RNS Number : 2268V
Fusion Antibodies PLC
02 December 2019

Prior to publication, the information contained within this announcement was deemed by the Company to constitute inside information for the purposes of Article 7 under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). With the publication of this announcement, this information is now considered to be in the public domain.

Fusion Antibodies plc
("**Fusion**" **or the "Company**")

Half year Report

Fusion Antibodies plc (AIM: FAB), specialists in pre-clinical antibody discovery, engineering and supply for both therapeutic drug and diagnostic applications, announces its unaudited interim results for the six months ended 30 September 2019 (H1 FY2020).

Highlights

Operational

- Increase in orders and revenues in H1 FY2020 over H1 FY2019
- First commercial projects of the new Rational Affinity Maturation Platform ("RAMP^{TM}") service
- Continuing development of Mammalian Antibody Library, on track for delivery in 2020

Financial

- Continued improvement in revenues for H1 FY2020 of £1.75m (H1 FY2019: £0.66m)
- Continued reduction in loss for H1 FY2020 of £0.47m (H1 FY2019: £0.74m loss)
- Cash position at 30 September 2019 was £1.31m (31 March 2019: £1.98m)
- Trading for the year ending 31 March 2020 to date has been in line with market expectations

Commenting on the interim results, Paul Kerr, CEO of Fusion Antibodies plc, said: "*Our revenues are growing apace, and we have seen a solid improvement in the performance of the business for this period, compared to the previous six months. We have received our first commercial revenues from early adopters of RAMP^{TM}, and the feedback from the service has been very promising. We are on target to deliver significant revenue growth year on year and, as always, I would like to thank our shareholders and staff for all their valued support.*"

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About Fusion Antibodies plc - www.fusionantibodies.com

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

The Company's ordinary shares were admitted to trading on AIM on 18 December 2017. Fusion provides a broad range of services in antibody generation, development, production, characterisation and optimisation. These services include antigen expression, antibody production, purification and sequencing, antibody humanisation using Fusion's proprietary CDRx™ platform and the production of antibody generating stable cell lines to provide material for use in clinical trials. Since 2012, the Company has successfully sequenced and expressed over 250 antibodies and successfully completed over 150 humanisation projects for its international, blue-chip client base, which has included eight of the top 10 global pharmaceutical companies by revenue.

The Company was established in 2001 as a spin out from Queen's University Belfast. The Company's mission is to enable pharmaceutical and diagnostic companies to develop innovative products in a timely and cost-effective manner for the benefit of the global healthcare industry. Fusion Antibodies provides a broad range of services in antibody generation, development, production, characterisation and optimisation.
Fusion Antibodies growth strategy is based on combining the latest technological advances with cutting edge science to deliver new platforms that will enable Pharma and Biotechs get to the clinic faster and ultimately speed up the drug development process.

The global monoclonal antibody therapeutics market was valued at $95.5 billion in 2017 and is forecast to surpass $174.2 billion in 2026, an increase at a CAGR of 6.9 per cent. for the period 2018 to 2026. In 2018, seven of the world's ten top selling drugs were antibody-based therapeutics with the combined annual sales of these drugs exceeding $62 billion.

Operational Review

As announced in October 2019, the Company's order levels and revenues in the first six months of the financial year showed significant growth on the previous six-month period and a marked recovery from the comparable period last year. This has been achieved by addressing a number of external competitive pressures seen over the last two years, and by improving the Company's marketing function and business development strategy.

In this period the Company recorded its first commercial revenues from the new RAMP™ service. RAMP™ provides customers with improvements to antibody affinity and other biophysical characteristics to optimise performance of their antibody. This service is available either as part of the suite of Fusion's services or as a standalone service to companies with existing antibodies with sub-optimal performance. Initial results from early adopting customers are very promising and the commercial roll out of the service will continue throughout the year with presentations at scientific conferences and targeted marketing.

Having now launched the RAMP™ service, the next service in the development pipeline is the Mammalian Antibody Library ("the Library"). The Library will add an important new offering for antibody discovery and the Directors believe it will represent a technologically superior solution when compared to traditional methods and to other library offerings already available in the

market. The Library is also expected to provide the additional benefit of a significant reduction in the time taken for this initial drug development phase. The Library will complement the Company's existing discovery services and it will be offered alongside the traditional techniques providing an improved range of options to our customers.

It is planned that the Library will be delivered as a technologically ready project in H1 FY2021 (i.e. April to September 2020) with presentations to key opinion leaders, targeted marketing activity and performance of pilot studies commencing in the second half of FY2021. The Directors expect that the Company will be in a position to generate meaningful revenues from this service from FY 2022.

Financial Review

Revenues for the six-month period to 30 September 2019 were £1.75 million (H1 FY2019: £0.66 million). This continues the improvement seen in H2 FY2019 and is the Company's strongest performance to date in a six-month period.

Operating loss for the first half was £0.62 million (H1 FY2019: £0.89 million). This result reflects that the Company has continued to invest in research and development of new services, expansion of capacity and development of sales and marketing, with a view to continued growth.

Basic loss per share has further reduced to £0.021 per share versus £0.034 loss per share in H1 FY2019.

Gross profit margin of 42% has improved on H1 FY 2019 (17%) although slightly below that seen in H2 FY2019 (45%) due to continued recruitment and training of scientists to enable the Company to deliver future growth. Revenue grants relating to employment are included in other income.

Administrative expenses include expenditure on overheads, board costs, sales and marketing, research and development as well as depreciation. Administrative expenses of £1.4 million have increased compared with H1 FY2019 of £1.1 million as a result of further investment in research and development, sales and marketing and an increase in depreciation arising from the investment in capital equipment throughout FY2019.

Cash used in operations was £0.55 million compared with £0.45 million used in H1 FY2019. The planned investment of funds in research and development, business development and marketing was expected to increase cash usage in H1 FY2020 and therefore this is in line with the Board's expectations. EBITDA losses are reducing as shown in the Key Performance Indicators below and, as the laboratory expansion is complete, capital expenditure for the period reduced to £0.04 million compared with £1.22 million in H1 FY 2019. The cash at bank figure of £1.31million at 30 September 2019 is in line with Company plans. The Directors have reviewed detailed projections for the Company. These projections are based on estimates of future performance and have been adjusted to reflect various scenarios and outcomes that could potentially impact the forecast outturn. Based on these estimates, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for 12 months from the reporting date. Accordingly, they have prepared these condensed financial statements on the going concern basis.

The Board is not recommending the payment of a dividend in relation to the first half of the current financial year.

Key Performance Indicators

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

KPI	**H1 2020**	H1 2019
Revenue growth	**166%**	(53%)

EBITDA*	**(£0.315m)**	(£0.712m)
Cash used in operations	**(£0.551m)**	(£0.446m)

* Earnings before interest, tax, depreciation and amortisation

Outlook

The Board is pleased to report that the company has restored revenues in all areas of its services, and is confident of sustained performance for the remainder of this year. The uptake of RAMP™ has been promising to date and the Company is optimistic for this to continue in the second half of the year.

The Directors believe that the antibody therapeutic market continues to grow, and that Fusion Antibodies remains in a strong position to grow and return to profitability.

However, the Company relies on multiple orders which, on average, are each worth below £100k and which the Company can execute within 2-3 months. The consequence of this is that the Board has limited visibility of orders and revenues beyond a three-month horizon. However, the Directors continue to be confident that growth in order levels for existing and new services will continue.

Statement of Directors' Responsibilities

The Directors confirm, to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting', as adopted by the European Union;
- The interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules of the of the United Kingdom's Financial Conduct Authority, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year, and gives a true and fair view of the assets, liabilities, financial positions and profit for the period of the company; and
- The interim management report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority, being a disclosure of related party transactions and changes therein since the previous annual report.

By order of the Board

Dr Simon Douglas
Non-executive Chairman

2 December 2019

Condensed Statement of Comprehensive Income
For the six months ended 30 September 2019

	Notes	**6 months to 30.09.19 Unaudited £'000**	6 months to 30.09.18 Unaudited £'000	Year to 31.03.19 Audited £'000
Revenue		**1,753**	658	2,182

Cost of sales		**(1,014)**	(545)	(1,378)
Gross profit		**739**	113	804
Other operating income	10	**53**	58	86
Administrative expenses		**(1,408)**	(1,063)	(2,398)
Operating loss		**(616)**	(892)	(1,508)
Finance income	3	**4**	7	13
Finance costs	3	**(9)**	(2)	(4)
Loss before tax		**(621)**	(887)	(1,499)
Income tax credit	4	**148**	145	235
Loss for the period		**(473)**	(742)	(1,264)
Total comprehensive expense for the period		**(473)**	(742)	(1,264)
		Pence	Pence	Pence
Basic loss per share	5	**(2.1)**	(3.4)	(5.7)

Condensed Statement of Financial Position
As at 30 September 2019

	Notes	**As at 30.09.19 Unaudited £'000**	As at 30.09.18 Unaudited £'000	As at 31.03.19 Audited £'000
Assets				
Non-current assets				
Intangible assets		**5**	7	6
Property, plant and equipment	6	**1,558**	1,592	1,588
Deferred tax assets	7	**1,488**	1,277	1,343
		3,051	2,876	2,937
Current assets				
Inventories		**231**	96	243
Trade and other receivables		**1,200**	650	1,056
Current tax receivable		**39**	13	23
Cash and cash equivalents		**1,313**	2,803	1,984
		2,783	3,562	3,306
Total assets		**5,834**	6,438	6,243

Liabilities
Current liabilities

Trade and other payables		**580**	521	729
Borrowings	8	**124**	35	67
		704	556	796
Net current assets		**2,079**	3,006	2,510
Non-current liabilities				
Borrowings	8	**170**	26	73
Provisions for other liabilities and charges		**20**	20	20
Total liabilities		**894**	602	889
Net assets		**4,940**	5,836	5,354
Equity				
Called up share capital		**884**	884	884
Share premium reserve		**4,872**	4,872	4,872
(Accumulated losses)/retained earnings	13	**(816)**	80	(402)
Equity		**4,940**	5,836	5,354

Condensed Statement of Changes in Equity
For the six months ended 30 September 2019

6 months ended 30 September 2019 Unaudited	**Called up share capital £'000**	**Share premium reserve £'000**	**Accumulated losses £'000**	**Equity £'000**
At 1 April 2019	**884**	**4,872**	**(402)**	**5,354**
Loss for the period	**-**	**-**	**(473)**	**(473)**
Share options - value of employee services	**-**	**-**	**46**	**46**
Tax charge relating to share option scheme	**-**	**-**	**13**	**13**
Total transactions with owners, recognised directly in equity	**-**	**-**	**59**	**59**
At 30 September 2019	**884**	**4,872**	**(816)**	**4,940**

6 months ended 30 September 2018 Unaudited	Called up share capital £'000	Share premium reserve £'000	Retained earnings £'000	Equity £'000
At 1 April 2018	884	4,872	819	6,575
Restatement (see note 12)	-	-	(24)	(24)
At 1 April 2018 restated	884	4,872	795	6,551
Loss for the period	-	-	(742)	(742)
Share options - value of employee services	-	-	47	47
Tax credit relating to share				

option scheme	-	-	(20)	(20)
Total transactions with owners, recognised directly in equity	-	-	27	27
At 30 September 2018	884	4,872	80	5,836

Year ended 30 March 2019 Audited	Called up share capital £'000	Share premium reserve £'000	(Accumulated losses)/ Retained earnings £'000	Equity £'000
At 1 April 2018	884	4,872	819	6,575
Restatement (see note 12)	-	-	(24)	(24)
At 1 April 2018 restated	884	4,872	795	6,551
Loss for the year	-	-	(1,264)	(1,264)
Share options - value of employee services	-	-	98	98
Tax credit relating to share option scheme	-	-	(31)	(31)
Total transactions with owners, recognised directly in equity	-	-	67	67
At 31 March 2019	884	4,872	(402)	5,354

Cash Flow Statement
For the six months ended 30 September 2019

	6 months to 30.09.19 Unaudited £'000	6 months to 30.09.18 Unaudited £'000	Year to 31.03.19 Audited £'000
Cash flows from operating activities			
Loss for the period	**(473)**	(742)	(1,264)
Adjustments for:			
Share based payment expense	**46**	46	98
Depreciation	**300**	179	429
Amortisation of intangible assets	**1**	1	2
Finance income	**(4)**	(7)	(13)
Finance costs	**9**	2	4
Income tax credit	**(148)**	(145)	(235)
Decrease/(increase) in inventories	**11**	(14)	(161)
(Increase)/decrease in trade and other receivables	**(144)**	248	(158)
(Decrease)/increase in trade and other payables	**(149)**	(15)	193
Cash used in operations	**(551)**	(447)	(1,105)
Income tax received	**-**	2	7
Net cash used in operating activities	**(551)**	(445)	(1,098)

Cash flows from investing activities

Purchase of intangible assets	**-**	(8)	(8)
Purchase of property, plant and equipment	**(44)**	(1,224)	(1,373)
Net cash used in investing activities	**(44)**	(1,232)	(1,381)
Cash flows from financing activities			
Repayments of borrowings	**(71)**	(16)	(37)
Finance income - interest received	**4**	7	13
Finance costs - interest paid	**(9)**	(2)	(4)
Net cash used in financing activities	**(76)**	(11)	(28)
Net decrease in cash and cash equivalents	**(671)**	(1,688)	(2,507)
Cash and cash equivalents at the beginning of the period	**1,984**	4,491	4,491
Cash and cash equivalents at the end of the period	**1,313**	2,803	1,984

Notes to the Interim Results
For the six months ended 30 September 2019

1 Basis of Preparation

The condensed financial statements comprise the unaudited results for the six months to 30 September 2019 and 30 September 2018 and the audited results for the year ended 31 March 2019. The financial information for the year ended 31 March 2019 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 March 2019 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for 2019 was unmodified and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

The condensed financial statements for the period ended 30 September 2019 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The information in these condensed financial statements does not include all the information and disclosures made in the annual financial statements.

Going concern

At 30 September 2019 the Company had a cash balance of £1.3 million. The Directors have reviewed detailed projections for the Company. These projections are based on estimates of future performance and have been adjusted to reflect various scenarios and outcomes that could potentially impact the forecast outturn. Based on these estimates, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for 12 months from the reporting date. Accordingly, they have prepared these condensed financial statements on the going concern basis.

Accounting policies

The condensed financial statements have been prepared in a manner consistent with the accounting policies set out in the financial statements for the year ended 31 March 2019 and on the basis of the International Financial Reporting Standards (IFRS) as adopted for use in the EU that the company

expects to be applicable at 31 March 2020. IFRS are subject to amendment and interpretation by the International Accounting Standards Board (IASB) and there is an ongoing process of review and endorsement by the European Commission.

Of the new standards, amendments or interpretations that have become effective in the period IFRS 16 'Leases' has had a material effect on the company. The changes in accounting policies and resultant adjustments to the financial statements are set out in note 13.

2 Segmental information

For all the financial periods included in these condensed financial statements, all the revenues and costs relate to the single operating segment of research, development and manufacture of recombinant proteins and antibodies.

3 Finance income and costs

Income	**6 months to 30.09.19 Unaudited £'000**	6 months to 30.09.18 Unaudited £'000	Year to 31.03.19 Audited £'000
Bank interest receivable	**4**	7	13

Cost	**6 months to 30.09.19 Unaudited £'000**	6 months to 30.09.18 Unaudited £'000	Year to 31.03.19 Audited £'000
Interest expense on other borrowings	**9**	2	4

4 Income tax credit

	6 months to 30.09.19 Unaudited £'000	6 months to 30.09.18 Unaudited £'000	Year to 31.03.19 Audited £'000
Current tax	**(16)**	(8)	(22)
Deferred tax	**(132)**	(137)	(213)
Total tax credit	**(148)**	(145)	(235)

5 Earnings per share

The calculation of earnings per share is based on loss after tax from continuing operations for six months to 30 September 2019 of £0.473 million (6 months to 30 September 2018: £0.742 million, year to 31 March 2019: £1.264 million).

The weighted average number of shares used in the calculation of the basic earnings per share are as follows:

	6 months to 30.09.19 Unaudited Number	6 months to 30.09.18 Unaudited Number	Year to 31.03.19 Audited Number
Issued ordinary shares at the end			

of the period	**22,091,192**	22,091,192	22,091,192
Weighted average number of shares in issue during the period	**22,091,192**	22,091,192	22,091,192

Basic earnings per share is calculated by dividing the basic earnings for the period by the weighted average number of shares in issue during the period.

6 Property, plant and equipment

	Leasehold property £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 1 April 2019	712	1,707	202	2,621
Restatement (see note 13)	226	-	-	226
At 1 April 2019 as restated	938	1,707	202	2,847
Additions	13	27	4	44
Disposals	-	(36)	-	(36)
At 30 September 2019	951	1,698	206	2,855
Accumulated depreciation				
At 1 April 2019	283	691	59	1,033
Disposals	-	(36)	-	(36)
Depreciation charged in the period	105	171	24	300
At 30 September 2019	388	826	83	1,297
Net book value				
At 30 September 2019	**563**	**871**	**123**	**1,558**
At 31 March 2019	429	1,016	143	1,588

7 Deferred tax assets

Deferred tax assets are recognised for the carry forward of corporation tax losses to the extent that the realisation of a future benefit is probable. The deferred tax arising from future utilisation of taxable losses of £8.7 million (Sep 2018: £7.7 million) is dependent on future taxable profits arising in the UK. The Directors expect profits to be generated from future sales growth which will be underpinned by RAMP™ and the mammalian antibody library. Therefore, the Directors are of the opinion that is more likely than not that there will be sufficient future taxable profits against which the tax losses can be deducted and accordingly, a deferred tax asset has been recognised.

8 Borrowings

	At 30 September 2019 £'000	At 30 September 2018 £'000	At 31 March 2019 £'000
At 1 April	**140**	77	77
Restatement (see note 13)	**226**	-	-
At 1 April 2019 as restated	**366**	77	77
Additions in period	**-**	-	99

Interest	**9**	2	4
Repayments	**(81)**	(18)	(40)
At 30 September	**294**	61	140
Amounts due in less than 1 year	**124**	35	67
Amounts due after more than 1 year	**170**	26	73
	294	61	140

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.

9 Retirement benefits obligations

The company operates a defined contribution scheme, the assets of which are managed separately from the company.

10 Transactions with related parties

The company had the following transactions with related parties during the year:

Invest Northern Ireland is a shareholder in the company. The company leases its premises from Invest Northern Ireland and was charged for rent and estate services amounting to £46,000 (6 months ended 30 September 2018: £42,000, year ended 31 March 2019: £86,000) of which £44,000 has been accounted for as repayment of borrowings on the lease capitalised under IFRS 16. A balance of £nil (30 September 2018: £nil, 31 March 2019: £7,000) was due and payable to Invest NI at the reporting date. The company received various grants during the period from Invest NI amounting to £53,000 (6 months ended 30 September 2018: £58,000, year ended 31 March 2019 £86,000).

11 Events after the reporting date

There have been no events from the reporting date to the date of approval which need to be reported.

12 Changes in accounting policies in the prior period

As a result of the adoption of IFRS 9 and IFRS 15 and the corresponding changes in the company's accounting policies at 1 April 2018 a restatement of prior year financial statements was not required. The reclassifications and the adjustments arising from adoption of these standards are therefore recognised in the opening Statement of Financial Position on 1 April 2018.

Impact on the opening balance on the statement of financial as at 1 April 2018:

Balance sheet extract	**31 March 2018 £'000**	**IFRS 9 £'000**		**IFRS 15 £'000**		**1 April 2018 £'000**
	As originally presented	**Accounting adjustment**	**Presentation/ reclassification**	**Accounting adjustment**	**Presentation/ reclassification**	**Restated**
Non-current assets						
Deferred tax assets	1,156	-	-	4	-	1,160
Current						

assets						
Trade receivables	511	(4)	-	-	-	507
Contract assets	-	-	-	(24)	24	-
Other receivables	133	-	-		(24)	109
Equity						
Retained earnings	819	(4)	-	(20)	-	795

13 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 'Leases' on the company's financial statements and discloses the new accounting policies that have been applied from 1 April 2019, where they are different to those applied in prior periods.

(a) Impact on financial statements

As a result of changes in the company's accounting policies, a restatement of prior year financial statements was not required. As explained later in this note, IFRS 16 was adopted without restating comparative information. The reclassifications and the adjustments arising from adoption of this standard are therefore not reflected in Statement of Financial Position as at 31 March 2019, but are recognised in the opening Statement of Financial Position on 1 April 2019.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

Impact on the opening balance on the statement of financial as at 1 April 2019:

Balance sheet extract				
	As originally presented 31 March 2019 £'000	**Accounting adjustment £'000**	**Presentation/ Reclassification £'000**	**Restated 1 April 2019 £'000**
Non-current assets				
Property, plant and equipment	1,588	226	-	1,814
Current liabilities				
Borrowings	(67)	(64)	-	(131)
Non-current liabilities				

Borrowings	(73)	(162)	-	(235)
Equity				
Accumulated losses	(402)	-	-	(402)

(b) Impact of adoption

IFRS 16 'Leases' replaces IAS17 'Leases' and related interpretations. It introduces a single lessee accounting model, eliminating the previous classification of leases as either operating or finance. This has resulted on operating leases previously treated solely through profit or loss being recorded in the statement of financial position in the form of a right-of-use asset and a lease liability, subject to certain exemptions.

The adoption of IFRS 16 'Leases' from 1 April 20198 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 13(c) below. In accordance with the transitional provisions in IFRS 16, comparative figures have not been restated.

The total impact on the company's retained earnings was £nil as shown in 13(a) above.

Leases

The directors considered all leases currently in place at 31 March 2019 and the only lease identified for adjustment under IFRS 16 is for the company's premises in Belfast. At 31 March 2019 this lease had 40 months remaining and annual lease payments of £75,000. The company was required to recognise a right-of-use asset at 1 April 2019 for this asset of £226,000 and a corresponding liability in borrowings.

Rental payments will no longer be charged to profit or loss, however, a depreciation charge for the asset and an interest charge on the borrowings will be charged to profit or loss.

The following judgements have been made by the directors:

· The agreement for the use of the premises constitutes a lease under IFRS 16;
· The lease term was assessed as ending on the expiry of the agreement as set out in the lease;
· The discount rate used of 4.7% was judged by the directors to be the rate at which the company would be able to borrow a similar amount for the purposes of acquiring premises.

The impact on earnings per share for the six months ending 30 September 2019 is an increase of approximately £36,000 in reported earnings or an additional £0.002 per share.

As a result of adopting IFRS 16 EBITDA reported will be £75,000 higher per annum.

(c) IFRS 16 Leases - Accounting policies applied from 1 April 2019

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.

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