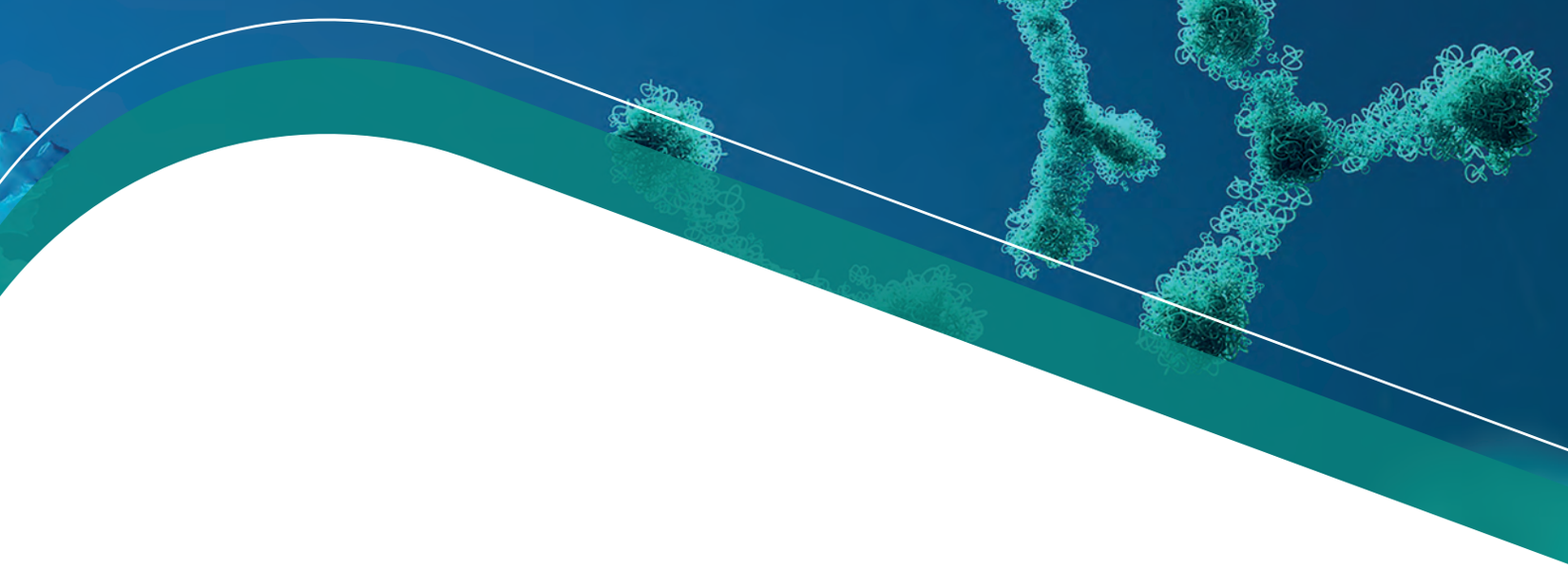

# ANNUAL REPORT & ACCOUNTS

For the year ended 31 March 2023

fusion**antibodies**

**fusionantibodies.com**

# HEADLINES

## FOR THE YEAR

INVESTMENT IN R&D
**£0.8M**
(2022: £0.7M)

FULL YEAR REVENUES LOWER BY 40% TO **£2.9M**
(2022: £4.8M)

APPOINTMENT OF ADRIAN KINKAID AS CEO IN AUGUST 2022

LOSS FOR THE YEAR OF **£2.6M**
(2022: LOSS £1.2M)

INTRODUCTION OF INTEGRATED THERAPEUTIC ANTIBODY SERVICE

CASH POSITION AT THE YEAR-END **£0.2M**
(2022: £2.0M)

INTRODUCTION OF MAMMALIAN DISPLAY SERVICE

## POST YEAR END AND LOOKING AHEAD

SHARE PROCEEDS OF **£1.5M** (NET OF COSTS)

INTRODUCED AND RECEIVED FIRST PURCHASE ORDER FOR THE AI/ML-AB™ (PRONOUNCED AIM-LAB) SERVICES

APPOINTMENT OF STEPHEN SMYTH AS INTERIM CFO IN SEPTEMBER 2023

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## STRATEGIC REPORT

# FUSION AT A GLANCE

Fusion Antibodies plc ("Fusion Antibodies", "Fusion" or the "Company") is a Contract Research Organisation (CRO) located in Northern Ireland that offers a range of antibody discovery, engineering and expression services for all stages of therapeutic and diagnostic antibody development. Our unrivalled experience working with antibodies and our established philosophy to "begin with the end in mind" makes Fusion Antibodies a first-choice partner for the discovery and development of antibodies for whatever the application. Our three service areas, which are explained more fully later in this report, include:

- **Discovery:** the identification, screening and sequencing of novel monoclonal antibodies for therapeutic and diagnostic applications, using both proprietary and traditional recombinant antibody discovery technologies;
- **Engineering:** optimising the performance of an antibody used in diagnostics or drug development including CDRx™ humanisation, Antibody Developability by Design (ADD™), RAMP™ and OptiMAS®; and
- **Supply:** generation and supply of high expressing cGMP ready-manufacturing cell lines used to produce clinical grade antibodies for further development or research, including transient expression and cGMP ready stable cell lines.

Our mission is to enable biopharmaceutical and diagnostic companies to bring better antibodies to the clinic more rapidly for the benefit of the global healthcare industry. Our Integrated Therapeutic Antibody Service (ITAS) integrates our current Discovery, Engineering and Supply services into one proposition which aims to enhance the client journey with the development of high performing antibodies to their targets.

## SNAPSHOT

**48** **staff FTE's based in Belfast, UK**

**77%** **of our revenues are from outside the UK**

**£2.9M** **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: exemplified by the current R&D investment in the OptiMAL® Mammalian Antibody Library and our expansion into artificial intelligence driven services through AI/ML-Ab™ and
- Our clients have progressed many projects into clinical trials confirming the value of our work.

fusion**antibodies**

## STRATEGIC REPORT

# CHAIRMAN'S STATEMENT

This year has been a tough year for the Company and very commercially challenging. The year has seen a downturn in market conditions and investment into our customers' early-stage therapeutic pipelines Venture capital funding, typically the primary source of investment for early-stage biotech, has fallen to its lowest level since 2019.

The Biotechnology sector's contribution to the global R&D pipeline has been growing in the last decade. There are more biotech companies now than ever before, but consequently there is less investment to go around and this lack of growth capital for many biotech companies means they must be very cautious in their spending. This has resulted in projects being delayed and reductions in head counts. However, we believe that the reprioritization of pipelines and optimisation of development strategies will give Fusion more opportunities going forward as companies could look to outsource more of their projects to give them greater control of their fixed cost base. We believe that Biotech companies generally are moving towards leveraging early engagement opportunities with full-service partners like Fusion to optimise the impact of external expertise across the development program, and to maximise their probability of success.

With the biotechnology sector's funding environment undergoing significant changes, creative solutions are required and Fusion has responded by introducing our new ITAS (Integrated Therapeutic Antibody Services) strategy which addresses this new market dynamic. ITAS pulls together all our current solutions to provide a continuous service from target discovery to a final stable cell line ready for larger scale production and is consistent with Fusion's established philosophy to "begin with the end in mind". Furthermore, we are looking at ways that the antibody drug discovery timescale can be shortened, with the development of OptiMAL®, our human antibody library and also through strategic alliances with AI/ML (artificial intelligence/machine learning) companies.

## BUSINESS PERFORMANCE

The year showed a significant downturn in revenue from the previous year, at £2.9m (2022: £4.8m) due to a combination of factors. As mentioned, this is primarily due to weak market investment conditions for new drug discovery and development programs and the subsequent delays to a number of our contracts, both large and small, combined with the reduced drug development activity of some of our customers. Notably, a small number of valuable projects have been suspended by clients due to delayed investment into those businesses. We are advised by our clients that we should expect these projects to recommence once their funding is secured, although the continued uncertainty of

timescales to win and close out contracts and to recognise the revenues remains a challenge. This situation was further compounded by the several months without a CEO in place and the unusually high turnover in the commercial group this year, necessitating the recruitment and training of new staff which created some short-term loss of traction with our customer base. The industry in general has seen significant movement in staff during and after the pandemic but more recently this situation has stabilised. It is worth noting that whilst the Company continues to retain an interest of longer-term future success milestone or royalty payments in many of our client projects there were no such payments this year.

The Company has been carefully managing costs and in particular headcount has been reduced during the year by 11% from an average of 54 to a headcount of 48 at the year end. To minimise the impact on capacity and capability to deliver customers' projects, significant cross training of staff from different laboratories has been implemented.

The focus for our R&D has continued on the OptiMAL® library project, with investment in R&D increasing by 14% over the same period in the previous year to £0.8m (2022: £0.7m).

The downturn in revenues generated an operating loss for the year of £2.6m (2022: loss £1.2m). Post year end, the Company successfully completed a £1.67m fundraise to provide additional working capital and we have now implemented circa. £1.6m in restructuring savings, including a further reduction in headcount from 48 at March 31 year end 2023 to 29. The Company had previously announced anticipated annualised cost savings of £2.2 million based on comparisons against the Company's budgets and plans in place at that time. As the outturn for FY 2023 was lower than originally budgeted, the revised annualised cost savings identified now total £1.6m. The Board will continue to closely monitor the Company's cost base and seek to identify additional cost savings that can be implemented without further impacting the operating capacity of the Company.

## DEVELOPMENT OF NEW SERVICES

While trading conditions remain challenging, the Company continues to strive to be at the front of innovation and to provide new and cutting-edge services to the market. We have implemented a new strategy and are introducing a new integrated approach in response to client needs and to ultimately increase revenues. We are re-aligning the Company's service offering to best serve our clients who are seeking to outsource more of their work in therapeutic antibody drug discovery and positioning ourselves as more of a collaborative partner rather than just a fee-for-service relationship. Our Integrated Therapeutic Antibody Service (ITAS) integrates our current Discovery, Engineering and Supply services into one proposition which aims to enhance the client journey with the development of high performing antibodies to their targets. This approach has been trialled with an existing client with positive results and the Company's aim is to build on this, while continuing to support our smaller clients who may wish to select individual services.

The antibody drug discovery industry is gradually moving away from the use of animals, something that as a Company we recognise and support. Our R&D program to develop a cell-based mammalian display technology screening library, OptiMAL®, for the direct identification of intact fully human antibodies against biomarkers and other targets of interest is progressing, with key stages of the process now developed, although further optimisation work is still required to deliver the full operational screening parameters. We will continue to build a body of data with a view to establishing commercial relationships for further validation and the Directors remain optimistic about its likely reception by the market.

Since our last report, processes to transfect cells with unique sequences, express those sequences as antibodies and screen and select antibodies have been optimised. Work is ongoing to optimise the extraction of specific antibodies to build a body of data with a view to establishing commercial relationships for further validation. Already, the R&D investment is bearing fruit with two stages of the OptiMAL® process adding value in that they enable us to further broaden the Company's integrated service offering. The OptiMAL® process includes a novel DNA library of antibody sequences at the front end and a Mammalian Display platform as the final step to enable the library antibodies to be expressed on the surface of mammalian cells as fully intact human IgG antibodies. We have commenced the development of two further discovery platforms utilising these two key OptiMAL® steps.

The Mammalian Display platform is ideally suited to

be used in conjunction with the output from artificial intelligence/machine learning (AI/ML) discovery platforms. These AI/ML platforms provide a method of designing panels of antibodies *in-silico*, with the AI/ML algorithms typically producing small libraries of sequences which are an excellent match with our Mammalian Display platform, which can transform these designs into real protein molecules for screening and final selection. This is a potentially powerful combination to speed up the discovery process and the Company is actively engaging with leading AI/ML companies as potential partners to make these novel approaches available to our client base. In August 2023 we announced that the negotiations with a leading AI/ML company based in the USA have been finalised and the first order emanating from this collaboration to generate de-novo antibody sequences has been received. Furthermore as previously announced a Memorandum of Understanding (MoU) with another AI/ML company based in Europe has also been signed. These collaborations are expected to provide for the development of partnerships that will enable the derivation and evaluation of AI generated antibodies and offer clients a new route to market using the AI/ML-AbTM service (pronounced AIM Lab), which will be complementary to our established discovery methods.

The novel DNA library of antibody sequences from OptiMAL® will also be used as the input design for OptiPhage™, a phage display based version of the same DNA library. These DNA sequences are packaged into a more commonly used Phage display format where smaller antibody fragments can be screened, compared to whole antibodies via OptiMAL®. We believe that the provision of OptiPhage™ at a lower price point provides the Company with an ability to protect the premium pricing of the OptiMAL® programme whilst meeting budgetary constraints of its customers. It may also be the platform of choice for those wanting antibody fragments as their end product.

As a Company, we are proud of our innovations and of our dedicated team of scientists who work on the next generation of antibody discovery technologies and we will continue to protect novel ideas through the filing of patents. This year saw the filing of two new patents. The first one is in respect of the Company's antigen display technology, which should increase the success rate in identifying highly potent antibodies from Fusion's range of Antibody Discovery technologies, although it does have a wider potential application. The second is for a panel of antibodies that bind to an important target for cancer therapeutics. These antibodies have the potential to inhibit the pro-tumourigenic activity of their target in cancer, which is supported by early pre-clinical data. The Company is exploring options to out-licence these antibodies to a clinical development company to progress them into Phase I clinical trials.

## BOARD AND EMPLOYEES

I was very pleased to announce the arrival of our new CEO, Dr Adrian Kinkaid, in August last year. Adrian brings a depth of experience in the life science and biotherapeutics industries and has expertise in the development and commercialisation of all the main classes of affinity reagents with over twenty-five years' experience working in the bioscience sector. Adrian's previous experience has included senior management positions in drug discovery, reagent technology and diagnostics and joins at a time where his strong leadership and vision will be key in the Company's turnaround strategy.

One further change to the Board during the financial year was Mr Tim Watts, who stepped down as a Non-Executive Director in September 2022. Tim joined the Company at the time of the IPO in December 2017, was the Chair of the Company's Audit Committee and has made a valuable contribution to the Company, particularly from his knowledge and experience of public companies. On behalf of the Board, I would like to thank him for all that he had done for the Company and wish him well in his retirement.

Post the end of the year we announced that Mr James Fair, our Chief Financial Officer, was stepping down from the Board effective 31 May 2023. The Board would like to thank James for his significant contribution to the Company over the past 14 years and wish him well in his future endeavours. We are grateful to Ms Frances Johnston who stepped in as the Company Secretary with the appointment in

September 2023 of Mr Stephen Smyth as an interim part time CFO. Stephen Smyth was designated Company Secretary on 28 July 2023 and appointed on Companies House on 16 September 2023. We have outsourced some other financial management accounting activities until the point where the Company is in a stronger financial position to allow more permanent solutions.

I would also like to mention all the staff, who at the beginning of the year were still working under Covid-19 restrictions, with many of our business development and financial teams continuing to work from home. The Company is continuing to offer flexible hybrid working where possible within the employee retention strategy.

The Fusion team has worked well under difficult conditions with a strong collaborative team effort and disciplined commitment for which the board is very grateful. The formation of the new Scientific Advisory Panel (the "SAP") was announced last year and is a making a positive input into the Companies scientific strategy. During the year there was a change in the makeup of the group with Professor Terry Rabbitts stepping down and with Dr Ulf Grawunder attending SAP meetings I would like to thank Professor Rabbitts for his contribution and welcome Dr Grawunder, who is based in Basel and who has extensive experience in the development of antibody-based therapeutics. He co-founded a company specializing in the development of therapies for cancer patients and has experience in mammalian cell-based antibody display platforms.

The appointment of these industry experts has already had an impact in our new AI/ML focus, with Professor Charlotte Deane, Professor of Structural Bioinformatics at the University of Oxford sharing her insights in the development and application of future machine learning algorithms in the field of antibody design.

## CORPORATE GOVERNANCE

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

## POST YEAR END AND OUTLOOK

As mentioned previously, the significant downturn in revenues generated a larger than anticipated operating loss for the FY23 and as this put a major strain of the cash levels, a new round of funding was commenced at the end of this FY and completed successfully in June 2023. Unfortunately, the need for this fundraising materialised at a point when investor confidence, and confidence in Fusion were at a low-point, resulting in a significant discount in the price at which new monies could be raised.

The subscription of new shares was through a placing, a Directors subscription and a retail offer and I would like to thank all the shareholders, both current and new, who supported us in this round, and in particular the Directors who subscribed for just over 8% of the shares. A total of £1,671,938 (£1.5m net of expenses) was raised through the issue of 33,438,768 ordinary shares at 5p per share.

In light of the macro-economic headwinds which the Company and its customers are facing, the Board has identified up to £1.6 million of annualized savings, which were implemented after the fund raise. This cost saving includes a significant reduction in headcount across all levels of the Company, including the Company's non-executive directors having agreed to forgo all remuneration that they are entitled to and the Company's executive directors having agreed to changes in their remuneration (which includes taking shares in place of some cash remuneration) to further conserve cash until such time that the Company's trading has recovered to an appropriate level.

The Directors believe that, notwithstanding these cost reductions, the Company will still be able to progress the launch of ITAS. Budgets have been maintained for sales and marketing and travel and, where possible, the Company will seek client contributions for further collaborative trials with a view to full commercialization of OptiMAL® and the initial AI/ML-Ab™ and OptiPhage™ projects.

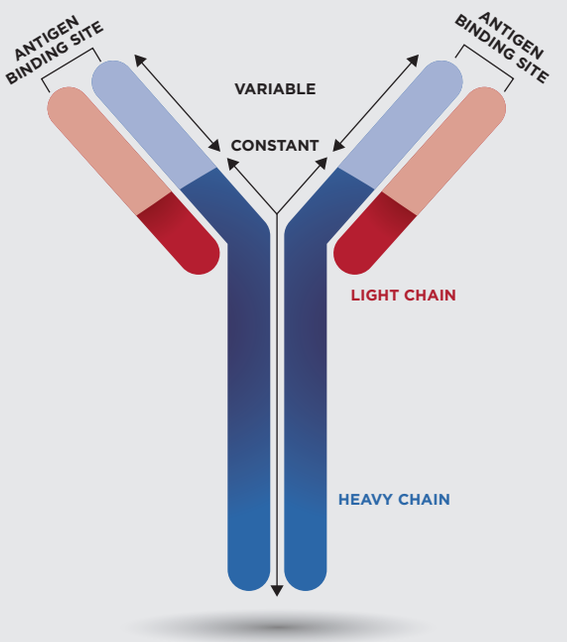
**Strategic Report:** Chairman's Statement continued

As mentioned, in August 2023, we were pleased to announce that an agreement has been signed with a leading US-based AI/ML company and the first order received, from a customer based in Australia. This represents an important first step in delivering this strategy.

Whilst there remains a significant amount of uncertainty over the timing and implementation of future contract wins due to reduced investment in the broader biotech sector, we expect trading to recover incrementally over the short to medium term both in respect of existing services and the new services coming on stream.

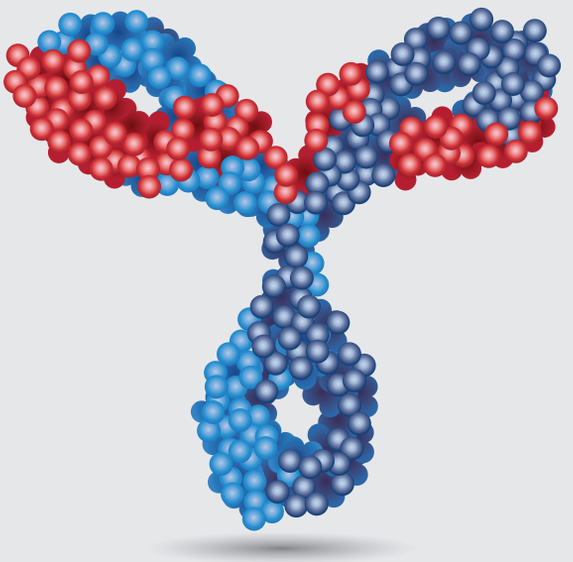
**Simon Douglas**
Chairman

28 September 2023




**Antibodies are immune related proteins called immunoglobulins.**

Each antibody consists of 4 polypeptides, two heavy chain and two light chains joined to form a 'Y' shaped molecule. The antigen binding site is the region that binds to the target of interest and can either neutralise its actions or flag it to be destroyed by other components of the immune system.



**A 3D model of an antibody showing some of the protein structure.**

Parts of the protein structure derived from the original host, usually mice, are replaced with structures found in humans through our humanisation service.

# STRATEGIC REPORT
# COMPANY OVERVIEW

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

## *The power of antibodies*

Antibodies are naturally occurring proteins which are produced by the immune system in the body of most mammals to neutralise pathogens such as bacteria and viruses circulating in the blood stream or to remove other foreign bodies. They are very powerful in that they target a very specific structure on the surface of a foreign cell or protein in the body. Monoclonal antibodies are a lot of identical copies of one type of antibody that are made in the laboratory by cultured immune cells, and which are isolated and engineered to ensure they are highly specific and homogeneous. They maintain their unique specificity characteristics as found in nature but now can be intentionally directed towards a target of interest. 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 specifically fight and kill abnormal cancer 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 as therapeutics to target many clinical conditions. Likewise the specificity of monoclonal antibodies can be use in clinical diagnostics to specifically detect pathogens and proteins and are used in laboratories and lateral flow tests around the world.

- Total antibody therapeutic Market size $186 billion in 2021 with a projected value of $445 billion in 2028[1]
- Approximately 150 monoclonal antibody therapies are approved and marketed globally as of June 2022[2]
- By 2021 the Food and Drug Administration (FDA – USA) have approved more than 100 antibody therapies[1]
- Top four antibody drugs each had sales of more than $3 billion in 2021[3]

Fusion Antibodies partners with clients involved in early discovery for novel and biosimilar antibody therapeutic drug development. Our clients range from global pharmaceutical companies, through asset-centric "virtual" companies to smaller research institutes and university-based research teams.

With the trend in antibody drug development industry moving away from the use of animals, our ongoing R&D program is to develop the cell-based mammalian display technology screening library, OptiMAL®. OptiMAL® will allow the direct selection of fully human antibodies against biomarkers and other targets of interest and will add another strength to our service offering.

(Source: [1]Global Market Insights, [2]National Center for Biotechnology Information (NCBI), [3]Biospace)

## *Current services*

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. Fusion offers antibody engineering services to companies and academic research institutes engaged in research, development and commercialisation of monoclonal antibodies.

Our three key service areas offered are:

## *Antibody discovery*

The creation and screening of novel antibodies for therapeutic and diagnostic applications. A first step and key to success in this area is to design and create a suitable target (antigen) to identify and bind to new antibodies. Fusion uses a combination of extensive 3D modelling and scientific expertise to design effective antigens.

Specific antibodies can then be produced that bind specifically to this target. The Company is highly experienced, and its work is well regarded in the traditional hybridoma method of antibody generation and more recently have developed a B-cell capability. Fusion's expertise and experience in De Novo antibody discovery involving the immunisation, isolation and cloning of the animal's B-cells, ensures that we can partner with our clients through their early discovery journey.

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.

## *Antibody engineering*

**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 as close in structure to human antibodies as possible thereby reducing the likelihood of rejection by the body before the patient receives the therapeutic benefit. Since 2012, the Company has performed over 250 antibody humanisations and, our understanding is that 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 (the complementarity determining region or "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.

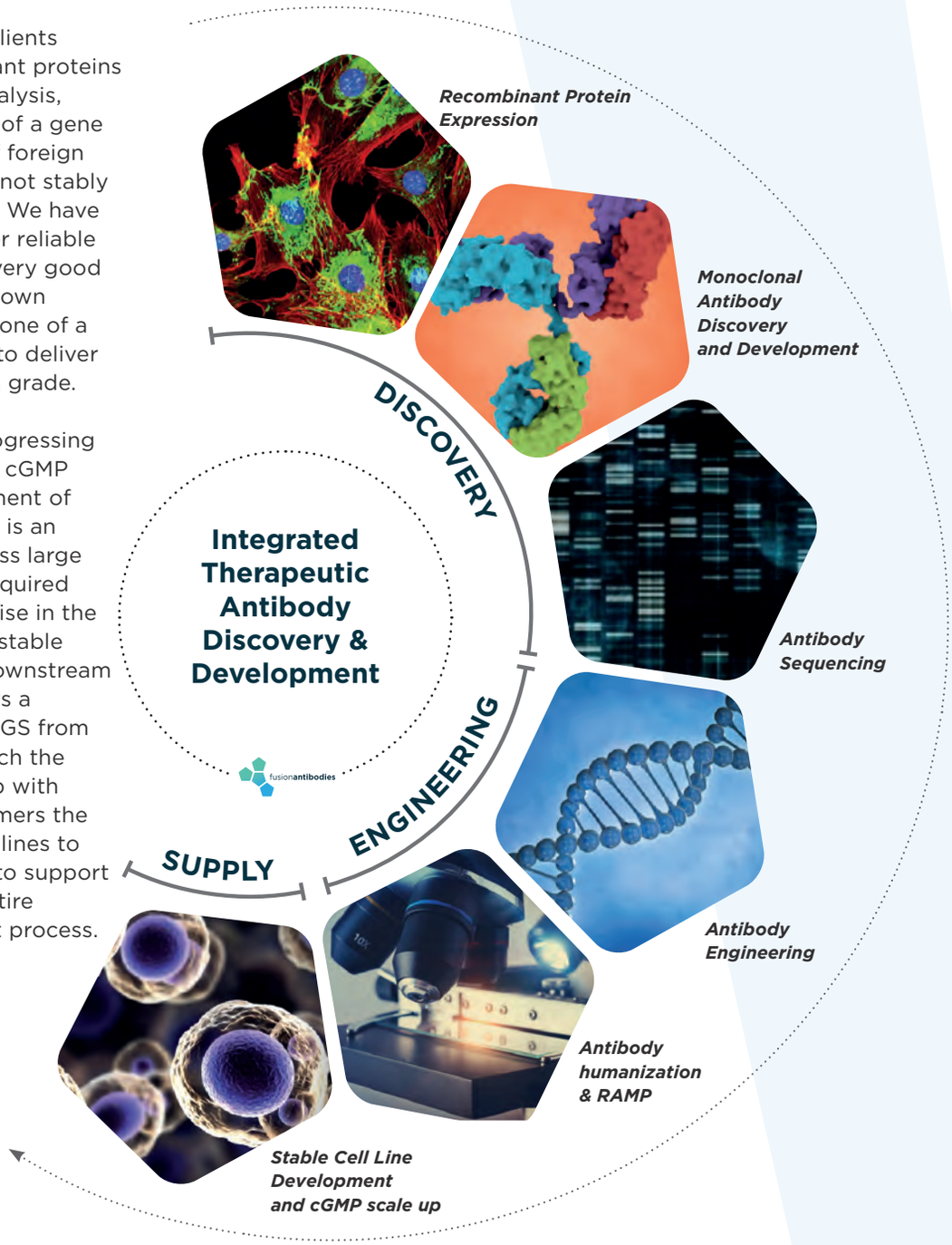
**RAMP™:** This is a technically advanced platform to improve the performance of antibody-based drugs. Our rational design approach allows for the optimisation of biophysical properties by changing part of the structure of the antibody that can have a beneficial effect on the strength of the antibody binding (affinity) to the target can be improved through the affinity maturation process.

**OptiMAS™:** Applying the RAMP™ platform in different scenarios can improve various aspects of the antibody drug. This technique has produced additional benefits to the molecules screened from our clients, including increased functionality, improved manufacturability, and enhanced specificity. In some cases, the altered structure has enabled our customers to file for new patents effectively extending the patent life of their therapeutic antibody.

## *Antibody supply*

**Transient gene expression:** Our clients require research grade recombinant proteins and antibodies for testing and analysis, and we do this by the expression of a gene resulting from the introduction of foreign or synthetic DNA material that is not stably integrated into the cell's genome. We have optimised processes which deliver reliable proteins with optimal yields in a very good timescale. Demand for this has grown over the last two years as we are one of a small number of companies able to deliver complex molecules to a very high grade.

**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.



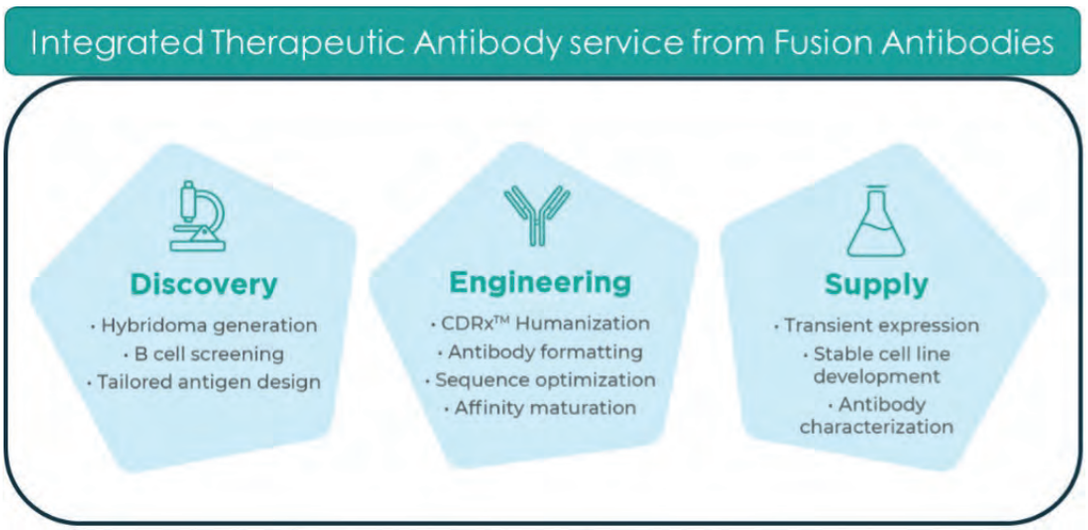
## *Business model*

Our client base covers several industries including therapeutics, diagnostics and research applications. The primary focus is on high value projects with the significant majority of these being for therapeutic antibodies. The new ITAS (Integrated Therapeutic Antibody Services) offering pulls together all our current services to provide a continuous service from target discovery to a final stable cell line ready for larger scale production and positions the Company as a trusted collaboration partner. Initial engagement with prospective customers is usually through a business development ("BD") team member and followed up with scientist-to-scientist discussion which is maintained 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 our customers' requirements involves is a key first step and extensive scientist-to-scientist conversations are held to arrive at a tailored approach with Fusion's experience contributing to the final project specification. Our range of services offered gives the flexibility desired by our customers to accelerate their antibody discovery and development programmes. The development of the project specification can last for several months as together with the customer we bring their project to the point where Fusion becomes involved.

A project is usually divided into a number of development stages, each might be dependent on the results of the previous stage and may be covered by a separate purchase order tailored to account for findings from previous phases. On more complex projects the next step may depend on the customer reviewing their project internally which can lead to a decision to continue, to proceed on an amended programme of work or occasionally to stop. It is the nature of the industry that some customer projects are cancelled or postponed at any point.

By the nature of this business there is significant commercial uncertainty in forecasting the commencement date of a project and the timing of the customer committing to later stages. The Company has extensive experience when scheduling projects, planning purchases and resource allocation in terms of staff and equipment as well as forecasting revenues but the inherent uncertainty in forecasting activity, and therefore revenue, cannot be completely eliminated. Nevertheless, the introduction of the Integrated Therapeutic Antibody Services is expected to improve retention of clients from one phase to the next and so improve our pipeline visibility. It is also worth noting that several clients have commented positively on Fusion's ability to accurately forecast phase outcomes and the impact on timelines and costs. This is considered a strength of the business and is very helpful to our clients' planning.



Payment for current services is predominantly by way of "fee-for-service" revenue model, with an upfront payment often invoiced to cover set up costs. If a significant contribution to the client's intellectual property is made, or other appropriate circumstances, the Company will also seek to obtain a commercial interest in the client project in addition to the revenue component. 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 commercial interest increases periodically as the Company enters into new agreements and reduces either when a milestone is realised or when a project is cancelled before a payment milestone is reached. The Directors believe that the introduction of the Integrated Therapeutic Antibody Services should increase the opportunity to contribute to the client's intellectual property and so enhance opportunities for milestones and royalties.

The Company has an interest in many such client projects which it understands its clients to be actively developing. It is expected that payments would be a number of years after the service is performed and the client further developed the drug and would depend on its success. Due to the uncertainty of the progression 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 any estimate of the potential value of future revenues or include such a value in its Statement of Financial Position.

## *Future services*

The Company continues to innovate and develop new services, A fully developed component of the OptiMAL® library is the Mammalian Display platform that enables the library to be expressed on the surface of mammalian cells as fully intact human IgG antibodies. This Mammalian Display is ideally suited to be used in conjunction with the output from AI/ML discovery platforms. This is a potentially powerful combination to speed up the discovery process and the Company is actively engaging with leading AI/ML companies as potential partners to make these novel approaches available to our client base.

A significant project under way is the development of a Mammalian Antibody Library, OptiMAL®. This will deliver a faster discovery approach and reduce the number of development steps in the discovery of a new antibody drug. New targets will be screened against a panel of cells expressing whole human IgG antibodies removing the need for animal hosts. The Board believes the development of the Library will lead to the shortening of the development time, therapeutic effectiveness and manufacturability and provide significant scientific and commercial benefits to therapeutic drug development companies. The Company will explore the opportunity to make its proprietary discovery platforms available to drug developers under licence. 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.

*Summary of Fusion's competitive advantages*

- A broad range of services from discovery to clinical supply
- A 'one stop' solution for clients to partner for their whole drug development journey
- High quality client base and strong reputation
- 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, AI/ML-Ab™, OptiPhage™ and OptiMAL®

## *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.

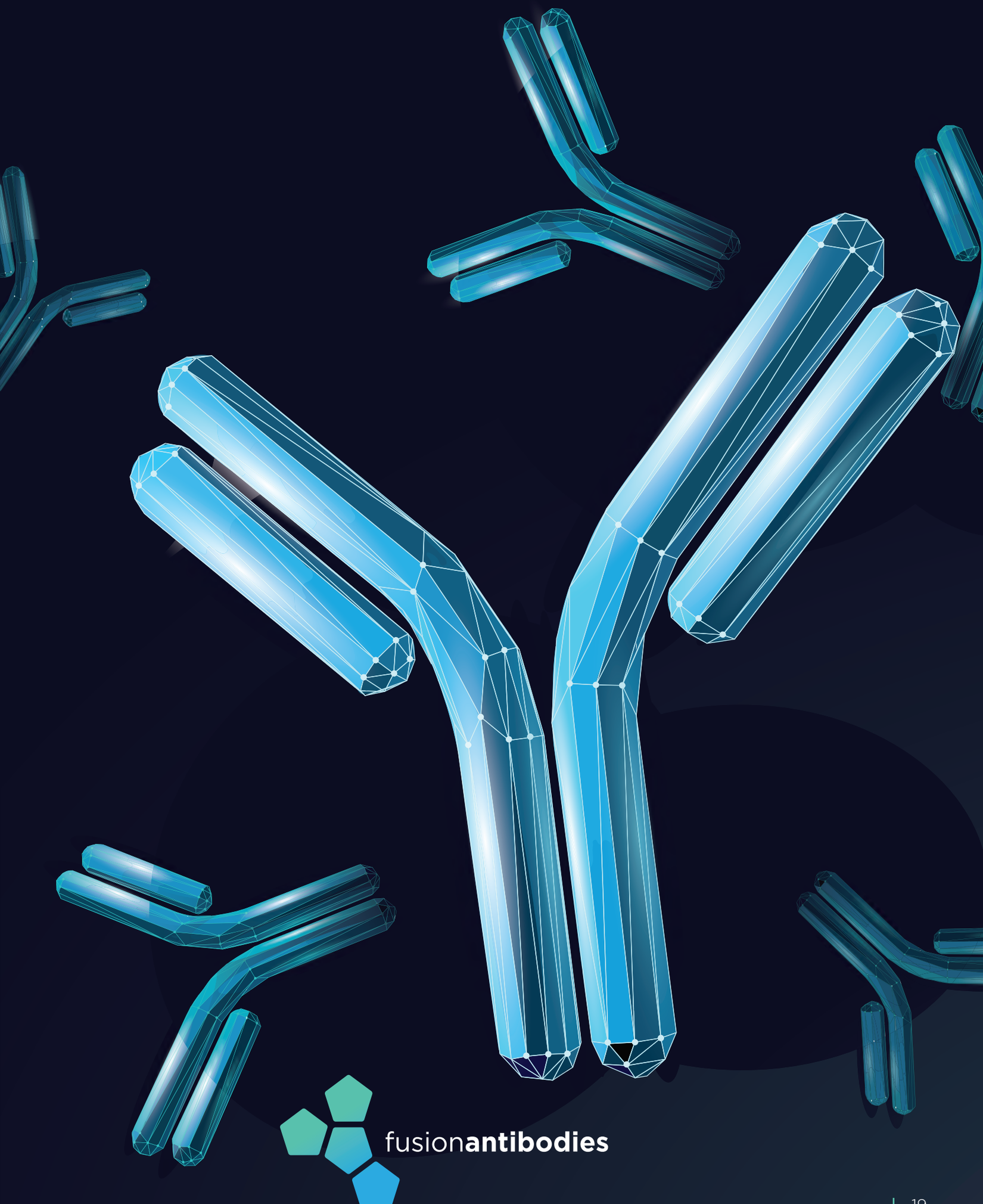
At the current stage of the Company's development there is a need to deliver continued growth year on year and be able to respond swiftly to short-term risks, challenges and opportunities. The longer-term consequences of our decisions are equally important, and these decisions are made within the Company's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

Our stakeholder engagement in the year ended 31 March 2023 was as follows:

| STAKEHOLDER | WHO ENGAGED | HOW WE ENGAGED | OUTCOMES |
|---|---|---|---|
| **Shareholders/ investors/ analysts** | **Board/CEO/CFO/ CSO** | Our AGM and the distribution of the Annual Report and interim report remain the primary method of engagement with our private shareholders. In September 2022 we were able to remove restrictions on physical attendance at the AGM which had been in place during the recent pandemic. For any material milestones or other news we issue an RNS. | The annual report provides a format to explain the Company's business strategy and results. Formal and informal feedback from investors is welcomed and used by the Board to inform future decisions. |
| **Shareholders/ investors/ analysts** | **Chairman/CEO/ CFO** | A return to face-to-face investor meetings was possible during the year. A combination of meetings in person, meetings on MS Teams / Zoom and group meetings using the Investor Meets Company platform was used for the two results briefings and for additional meetings, in particular to introduce the new CEO. | Company representatives were able to explain the current position and longer-term plans including for the development and introduction of new services. The Investor Meets Company platform enabled private investors and potential investors to receive the same briefing as institutional investors and to have their questions answered directly by Directors of the Company. |
| **Employees** | **CEO/CFO/CSO** | 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. | Enabled us to update all employees on developments and initiatives, R&D strategy and the Company's financial performance, and to receive feedback and suggestions for improvements. |
| **Employees** | **All line managers** | A system of regular 1-1 meetings or calls, usually weekly, between all line managers and their direct reports is in place. | Important to ensure than good inter departmental communication is maintained and that client projects run smoothly. This is very important in a busy working environment. |

**Strategic Report:** Company Overview continued

| STAKEHOLDER | WHO ENGAGED | HOW WE ENGAGED | OUTCOMES |
|---|---|---|---|
| **Employees** | **Available to all employees** | To support employees with increased levels of stress an Employee Assistance Programme from an external provider was made available to all employees. Support material was supplied and counselling and support can be accessed from the service. | A number of employees benefitted from the counselling service for support during the year and access to a 24 hour support helpline. |
| **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. Site visits and calls combine for customer engagement and the building of relationships. 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** | Suppliers and supply chains continue to require attention with the ongoing uncertainties created by the departure of the UK from the EU and any overhang from the global pandemic. The Production manager oversees individual supplier engagement, approving new scientific suppliers, negotiating terms and meeting supplier representatives. The CFO oversees 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 items with supply risks. Good supplier relations and payment practices ensure the stability of the supply chain and improve value for money. |
| **Community** | **CEO/CSO/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. The Company has joint PhD students and Knowledge Transfer Partnerships with, and the CSO 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. |



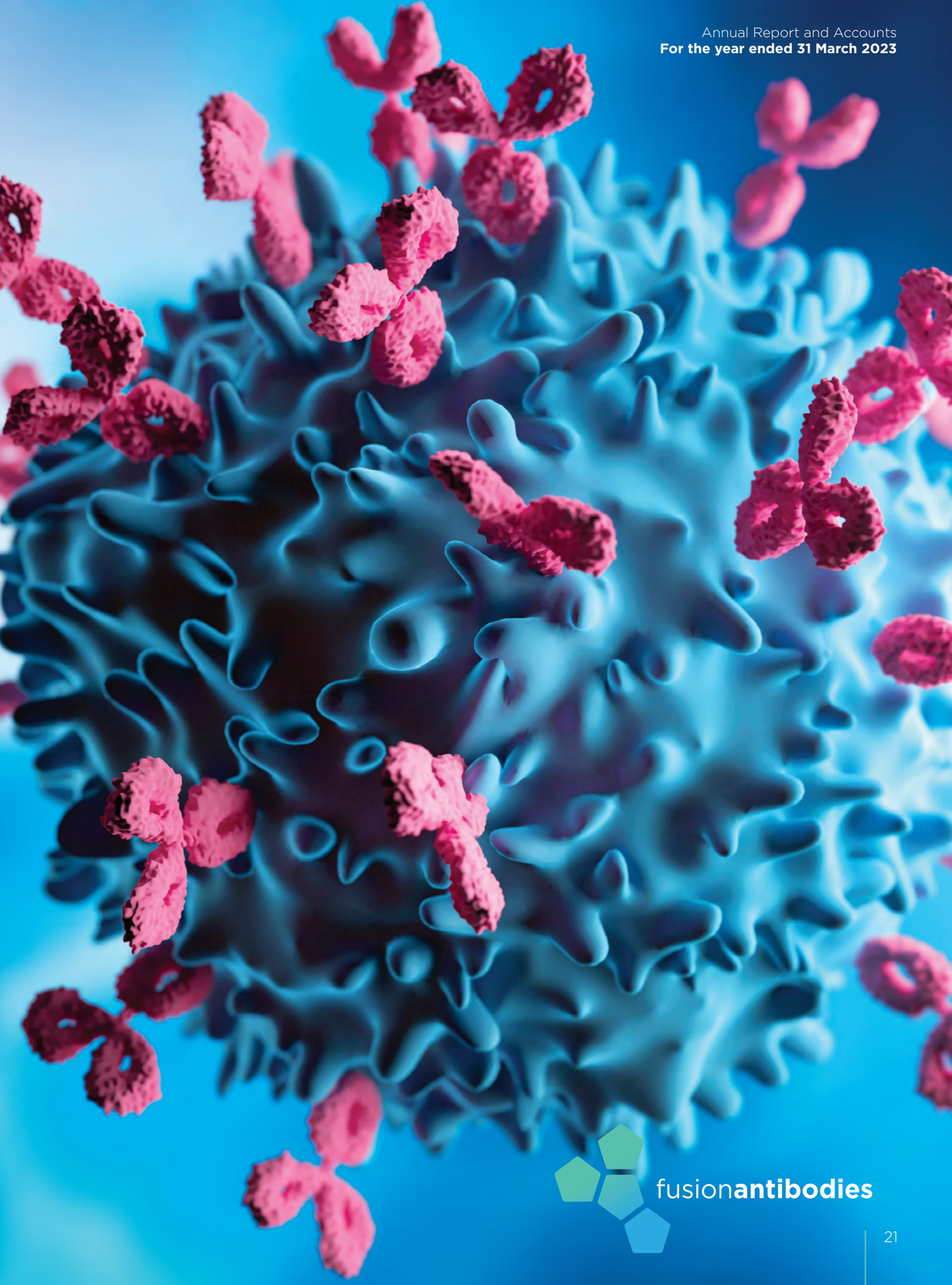
fusion**antibodies**

## STRATEGIC REPORT

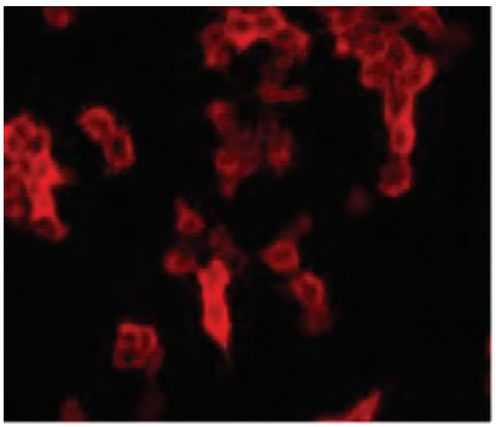
# CEO'S REPORT AND OPERATIONS REVIEW

The Therapeutics industry's need for antibodies has arguably never been higher, with significant breakthroughs such as the approval of lecanemab, donanemab and others for Alzheimer's disease demonstrating the applicability of antibodies to treat central nervous system diseases and that a new set of therapeutic targets are now to be considered viable. Similarly, the diagnostics industry is enjoying an unprecedented level of awareness and familiarity, especially with antibody enabled lateral flow devices having been used extensively in the detection of Covid 19. However, largely due to political and macro-economic factors, FY2023 was also a challenging year for the associated services industry with investment into the biotech sector reducing significantly in the principal geographical regions as Covid related investment rebalanced. As we entered the financial year, the Company was inevitably exposed to these factors with a high proportion of our business directly linked to venture capital funded clients. Faced with uncertainty about their funding, many clients opted to place projects on hold and not to initiate new projects until the economic landscape had improved.

Transitioning to a model whereby we can derive more revenue from those clients still actively progressing their research programmes became increasingly important to the Company and I am pleased to say we have made significant progress with the launch of our Integrated Therapeutic Antibody Services (ITAS). This also positions the business to better exploit our emerging platforms for antibody discovery, or "Discovery Engines", which we are developing from the OptiMAL® research project. The initial objective for the research project was to create OptiMAL®, a groundbreaking and industry leading platform for the discovery of human antibodies through a highly diverse library of DNA sequences expressed as fully intact antibodies, or IgG molecules, expressed on the surface of mammalian cells. We now have clear evidence that this has been achieved with cells stained to show the antibodies displayed on the cell surface. With the antibody on the cell surface, a cell can be individually selected and manipulated to produce larger quantities of the antibody of interest and it is this last stage that requires further optimisation.



fusion**antibodies**



*This image shows individual cells at high magnification. The cells have been stained with a red dye that is specific for the expressed human antibody created by the OptiMAL® process. The red stain is seen predominantly as a bright outline on the cell showing that antibodies are being produced by the cell and are on the cell surface. Such cells can be individually selected and manipulated to produce larger quantities of the antibody of interest and it is this last stage that requires further optimisation.*

We are also in the process of spinning out two further discovery platforms from the same research program: AI/ML-Ab™ and Optiphage™. The Mammalian Display element of OptiMAL® is being combined with algorithms for the *de novo* design of novel antibodies from various artificial intelligence (AI) and Machine Learning (ML) technologies (AI/ML-Ab™) which have very much come to the fore in the last year or two, whilst Optiphage™ utilizes a library based on the same sequences as OptiMAL®, but modified for use in a more industry standard phage-display format. The availability of these diverse and complementary proprietary discovery engines, which can be deployed singly or in concert, also enables us to provide a de-risked approach to antibody discovery, further benefiting our clients and strengthening Fusion Antibodies' position as the partner of choice. In August 2023 we were pleased to announce that we had a signed agreement with a leading US-based AI/ML company. It is envisaged that both parties will co-market the combined service offerings and as announced we have already received the first order. This purchase order demonstrates commercial traction for AI/ML-AbTM and we believe that there is significant market potential for this service offering.

At Fusion, our aim is to develop a range of services that gives our clients choice and a range of solutions best suited to the biological needs of their targets. We understand that 'one size' does not fit all and aim to broaden our service menu to give the customer the best chance of meeting their technical objectives with the least risk. This is already in place with our cell line development (CLD) and stabilization services, where we offer a number of cell lines. We offer our clients the choice of three separate cell lines, all in-licensed, which have different biological characteristics and financial price points. The final selection process is empirical, with the screening process involving the assessment of yield and stability which will vary from antibody to antibody. CLD is a service that is required towards the end of the development process and we intend to develop and introduce a similar choice at the beginning: at the discovery end of the development plan.

Due to the strong headwinds caused by the macro-economic conditions, the Company ended the year looking to secure additional investment which it successfully completed in June 2023, raising just under £1.7 million (before expenses). Thanks to the continued support of our shareholders, we can move forward with re-establishing our presence in the market and maintaining investment in our new discovery services.

## *Business review*

The Company's revenue performance for the financial year to 31 March 2023 fell by 40% vs 2022 to £2.9m due to the macroeconomic headwinds. Despite the reduction in revenues, we have experienced continuing interest and uptake of our proprietary RAMP™ technology service platform which represents a key driver of revenues 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 valuable contribution of this service offering to both the Company and to our customers. The key geographical region of North America represented 50% of revenues and with a number of key client accounts. The Asia Pacific markets such as Japan, India and Korea, where we have appointed distributors, were also impacted by the global downturn in the sector, although client relationships are strengthening and opportunities are increasing. In addition to the 'Fee for Service' revenue model, and where there is a significant

contribution to the client's intellectual property, we look to enter into a collaborative agreement structure which will enable Fusion to access the downstream value of the services and share in the commercial success. This will further enable the Company to unlock the intrinsic value that our proprietary 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 successful proof of concept for the Mammalian Display element. This has already been harnessed to support the AI/ML-Ab™ offering, which is itself attracting market attention, and is already generating new leads. I strongly believe that AI/ML-Ab™, Optiphage™ and OptiMAL® represent key differentiators and future drivers of growth for the business and will enable the Company to access a sizeable addressable market generating significant shareholder value.

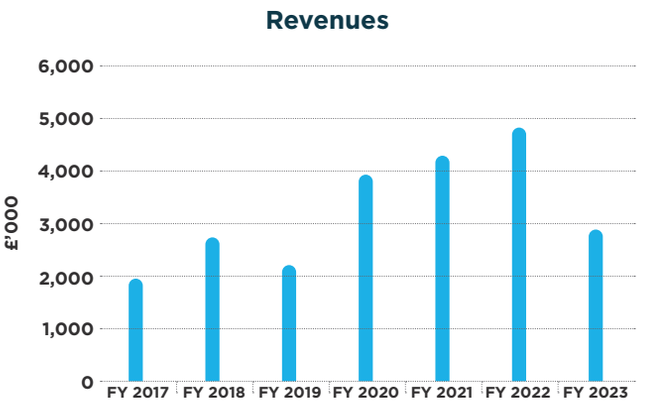
We are pleased to report that the Company filed a patent application for a panel of antibodies that bind an important target for cancer therapeutics. These antibodies have the potential to inhibit the pro-tumourigenic activity of their target in cancer, which is supported by pre-clinical data. The Company is exploring options to out-licence these antibodies to a clinical development company to progress them into Phase I clinical trials.

Our Scientific Advisory Panel of industry experts and thought leaders in the field of antibody discovery and services has been particularly valuable in the development of the new platforms and it is anticipated that their continued guidance will further support the commercialisation of these valuable assets.

Inventory of consumables has been maintained at relatively high levels to allow for any supply chain disruption from the UK's departure from the European Union and the disruption caused by the Coronavirus pandemic. In the year, 14% of the Company's revenues arose from exports to the EU countries and we look to build on this, supported by Northern Ireland's unique trading position with the EU and UK. We also continue to develop other export markets as our services find universal acclaim and to mitigate risks of overexposure to any one geographical market.

## *Financial results*

Full year revenues for the year in total were down by 40% to £2.9m (2022: £4.8m).




The EBITDA loss for the year was £2.5m (2022: £0.6m loss) (see note 26) and, excluding the R&D expenditure of £0.8m, EBITDA for the year was a loss of £1.5m. The loss before tax was £2.9m (2022: £1.3m loss).

The Company held current net assets of £0.8m at 31 March 2023 (2022: £3.1m) which mainly comprised inventories and trade and other receivables.

The Company ended the year with £0.2m of cash and cash equivalents, having used £1.7m of cash in operations during the year of which £0.8m was for R&D, invested £0.1m in property, plant and equipment and £0.1m servicing asset-based borrowings. As previously mentioned, in June 2023 the Company issued equity for net proceeds of c.£1.5m which puts it in a good position to continue its sales and marketing activities and the development of new discovery platforms and services.

The current financial year commenced with similar conditions to those experienced in the latter part of FY 2023, with new business significantly lower than historic levels. In the past few months, the Company has enjoyed an uplift in business engagement from lead generation through to quote drafting and, pleasingly, purchase orders received. We've seen a strengthening of the pipeline of approximately three-fold since the end of 2023. As a result, revenues for FY2024 will be significantly weighted towards the second half of the year. The Board is optimistic that our new services, such as AI/ML-Ab, will contribute positively to future revenue growth.

Despite FY2023 being a commercially challenging year, I feel optimistic about the year ahead. Since the year end we have reduced our cost base significantly but kept a strong and broad technical base within the Company, raised finance and are in a good cash position and have some exciting and enviable discovery services in development. I believe that the slowdown in the market is beginning to show a level of recovery, with our pipeline already showing growth, and that we are in a good position to return to growth on a stronger more stable foundation.

**Adrian Kinkaid**
Chief Executive Officer

28 September 2023

**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 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 AI/ML platform for in silico antibody design and a phage display offering. 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.

**3 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.

**4 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.

**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**

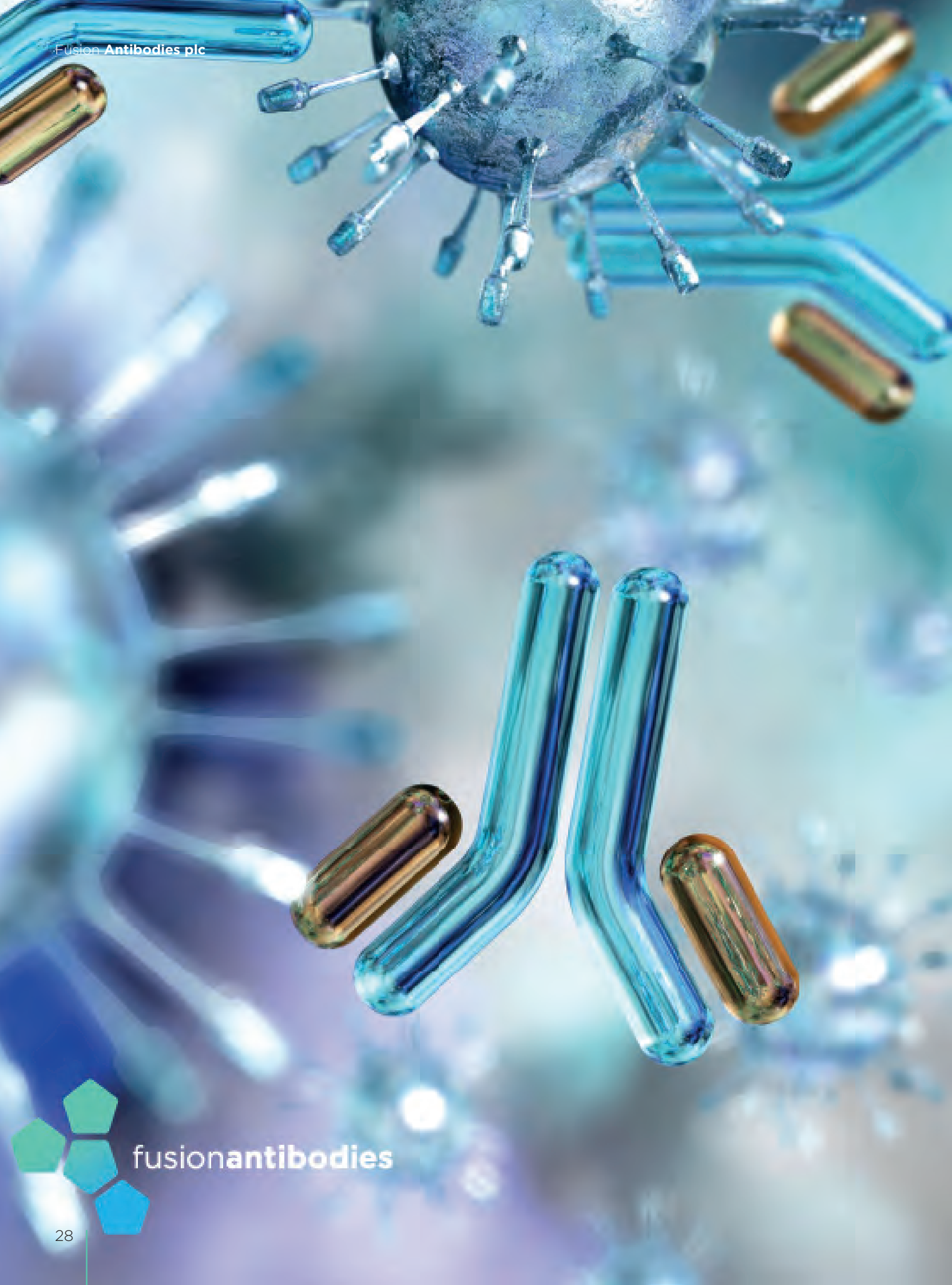
As a CRO, the Company's revenue is primarily generated through contracts with pharmaceutical and biotechnology companies and is dependent upon there being a demand in these industries for its antibody services. There is a risk that there may be a reduction in the demand in the pharmaceutical and biotechnology 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 4 to 27 was approved by the Board on 28 September 2023 and signed on its behalf by:

**Simon Douglas**
Director



fusion**antibodies**

# CORPORATE GOVERNANCE
# BOARD OF DIRECTORS

**Simon Douglas PhD**
Non-executive Chairman

Simon, 64, 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 Abselion Ltd and C-Major Medical Ltd, two venture capital backed companies. Simon is not considered to be independent as he formerly held the position of CEO.

**Adrian Kinkaid PhD**
CEO

Adrian, 56, was appointed director and Chief Executive Officer in August 2022. Adrian has over twenty-five years' experience working in the bioscience sector. He holds a PhD in Biochemistry from University of Southampton and has expertise in development and commercialisation of all the main classes of affinity reagents. Adrian's previous experience has included senior management positions in drug discovery, reagent technology and diagnostics. He is passionate about harnessing biotechnology to create better drugs and diagnostics in order to improve health and wellbeing on a global scale.

**Corporate Governance:** Board of Directors continued

## Richard Buick PhD
CSO

Richard, 47, was appointed director and Chief Technical Officer in September 2011 and Chief Scientific Officer in 2021. Richard has worked in the Company since 2002 and been 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. Richard is the Chairman of the Company's Scientific Advisory Panel.

## Stephen Smyth
Interim CFO and Company Secretary

Stephen, 48, has over 25 years' experience working in audit & accounting, finance, and operations management within both the public accounting and commercial sectors. Stephen's previous roles include acting as Chief Financial Officer at Sera Global LP, as well as holding senior finance functions at Cormark Securities Inc and at PricewaterhouseCoopers (PwC) LLP. Stephen is a chartered accountant and is currently a partner at FPM, a Chartered Accountancy practice with offices throughout the Republic of Ireland and Northern Ireland, including Belfast. At FPM, he provides virtual finance function solutions to clients ranging from start-ups to private equity backed multinationals. He was appointed in August 2023.

## Matthew Baker PhD[2]
Non-executive Director

Matthew, 52, joined the Company as a non-executive director in 2022 and has more than 20 years' experience developing biologics in biotech and pharma companies and is a research expert in lymphocyte immunology. During his career Matthew has founded and led a number of biotech companies to exits, including acquisition of Antitope (CEO/CSO) and the IPO of Abzena (CSO). Matthew has held a number of biotech Non-Executive Director positions including Oxgene which was acquired by Wuxi Apptech in 2021. He is currently CEO of NeoPhore, a private company focused on the discovery and development of novel small molecule therapies to treat cancer through stimulation of the immune system. Matthew brings detailed immunology and virus-based mammalian display knowledge as well as industry and market insight. Matthew is also a member of the Company's Scientific Advisory Panel.

## Sonya Ferguson[1]
Senior Independent Director

Sonya, 52, joined the Company as a non-executive director in 2016. Sonya's medical research background includes her current position as Head Vendor Alliances in clinical operations within Novartis Pharma UK and previously nine years' experience in global laboratory testing applied to clinical trials at $Q^2$ solutions (an IQVIA owned Company). Prior life science experience includes 18 years in the in-vitro Diagnostics industry at Randox Ltd. Sonya holds a MPhil Biochemistry degree from Queens University Belfast and a Harvard Medical School Cancer Genomics & Precision Medicine certification. Sonya is the senior independent director on the board and chair of the remuneration committee.

## Colin Walsh[1,2]
Non-executive Director

Colin, 67, 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 III LP which is a shareholder in the Company. Due to Crescent Capital's shareholding in the Company, Colin is not considered to be independent under the QCA Code.

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

# CORPORATE GOVERNANCE
# CORPORATE GOVERNANCE STATEMENT

## *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 eight times in FY2023. 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.

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 six directors at the date of this report being: Simon Douglas, Adrian Kinkaid, Richard Buick, Matthew Baker, Sonya Ferguson, and Colin Walsh. The Board comprises four non-executive directors and two executive directors.

Adrian Kinkaid was appointed to the vacant post of CEO in August 2022 and Tim Watts did not seek re-election at the Annual General Meeting having served on the Board from December 2017. 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 Matthew Baker to be independent in character and judgement. Sonya Ferguson was appointed as the senior independent director on 11 December 2017. Whilst Colin Walsh is not deemed independent for the purposes of the QCA Code, the Board considers that he exercises independent judgement and his 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. James Fair, the CFO and Company Secretary, resigned and left the Board at the end of May 2023 and will be replaced by Mr Stephen Smyth as a part time interim CFO / Company secretary. The Board consider that given the current size and financial position of the Company this arrangement is a suitable solution and enables the Board to maintain financial and corporate control of the Company.  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 for 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: Colin Walsh succeeded Tim Watts as chair of the audit committee following latter's retirement in August 2022 and, Matthew Baker is the second member. 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 2022, May 2023 and September 2023. The auditors were in attendance at all three of these meetings. At the November 2022 meeting the main agenda item was to review the draft financial statements for the six months ended 30 September 2022. At the May 2023 meeting the committee reviewed and approved the proposed audit plan for the year ending 31 March 2023. 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 September 2023 the committee met to review the auditors' report to the Audit Committee and the financial statements for the year ended 31 March 2023.

***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 20 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: Sonya Ferguson (chair) and Colin Walsh.

## *Meetings and attendance*

| | BOARD | AUDIT COMMITTEE | REMUNERATION COMMITTEE |
|---|---|---|---|
| **Meetings held during the year** | | | |
| **Attendance:** | | | |
| Simon Douglas | 8/8 | | |
| Adrian Kinkaid | 4/4 | | |
| Richard Buick | 8/8 | | |
| James Fair | 8/8 | | |
| Matthew Baker | 6/8 | 2/2 | |
| Sonya Ferguson | 8/8 | | 2/2 |
| Colin Walsh | 7/8 | 1/1 | 2/2 |
| Tim Watts | 4/4 | 1/1 | |

It is the intention of the Board that alternate meetings will be conducted in person and the remainder by video call. The board met 8 times in the year (2022: 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 while the CEO post was vacant as well as leading 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 29 to 34 was approved by the Board on 28 September 2023 and signed on its behalf by:

**Simon Douglas**
Chairman

# CORPORATE GOVERNANCE
# DIRECTORS' REPORT
## FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2023.

The Company is a public company limited by shares incorporated and domiciled in the United Kingdom, and registered in Northern Ireland. 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 29 to 31. The directors who served during the year and up to the date of signing comprised those directors and Tim Watts who resigned as a non-executive director on 23 September 2022 and James Fair who resigned as a director, CFO and Company Secretary on 31 May 2023.

In accordance with the Company's Articles of Association Colin Walsh will be seeking reappointment as a director of the Company at the 2023 Annual General Meeting. Sonya Ferguson is also due to retire by rotation but, Sonya Ferguson wishes to pursue a new opportunity and so will not be seeking reappointment as a director at the AGM, but for the purposes of calculating the number that is nearest to, but not exceeding one third of the directors who are subject to retirement by rotation at each AGM, Sonya Ferguson is included in this number.

## *Directors' remuneration*

The remuneration committee comprises Sonya Ferguson and Colin Walsh with Sonya taking over Chair in August 2022. 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 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 2023 no executive director bonuses have been awarded on the basis of the achievement of financial performance in relation to target, or for the attainment of individual non-financial performance targets.

***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.

**Movement in options held by directors are as follows:**

| | At 1 April 2022 | Granted in year | Exercised in Year | Lapsed in year | **At 31 March 2023** | Exercise period | Exercise price per share |
|---|---|---|---|---|---|---|---|
| **Richard Buick** | | | | | | | |
| 2017 EMI and Unapproved Employee Share Option Scheme | 180,000 | 100,000 | - | - | **280,000** | 2019-2032 | £0.475 - £0.545 |
| | 180,000 | 100,000 | - | - | **280,000** | | |
| **Adrian Kinkaid** | | | | | | | |
| 2017 EMI and Unapproved Employee Share Option Scheme | - | 300,000 | - | - | **300,000** | 2022-2032 | £0.520 |
| | - | 300,000 | - | - | **300,000** | | |
| **James Fair*** | | | | | | | |
| 2017 Unapproved Share Scheme | 75,000 | - | - | - | **75,000** | 2018-2027 | £0.04 |
| 2017 EMI and Unapproved Employee Share Option Scheme | 200,000 | 100,000 | - | - | **300,000** | 2019-2032 | £0.475 - £0.545 |
| | 275,000 | 100,000 | - | - | **375,000** | | |

* Mr James Fair (CFO) resigned May 2023 and these options have now lapsed

**Directors' remuneration**

*The remuneration of directors for the year ended 31 March 2023 was as follows:*

| | | Salary & fees £'000 | Benefits £'000 | Bonus £'000 | Company pension contributions £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| Adrian Kinkaid[1] | **2023** | **111** | **-** | **-** | **7** | **118** |
| | 2022 | - | - | - | - | - |
| Richard Buick | **2023** | **120** | **-** | **-** | **7** | **127** |
| | 2022 | 112 | - | 4 | 7 | 123 |
| James Fair | **2023** | **113** | **-** | **-** | **7** | **120** |
| | 2022 | 106 | - | 6 | 6 | 118 |
| **Richard Jones[2]** | **2023** | **-** | **-** | **-** | **-** | **-** |
| | 2022 | 153 | - | - | 9 | 162 |
| **Non – executive directors** | | | | | | |
| Simon Douglas | **2023** | **30** | **-** | **-** | **-** | **30** |
| | 2022 | 35 | - | - | - | 35 |
| Sonya Ferguson | **2023** | **25** | **-** | **-** | **-** | **25** |
| | 2022 | 23 | - | - | - | 23 |
| Matthew Baker[3] | **2023** | **30** | **-** | **-** | **-** | **30** |
| | 2022 | 2 | - | - | - | 2 |
| Colin Walsh | **2023** | **27** | **-** | **-** | **-** | **27** |
| | 2022 | 27 | - | - | - | 27 |
| Tim Watts[4] | **2023** | **14** | **-** | **-** | **-** | **14** |
| | 2022 | 27 | - | - | - | 27 |
| Alan Mawson | **2023** | **-** | **-** | **-** | **-** | **-** |
| | 2022 | 23 | - | - | - | 23 |
| **Total** | **2023** | **470** | **-** | **-** | **21** | **491** |
| | 2022 | 508 | - | 10 | 22 | 540 |

1 Adrian Kinkaid remuneration from 15 August 2022
2 Richard Jones remuneration up to 11March 2022
3 Matthew Baker's remuneration includes fees for membership of the Scientific Advisory Panel
4 Tim Watts remuneration up to 23 September 2022

**Directors and their interests**

| | At 1 April 2022 number | % issued share capital | **Shareholding at 31 March 2023 number** | **% issued share capital** |
|---|---|---|---|---|
| Adrian Kinkaid | - | - | 4,000 | 0.02% |
| Richard Buick | 631,250 | 2.43% | 631,250 | 2.43% |
| Simon Douglas | 255,800 | 0.98% | 255,800 | 0.98% |
| Sonya Ferguson | 92,567 | 0.36% | 102,567 | 0.39% |
| Matthew Baker | - | - | - | - |
| Colin Walsh | - | - | - | - |

## Results and dividends

The loss before tax for the year was £2,859k (2022: loss £1,333k) and Loss Before Interest Taxation Depreciation and Amortisation (EBITDA) was £2,486k (2022: £574k loss).

After an income tax credit of £263k (2022: £133k) the loss for the financial year of £2,596k (2022: loss £1,200k) has been transferred to reserves. The results for the year are set out the statement of comprehensive income. No dividends were paid (2022: £nil). The directors do not recommend payment of a final dividend (2022: £nil).

## Key Performance Indicators

The directors are of the opinion that the main KPIs to understand the performance of the Company are revenues, EBITDA, and net assets. Taken together, these data points provide the Directors with guidance on the stable performance of operations and the Company as a whole. The Board will review this position during 2023/2024 and will look to introduce and modify KPI indicators where appropriate to do so.

| KPI | FY2023 | FY2022 |
|---|---|---|
| Revenue change year on year | (40%) | 15% |
| EBITDA | (£2.5m) | (£0.6m) |
| Net cash used in operations | (£1.8m) | (£0.3m) |

## Principal shareholders

At the close of business on 27 September 2023 (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 |
|---|---|---|
| The Bank of New York (Nominees) Limited | 6,397,290 | 10.76% |
| Rathbone Nominees Limited | 4,562,882 | 7.67% |
| BNY (OCS) Nominees Limited | 3,341,463 | 5.62% |
| Interactive Investor Services Nominees Limited SMKTISAS Acct | 2,507,746 | 4.22% |
| Hargreaves Lansdown (Nominees) Limited 15942 Acct | 2,461,397 | 4.14% |
| Vidacos Nominees Limited IGUKCLT Acct | 2,411,178 | 4.06% |
| Jim Nominees Limited Jarvis Acct | 2,384,224 | 4.01% |
| Hargreaves Lansdown (Nominees) Limited VRA Acct | 2,286,169 | 3.85% |
| Hargreaves Lansdown (Nominees) Limited HLNOM Acct | 2,274,538 | 3.83% |
| Invest Northern Ireland | 2,223,415 | 3.74% |
| Viridian Growth Fund LP | 1,831,500 | 3.08% |

## Pension

The Company operates a defined contribution pension scheme.

## Research and development

During the year ended 31 March 2023 the Company has invested £806k (2022: £699k) 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 20 to the financial statements.

## Going concern

The Company has returned a loss of £2.6m for the year ended 31 March 2023 (Year ended 31 March 2022: Loss of £1.2m) and at the year-end had net current assets of £0.8m(31 March 2022: Net current assets of £3.1m) including £0.2m (31 March 2022: £2m) of cash and cash equivalents. Since the reporting date the Company has raised net proceeds of £1.5m from the issue of ordinary shares and has undergone a restructuring process to reduce annual costs by approximately £1.6m. 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. Revenues for the year were £2.9m, significantly below market expectations and 40% lower than revenues for the prior year. Uncertainty in levels of investment in the sector and, therefore, the amounts to be invested in R&D by our customers has resulted in a number of projects being delayed in FY2023 and a continued softness in the marketplace at the beginning of FY2024. This situation was further compounded by the several months without a CEO in place and the unusually high turnover of staff in the Company's commercial team in the year, necessitating the recruitment and training of new staff which created some short-term loss of traction with our customer base.

The financial statements have been prepared on the going concern basis, which assumes that the company will continue to be able to meet its liabilities as they fall due for at least twelve months from the date of signing these financial statements. 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 at least for 12 months from the reporting date. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. To support the going concern basis of preparation, cash flow forecasts have been prepared which incorporate a number of assumptions upon which sensitivities have been performed to reflect severe but plausible downside scenarios. These assumptions include the rate at which revenue growth can be achieved.

The directors note that there is inherent uncertainty in any cash flow forecast, however this is further exacerbated given the nature of the company's trade and the industry in which it operates. Due to the risk that revenues and the related conversion of revenue to cash inflows may not be achieved as forecast over the going concern period, the Directors believe that there exists a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

## 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 (2022: none).

## Corporate governance

The Corporate Governance Report on pages 29 to 34 forms part of the Directors' Report and is included in this report by cross reference.

## Post balance sheet events

A subscription of new shares through a placing, a Directors subscription and an open offer was close on 8th June 2023. A total of £1,671,938 (before expenses) was raised through the issue of 33,438,768 ordinary shares at 5p per share.

## 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 in respect of the financial statements*

The directors are responsible for preparing the Annual report and accounts 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 UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and 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 UK-adopted international accounting standards 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 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 also 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.

## *Directors' confirmations*

The directors consider that the Annual report and accounts and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and 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 company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the company; and
- the Annual report and accounts 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.

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

- so far as the 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

**Stephen Smyth**
Company Secretary

28 September 2023

Company registration number NI039740


fusionantibodies

# INDEPENDENT AUDITORS' 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 2023 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 2023; the Statement of Profit or Loss and Other 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.

Our opinion is consistent with our reporting to the Audit Committee.

### 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 public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

### Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. To support the going concern basis of preparation, the directors have prepared cash flow forecasts which incorporate a number of assumptions, including the rate at which revenue growth can be achieved. There is a risk that revenues and the related conversion of revenue to cash inflows may not be achieved as forecast over the going concern period, which may result in the Company being unable to pay its debts as they fall due. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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 AUDITORS' REPORT TO THE MEMBERS OF FUSION ANTIBODIES PLC CONTINUED

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

- Obtained and audited management's cash flow projections, which include severe but plausible downside sensitivities. The cash flow projections extend for the period to 31 March 2025, being 18 months from the approval of the financial statements.
- We performed lookback procedures to compare the outturn to management's assessment at the prior year balance sheet date to assess management's budgeting ability.
- We challenged management's key estimates including the assumptions and stress tested these assumptions within the cash flow forecast including consideration of alternative views. We assessed management's severe but plausible downside sensitivity and provided challenge on this.
- We considered the consistency of the cash flow forecasts and the going concern assessment in light of our understanding of the business and all information that became available throughout the audit.
- We obtained and reviewed the minutes from board meetings and audit committee meetings for the year.
- We performed a subsequent events review.
- We reviewed and challenged the disclosure within the financial statements in respect of going concern and considered these to be reasonable.

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

## Our audit approach

### Overview

Audit scope

- We conducted an audit on the complete financial information of the company as presented within these financial statements.

Key audit matters

- Material uncertainty related to going concern.
- Accounting for revenue recognition including accrued and deferred income.

Materiality

- Overall materiality: £91,560 (2022: £66,604) based on 5% of an average of loss before tax (before exceptionals) of the past three years. Prior year was based on 5% of loss before tax.
- Performance materiality: £68,670 (2022: £49,953).

### 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 AUDITORS' 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.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Material uncertainty related to going concern is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Accounting for revenue recognition including accrued and deferred income*<br>The company's activities fall within one revenue stream, that of research, development and manufacture of recombinant proteins and antibodies. Revenue for the 2023 year was £2,901k and £4,799k in the comparative year. The company recognises revenue over time, based on the stage which a particular project is in terms of completion. Each project consists of a number of different stages with associated distinct performance obligations. Assessment of the stage of completion is through the review of 'lab books' which are updated by the project scientists. A significant judgement note has been included in the financial statements to recognise the judgement involved in revenue recognition. | To test the revenue recognition:<br>• We updated our understanding around revenue streams and respective recognition policies, specifically for those contracts that were open around the year end;<br>• Our approach to testing revenue recognition involved identifying the substance of the contracts, identifying the performance obligations included, determining the transaction price of the contract and subsequently identifying the allocation of the transactional price against the performance obligation milestones;<br>• Each stage is considered to be a performance obligation, with the delivery of a project plan on commencement of the project being a separate performance obligation. In order to identify performance obligations, we obtained evidence from management to support the transfer of knowledge and to demonstrate that a deliverable is being transferred at each stage of the contract. We obtained evidence that the customer can benefit from the plan/ knowledge transfer and that the company's promise to transfer the plan is separately identifiable from the other stages of the contract;<br>• In order to determine the transaction price which should be allocated to each performance obligation, we obtained appropriate evidence from both management and project managers/scientists over what a reasonable allocation would be for both the initial stage and other stages in the contract. We held discussions with and challenged project managers to ensure that the revenue recognised during the year was a fair representation of the stage of the project; |

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FUSION ANTIBODIES PLC CONTINUED

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| | • We obtained the lab books for a sample of projects ongoing at year end and assessed the reasonableness of the stage of completion at the year end based on commencement and completion dates for each project, challenging management and scientists involved in the projects on the stage of completion;<br>• For those projects that were completed during the year, we obtained evidence of signed contract, invoice and payment as well as final deliverables provided to the customer; and<br>• We performed look back procedures on open projects at the previous year end to assess If the stage of completion assessment at FY22 remained appropriate.<br>Based on our procedures, we concluded that the Company's accounting policy for revenue recognition is reasonable and has been appropriately applied. |

## 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 accounting processes and controls and the industry in which they operate. We ensured that sufficient and appropriate audit procedures were performed to achieve sufficient coverage over the financial statement line items.

## 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* | £91,560 (2022: £66,604). |
| *How we determined it* | 5% of an average of loss before tax (before exceptionals) of the past three years. Prior year was based on 5% of loss before tax. |
| *Rationale for benchmark applied* | The current year materiality levels are calculated based on the average loss before tax (before exceptional) of the past 3 years. The prior year materiality threshold was based on the loss for the year. During the year, the company has not performed as per the forecast and as a result the loss before tax has been fluctuating significantly, we therefore concluded that using the average loss before tax for the past 3 years to be the most appropriate approach to calculating the materiality threshold. We believe that the loss before tax is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted materiality 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% (2022: 75%) of overall materiality, amounting to £68,670 (2022: £49,953) for the company financial statements.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FUSION ANTIBODIES PLC CONTINUED

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 the Audit Committee that we would report to them misstatements identified during our audit above £4,578 (2022: £3,330) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## 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 2023 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 in respect of the financial statements, 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.

### 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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FUSION ANTIBODIES PLC CONTINUED

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and UK corporation 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 of inappropriate journal entries and management bias in accounting for judgements including judgements relating to revenue recognition. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Procedures to ensure compliance with relevant tax regulations;
- Review of minutes of Board meetings;
- Identification and testing of journal entries, in particular any journal entries posted with unusual account combinations; and
- Testing of assumptions and judgements made by management in making significant accounting estimates.

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.

## 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.

### Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 5 July 2017 to audit the financial statements for the year ended 31 March 2017 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ended 31 March 2017 to 31 March 2023.

Emma Murray (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
28 September 2023

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 MARCH 2023

| | Note | **2023 £'000** | 2022 £'000 |
|---|---|---|---|
| **Revenue** | 4 | **2,901** | 4,799 |
| Cost of sales | | **(2,327)** | (2,333) |
| **Gross profit** | | **574** | 2,466 |
| Other operating income | | **11** | 30 |
| Administrative expenses | | **(3,443)** | (3,821) |
| Operating loss | 5 | **(2,858)** | (1,325) |
| Finance income | 8 | **3** | 1 |
| Finance expense | 8 | **(4)** | (9) |
| Loss before tax | | **(2,859)** | (1,333) |
| Income tax credit/(charge) | 10 | **263** | 133 |
| **Loss for the financial year** | | **(2,596)** | (1,200) |
| **Total comprehensive expense for the year** | | **(2,596)** | (1,200) |
| | | **Pence** | Pence |
| Loss per share | | | |
| Basic | 11 | **(10.0)** | (4.6) |
| Diluted | 11 | **(10.0)** | (4.5) |

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

The accompanying notes on pages 52 to 70 form an integral part of the financial statements.

# STATEMENT OF FINANCIAL POSITION
## AS AT 31 MARCH 2023

| | Notes | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 12 | **-** | - |
| Property, plant and equipment | 13 | **375** | 633 |
| | | **375** | 633 |
| **Current assets** | | | |
| Inventories | 15 | **539** | 585 |
| Trade and other receivables | 16 | **690** | 1,517 |
| Current tax receivable | | **263** | 131 |
| Cash and cash equivalents | | **195** | 2,049 |
| | | **1,687** | 4,282 |
| **Total assets** | | **2,062** | 4,915 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **844** | 1,142 |
| Borrowings | 18 | **35** | 66 |
| | | **879** | 1,208 |
| **Net current assets** | | **808** | 3,074 |
| **Non-current liabilities** | | | |
| Borrowings | 18 | **40** | 3 |
| Provisions for other liabilities and charges | 19 | **20** | 20 |
| | | **60** | 23 |
| **Total liabilities** | | **939** | 1,231 |
| **Net assets** | | **1,123** | 3,684 |
| **Equity** | | | |
| Called up share capital | 21 | **1,040** | 1,040 |
| Share premium reserve | | **7,647** | 7,647 |
| Accumulated losses | | **(7,564)** | (5,003) |
| **Total equity** | | **1,123** | 3,684 |

The accompanying notes on pages 52 to 70 form an integral part of these financial statements.

The financial statements on pages 48 to 70 were approved by the Board on 27 September 2023 and signed on its behalf:

**Simon Douglas**
Director

**Adrian Kinkaid**
Director

Registered in Northern Ireland, number NI039740

# STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2023

| | Notes | Called up share capital £'000 | Share premium reserve £'000 | Accumulated losses £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| At 1 April 2021 | | 1,024 | 7,547 | (3,824) | 4,747 |
| Loss and total comprehensive expense for the year | | - | - | (1,200) | (1,200) |
| Issue of share capital | | 16 | 100 | - | 116 |
| Share options – value of employee services | | - | - | 21 | 21 |
| Total transactions with owners, recognised directly in equity | | 16 | 100 | 21 | 137 |
| At 31 March 2022 | 21 | 1,040 | 7,647 | (5,003) | 3,684 |
| | | | | | |
| At 1 April 2022 | | **1,040** | **7,647** | **(5,003)** | **3,684** |
| Loss and total comprehensive expense for the year | | **-** | **-** | **(2,596)** | **(2,596)** |
| Share options – value of employee services | | **-** | **-** | **35** | **35** |
| Total transactions with owners, recognised directly in equity | | **-** | **-** | **35** | **35** |
| At 31 March 2023 | 21 | **1,040** | **7,647** | **(7,564)** | **1,123** |

The accompanying notes on pages 52 to 70 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 MARCH 2023

| | Notes | **2023 £'000** | 2022 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the year | | **(2,596)** | (1,200) |
| Adjustments for: | | | |
| Share based payment expense | | **35** | 21 |
| Depreciation | | **372** | 749 |
| Amortisation of intangible assets | | **-** | 2 |
| Finance income | | **(3)** | (1) |
| Finance costs | | **4** | 9 |
| Income tax credit | | **(263)** | (133) |
| Decrease/(increase) in inventories | | **46** | (105) |
| Decrease/(increase) in trade and other receivables | | **819** | (82) |
| (Decrease)/increase in trade and other payables | | **(299)** | 309 |
| **Cash used in operations** | | **(1,885)** | (431) |
| Income tax received | | **131** | 101 |
| **Net cash used in operating activities** | | **(1,754)** | (330) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 13 | **(114)** | (258) |
| Finance income – interest received | 8 | **3** | 1 |
| **Net cash used in investing activities** | | **(111)** | (257) |
| **Cash flows from financing activities** | | | |
| Proceeds from new issue of share capital net of transaction costs | | **-** | 116 |
| Proceeds from new borrowings | 18 | **89** | - |
| Repayment of borrowings | 18 | **(82)** | (162) |
| Finance costs – interest paid | 8 | **(4)** | (9) |
| **Net cash generated/(used in) from financing activities** | | **3** | (55) |
| Net decrease in cash and cash equivalents | | **(1,862)** | (642) |
| **Cash and cash equivalents at the beginning of the year** | | **2,049** | 2,686 |
| **Effects of exchange rate changes on cash and cash equivalents** | | **8** | 5 |
| **Cash and cash equivalents at the end of the year** | | **195** | 2,049 |

The accompanying notes on pages 52 to 70 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 MARCH 2023

## 1 General information

Fusion Antibodies plc is a company incorporated and domiciled in the United Kingdom and is registered in Northern Ireland having its registered office at 1 Springbank Road, Springbank Industrial Estate, Dunmurry, Belfast, BT17 0QL.

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.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements of Fusion Antibodies plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The preparation of financial statements in conformity with International Financial Reporting Standards ("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 £2.6m for the year ended 31 March 2023 (Year ended 31 March 2022: Loss of £1.2m) and at the year-end had net current assets of £0.8m (31 March 2022: Net current assets of £3.1m) including £0.2m (31 March 2022: £2m) of cash and cash equivalents. Since the reporting date the Company has raised net proceeds of £1.5m from the issue of ordinary shares and has undergone a restructuring process to reduce annual costs by approximately £1.6m. 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. Revenues for the year were £2.9m, significantly below market expectations and 40% lower than revenues for the prior year. Uncertainty in levels of investment in the sector and, therefore, the amounts to be invested in R&D by our customers has resulted in a number of projects being delayed in FY2023 and a continued softness in the marketplace at the beginning of FY2024. This situation was further compounded by the several months without a CEO in place and the unusually high turnover of staff in the Company's commercial team in the year, necessitating the recruitment and training of new staff which created some short-term loss of traction with our customer base.

The financial statements have been prepared on the going concern basis, which assumes that the company will continue to be able to meet its liabilities as they fall due for at least twelve months from the date of signing these financial statements. 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 at least for 12 months from the reporting date. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. To support the going concern basis of preparation, cash flow forecasts have been prepared which incorporate a number of assumptions upon which sensitivities have been performed to reflect severe but plausible downside scenarios. These assumptions include the rate at which revenue growth can be achieved.

## 2 Significant accounting policies continued

The directors note that there is inherent uncertainty in any cash flow forecast, however this is further exacerbated given the nature of the company's trade and the industry in which it operates. Due to the risk that revenues and the related conversion of revenue to cash inflows may not be achieved as forecast over the going concern period, the Directors believe that there exists a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Company's activities. Revenue is shown net of value added tax and where a contractual right to receive payment exists.

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

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

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

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

### Grant income

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

### Research and development

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

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023

## 2 Significant accounting policies continued

### Intangible assets

***Software***

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

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

### Property, plant and equipment

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

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

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

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

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

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

### Leases

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

### Impairment of non-financial assets

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

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

## 2 Significant accounting policies continued

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

### Current tax and deferred tax

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

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

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

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

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

### Share based employee compensation

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023

## 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 or through profit and loss).

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

***Recognition and measurement***

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

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

***Impairment***

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

### Inventories

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

### Financial liabilities

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

### Provisions

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

## 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 represent retained profits and losses.

***Adoption of new and revised standards and changes in accounting policies***

In the current year the following new and revised Standards and Interpretations have been adopted by the company. The adoption has had no impact on the current period however may have an effect on future periods.

| | | |
|---|---|---|
| IFRS 3 (Amendments) | Reference to conceptual framework | 1 January 2022 |
| IAS 16 (Amendments) | Property, plant and equipment – proceeds before intended use | 1 January 2022 |
| IAS 37 (Amendments) | Onerous contracts – costs of fulfilling a contract | 1 January 2022 |
| IFRIC | Amendments to IFRS 1 (subsidiary as a first-time adopter), IFRS 9 (fees in the '10 liabilities), IFRS 16 (lease incentives), IAS 41 (taxation in the fair value measurements) | 1 January 2022 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023

## 2 Significant accounting policies continued

***Standards which are in issue but not yet effective***

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the United Kingdom):

| | | |
|---|---|---|
| IFRS 17 | Insurance contracts | 1 January 2023 |
| IAS 1 and IFRS Practice Statement 2 | Disclosure of accounting policies | 1 January 2023 |
| IAS 8 (Amendment) | Definition of accounting estimates | 1 January 2023 |
| IAS 12 (Amendment) | Deferred tax related to assets and liabilities arising from a single transaction | 1 January 2023 |
| IFRS 16 (Amendment) | Liability in a Sale and Leaseback | 1 January 2023 |
| IAS 1 (Amendment) | Classification of liabilities as current or non-current – deferral of effective date | 1 January 2023 |
| IAS 1 (Amendment) | Non-current liabilities with covenants | 1 January 2023 |

The directors do not expect that the adoption of the other Standards listed above will have a material impact on the financial statements of the Company aside from additional disclosures.

## 3 Critical accounting estimates and judgements

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

**Critical judgements in applying accounting policies**

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

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

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

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

## 3 Critical accounting estimates and judgements continued

### Critical accounting estimates and assumptions

- ***Deferred Taxation.*** The Company has accumulated tax losses of £13,000k (2022: £10,000k). In principle these losses would support a deferred tax asset of approximately £2,500k (2022: £2,000k). IAS 12 requires that a deferred tax asset relating to unused tax losses is carried forward to the extent that future taxable profits will be available. The company is in an investment phase, expecting to have increased expenditure on R&D and business development over the next two years which will increase the tax losses. After the investment period the Board expects the Company to generate healthy profits but it is difficult at this stage to reliably estimate the period over which profits may arise in the future. The Board has therefore determined to not recognise the asset at the reporting date. This approach does not affect the future availability of the tax losses for offset against future profits.

## 4 Revenue

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

| | **2023** | 2022 |
|---|---|---|
| **Geographic analysis** | **£'000** | £'000 |
| UK | **621** | 724 |
| Rest of Europe | **409** | 1,394 |
| North America | **1,496** | 2,000 |
| Rest of World | **375** | 681 |
| | **2,901** | 4,799 |

In the year there were three customers (2022: one) to whom sales exceeded 10% of revenues, those customers together accounted for £1,040k or 36% of revenues (2022: £693k or 14.4% of revenues).

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

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Employee benefit costs | | |
| - wages and salaries | **2,201** | 2,126 |
| - social security costs | **249** | 205 |
| - other pension costs | **110** | 103 |
| - share based payments | **35** | 21 |
| | **2,595** | 2,455 |
| Depreciation of property, plant and equipment | **416** | 749 |
| Other operating expenses | | |
| Rates, utilities and property maintenance | **168** | 100 |
| IT costs | **30** | 16 |
| Fees payable to the Company's auditors | | |
| - for the audit of the financial statements | **73** | 40 |
| Raw materials and consumables used | **1,129** | 1,276 |
| Decrease/increase in inventories | **47** | (105) |
| Patent costs | **30** | 84 |
| Marketing costs | **223** | 115 |
| Profit on foreign exchange | **(36)** | (23) |
| Other expenses | **1,139** | 1,447 |
| Total cost of sales and administrative expenses | **5,770** | 6,154 |

Included in the costs above is expenditure on research and development totalling £877k (2022: £699k). Non-audit fees of £9k (2022: £23k) were paid in the year and are included in other expenses above.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023

## 6 Average staff numbers

| | **2023 Monthly Avg Number** | 2022 Monthly Avg Number |
|---|---|---|
| Employed in UK (including executive directors) | **50** | 53 |
| Non-executive directors | **4** | 5 |
| | **54** | 58 |

## 7 Remuneration of directors and key senior management

**Directors**

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Emoluments | **470** | 518 |
| Pension contributions | **21** | 22 |
| | **491** | 540 |

**Highest paid director**

The highest paid director received the following emoluments:

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Emoluments | **120** | 153 |
| Pension contributions | **7** | 9 |
| | **127** | 162 |

The highest paid director did not exercise any share option in the year (2022: £nil).

**Key senior management**

Key senior management is considered to comprise the directors of the Company with total remuneration for the year of £491k (2022: £540k). Share based payments for the year attributable to key senior management totalled £10k (2022: £15k).

## 8 Finance income and expense

| Income | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Bank interest receivable | **3** | 1 |

| Expense | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Interest expense on other borrowings | **4** | 9 |

## 9 Share based payments

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

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

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

The total share-based remuneration recognised in the Statement of Comprehensive Income was £35k (2022: £21k). The most recent options granted in the year were valued using the Black-Scholes method. The share price on grant used the share price of open market value, expected volatility of 24.0% and a compound risk free rate assumed of 3.47%.

| | **2023 Weighted average exercise price £** | **2023 Number** | 2022 Weighted average exercise price £ | 2022 Number |
|---|---|---|---|---|
| Outstanding at beginning of the year | **0.478** | **787,083** | 0.421 | 1,266,666 |
| Granted during the year | **0.483** | **1,745,800** | 1.275 | 250,000 |
| Exercised during the year | **-** | **-** | 0.288 | (404,587) |
| Lapsed during the year | **0.486** | **(215,000)** | 1.107 | (324,996) |
| Outstanding at the end of the year | **0.481** | **2,317,883** | 0.478 | 787,083 |

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

| Expiry | **Nominal share value** | **Exercise price £** | **2023 Number** | 2022 Number |
|---|---|---|---|---|
| May 2027 | £0.04 | 0.040 | **103,750** | 103,750 |
| December 2028 | £0.04 | 0.545 | **648,333** | 683,333 |
| September 2032 | £0.04 | 0.520 | **300,000** | - |
| September 2032 | £0.04 | 0.475 | **1,265,800** | - |
| Total | | | **2,317,883** | 787,083 |

Of the total number of shares outstanding, 752,083 were exercisable at the reporting date at a weighted average price of £0.48p/share (2022: 787,083 at a weighted average price of £0.48p/share).

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023

## 10 Income tax (credit)

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Current tax – UK corporation tax | **(263)** | (133) |
| Income tax credit | **(263)** | (133) |

The difference between loss before tax multiplied by the standard rate of 19% (2022: 19%) and the income tax (credit/charge) is explained in the reconciliation below:

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| **Factors affecting the tax (credit) for the year** | | |
| Loss before tax | **(2,859)** | (1,333) |
| Loss before tax multiplied by standard rate of UK corporation tax of 19% (2022: 19%) | **(545)** | (253) |
| Deferred tax not recognised on current year losses | **545** | 253 |
| RDEC/R&D tax credit | **(263)** | (131) |
| RDEC/R&D tax credit – adjustment relating to prior year | **-** | (2) |
| Total income tax (credit) | **(263)** | (133) |

Impact of future tax changes are not expected to materially impact the position of the Company, and no corporate tax liability is expected in the subsequent period.

## 11 Loss per share

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Loss for the financial year | **(2,596)** | (1,200) |
| Loss per share | **pence** | pence |
| Basic | **(10.0)** | (4.6) |
| Diluted | **(10.0)** | (4.5) |

| | **Number** | Number |
|---|---|---|
| Issued ordinary shares at the end of the year | **26,014,946** | 26,014,946 |
| Weighted average number of shares in issue during the year | **26,014,946** | 25,945,780 |

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. Diluted earnings per share is calculated by dividing the basic earnings for the year by the diluted weighted average number of shares in issue inclusive of share options outstanding at year end.

## 12 Intangible assets

| | **2023/2022 Software £'000** | 2022/2021 Software £'000 |
|---|---|---|
| Cost | | |
| At 1 April | **8** | 8 |
| At 31 March | **8** | 8 |
| | | |
| Accumulated amortisation | | |
| At 1 April | **8** | 6 |
| Amortisation charged in the year | **-** | 2 |
| At 31 March | **8** | 8 |
| | | |
| Net book value | | |
| At 31 March | **-** | - |
| At 31 March | **-** | 2 |

Amortisation is included in administrative expenses on the statement of comprehensive income.

## 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 2022 | **240** | **814** | **2,356** | **301** | **3,711** |
| Additions | **-** | **30** | **72** | **12** | **114** |
| Disposals | **(226)** | **-** | **(32)** | **(36)** | **(294)** |
| At 31 March 2023 | **14** | **844** | **2,396** | **277** | **3,531** |
| | | | | | |
| Accumulated depreciation | | | | | |
| At 1 April 2022 | **210** | **752** | **1,812** | **225** | **3,078** |
| Depreciation charged in the year | **25** | **60** | **253** | **34** | **372** |
| Disposals | **(226)** | **-** | **(32)** | **(36)** | **(294)** |
| At 31 March 2023 | **9** | **812** | **2,112** | **223** | **3,156** |
| | | | | | |
| Net book value | | | | | |
| At 31 March 2023 | **5** | **32** | **284** | **54** | **375** |
| At 31 March 2022 | 30 | 62 | 465 | 76 | 633 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023

## 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 2021 | **240** | **784** | **2,181** | **247** | **3,452** |
| Additions | **-** | **30** | **175** | **54** | **259** |
| At 31 March 2022 | **240** | **814** | **2,356** | **301** | **3,711** |
| | | | | | |
| Accumulated depreciation | | | | | |
| At 1 April 2021 | **139** | **583** | **1,446** | **161** | **2,329** |
| Depreciation charged in the year | **71** | **169** | **445** | **64** | **749** |
| At 31 March 2022 | **210** | **752** | **1,891** | **225** | **3,078** |
| | | | | | |
| Net book value | | | | | |
| At 31 March 2022 | **30** | **62** | **465** | **76** | **633** |
| At 31 March 2021 | **101** | **201** | **735** | **86** | **1,123** |

Plant & machinery with a net book value of £49k is held under hire purchase agreements or finance leases (2022: £85k).

The carrying value of right of use assets at the reporting date comprises fixtures, fittings and equipment of £6k (2022: £34k). In the prior year right of use assets comprised fixtures, fittings and equipment and the leased office space.

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:

| | 2023 £ | 2022 £ |
|---|---|---|
| Fusion Contract Services Limited | **1** | 1 |
| 100% subsidiary | | |
| Dormant company | | |
| 1 Springbank Road, Belfast, BT17 0QL | | |

Under section 402, group financial statements are not prepared on the basis that the subsidiary company is dormant and not material to the financial statements for the purpose of giving a true and fair view.

## 15 Inventories

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Raw materials and consumables | **538** | 585 |

The cost of inventories recognised as an expense for the year was £1,414k (2022: £1,171k).

## 16 Trade and other receivables

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Trade receivables | **511** | 900 |
| Loss allowance | **(151)** | (124) |
| Trade receivables – net | **360** | 776 |
| Other receivables | **72** | 117 |
| Prepayments and accrued income | **258** | 624 |
| | **690** | 1,517 |

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

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

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Individually impaired | **122** | 71 |
| Expected credit loss allowance | **29** | 53 |
| | **151** | 124 |

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

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| UK pound | **273** | 664 |
| Euros | **-** | 1 |
| US dollar | **238** | 235 |
| | **511** | 900 |

The expected credit loss allowance has been calculated as follows:

| **31 March 2023** | **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 | 1.9% | 2.1% | 2.7% | 4.9% | 26.6% | |
| Gross carrying amount (£'000) | 113 | 87 | 68 | 43 | 79 | 389 |
| Loss allowance (£'000) | 2 | 2 | 2 | 2 | 21 | 29 |

| **31 March 2022** | **Current** | **More than 30 days past due** | **More than 60 days past due** | **More than 90 days past due** | **More than 120 days past due** | **Total** |
|---|---|---|---|---|---|---|
| Expected loss rate | 1% | 1.1% | 1.4% | 2.5% | 13.8% | |
| Gross carrying amount (£'000) | 304 | 133 | 19 | - | 373 | 829 |
| Loss allowance (£'000) | 3 | 1 | - | - | 49 | 53 |

Movements on trade receivables loss allowance is as follows:

| | **£'000** | £'000 |
|---|---|---|
| At 1 April 2022/2021 | **53** | 10 |
| Movement in loss allowance | **(24)** | 43 |
| At 31 March 2023/2022 | **29** | 53 |

The creation and release of the loss allowance for trade receivables has been included in administrative expenses in the Statement of Profit or Loss and Other 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 2023

## 17 Trade and other payables

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Trade payables | **480** | 466 |
| Social security and other taxes | **136** | 68 |
| Other payables | **51** | 47 |
| Accruals and deferred income | **177** | 561 |
| | **844** | 1,142 |

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 £45,000 (2022: £nil) was due to Invest Northern Ireland.

## 18 Borrowings

| | **Lease liabilities £'000** | **Hire Purchase Contracts £'000** | **Total £'000** |
|---|---|---|---|
| At 1 April 2022 | **27** | **42** | **69** |
| Additions | **-** | **69** | **69** |
| Interest charged in year | **3** | **1** | **4** |
| Repayments | **(24)** | **(43)** | **(67)** |
| At 31 March 2023 | **6** | **69** | **75** |
| | | | |
| Amounts due in less than 1 year | **5** | **30** | **35** |
| Amounts due after more than 1 year | **1** | **39** | **40** |
| | **6** | **69** | **75** |

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

All borrowings are denominated in UK pounds. Using a discount rate of 8.5% per annum the fair value of borrowings at the reporting date is £69,000 (2022: £65,000 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.

## 19 Provisions for other liabilities and charges

| | **2023 £'000** | 2022 £'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 which is renewed annually. The costs of dilapidations would be incurred on vacating the premises.

## 20 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 2023** | **Amortised cost £'000** |
|---|---|
| Trade receivables | **360** |
| Other receivables | **72** |
| Accrued income | **26** |
| Cash and cash equivalents | **195** |
| Total | **653** |

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

| **As at 31 March 2023** | **Other financial liabilities at amortised cost £'000** |
|---|---|
| Trade payables | **480** |
| Other payables | **236** |
| Accruals | **127** |
| Borrowings | **75** |
| Total | **918** |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023

## 20 Financial instruments continued

| As at 31 March 2022 | Other financial liabilities at amortised cost £'000 |
|---|---|
| Trade payables | 466 |
| Other payables | 115 |
| Accruals | 279 |
| Borrowings | 69 |
| Total | 929 |

### 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.

## 20 Financial instruments continued

The table below analyses the company's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts presented are the undiscounted cash flows.

| **31 March 2023** | Less than 6 months £000 | 6 to 12 months £000 | Between 1 and 2 years £000 | Between 2 and 5 years £000 |
|---|---|---|---|---|
| Trade and other payables | **716** | **-** | **-** | **-** |
| Accruals | **127** | **-** | **-** | **-** |
| Borrowings | **-** | **35** | **40** | **-** |
| | **843** | **35** | **40** | **-** |

| **31 March 2022** | | | | |
|---|---|---|---|---|
| Trade and other payables | 581 | - | - | - |
| Accruals | 279 | - | - | - |
| Borrowings | - | 66 | 3 | - |
| | 860 | 66 | 3 | - |

### 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 £34k (2022: £32k) higher/lower and immaterial given the value of the balance of £158 (2022: £5k) higher/lower respectively.

## 21 Called up share capital

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Allotted, called up and fully paid | | |
| - 26,014,946 (2022: 26,014,946) Ordinary shares of £0.04 | **1,040** | 1,040 |

The company is authorised to issue 33,809,960 shares.

No dividends were paid (2022: £nil). The directors do not recommend payment of a final dividend (2022: £nil).

## 22 Capital commitments

At 31 March 2023 the Company had contracted for but not incurred capital expenditure of £nil (2022: £17k).

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023

## 23 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 £96k to the Statement of Profit or Loss and Other Comprehensive Income (2022: £103k) in respect of Company contributions to the scheme. At the reporting date there was £19k (2022: £18k) payable to the scheme and included in other payables.

## 24 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 £79k (2022: £78k). A balance of £45k (2022: £nil) was due and payable to Invest NI at the reporting date.

## 25 Ultimate controlling party

There is no ultimate controlling party.

## 26 Post balance sheet events

Since the reporting date the Company has raised net proceeds of £1.5 million from the issue of ordinary shares. Additionally, the Company has undergone a restructuring process contributing to a reduction in costs in the current financial year of approximately £1.6m. These cost savings were primarily achieved due to staff redundancies and resulting payroll cost savings.

Subsequent to the reporting date, the Company has introduced a new revenue stream from the AI/ML-AB service offering.

## 27 Reconciliation of loss to EBITDA

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Loss before tax | **(2,859)** | (1,333) |
| Finance income | **(3)** | (1) |
| Finance expense | **4** | 9 |
| Depreciation and amortisation | **372** | 751 |
| EBITDA | **(2,486)** | (574) |

# COMPANY INFORMATION

## Directors

Dr Simon Douglas (Non-Executive Chairman)
Dr Adrian Kinkaid (Chief Executive Officer)
Dr Richard Buick (Chief Scientific Officer)
Ms Sonya Ferguson (Non-Executive Director)
Dr Matthew Baker (Non-Executive Director)
Mr Colin Walsh MBE (Non-Executive Director)
Mr Tim Watts (Non-Executive Director) resigned September 2022.
Mr James Fair (CFO) resigned May 2023
Mr Stephen Smyth (interim CFO) appointed September 2023

## Company secretary

Mr James Fair (CFO) resigned May 2023
Mr Stephen Smyth (interim) appointed September 2023

## Registered office

1 Springbank Road
Springbank Industrial Estate
Dunmurry
Belfast
BT17 0QL

## Website

www.fusionantibodies.com

## Nominated adviser and broker

Allenby Capital Limited
5 St Helen's Place
London
EC3A 6AB

## Public relations advisor

Walbrook PR
4 Lombard Street
EC3V 9HD

## Independent auditors

PricewaterhouseCoopers LLP
Merchant Square
20-26 Wellington Place
Belfast
BT1 6GE

## Registrar

Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

## Bankers

Danske Bank
Donegall Square West
Belfast
BT1 6JS

## Solicitors

Tughans Solicitors
Marlborough House
30 Victoria Street
Belfast
BT1 3GG

DLA Piper UK LLP
1 St Paul's Place
Sheffield
S1 2JX

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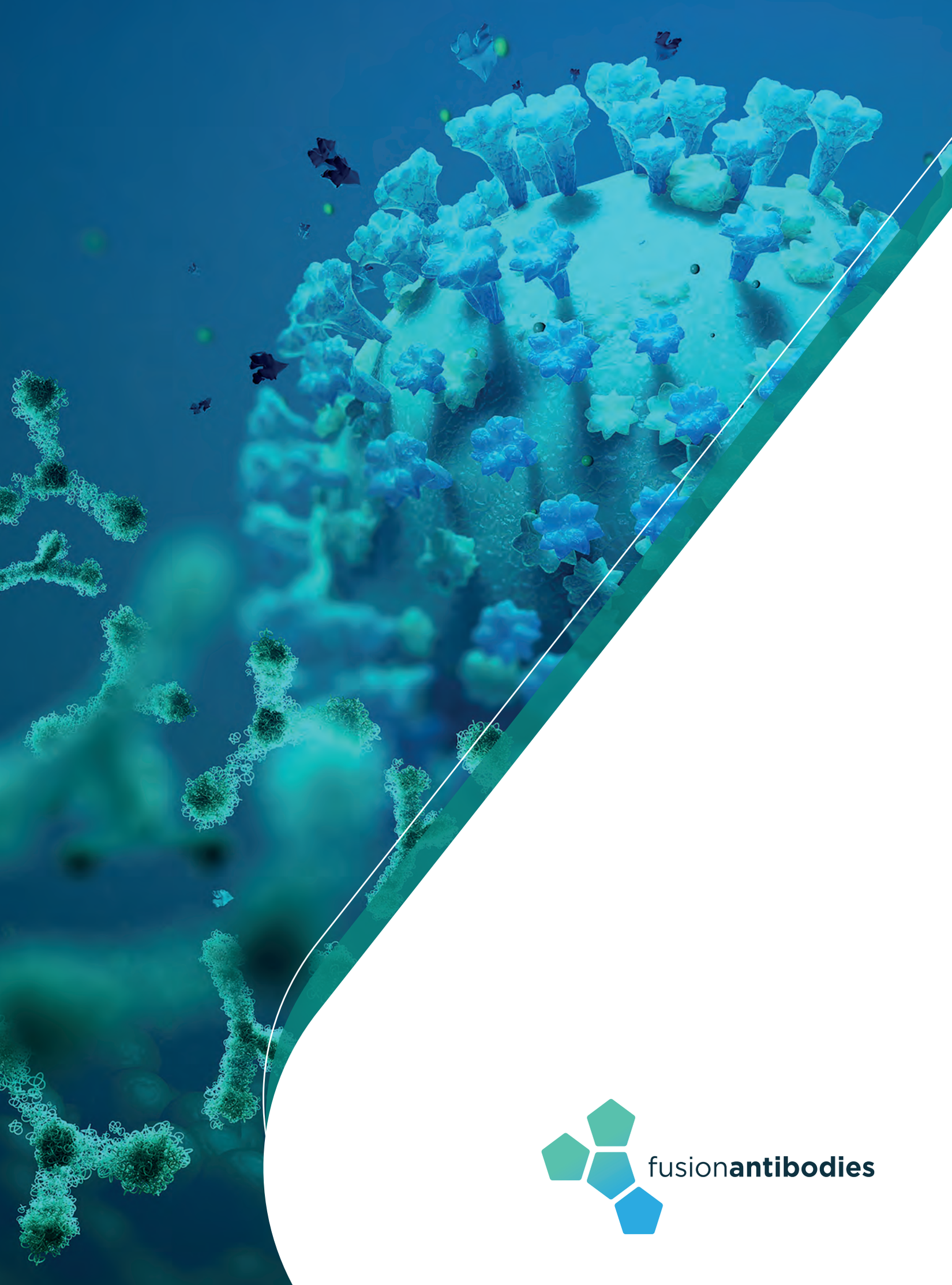

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