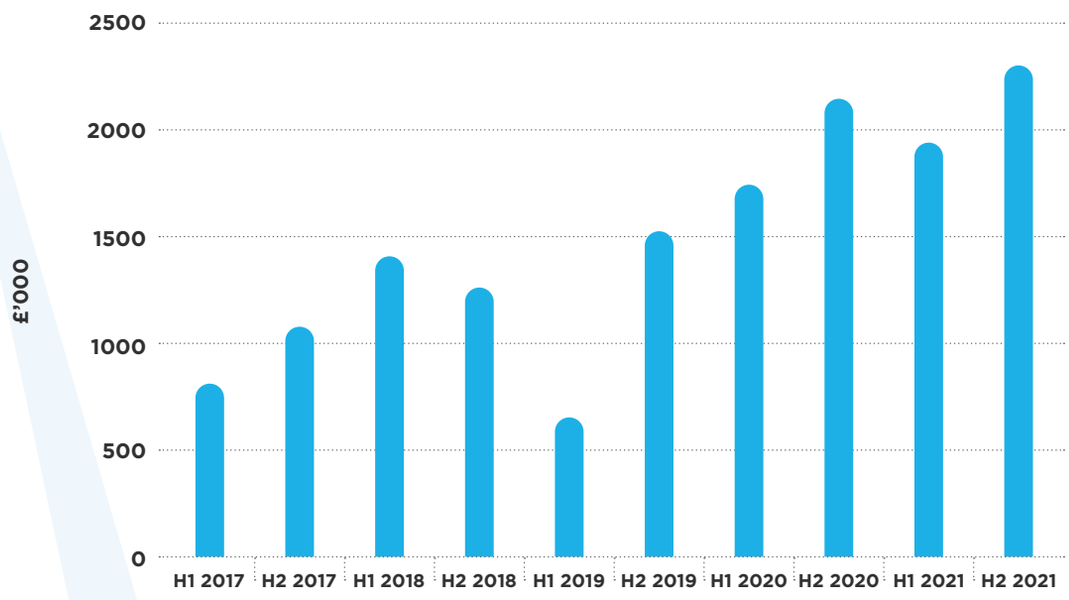
The EBITDA loss for the year was £0.5m (FY2020: £0.4m loss) (see note 27). Continued losses are a result of ongoing investment in operations and research which are expected to contribute towards future revenue growth. The loss before tax increased to £1.3m (FY2020: £1.1m loss).

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).

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

Revenues



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.

Dr Richard Jones
Chief Executive Officer

10 August 2021

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.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

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

RISKS RELATING TO THE COMPANY AND ITS BUSINESS

1 Dependence on agreements with third parties

The Company enters into agreements, including partnerships and collaborations, with third parties in respect of development, production, marketing, sales and distribution and supply of materials and equipment in order to develop and market products and services and to enable it to reduce the cost incurred by the Company in doing this. There are no guarantees that the Company will be able to find suitable, commercially viable relationships nor that any parties with whom it enters into commercial arrangements will meet their obligations. This could impact upon the Company's revenue and profitability and potentially leave the Company with a financial loss, unable to proceed with development or sale of the products or services and/or needing to enter into litigation with the partner which could have both negative finance and reputational consequences.

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

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

Third parties may assert their own intellectual property infringement claims against the Company's use of technology or products and require the Company to cease the infringing activity and/or require the Company to enter into licensing and royalty arrangements. The third party could take legal action against the Company; if the Company is required to defend itself against charges of patent infringement or to protect its own proprietary rights against third parties, substantial costs and significant management time and effort could be incurred regardless of whether

the Company is successful. Such proceedings are typically protracted and there is no certainty of success. If there is an adverse outcome, this could subject the Company to significant liabilities to third parties, and force it to curtail or even cease altogether the development of products or the provision or particular services (if provision of those services is reliant on a particular method which is the subject of the proceedings), or the sale or licensing of products. In addition, the Company may be required to develop alternative, non-infringing solutions which may require significant time and substantial, unanticipated resources. It is therefore possible that such claims could have a material adverse effect on the Company's business, financial condition or results.

3 Risk that services will not achieve commercial success

The Company currently offers a range of services, namely: antibody sequencing, antibody humanisation, stable cell line development, antibody engineering, monoclonal antibody production, transient protein expression and affinity maturation. It is also developing a mammalian antibody library. The commercial success of each of these services is in part based on factors outside the Company's control, including market demand for those services. There can be no assurance that market demand for any of these areas will continue to exist and/or increase, or that the Company's services will be favourably received by the market, will be profitable or will produce a reasonable return, if any, on investment. If the service is not commercially successful it could result in a financial loss to the Company. Furthermore there can be no assurance that the development of the new services is successful.

Whilst the Company considers it offers a competitive pricing model, there is the risk that it will not be able to attract market interest in its services or to maintain or develop that interest if received. For example, a competitor may undercut it with a pricing model it is unable to match; alternatively or additionally, a competitor with access to superior levels of capital may be able to inject more capital into its business and, as a consequence, develop new systems for delivering comparable services to those offered by the Company at lower cost and/or more effectively. There is therefore no guarantee that any of the Company's services will be commercially successful in the future or that it will continue to be competitive in the markets in which it operates.

4 The Company relies on certain key personnel

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

The Company's research capability, financial condition, operation and prospects may be detrimentally affected if the Company loses the services of any of its senior management and/or key research and development personnel, whether through illness or death, or them moving employment. No assurance can be given that the Company will be able to retain and incentivise all the staff and key personnel that it needs in order to achieve its business objectives (a) at all or (b) on commercially acceptable terms. This could in turn adversely affect its business, financial condition, results and/or future operations.

As stated above, the Company's success is in part attributable to the expertise and experience of its senior management and key research and development personnel. However, it may need to attract and recruit additional personnel, either in addition to existing personnel or to replace departing personnel, across all areas of its business. This could in turn adversely affect its business, financial condition, results and/or future operations.

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

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

GENERAL RISKS RELATING TO THE BIOTECHNOLOGY AND PHARMACEUTICAL INDUSTRIES

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

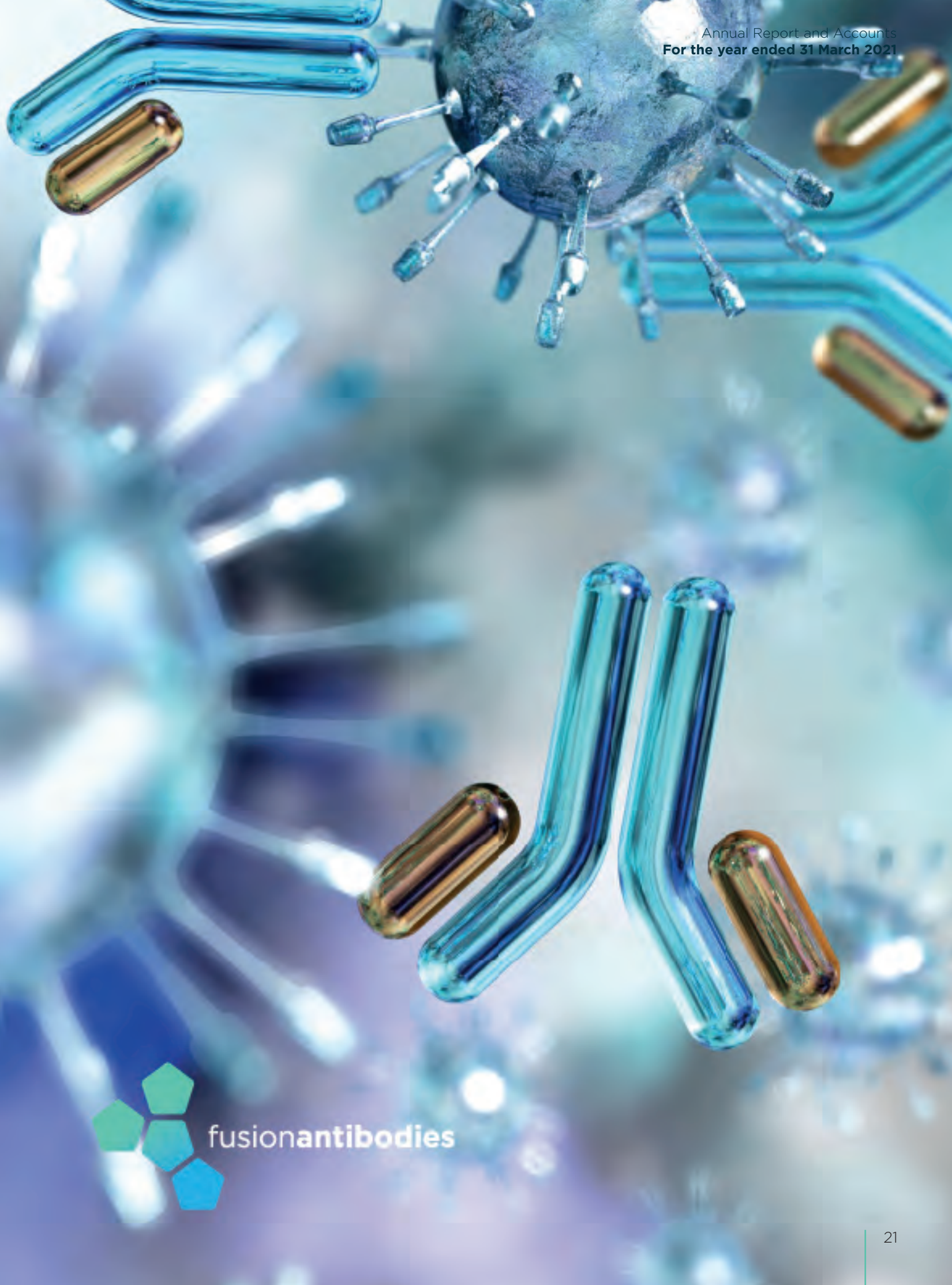
As a CRO, the Company's revenue is primarily generated through contracts with pharmaceutical and biotechnology companies and is dependent upon there being a demand in these industries for its antibody services. There is a risk that there may be a reduction in the demand in the pharmaceutical and biotechnology industries for antibody services, even if expenditure on drug development and discovery is maintained or increased. For example, the discovery of new technologies may reduce altogether the need for the antibody services provided by the Company (either currently or in the future), or it may enable drug development companies to meet their requirements for antibody services internally rather than outsourcing these to CROs such as the Company.

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

The regulations governing the biotechnology and pharmaceutical industries in the countries in which the Company operates may be subject to change without prior notice or consultation. Any such changes or amendments may significantly impact the business of the Company. For example, at the moment it is generally easier to both import and export goods within the EU than to other international companies due to the UK being part of the customs union. However, in view of the ongoing EU trade negotiations and the uncertainty surrounding the effect these will have on the free movement of goods, it is not clear whether such rules will significantly change and, if so, exactly how they will differ. There may also be increased costs to the Company of complying with any changes in the regulatory requirements of the biotechnology and pharmaceutical industries which could have an impact on the financial prospects of the Company.

The strategic report on pages 1 to 15 was approved by the Board on 10 August 2021 and signed on its behalf by:

Dr Richard Jones
Director


fusionantibodies

CORPORATE GOVERNANCE
BOARD OF DIRECTORS

Dr Simon Douglas
Non-executive Chairman

Simon, 62, was appointed Non-executive Chairman in September 2011 having previously been CEO. He has over 30 years' experience in the biotech industry, including 10 years working for Amersham International (now GE), ICI and Zeneca (now Astra Zeneca), in a variety of commercial and technical positions, and over five years with Tepnel Life Sciences plc (now Hologic Inc), a London Stock Exchange listed diagnostic company where he was Chief Executive. He has been the CEO/Executive Chairman on three other venture capital backed Life Science companies, and headed up the trade sale of two of these. He is currently Chairman of Omega Diagnostics Group plc, an AIM listed in-vitro diagnostics company and C-Major Medical Ltd, a venture capital backed Medical Device Company. Simon is not considered to be independent as he formerly held the position of CEO.

Dr Richard Jones
CEO

Richard, 49, was appointed Chief Executive Officer on 16 February 2021. He is an accomplished life sciences executive with 25 years' experience in pharma and biotech companies with a strong background across multiple therapy areas. He has broad and extensive experience from business development, strategic alliances, M&As, R&D, early and late-stage clinical development, general management and commercialisation.

Dr Richard Buick
CTO

Richard, 44, was appointed director and Chief Technical Officer in September 2011 having worked in the Company since 2002 where he was responsible for overseeing contract research services. He previously had four years' experience discovering novel antibodies from synthetic libraries for diagnostic purposes. Richard has been appointed as a legal expert witness in a number of drug patent dispute cases and in 2018 he was made Honorary Senior Lecturer in Queen's University, Belfast.

James Fair
CFO and Company Secretary

James, 55, was appointed director and Chief Financial Officer in August 2017 and has 12 years' experience in Biotech. He qualified as a chartered accountant with Price Waterhouse and has held senior management positions in business, internal audit and professional practice.

Sonya Ferguson[1]
Senior Independent Director

Sonya, 50, joined the Company as a non-executive director in 2016 and is an experienced senior director working in the pharmaceuticals industry. She is currently senior director of Q2 Solutions, a Quintiles Quest joint venture, which is a leading global clinical trials laboratory services organisation, having formerly worked for Quintiles itself and Randox Laboratories. Sonya is the senior independent director on the Board.

Dr Alan Mawson[2]
Non-executive director

Alan, 79, is a venture capital fund manager, the founder and now chair of the Investment Advisory Committee of Clarendon Fund Managers Limited. He joined the Company as a non-executive director in 2004 as a representative of Clarendon. Clarendon is the fund manager for Nitech Growth Fund LP and Viridian Growth Fund LP both of which are shareholders in the Company. Due to Clarendon's shareholding in the Company, Alan is not considered to be independent under the QCA Code.

Colin Walsh[1]
Non-executive director

Colin, 65, is chief executive and founder of Crescent Capital NI Limited and has been an active venture capital investor in the high-tech sector for the past 28 years. He joined the Company as a non-executive director in 2007 as a representative of Crescent Capital. Crescent Capital is the fund manager of Crescent Capital II LP and Crescent Capital III LP both of which are shareholders in the Company. Due to Crescent Capital's shareholding in the Company, Colin is not considered to be independent under the QCA Code.

Tim Watts[2]
Non-executive director

Tim, 64, has over 25 years' experience in the pharmaceutical and biotech sectors, and joined the Company as a non-executive director in December 2017. He qualified as chartered accountant with Coopers & Lybrand before moving to HJ Heinz, then ICI, was appointed Finance Director of the Zeneca Pharmaceuticals business in 1998 and became Group Financial Controller of AstraZeneca plc in 2002. Between 2007 and 2017 he held positions as CFO of Archimedes Pharma then Oxford Biomedica plc from which he retired in September 2017. From 2018 Tim was CFO of Shield Therapeutics PLC and was appointed CEO and a director from April 2020. He is retiring from Shield in September 2021. Tim is an independent director.

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

Stakeholder engagement (inclusive of s172 disclosure)

At Fusion we value the views of not only our shareholders but also our wider stakeholder group.

We aim to provide clear and understandable information about the Company and our activities and to welcome and consider the views of stakeholders. Under section 172 of the Companies Act 2006 the Directors have a duty to act in good faith in a way that is most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the likely consequences of decisions for the long term, the interests of the Company's employees, the need to foster relationships with other key stakeholders, the impact on the community and the environment, maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the Company.

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

Our stakeholder engagement in the year ended 31 March 2021 was as follows:

STAKEHOLDER	WHO ENGAGED	HOW WE ENGAGED	OUTCOMES
Shareholders/ investors/ analysts	**Board/CEO/CFO/ CTO**	Our AGM (subject to Covid restrictions) and the distribution of the Annual Report remain the primary method of engagement with our private shareholders. For institutional investors individual meetings or calls are offered at the time of publication of trading updates, annual and interim results.	Formal and informal feedback received from investors is welcomed and used by the Board to inform future decisions.
	Chairman/CEO/ CFO/CTO	We were unable to continue our series of regional meetings for investors as a result of Covid-19 restrictions implemented by government. Instead the CEO and CFO used an online platform for the first time in December 2020 to present the Interim results and take questions from private investors.	A number of questions were put to the Company representatives who were able to explain the current position and longer-term plans including for the development of new services. The Company plans to continue to use this method of investor engagement for results briefings and other major announcements.
Employees	**CEO/CFO/CTO**	Our employees form a key stakeholder group with whom we engage on a daily basis. Company-wide email communication and periodic CEO presentations to all staff enable two-way communications across all levels of staff. Video conferencing was used to ensure the participation of those working from home during the pandemic.	Enabled us to update all employees on developments and initiatives, R&D strategy and the Company's financial performance.
	CEO	Upon his appointment, Richard Jones held one to one calls with every employee to get to know them on an individual basis and establish good working relationships.	Enhanced employee engagement with new CEO.

STAKEHOLDER	WHO ENGAGED	HOW WE ENGAGED	OUTCOMES
Customers	**CEO/Business Development team/Quality Manager**	Customers and potential customers engage initially on a scientist-to-scientist basis as they seek solutions for their research programmes. Personal contact and calls combine for customer engagement, although site visits have not been possible this year. Customer feedback is gathered across the Company, collated by the Quality Manager and fed back to relevant parties.	Our approach is to work as scientific partners to aid our customers in their development programmes. Feedback is used to improve our practices, be they communication (oral and written), technical or commercial to enhance customer satisfaction.
Suppliers	**Production manager/ CFO/Financial Controller**	Suppliers and supply chains have come into sharper focus this year with the uncertainties created by the departure of the UK from the EU and the unforeseen global pandemic. The Production manager oversees individual supplier engagement, approving new scientific suppliers, negotiating terms and meeting supplier representatives. The CFO and Financial Controller oversee approval of non-scientific suppliers, the purchasing and payment interactions with suppliers.	The primary outcome has been to identify potential risks to the supply chain and mitigate these by reducing reliance on single suppliers and by holding larger stocks of key consumables and those items more at risk of disruption in supply. Good supplier relations and payment practices ensure the stability of the supply chain and improve value for money for the Company.
Community	**CEO/CTO/CFO**	The Company aims to support the local community through its interaction with and support for the academic and scientific community in the two universities in Northern Ireland. Regular contact with Queen's University in particular with joint PhD students and Knowledge Transfer Partnerships. The CTO is an Honorary Senior Lecturer at Queen's University.	The academic and scientific community in Northern Ireland is a source of business, ideas and graduates for the Company. Engagement activities enable the Company to keep a high profile in that community to mutual benefit.
	Employees	The Company was approached by a local third sector organisation, Linen Biennale of Northern Ireland, and the resultant collaboration gave rise to *Translating Linen*, a musical interpretation of the DNA of Linen which featured in the NI Science Festival 2021.	Employee engagement with community in a year when outside interactions have been restricted. Company profile promoted to young scientists in the NI Science Festival, and to local businesses through a nomination for and Arts & Business NI award.

Compliance Statement

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

- The Chairman retains responsibility for, and takes the lead on, all matters of corporate governance;
- The Board meets regularly for formal Board meetings. It met twelve times in FY2021. It will consider strategy, performance and approve financial statements, dividends and significant changes in accounting practices and key commercial matters, such as decisions on the introduction of new services. There is a formal schedule of matters reserved for decision by the Board;
- The Company has an audit committee and remuneration committee, further details of which are provided below; and
- The Company does not have a nomination committee, as the Board does not consider it appropriate to establish one at this stage of the Company's development. The Board as a whole takes decisions regarding the appointment of new directors and this will follow a thorough assessment of a potential candidate's skill and suitability for the role.

Board composition

The Company is managed by a Board of directors and they have the necessary skills and experience to effectively operate and control the business. There are currently eight directors at the date of this report being: Simon Douglas, Richard Jones, Richard Buick, James Fair, Sonya Ferguson, Alan Mawson, Colin Walsh and Tim Watts. The Board comprises five non-executive directors and three executive directors.

During the year the Chairman led a board evaluation exercise considering composition of the Board and its committees and director's individual skills and contribution. The Chairman held one to one evaluations with directors to assess how skillsets meet the needs of the Company and identify where skills need to be added to the existing Board, and the Senior Independent Director performed this evaluation in respect of the Chairman. As a result of this exercise the composition of the Board remains unchanged and the Board believe the split of non-executive to executive directors is appropriate for the current requirements of the Company. Board members are expected to attend relevant continuing professional development to ensure their technical skills are kept up to date as well as attending relevant industry and regulatory conferences and briefings.

The Board considers Sonya Ferguson and Tim Watts are independent in character and judgement. Sonya Ferguson was appointed as the senior independent director on 11 December 2017. Whilst Colin Walsh and Alan Mawson are not deemed independent for the purposes of the QCA Code, the Board considers that their considerable experience and long-standing knowledge of the business are essential in guiding the overall strategy of the Company. Simon Douglas is not deemed independent as he is a former CEO of the Company.

The Senior Independent Director serves as a key sounding board for the Chairman and acts as an intermediary for other directors, including in respect of appraisal of the Chairman's performance. The Company Secretary advises the Board, through the Chairman, on legal, governance and procedural matters. The Chairman and the Company Secretary together review the Company's governance processes and consider improvements and initiatives to maintain standards at a high level.

As the business develops, the composition of the Board will remain under review to ensure that it remains appropriate to the managerial requirements of the Company. All new directors appointed since the previous Annual General Meeting are required to seek election at the next Annual General Meeting and directors retire annually in accordance with the Company's articles of association in order that every director has been elected or re-elected within the last

three years. This enables the shareholders to decide on the election of the Company's Board.

The mix of skills required on the Board is aligned to the needs of the Company and delivery of current strategy.

Board committees

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

Audit Committee

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

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

Since the last Annual Report, the audit committee has met three times with both members in attendance, in November 2020, March 2021 and July 2021. The auditors were in attendance at all three of these meetings. At the November 2020 meeting the main agenda item was to review the draft financial statements for the six months ended 30 September 2020. In March 2021, the committee reviewed and approved the proposed audit plan for the year ending 31 March 2021. At that meeting it also reviewed the need for an internal audit function and concluded that this was unnecessary and inappropriate given the relatively small size of the company.

In July 2021 the committee met to review the auditors' report to the Audit Committee and the financial statements for the year ended 31 March 2021. Regarding the financial statements, the key areas of focus for the audit committee were:

- The decision to no longer recognise the deferred tax asset on the Company's Statement of Financial Position. The Company has approximately £9.0m of taxable losses to utilise against future taxable profits. During the year, the Company raised capital to support the continued investment in R&D and business development over the next two years which is expected to generate further tax losses in those years. After the investment period the Board expects the Company to generate healthy profits but it is difficult to reliably estimate over what time the accumulated losses will have been utilized with the level of confidence required by the accounting standards. Management has therefore taken the decision to derecognise the deferred tax asset in the current year; and

- Going concern. Management have prepared forecasts demonstrating that the Company has sufficient resources to continue as a going concern.

Internal controls and financial risk management

The directors are responsible for the Company's system of internal controls, the setting of appropriate policies on these controls and regular assurance that the system is functioning effectively and that it is effective in managing business risk. Risk management is embedded as part of the Board culture and is on the agenda of every meeting to ensure that it is at the centre of arriving at, and monitoring strategy. Principal risks and uncertainties are discussed in the Strategic Report and financial risk management policies are detailed in note 21 of the Notes to the Financial Statements. The audit committee monitors the Company's internal control procedures, reviews the internal control procedures and reports its conclusions and recommendations to the Board.

Remuneration Committee

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

The remuneration committee comprises two members who are non-executive directors: Colin Walsh (chair) and Sonya Ferguson.

Meetings and attendance

	BOARD	AUDIT COMMITTEE	REMUNERATION COMMITTEE
Meetings held during the year	**12**	**3**	**3**
Attendance:			
Simon Douglas	12/12		
Paul Kerr	10/10		
Richard Jones	1/1		
Richard Buick	12/12		
James Fair	12/12		
Sonya Ferguson	12/12		3/3
Alan Mawson	12/12	3/3	
Colin Walsh	12/12		3/3
Tim Watts	12/12	3/3	

As a result of government restrictions on travel and meetings all of the board and committee meetings were held by video call. In response to the heightened risk from the pandemic and Brexit, the board met 12 times in the year (2020: 8 times).

Non-executive directors are expected to spend a minimum of one day a month on Company activities in addition to preparation for and attendance at Board and sub-committee meetings. The Chairman will routinely spend an additional day per month, however, this year he worked more closely with the Executives on the management throughout periods of lockdown as well as for the recruitment and appointment of the new CEO.

Communication with shareholders

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

The corporate governance report on pages 22 to 30 was approved by the Board on 10 August 2021 and signed on its behalf by:

Dr Simon Douglas
Chairman

CORPORATE GOVERNANCE
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2021

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2021.

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

Principal activities

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

Review of the business and future developments

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

Directors

Biographical information on each of the directors at the date of signing this report is set out on pages 22 to 24. The directors who served during the year comprised those directors and Dr Paul Kerr who resigned as CEO on 16 February 2021.

In accordance with the Company's Articles of Association Richard Jones, Alan Mawson, Colin Walsh and Tim Watts will retire and offer themselves for re-election at the 2021 Annual General Meeting.

Directors' remuneration

The remuneration committee comprises Colin Walsh as chair and Sonya Ferguson. The committee is responsible for reviewing the Company's remuneration policy, the emoluments of the executive directors and other senior management and the Company's pension arrangements and for making recommendations thereon to the Board. The committee also makes recommendations to the Board in respect of awards of options under the EMI and Unapproved Employee Share Option Scheme under which employees and executive directors may be granted options to acquire Ordinary Shares. It also reviews the terms of service contracts with senior employees and the executive directors and any compensation arrangements resulting from the termination by the Company of such contracts.

Policy on executive directors and senior management remuneration

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

Bonus payments

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

For the year ended 31 March 2021 executive director bonuses have been awarded on the basis of the achievement of financial performance in relation to target, and for the attainment of individual non-financial performance targets for the CTO and CFO.

Long term incentives

At the reporting date the Company had three share based reward schemes, two of which are now closed to new awards. Details of share options in issue are included in note 9. Company policy is no longer to award share options to non-executive directors.

Movement in options held by directors are as follows:

	At 1 April 2020	Exercised in Year	Lapsed in year	**At 31 March 2021**	Exercise period	Exercise price per share
Richard Buick						
2017 Share Scheme	125,000	-	-	**125,000**	2018-2027	£0.04
2017 EMI and Unapproved Employee Share Option Scheme	200,000	-	-	**200,000**	2019-2028	£0.545
	325,000	-	-	**325,000**		
James Fair						
2017 Unapproved Share Scheme	75,000	-	-	**75,000**	2018-2027	£0.04
2017 EMI and Unapproved Employee Share Option Scheme	200,000	-	-	**200,000**	2019-2028	£0.545
	275,000	-	-	**275,000**		
Sonya Ferguson						
2017 Unapproved Share Scheme	25,000	-	-	**25,000**	2018-2027	£0.04

Directors' remuneration

The remuneration of directors for the year ended 31 March 2021 was as follows:

		Salary & fees £'000	Benefits £'000	Bonus £'000	Company pension contributions £'000	Total £'000
Executive directors						
Paul Kerr[1]	**2021**	**151**	**-**	**-**	**9**	**160**
	2020	102	-	19	6	127
Richard Jones[2]	**2021**	**18**	**-**	**-**	**1**	**19**
	2020	-	-	-	-	-
Richard Buick	**2021**	**107**	**-**	**17**	**7**	**131**
	2020	102	-	16	6	124
James Fair	**2021**	**102**	**-**	**17**	**6**	**125**
	2020	97	-	20	6	123
Non – executive directors						
Simon Douglas	**2021**	**50**	**-**	**-**	**-**	**50**
	2020	30	-	-	-	30
Sonya Ferguson	**2021**	**23**	**-**	**-**	**-**	**23**
	2020	23	-	-	1	24
Alan Mawson	**2021**	**23**	**-**	**-**	**-**	**23**
	2020	23	-	-	-	23
Colin Walsh	**2021**	**27**	**-**	**-**	**-**	**27**
	2020	27	-	-	-	27
Tim Watts	**2021**	**27**	**-**	**-**	**-**	**27**
	2020	27	-	-	-	27
Total	**2021**	**528**	**-**	**34**	**23**	**585**
	2020	431	-	55	19	505

1 Paul Kerr remuneration up to 16 February 2021.
2 Richard Jones remuneration from 16 February 2021.

Directors and their interests

	At 1 April 2020	% issued share capital	Shareholding at 31 March 2021	% issued share capital
Richard Jones	-	-	-	-
Richard Buick	495,125	2.24%	486,250	1.90%
James Fair	-	-	-	-
Simon Douglas	255,800	1.16%	255,800	1.00%
Sonya Ferguson	60,900	0.28%	67,567	0.26%
Alan Mawson	128,988	0.58%	124,000	0.48%
Colin Walsh	-	-	-	-
Tim Watts	27,575	0.12%	27,575	0.11%

Results and dividends

The loss before tax for the year was £1,264,000 (2020: loss £1,073,000) and Loss Before Interest Taxation Depreciation and Amortisation (EBITDA) of £535,000 (2020: £439,000 loss).

After an income tax charge of £1,635,000 (2020: £376,000 credit) the loss for the financial year of £2,899,000 (2020: loss £697,000) has been transferred to reserves. The results for the year are set out the statement of comprehensive income.

No dividends were paid (2020: £nil). The directors do not recommend payment of a final dividend (2020: £nil).

Principal shareholders

At the close of business on 6 August 2021 (being the latest practical date prior to the signing of this report) the Company had received notification of the following substantial interests representing over 3% of the issued share capital:

	Number of Ordinary 4p shares	Percentage held
Invest Northern Ireland	3,197,865	12.39
Amati Global Investors Limited	2,341,463	9.07
Viridian Growth Fund LP	1,831,500	7.09
Octopus Investments Limited	1,525,258	5.91
Hargreave Hale Limited	1,402,439	5.43
Jim Johnston	1,317,325	5.10
Canaccord Genuity	1,268,865	4.91
Livingbridge VC LLP	1,219,512	4.72
Unicorn AIM VCT plc	1,219,512	4.72
Paul Warwick	1,036,363	4.01

Pension

The Company operates a defined contribution pension scheme.

Research and development

During the year ended 31 March 2021 the Company has invested £613,000 (2020: £391,000) in research and development. This is incurred in the development of existing and new antibody engineering services and is expensed until the development project meets the criteria in IAS 38.

Financial risk management

The Company's approach to risk management is described in Principal risks and uncertainties within the Strategic Report and is included in this report by cross reference. Financial risks are disclosed in note 21 to the financial statements.

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.

Payments to suppliers

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

Directors' indemnity

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

Political donations

There were no political donations made by the Company during the year (2020: none).

Corporate governance

The Corporate Governance Report on pages 16 to 23 forms part of the Directors' Report and is included in this report by cross reference.

Post balance sheet events

There are no matters to report.

Annual General Meeting

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

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;

- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

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

- the financial statements, which have been prepared in accordance with international accounting standards in conformity with the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Statement of disclosure of information to auditors

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

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

Independent Auditors

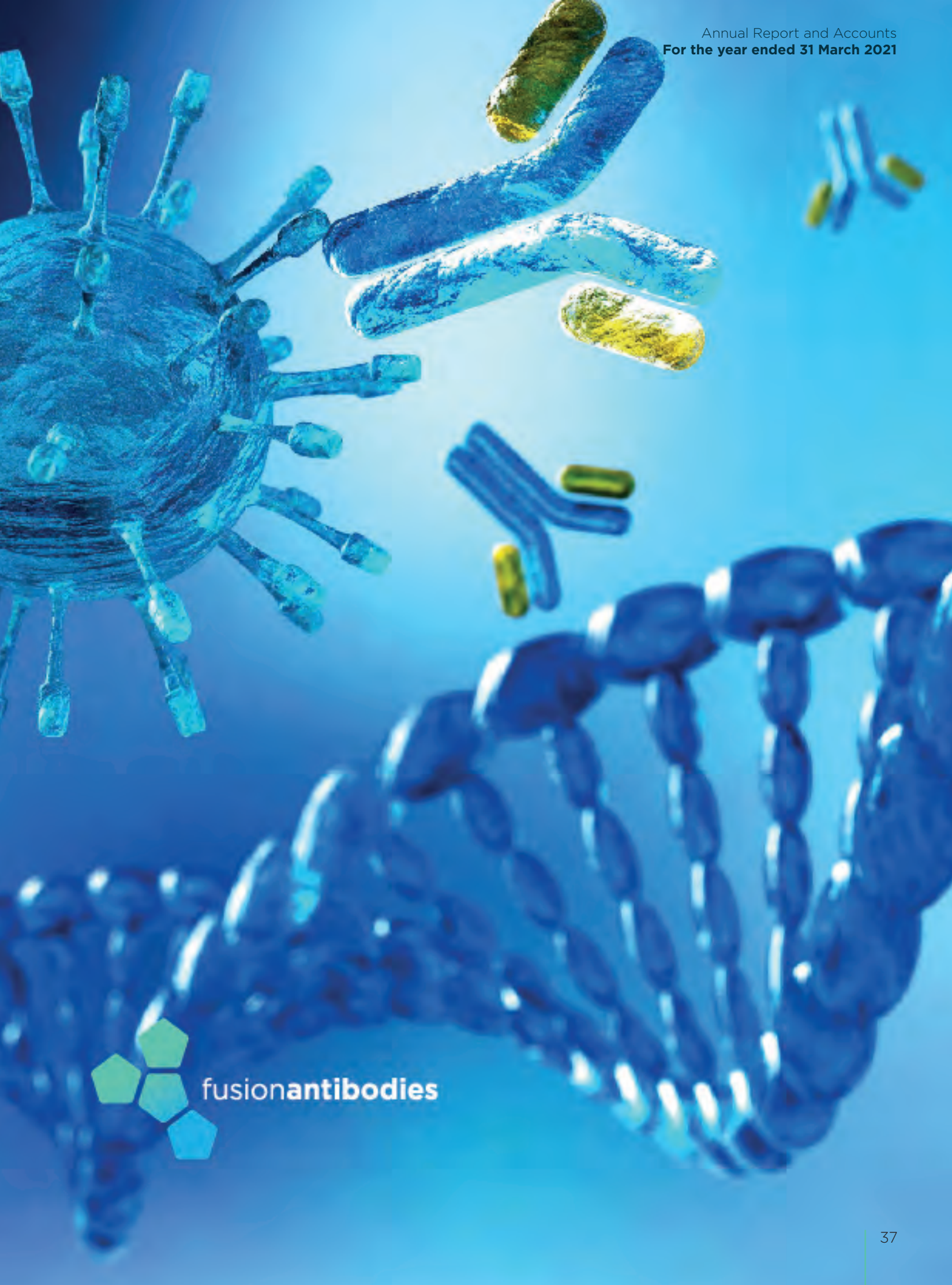
PricewaterhouseCoopers LLP has expressed its willingness to continue in office as auditors.

By order of the Board

James Fair
Company Secretary

10 August 2021

Company registration number NI039740


fusionantibodies

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION ANTIBODIES PLC

Report on the audit of the financial statements

Opinion

In our opinion, Fusion Antibodies plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2021; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

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

Key audit matters

- Impact of COVID-19
- Accounting for deferred tax asset

Materiality

- Overall materiality: £63,200 (2020: £53,500) based on 5% of loss before tax .
- Performance materiality: £47,400.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION ANTIBODIES PLC CONTINUED

Key audit matters

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

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 COVID-19 was declared a global pandemic by the World Health Organisation on 11 March 2020 and the on-going response is having an unprecedented impact on the economy which was considered as part of the audit. The Directors have considered the potential impact of the pandemic across the business. In relation to the Company's going concern assessment, the Directors have prepared and approved cash flow forecasts for a period exceeding 12 months from the date of these financial statements. The directors have stress tested the cash flow forecasts by considering the impact of a reduction in revenue together with opportunities to rephase the timing of certain discretionary spending. The Company had cash of £2.7m as at 31 March 2021. The Company has no external debt other than liabilities in respect of leases and hire purchase contracts for property, plant & equipment.	In assessing management's consideration of the potential impact on the Company of COVID-19, we have undertaken the following audit procedures: • We obtained from management their latest cash flow forecasts that support the board's assessment and conclusions with respect to the going concern basis of preparation of the financial statements; • We checked the mathematical accuracy of management's forecasts; • We challenged the adequacy and appropriateness of the underlying assumptions in both the forecast and the stress tests performed by management; • We have evaluated the level of forecast liquidity under each scenario, and • We reviewed the management accounts for the financial year to date and compared with forecasts. Our conclusion in respect of going concern is included in the "Conclusions related to going concern" section below.
Accounting for deferred tax asset The Company has derecognised the deferred tax asset in the current year (note 15). The Company had a carried forward deferred tax asset of £1.7m at 1 April 2020. The recognition of any deferred tax asset requires a degree of judgement, in that the asset should only be recognised to the extent that it is probable that future taxable profits will be available. The Company has prepared forecasts for the 2 year period ending 31 March 2023 and has concluded that it is difficult to reliably estimate the period over which profits may arise in the future, and therefore determined that derecognising the asset in the current year is the most appropriate course of action.	We obtained the Company's forecasts for the 2 year period ending 31 March 2023. • We discussed with and challenged both management and the directors on the accuracy and reliability of these forecasts, and • We carried out sensitivity analysis to identify the sensitivity of the projected taxable profits to changes in key assumptions of revenue and gross margin %. Following these procedures and discussions with management, we agree that they can no longer estimate, with the required degree of probability, the quantum and timing of future taxable profits. On that basis, we agree that the deferred tax asset should be derecognised. We are comfortable with the disclosures in the relation to this derecognition.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION ANTIBODIES PLC CONTINUED

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£63,200 (2020: £53,500).
How we determined it	5% of loss before tax
Rationale for benchmark applied	We believe that loss before tax is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £47,400 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £3,160 (2020: £3,250) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- We obtained from management their latest forecasts that support the board's assessment and conclusions with respect to the going concern basis of preparation of the financial statements;
- We reviewed the management accounts for the financial year to date and checked that these were consistent with forecasts. We also checked the arithmetical accuracy of management's forecasts;
- We challenged the adequacy and appropriateness of the underlying assumptions in both the forecast and the stress tests and have evaluated the level of forecast liquidity; and
- We have reviewed the disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION ANTIBODIES PLC CONTINUED

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION ANTIBODIES PLC CONTINUED

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and local tax regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- challenging assumptions and judgements made by management in their significant accounting estimates and judgements (because of the risk of management bias), in particular in relation to the carrying value of assets including the deferred tax asset;
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness; and
- discussions with management and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation or fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION ANTIBODIES PLC CONTINUED

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Kevin MacAllister (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
10 August 2021

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	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..

The accompanying notes on pages 48 to 65 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Notes	**2021 £'000**	2020 £'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

The accompanying notes on pages 48 to 65 form an integral part of these financial statements.

The financial statements on pages 44 to 65 were approved by the Board on 10 August 2021 and signed on its behalf:

Dr Richard Jones
Director

James Fair
Director

Registered in Northern Ireland, number NI039740

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	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**

The accompanying notes on pages 48 to 65 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	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

The accompanying notes on pages 48 to 65 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 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.

2 Significant accounting policies continued

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2021

2 Significant accounting policies continued

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

2 Significant accounting policies continued

cash-generating units are charged pro rata to the assets in the cash-generating unit. Cash generating units and individual assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Impairment charges are included in administrative expenses in the Statement of Comprehensive Income. An impairment charge that has been recognised is reversed if the recoverable amount of the cash-generating unit or individual asset exceeds the carrying amount.

Current tax and deferred tax

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

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

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

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

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

Share based employee compensation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2021

2 Significant accounting policies continued

Financial assets

Classification

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

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

2 Significant accounting policies continued

Employee benefits – Defined contribution plan

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

Foreign currency translation

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

Equity

Equity comprises the following;

Called up share capital

Share capital represents the nominal value of equity shares.

Share premium

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

Accumulated losses

Accumulated losses 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2021

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
	No.	No.
Employed in UK (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 £585,000 (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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2021

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 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2021

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

13 Property, plant and equipment continued

	Right of use assets £'000	Leasehold Improvements £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost					
At 1 April 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2021

15 Deferred tax assets

	2021 £'000	2020 £'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 2021/2020	**-**	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.

17 Trade and other receivables continued

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

	2021 £'000	2020 £'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 £'000	2020 £'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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2021

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 £'000	2020 £'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**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2021

21 Financial instruments continued

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)

COMPANY INFORMATION

Directors

Dr Simon Douglas (Non-Executive Chairman)
Dr Richard Jones (Chief Executive Officer)
Dr Richard Buick (Chief Scientific Officer)
Mr James Fair (Chief Financial Officer)
Ms Sonya Ferguson (Non-Executive Director)
Dr Alan Mawson (Non-Executive Director)
Mr Colin Walsh MBE (Non-Executive Director)
Mr Timothy Watts (Non-Executive Director)

Company secretary

Mr James Fair

Registered office

c/o Tughans Solicitors
Marlborough House
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Public relations advisor

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Independent auditors

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Registrar

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