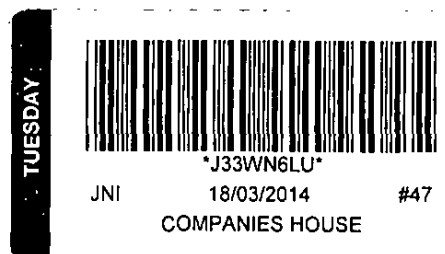
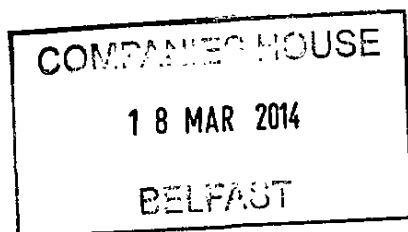


Company Registration number NI039740

Fusion Antibodies Limited

Financial Statements

For the year ended 31 March 2013



FUSION ANTIBODIES LIMITED

Financial statements for the year ended 31 March 2013

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FUSION ANTIBODIES LIMITED

Directors, officers and advisers

Directors

Professor Sir John Cadogan CBE FRS
Mr David Moore
Dr Alan Mawson
Dr Simon Douglas (Chairman)
Mr Colin Walsh
Dr Nigel Courtenay-Luck
Dr Richard Buick
Dr Paul Kerr

Secretary and registered office

Tuglaw Secretarial Limited
c/o Tughans Solicitors
Marlborough House
30 Victoria Street
Belfast
BT1 3GS

Registered number

NI039740

Principal place of business

Springbank Industrial Estate
Pembroke Loop Road
Dunmurry
Belfast
BT17 0QL

Auditors

Harbinson Mulholland
IBM House
4 Bruce Street
Belfast
BT2 7JD

Bankers

HSBC
25-29 Royal Avenue
Belfast
BT1 1FB

Solicitors

Tughans
Marlborough House
30 Victoria Street
Belfast
BT1 3GS

FUSION ANTIBODIES LIMITED

Directors' report for the year ended 31 March 2013

The directors present their report and the financial statements of the company for the year ended 31 March 2013.

Principal activity

The principal activities of the company are the research, development and manufacture of recombinant proteins and antibodies, particularly in the areas of cancer and infectious disease, as well as the research and development of processes to be used in the pharmaceutical and life science fields.

Directors

The directors who served during the year were:

Professor Sir John Cadogan CBE FRS
Mr David Moore
Dr Alan Mawson
Dr Simon Douglas (Chairman)
Mr Colin Walsh
Dr Nigel Courtenay-Luck
Dr Richard Buick
Dr Paul Kerr

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

To the knowledge and belief of the directors, there is no relevant information that the company's auditors are not aware of, and the directors have taken all the steps necessary to ensure the directors are aware of any relevant information, and to establish that the company's auditors are aware of the information.

Auditors

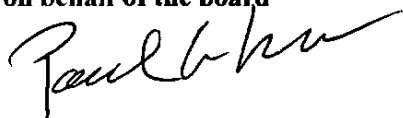
A resolution to reappoint Harbinson Mulholland as auditors of the company will be proposed at the forthcoming annual general meeting.

FUSION ANTIBODIES LIMITED

Directors' report for the year ended 31 March 2013 (continued)

The above report has been prepared in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Signed on behalf of the board



DR PAUL KERR

Director

Approved by the Board on7/3/14.....

FUSION ANTIBODIES LIMITED

Independent auditors' report to the members of Fusion Antibodies Limited

We have audited the financial statements of Fusion Antibodies Limited for the year ended 31 March 2013 which are set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the year then ended;

have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and

have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1(a) to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £468,737 during the year ended 31 March 2013 resulting in net current liabilities of £5,282. These conditions, along with the other matters explained in note 1(a) 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 was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

FUSION ANTIBODIES LIMITED

Independent auditors' report to the members of Fusion Antibodies Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

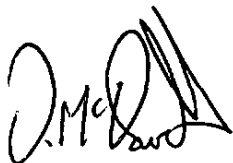
adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

the financial statements are not in agreement with the accounting records and returns; or

certain disclosures of directors' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit; or

the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies' regime.



**D McDowell FCA (Senior Statutory Auditor)
for and on behalf of Harbinson Mulholland,
Chartered Accountants and Statutory Auditors**

IBM House
4 Bruce Street
BT2 7JD

..... 7 MARCH 2014

FUSION ANTIBODIES LIMITED

Profit and loss account for the year ended 31 March 2013

	<u>Notes</u>	<u>2013</u> £	<u>2012</u> £
Turnover	2	404,997	435,213
Cost of sales		<u>324,200</u>	<u>361,668</u>
Gross profit		<u>80,797</u>	<u>73,545</u>
Research and development expenditure		199,917	268,313
Administrative expenses		381,835	585,598
		581,752	853,911
Other operating income		<u>27,737</u>	<u>12,458</u>
Operating loss		(473,218)	(767,908)
Other interest receivable and similar income		39	20
Interest payable and similar charges		<u>(466)</u>	<u>(601)</u>
Loss on ordinary activities before taxation	3	(473,645)	(768,489)
Taxation on loss on ordinary activities	5	<u>4,908</u>	<u>16,297</u>
Loss for the financial year		<u>(468,737)</u>	<u>(752,192)</u>

The notes on pages 8 to 15 form part of these financial statements.

FUSION ANTIBODIES LIMITED

Balance sheet at 31 March 2013

	<u>Notes</u>	<u>2013</u> £	<u>2012</u> £
Fixed assets			
Tangible assets	6	55,410	82,661
Current assets			
Debtors	7	119,255	242,467
Cash at bank and in hand		129,028	45,125
		248,283	287,592
Creditors: amounts falling due within one year	8	(253,565)	(422,729)
Net current liabilities		(5,282)	(135,137)
Total assets less current liabilities		50,128	(52,476)
Provision for liabilities	9	(20,000)	(20,000)
		30,128	(72,476)
Capital and reserves			
Called up share capital	10	523,595	466,461
Share premium account	12	5,947,147	5,432,941
Deficit on profit and loss account	12	(6,440,614)	(5,971,878)
Shareholders' funds		30,128	(72,476)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and the Financial Reporting Standard for Smaller Entities (effective April 2008).

Approved by the board of directors on 7/3/14 and signed on its behalf.

 **Dr Paul Kerr - Director**

Company Registration No: NI039740

The notes on pages 8 to 15 form part of these financial statements.

FUSION ANTIBODIES LIMITED

Notes to the financial statements for the year ended 31 March 2013

1 Accounting policies

a) Going concern

The company has incurred a loss for the year of £468,737 (2012: £752,192) and at the balance sheet date has net current liabilities of £5,282 (2011: £135,137).

During the year ended 31 March 2013 the directors continued to explore new markets and develop new services, the benefit of this new service line is visible after the year end with a growth in turnover and profitability but the company continues to invest considerable resources in developing its therapeutic molecules whilst seeking partnerships or a market in respect of these.

The management accounts to 31 December 2013 show a loss of £133,090 and the projected out turn for the year to 31 March 2014 is £93,861. Further funding of £79,730 was raised in April 2013. The directors are of the opinion that the net assets at the year end and the further funding are sufficient to enable the company to operate to 31 March 2014. Beyond this, if the directors continue to concentrate on service provision, the projections for the year ended 2015 show profitability for the year ended 31 March 2015.

If, however, the directors decide to continue to develop the therapeutic molecule with a view to sale the projections show a need for further funding which the directors are confident they can raise.

The directors are confident that whether they concentrate on the service provision or continue development, the company will continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. Therefore, they believe that it is appropriate that these financial statements are prepared on the going concern basis. This basis of preparation assumes that the company will continue in operational existence for the foreseeable future, the validity of which depends on the directors securing the financial position of the company.

If the company was unable to continue in operational existence for the foreseeable future, adjustments would have to be made to revise the balance sheet value of assets to their recoverable amounts, to provide for further liabilities that might arise, and to reclassify fixed assets as current assets.

In the opinion of the directors the above situation represents a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the usual course of business. In light of all the above, the directors have a reasonable expectation that the company will continue in operation for the foreseeable future and have applied the going concern basis in preparing the financial statements

b) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting and have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The company has taken advantage of the exemption, conferred by Financial Reporting Standard 1, from presenting a cash flow statement as it qualifies as a small company.

c) Turnover

Turnover represents net invoiced sales of goods and services, excluding value added tax. Revenue is recognised upon shipment of products, which is when title to the products is transferred to the customer.

FUSION ANTIBODIES LIMITED

Notes to the financial statements for the year ended 31 March 2013 (continued)

1 Accounting policies (continued)

d) Depreciation of tangible fixed assets

At each balance sheet date, the carrying amounts of tangible assets are reviewed to determine whether there is an indication that those assets have suffered an impairment loss. Where the carrying value exceeds the estimated recoverable amount (being the greater of fair value less costs to sell and value-in-use), an impairment loss is recognised by writing down the assets cash-generating units to their recoverable amount. An impairment loss is recognised immediately in the profit and loss. Any reversal of a previous impairment loss is similarly recognised immediately in the profit and loss.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the full cost or valuation less estimated residual value of each asset over its estimated useful life. The principal rates in use are:

Leasehold improvements	10% straight line
Equipment, fixtures and fittings	25% straight line
Plant and machinery	25% straight line

e) Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences that have originated but not reversed at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis, at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

f) Government grants

Government grants are recognised in the profit and loss account (as other operating income) on a case-by-case basis, assessed by the level of expenditure incurred on the specific grant project when in the opinion of the directors the receipt of the grant is reasonably certain. During the year the company recognised £10,097 (2012: £12,458) in grant income.

g) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the year end. The trading results of overseas operations are translated at average rates of exchange for the year.

h) Research and development expenditure

Costs incurred in research and development are expensed to the profit and loss account as they arise.

i) Leases

Costs under operating leases are charged on a straight-line basis over the lease term. Benefits, such as lower rental payments in the first year of the lease, received or receivable as incentives to take on operating leases, are spread on a straight-line basis over the period to the first break clause in the lease. A provision is made for dilapidations at the start of the lease based on the directors' best estimate of the costs to be incurred on cessation of the lease under the lease agreement. An asset is recognised in leasehold improvements within fixed assets and a charge is made to the profit and loss account over the period to the first break clause in the lease.

FUSION ANTIBODIES LIMITED

Notes to the financial statements for the year ended 31 March 2013 (continued)

1 Accounting policies (continued)

j) Pension scheme

The company provides a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. Contributions to this scheme are charged to the profit and loss account as they become payable.

k) Share options

The Company has adopted the Financial Reporting Standard for Smaller Entities ('FRSSE') and thereby has taken the exemption in FRS 20 'Share-based payments' not to apply fair value principles to share options granted to employees and directors of the Company. However, when options or shares are granted to non-employees a charge reflecting the fair value of the services provided, to the extent that they are not paid in cash, is made to the profit and loss account and credited back to reserves.

2 Turnover

The turnover and loss before taxation is attributable to the one principal activity of the company.

3 Loss on ordinary activities before taxation

This is stated after charging:

	<u>2013</u> £	<u>2012</u> £
Depreciation	28,469	60,289
Auditors' remuneration - Audit fee	<u>5,875</u>	<u>6,000</u>

4 Directors' emoluments

	<u>2013</u> £	<u>2012</u> £
Emoluments	121,250	98,260
Company contributions to money purchase pension schemes	<u>4,500</u>	<u>2,413</u>
	<u>125,750</u>	<u>100,673</u>

In addition to the emoluments above in 2013 £7,500 (2012 - £30,000) was paid to third parties for the services of directors.

The number of directors who were accruing benefits under company pension schemes were as follows:

Money purchase schemes	<u>2</u>	<u>2</u>
------------------------	----------	----------

FUSION ANTIBODIES LIMITED

Notes to the financial statements for the year ended 31 March 2013 (continued)

5 Tax (credit) on loss on ordinary activities

	<u>2013</u> £	<u>2012</u> £
United Kingdom corporation tax at 21%	(4,096)	(16,297)
Adjustments in respect of previous years	(812)	-
	<u>(4,908)</u>	<u>(16,297)</u>

No corporation tax liability arises on the results for the year due to the loss incurred. A tax credit of £4,096 (2012:£16,297) has arisen as a result of tax losses being surrendered in respect of research and development expenditure.

6 Tangible fixed assets

	<i>Leasehold improvements</i> £	<i>Equipment fixtures & fittings</i> £	<i>Plant & machinery</i> £	<i>Total</i> £
Cost:				
At 1 April 2012	156,059	41,144	357,296	554,499
Additions	-	409	808	1,217
At 31 March 2013	<u>156,059</u>	<u>41,553</u>	<u>358,104</u>	<u>555,716</u>
Depreciation:				
At 1 April 2012	93,700	38,213	339,925	471,838
Provision for the year	13,606	2,894	11,968	28,468
At 31 March 2013	<u>107,306</u>	<u>41,107</u>	<u>351,893</u>	<u>500,306</u>
Net book value:				
At 31 March 2013	<u>48,753</u>	<u>446</u>	<u>6,211</u>	<u>55,410</u>
At 31 March 2012	<u>62,359</u>	<u>2,931</u>	<u>17,371</u>	<u>82,661</u>

7 Debtors

	<u>2013</u> £	<u>2012</u> £
Trade debtors	92,092	89,591
Other debtors	27,163	152,876
	<u>119,255</u>	<u>242,467</u>

FUSION ANTIBODIES LIMITED

Notes to the financial statements for the year ended 31 March 2013 (continued)

8 Creditors: amounts falling due within one year

	<u>2013</u> £	<u>2012</u> £
Trade creditors	224,336	262,530
Other creditors	22,033	144,340
Other tax and social security	7,196	15,859
	<u>253,565</u>	<u>422,729</u>

HSBC holds the following securities:

1. Debenture including fixed charge over all present freehold and leasehold properties.
2. First fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future.
3. First floating charge over all assets and undertakings both present and future dated 09 July 2004.

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 .

9 Provisions for liabilities

	<u>2013</u> £	<u>2012</u> £
Dilapidation Provision	<u>20,000</u>	<u>20,000</u>
Provision at start of year	20,000	
Deferred tax charge in profit and loss account for year (note 5)	-	
Provision at end of year	<u>20,000</u>	

During the year ended 31 March 2007, the company entered into a lease agreement which requires a provision to be made for the expected costs of repairing the building at the end of the lease period. The directors estimate that these costs could amount to £20,000. An asset has been recognised in leasehold improvements within fixed assets and a charge is made to the profit and loss account over the period to the first break clause in the lease. This lease expired in September 2011

10 Called-up share capital

	<u>2013</u> £	<u>2012</u> £
Allotted, called up and fully paid		
Equity shares:		
Ordinary shares of £1 each	<u>523,595</u>	<u>466,461</u>

During the year ended 31 March 2013 57,134 £1 ordinary shares were issued for consideration of £571,340.

FUSION ANTIBODIES LIMITED

Notes to the financial statements for the year ended 31 March 2013 (continued)

11 Share Options

Total share options existing over the Ordinary Shares of £1 each in the company are summarised below:

Date Granted	Exercise Price	Period when exercisable	Number of shares
24 November 2005	£4.15	Not after 24 November 2015	2,600
16 February 2006	£4.15	Not after 16 February 2016	900
31 August 2006	£4.15	Not after 31 August 2016	500
18 April 2007	£1.00	Not after 18 April 2017	5,000
06 February 2008	£6.00	Not after 6 February 2018	2,450
28 February 2008	£1.00	Not after 28 February 2018	4,000
08 September 2008	£1.00	Not after 8 September 2018	5,500
08 October 2009	£4.00	Not after 8 October 2019	13,550
08 October 2009	£1.00	Not after 8 October 2019	11,750
19 May 2011	£2.20	Not after 19 May 2021	20,000
Total			66,250

The share options may only be exercised on the Company meeting the criteria set out in the Rules of the Fusion Antibodies Limited 2005 Enterprise Management Incentive Scheme and, where applicable, the Unapproved Scheme.

	Number of shares/ options
At 1 April 2012	72,750
Granted in the year	-
Lapsed in year	(6,500)
At 31 March 2013	66,250

The Enterprise Management Incentive Scheme "EMI"

An EMI scheme was established by resolution of the Directors on 24 November 2005. The right to exercise the option shall not vest until nine years and three hundred and sixty four days from the date of the grant of the option, except in the accordance of Rules 11 and 12 (demerger, reconstruction, winding up, or take over of the Company) of the Fusion Antibodies Limited 2005 EMI scheme.

FUSION ANTIBODIES LIMITED

Notes to the financial statements for the year ended 31 March 2013 (continued)

12 Reserves

	<i>Share premium account</i> £	<i>Profit and loss account</i> £
At 1 April 2012	5,432,941	(5,971,877)
Loss for the year	-	(468,737)
Premium on shares issued	514,206	-
At 31 March 2013	<u>5,947,147</u>	<u>(6,440,614)</u>

13 Contingent liabilities

Some of the directors (both current and former) have agreed to defer part of their remuneration until such time as the company has sufficient finances in place, either through a partnership agreement to take its lead research compound through drug development or by securing investment or funding to proceed on its own. As the company was not in such a position at the year end these amounts have not been accrued. Accordingly the company has a contingent liability of £406,094 (2012:£339,595) to directors and third parties for directors' services contingent upon sufficient financing being put in place.

14 Leasing commitments

Operating leases

The company's annual commitments for rental payments under non-cancellable operating leases at 31 March 2013 were as set out below:

Operating leases which expire:

	2013 Land and buildings £	2012 Land and buildings £
Expiring within one year	40,000	41,250
Expiring within one to two years	<u>-</u>	<u>-</u>

At 31 March 2013, there were no capital commitments contracted for but not provided for in the financial statements (2012: NIL).

15 Related parties

The company received invoices for rent amounting to £39,818 (2012: £56,126) from Invest NI, which holds shares in Fusion Antibodies Limited. A balance of £24,000 (2012:£76,311) was owing to Invest NI at the year end. In addition, Invest NI paid a number of grants during the year amounting to £10,097 (2012: £12,458) to the company.

Director Colin Walsh is also a director of Crescent Capital, as at 31 March 2013 the company owed a balance of £11,814 (2012:£11,796) to Crescent Capital for services provided.

FUSION ANTIBODIES LIMITED

Notes to the financial statements for the year ended 31 March 2013 (continued)

16 Pension commitments and other post-retirement benefits

Defined contribution scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost and charge represents contributions payable by the company to the fund and amounted to £10,684 (2012 £12,657). At 31 March 2013 contributions amounting to £1,432 (2012 £3,262) were payable to the fund and were included in creditors.