biome
technologies plc

Annual Report and Financial Statements

for the year ended 31 December 2017

"This has been a transformational year for the group. We are proud to be able to demonstrate strong growth and a stable financial outlook. We have substantial interest from existing and potential customers and are continuing to widen and deepen our product range in line with our strategic objectives."

— Paul Mines, CEO, Biome Technologies plc

Officers and advisers

Board of Directors

John F Standen	Non-Executive Chairman
Paul R Mines	Chief Executive
Declan L Brown	Group Finance Director
Michael A Kayser	Non-Executive Senior Independent Director

Company Secretary

Donna R Simpson-Strange

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Chairman's statement

Biome's turnover increased 36% in 2017 and an EBITDA positive result was achieved; a significant step for the Group. The performance in the enclosed statutory results stems from the pursuit of the Group's clear commercial strategy over the last four years. We believe that Biome is now in transformation from a loss-making company with an interesting technology portfolio to a company with a stable financial outlook and strong growth potential.

As we progress through the first quarter of 2018, I write against a very encouraging background for both of the Group's divisions. For the Bioplastics division, it is the increasing focus on plastic waste both in public opinion and amongst policy-makers. The need for alternatives is now clearly understood, providing encouragement for the future growth of bioplastic products. For the radio frequency (RF) division, it is the growing demand principally related to the roll-out of infrastructure investment in 5G telecommunications in Asia.

With both divisions experiencing strong interest from existing and prospective customers, sales opportunities are increasing and we are using our experience to widen and deepen the range of products that will help deliver our objectives. As a consequence, we have decided to increase our people investment in both divisions to ensure we can meet these demands.

RESULTS

Group revenues were £6.2m (2016: £4.6m), reflecting material increases in revenues in both the Biome Bioplastics and Stanelco RF Technologies divisions. Gross margins at Group level were maintained at 50% (2016: 51%) ensuring that the Group recorded an EBITDA profit of £0.1m (2016: EBITDA loss of £0.2m, excluding the one-off settlement agreement income). The operating loss was reduced to £0.4m (2016: loss of £0.6m). The loss after taxation was £0.2m (2016: loss of £0.5m). The loss per share in 2017 was 10 pence (2016: loss per share of 21 pence).

Biome Bioplastics' revenues increased to £2.3m (2016: £1.6m) as a result of increased demand for the commercialised products from the US single-serve coffee market, as well as the increase in sales from the division's biodegradable non-woven filter for coffee pods, which were launched in the second half of 2016. The division recorded a slight EBITDA loss for the year of £0.1m (2016: EBITDA profit of £0.1m) due to costs incurred in customer support for their switch over to the biodegradable non-woven mesh. The resultant operating loss was £0.4m (2016: loss of £0.5m).

Within the Stanelco RF Technologies division, revenues increased to £4.0m (2016: £3.0m) as the division benefitted from the upturn in the fibre optic market. This increase in turnover resulted in a sharp increase in the EBITDA profit for the year to £1.4m (2016: £0.8m). Operating profits also increased to £1.3m (2016: £0.7m).

The Group continued to manage its cash position carefully, taking cash balances at 31 December 2017 to £2.3m (31 December 2016: £1.5m). This positive movement included the receipt of the one-off settlement agreement recorded in 2016 of £0.45m. The cash generated by operations, excluding the £0.45m settlement agreement mentioned above, was £0.2m (2016: cash generation £0.3m), which included a decrease of £0.2m in working capital, mainly the result of deposits on equipment orders in the RF division due for delivery in 2018. Capitalised investment in product development was £0.1m (2016: £0.5m).

STRATEGY

The Group's strategy has been, and remains, to build a leading position in its chosen markets based on proprietary IP-protected technology. It has chosen to do this by developing products in application areas where value-added pricing can be justified and that are not reliant on government legislation. These products are driven by customer requirements and are compatible with existing manufacturing processes. They are market rather than technology-led.

The 2013 Annual Report, highlighted the three high-level Key Performance Indicators (KPIs) that the Board adopted for the business trajectory through to the end of 2017. A review of the three performance indicators is shown below:

- Vigorous growth of revenues of over 40% per annum in a number of the Group's specialised applications that are founded on our proprietary technology platforms;

  In 2012, the Group sold its 50% share of Biotec and began a strong emphasis on its proprietary technology within the Bioplastics division. In 2013 no sales were generated from this KPI but in 2017 we had achieved sales of £0.4m. Since 2013 the Group has achieved cumulative annual revenue growth at 33%

- A highly differentiated product pipeline that will diversify our commercially-viable product ranges by 50% by 2017 and will fuel our sustained revenue growth;

  14% of 2017 revenue was generated from products introduced since 2013 and we have had greater success from sales of existing products than originally envisaged.

- Passing the "earnings positive" inflection point in quarterly trading during 2015.

  This was achieved in 2015 and the Group recorded an EBITDA profit (before share options charges) for 2017 as a whole.

We knew the targets we set in the above KPIs were challenging but we felt that we had to let shareholders understand the scale of our ambition for the Group. Given the progress the Company has made over the last four years on the above KPIs, the Board has now adopted the following three high level KPIs to continue this ambitious momentum.

- Compound revenue growth of 25% per annum across the Group and 40% compound revenue growth in the Bioplastics division.

- Diversify the Group's turnover by product and market to ensure that no one product or end customer contributes more than 15% of revenues by 2020.

- Increase investment in the Group's next generation of products by spending significantly more per annum on average than the £0.3m per annum average spend over the previous strategic objective cycle.

We believe the above new KPIs demonstrate our ambition to create a strong, innovative and balanced business. As before, the Board will measure the Group's performance against these new KPIs going forward and report to shareholders annually on progress.

BIOME BIOPLASTICS

Bioplastics made a significant breakthrough in 2017 with the adoption by one US customer of its revolutionary bio-degradable mesh for coffee pods. That customer is in the process of converting its mesh needs to Biome's product exclusively and the financial impact of that will be felt in 2018. We are continuing with trials to encourage other producers to adopt our technology. We continue to develop innovations for the coffee-pod market, among others, and are currently in advanced trials to supply an improved ring product. If successful, this new product is expected to positively impact our second-half performance in 2018.

Encouraged by broader customer interest since the third quarter of 2017, the division is now undertaking a much wider range of development projects than it has before, with a variety of customers in different application sectors. These projects are expected to have commercialisation timescales that span from 2019 to 2022. To support this increased activity there will be further investment in resources, including the recruitment of scientific staff.

The division's mid-term research activities continue to focus on the development of a new range of performance polymers derived from biomass. This work is based on the use of advanced industrial biotechnology techniques and is supported by a number of government grants. The challenge is to develop a new generation of bio-based and biodegradable plastic materials made through the use of synthetic biology, that are able to compete on cost and functionality with traditional petrochemicals. The technical feasibility of a number of these potential products has now been ascertained and work is now focused on the viability of production and commercial scale-up, potentially with partners.

STANELCO RF TECHNOLOGY

The RF division had an outstanding year in 2017. Furnace demand in Asia increased and the division sold very well into that opportunity. Based on current orders, this strong market is expected to continue into 2019.

During 2016, we reported on the division being awarded a contract to develop a new pipe-welding system. The initial development phase was completed in 2017 with the customer now commissioning the next phase to provide pre-production units during 2018. If this next phase is successful, it may lead to substantial production orders.

Additionally, the RF division has begun to sell products that complement its expertise outside the furnace market and early indications are positive that that strategy will be successful. Plans to further increase the product range to other radio frequency applications are well underway and 2018 is seeing the launch of several new induction heating products coupled with increased commercial activity in this area.

With an encouraging order book for 2018, the division is recruiting additional technical and commercial staff to support these activities.

OUTLOOK

Both of our divisions have entered 2018 strongly. Given its current order book, the RF division should continue its growth trajectory from 2017. The Bioplastics division is addressing more development opportunities than ever before. Towards the end of 2018, some of these opportunities should add to Bioplastics' existing pipeline of sales.

To make the most of the improving business environment for our two divisions, investment in people and facilities is key to continued progress. With an improving financial profile we currently expect to increase costs by virtue of this investment by approximately £0.3m in 2018 and £0.4m on an annualised full year basis. The full impact of this investment cost will not be apparent until the 2019 financial year.

As a result of the above the Board is confident of maintaining positive progress in the short and medium term for shareholders.

John Standen
Chairman

26 March 2018

Strategic Report

2017 delivered a step change in the performance of the Group with an EBITDA profit, excluding share option charges, of £0.1m (2016: EBITDA loss of £0.2m on a like-for-like basis, excluding the settlement income).

In Biome Bioplastics, there was higher demand for the commercialised products for the US single-serve coffee market as well as the division benefitting from the first full year of sales of the biodegradable non-woven mesh. As a result, turnover for the year increased 44% over the prior year.

Stanelco RF Technologies continued its good upward revenue trajectory following a successful 2016. Revenues in the year were supported by very strong demand in the optic furnace market and efforts continue to be made to open up new markets whilst maintaining the level of service to this key market.

The divisional sections below outline the strategies that will be adopted for 2018 and 2019 to meet the Group's objectives.

BIOME BIOPLASTICS DIVISION

Revenues in the Bioplastics division increased to £2.3m (2016: £1.6m). This increase in revenues reduced the division's operating loss to £0.4m (2016: £0.5m).

MARKETS

Recent publicity, predominantly in the UK, has started shifting the public opinion away from the use of single use plastics that cannot be recycled. There remains a debate over the strategic direction of recycling versus biodegradability, but a sustained shift in public perception should help increase demand for the Company's products over the coming years.

The production costs of functional bioplastics are at a substantial premium to materials that are of petro-chemical origin. This differential is a result of scale, functionality and input costs and will not be resolved in the short term. Adoption of today's bioplastics is therefore reliant on either legislative drivers or a willingness from the consumer end-user to pay a premium for either functional or "green" attributes.

Areas of the market that are best suited to accommodate this price differential are: (i) those with a high technical performance requirement; (ii) those where the biomaterial costs are a small fraction of the end product price; or (iii) those where there is strong consumer interest in the end-of-life performance of the material.

It is in these three areas that Biome Bioplastics has continued to focus its research and development activities and has developed a number of technically leading products to match customer requirements. These products are at various stages of the commercial lifecycle. The Group uses the following categories to define the stages of its product lifecycle:

- Research phase – technology and product development occurring within Biome's own laboratories or at external support facilities
- Development phase – the product is being developed and tested with small scale supplies to customers for end use testing
- Initial Manufacturing phase – the product is signed off by the customer as suitable for its requirements but is now undergoing significant long-term testing to ensure the end product can be run in commercial quantities across the supply chain
- Commercial phase – the product has been through the above two phases with the customer and is now achieving regular and significant sales with the end product being purchased and used by the final consumer

TECHNICAL DEVELOPMENT

Biome Bioplastic's development work remains focussed on innovative developments where there is a customer pull for the product and a willingness to pay a premium for the green attributes. During 2017, the development team continued to focus on supporting trials with existing and new customers to achieve innovative ways to expand the product streams sustainably.

The division's significant focus throughout the year was the completion of its range of products for the US single-serve coffee pod market. These products include materials for the outer packaging and lid, the ring of the pod, and mesh for the filter. Using all of these materials creates a fully compostable coffee pod. The outer packaging and lidding material have been in commercial production for over two years and 2017 was the first full year of sales of the division's innovative non-woven mesh with these sales of this product building over the course of the year. The material for the ring remains in the development phase.

The main focus of the business in 2017 was to assist new customers for the non-woven biodegradable mesh to enable their production lines to switch from existing PET-based products to our biodegradable offering. In addition, further work has been undertaken to develop the ring which is now in the latter stages of the development phase. Commercialisation of the ring is anticipated during 2018 and this product will complete our biodegradable single-serve US coffee pod offering.

As reported previously, Biome has been working on medium-term research into the transformation of lignocellulose (often agricultural waste) into low cost bioplastics using microbial and enzymatic routes. If successful, it is anticipated that this work will result in bioplastics at a cost comparable to current petro-based plastics which should transform the demand for bioplastics. This development work is supported by a number of research grants. The Company's specific targets are novel polyesters that are both bio-based and biodegradable. These new materials are showing interesting properties in lab-based testing and the focus in 2018 will switch to limited scale-up activities to allow broader testing. Various patent applications have been made to support the materials and technology under development.

STANELCO RF TECHNOLOGIES DIVISION

Stanelco RF Technologies is a specialist engineering business focused on the design and manufacture of electrical/electronic systems based on advanced radio frequency technology.

The division's core offering is the supply of fibre optic furnaces, although the business continues in its strategic aims of diversifying its product streams into other areas utilising radio frequency technology. Total revenues in 2017 of £4.0m were substantially higher than the prior year (2016: £3.0m). This increase in revenues is attributable to very strong demand in the fibre optic furnace market. Operating profit for the period increased to £1.3m (2016: £0.7m).

The business currently focuses on four key revenue streams:

OPTICAL FIBRE FURNACE SYSTEMS

Stanelco RF Technologies is a world leader in the design and manufacture of induction furnace systems used in the manufacture and processing of quartz glass "preforms" to produce optical fibre. Each system is bespoke to a customers' exact requirements. The global demand for optical fibre has increased in 2017 with customers making capital investments as part of the roll out of infrastructure investment in telecommunications, including "5G", in Asia.

PLASTIC WELDING EQUIPMENT

These units are used in a multitude of end-user applications including the nuclear, medical and industrial sectors. The equipment is provided in either hand-held, mobile or fully automated static solutions, dependent on customers' requirements. In addition, the division is the UK sales and service agent for Forsstrom High Frequency AB, which extends Stanelco's product offering into larger plastic welding equipment.

INDUCTION HEATING EQUIPMENT

In 2017, work in this area centred on the completion of the contract to develop a new pipe welding system. This work was successfully completed with Biome being commissioned for the next phase of this project.

The division increased its sales effort in the Induction Heating market in 2016. The benefits of this work are now being seen with further enquiries and orders being received in this sector.

SERVICE AND SPARES

The business continues to support its large installed equipment base through the provision of maintenance support, system upgrades and specialist spares across the globe.

PRINCIPAL RISKS AND UNCERTAINTIES

The business is subject to a number of risks. The Directors have set out below the principal risks facing the business. The Directors continually review the risks identified below and, where possible, processes are in place to monitor and mitigate such factors.

POLITICAL, ECONOMIC AND REGULATORY ENVIRONMENT

The Group is subject to political, economic and regulatory factors in the various countries in which it operates. There may be a change in government regulation or policies which materially and/or adversely affect the Group's ability to successfully implement its strategy. The Directors aim to focus their product range on areas where demand is not reliant on government regulation.

The Group exports the majority of its products and therefore fluctuations in exchange rates may affect product demand in different regions and may adversely affect the profitability of products provided by the Group in foreign markets where payment is made for the Group's products in local currency.

The Directors are informed regularly of the potential impact of exchange rate movements on the business and act to mitigate any adverse movements wherever possible. In order to mitigate any adverse exchange rate movements, the Group looks to match the currency of its input costs with those of the contractual selling price.

The Group's products and manufacturing processes utilise a number of raw materials and other commodities. The markets for these materials and commodities may be subject to high price volatility and the Group may be constrained if there is limited supply.

The Group continually seeks to reduce its dependence on a small number of raw materials. It seeks to negotiate best possible prices and actively pursues new sources of raw material.

Some of the Group's products are employed in the food and pharmaceutical industries, both of which are highly regulated. There is a risk that the Group may lose contracts or be subject to fines or penalties for any non-compliance with the relevant industry regulations. The Group ensures its staff are well versed in the regulatory environment of its end-use industries and regularly reviews its product portfolio to ensure compliance with relevant regulations.

INTELLECTUAL PROPERTY

Although the Group attempts to protect its intellectual property, there is a risk that patents will not be issued with respect to applications now pending. Furthermore, there is a risk that patents granted or licensed to Group companies may not be sufficiently broad in their scope to provide protection against other third party technologies. The Group takes professional advice from experienced patent attorneys and works hard to win patents applied for and to ensure that the scope is sufficiently broad.

Other companies are actively engaged in the development of bioplastics. There is a risk that these companies may have applied for (or been granted) patents which impinge on the areas of activity of the Group. This could prevent the Group from carrying out certain activities or, if the Group manufactures products which breach (or may appear to breach) the patents there is a risk that the Group could become involved in litigation which could be costly and protracted and ultimately be liable for damages if the breach is proven.

The Group keeps up-to-date with its competitors' product developments and patent portfolios and aims to ensure that no infringements occur. Professional advice is sought from experienced patent attorneys if there are any concerns.

COMPETITION

There is a risk that competitors may be able to develop products and services that are more attractive to customers than the Group's products and services.

The Group aims to be ahead of the competition through working closely with customers to produce products that meet their exact requirements.

COMMERCIALISATION OF NEW PRODUCTS

There is a risk that the Group will not be successful in the commercialisation of its products from early-stage research and development to full-scale commercial sales. The Group develops a number of products and some may not prove to be successful. Specifically the risks associated with the product life cycle are as follows:

- Development phase – the development of the products may prove not to be technically feasible or do not exactly match the perceived customer need
- Manufacturing phase – whilst the product matches the customer needs it may not be able to be produced at the required commercial speeds and/or at the required efficiency and quality
- Commercialisation phase – the product may be superseded either through price or a competitor product being more advanced

The Directors ensure that regular reviews of product development are undertaken so that unsuccessful developments can be terminated early in their life cycle. If a project is deemed not to be commercial or the economic benefits not probable then the capitalised costs are written off.

CUSTOMERS

The Group's ability to generate revenues for a number of its products is reliant on a small number of customers. If one of these customers was to significantly reduce its orders, this could have a significant impact on the Group's results.

The Group works closely with its customers to ensure that its products evolve to their requirements. In addition, the Group is constantly adding to its customer base and, as its revenues grow, seeks to become less dependent on any single customer.

FINANCIAL RISKS

The Group uses various financial instruments including cash, lease finance, equity and other items such as trade receivables and trade payables that arise directly from its operations. The existence of these instruments exposes the Group to a number of financial risks, the main ones being exchange rate risk, liquidity risk, interest rate risk and credit risk. The Directors review and agree policies for managing each of these risks and these are summarised in Note 22 to the Group's full financial statements for the year ended 31 December 2017.

SUPPLIERS AND RAW MATERIALS

The Group is reliant on a few key suppliers to manufacture its products. If one of these was to cease supplying the market it could have a significant impact on the Group's ability to fulfil its orders.

The Group is constantly adding to its supply base and testing alternative sources of raw materials.

FINANCIAL REVIEW

The KPIs which the Board uses to assess the performance of the Group are detailed in the Chairman's Statement. The Chairman's statement forms part of the Strategic Report.

The summary results for the Group are shown below.

	2017 £'m	2016 £'m	Growth
LIKE-FOR-LIKE COMPARISONS			
Revenues			
Biome Bioplastics	2.3	1.6	44%
RF Technologies	3.9	3.0	32%
Total revenues	**6.2**	**4.6**	**36%**
EBITDA (pre share option charges)			
Biome Bioplastics	(0.1)	0.1	
RF Technologies	1.4	0.8	
Central costs	(1.2)	(1.1)	
Like for Like EBITDA	**0.1**	**(0.2)**	
Other income	—	0.4	
Reported EBITDA	**0.1**	**0.2**	**(50%)**
Loss from Operations			
Biome Bioplastics	(0.4)	(0.1)	
RF Technologies	1.3	0.7	
Central Costs	(1.3)	(1.2)	
Like for Like Operating Loss	**(0.4)**	**(0.6)**	**33%**
Other income	—	0.4	
Intangible Impairment Charge	—	(0.4)	
	(0.4)	**(0.6)**	**33%**
Non-current assets	1.0	1.3	
Inventories	0.8	0.4	
Trade and other receivables	1.3	1.3	
Cash	2.3	1.5	
Trade and other payables	(2.1)	(1.0)	
Net assets	**3.3**	**3.5**	

REVENUES

Group revenues increased in the year to £6.2m from £4.6m due to significant increases in revenues in both divisions.

In Stanelco RF Technologies, revenues benefitted from a strong fibre optic furnace market whilst Biome Bioplastics revenues were positively impacted by increased demand for its commercialised products and the effects of the first full year of sales from its new biodegradable non-woven mesh product.

EBITDA

EBITDA for the year was a profit of £0.1m (2016: loss £0.2m on a like-for-like basis excluding the settlement income). This improvement in EBITDA is a direct result of the increased performance of the Stanelco RF division. The contribution of Biome Bioplastics decreased due predominantly to increased costs incurred to support customers in the switch over of their production lines to the Company's biodegradable non-woven mesh. In addition, a lower level of development spend was capitalised in the year.

OPERATING PROFITS/(LOSSES)

The Group's loss from operations, on a like for like basis, reduced to £0.4m compared to £0.6m in the prior year.

Administrative costs across the Group in 2017 were £3.5m (2016: £3.4m). When the non-cash effects of depreciation, amortisation and share option charges are removed, the cash administrative expenses in 2017 increased to £3.0m compared to prior year (2016: £2.5m). This increase in expenses is attributable to increased staffing resources, as a result of the increased activity and lower levels of technical costs being capitalised as an intangible asset. These lower levels of capitalised costs are due to the focus of the technical team in supporting a customer in its initial switch over to our biodegradable non-woven mesh rather than development of new products which require the costs to be capitalised in the balance sheet under IFRS.

Investment in product development was £0.4m in the year (2016: £0.6m) of which £0.1m (2016: £0.5m) was capitalised in the year. Tax R&D claims resulted in a cash tax credit received in the year of £0.2m (2016: credit of £0.1m).

The Group's loss after tax for the year reduced to £0.2m (2016: loss after tax of £0.5m), giving a loss per share of 10p (2016: loss per share of 21p).

BALANCE SHEET

The carrying value of intangible assets relate to capitalised development costs predominantly within the Biome Bioplastics division for the Group's own intellectual property and product range going forward.

As at 31 December 2017, there was £0.9m of capitalised development costs (2016: £1.2m) within the Group's balance sheet, of which £0.7m relates to BiomeMesh. An assessment is made at least annually which assumes future potential market take up of the products and the margins achievable.

CASHFLOW

	2017 £'m	2016 £'m
CASHFLOW ON A LIKE FOR LIKE BASIS		
Like for like loss from operations	(0.4)	(0.6)
Adjustment for non-cash items	0.5	0.4
Movement in working capital	0.6	0.5
Cash generated by operations	**0.7**	**0.3**
Investment activities	(0.1)	(0.5)
R&D Tax credit	0.2	0.1
Net increase/(decrease) in cash	**0.8**	**(0.1)**
Opening cash balance	1.5	1.6
Closing cash balance	**2.3**	**1.5**

The cash generated from operations, before working capital movements, was £0.1m (2016: cash utilisation of £0.2m on a like-for-like basis) reflecting the reduced loss from operations during 2017 compared to the prior period. Working capital decreased by a net £0.6m and is mainly the result of the receipt of the £0.45m settlement income which was recorded in other income in 2016 with the cash received in early 2017. As a result, the cash generated by operations during 2017 was £0.7m (2016: £0.3m).

Investment in the year in capitalised product development was £0.1m (2016: £0.5m). R&D tax credits received in the year were £0.2m (2016: £0.1m).

The closing cash position was £2.3m (2016: £1.5m). As mentioned above, the year end cash figure is positively impacted by the receipt of £0.45m for the settlement agreement recorded in 2017 as well as the positive EBITDA performance of the Group.

GOING CONCERN

The Directors have reviewed forecasts and budgets for the 12 months from the date on which the accounts have been approved, which have been drawn up with appropriate regard for the current macroeconomic environment and the particular circumstances in which the Group operates. These were prepared with reference to the forward order book and repeat business within the RF Division, and the anticipated increased volume from the new products, as they move from the manufacturing phase into the commercial phase of the product lifecycle, within the Bioplastics Division. Consequently, at the time of approving the financial statements, the Directors consider that the Company and the Group, in conjunction with its existing cash balances, have sufficient resources to continue in operational existence for the foreseeable future and, accordingly, that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

By order of the Board.

Paul Mines
Chief Executive Officer

26 March 2018

Directors' report

The directors present their Annual Report and the audited Financial Statements of Biome Technologies plc for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Group's operations are focussed in two distinct areas; Bioplastics and Radio Frequency. The Bioplastics division produces a biodegradeable and sustainable range of products. Such products are capable of replacing conventional oil-based plastics and have diverse applications including flexible films, moulded products, extruded sheets and food wraps. The Radio Frequency (RF) division has worldwide renown in the design and installation of specialist RF furnaces, welders and induction equipment.

The subsidiary undertakings affecting the profits or net assets of the Group in the year are listed in Note 9 to the financial statements.

RESULTS AND DIVIDENDS

The financial results of the Group are set out in the consolidated statement of comprehensive income on page 40. The directors do not recommend payment of a dividend (2016: nil per share).

KEY CONTRACTUAL ARRANGEMENTS

There are no contractual arrangements which are considered essential to the business of the Group.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

A review is contained within the strategic report on page 6.

RESEARCH AND DEVELOPMENT

The continuous advancement of technology and processes by the Group means costs are incurred each year in research and development. For the year under review these costs amounted to £368,000 (2016: £590,000), of which £106,000 (2016: £452,000) was capitalised.

ENVIRONMENT

The Group is committed to the care of the environment, the prevention of pollution and the maintenance of environmental controls as they relate to the business. The Group ensures that all its activities are carried out in line with the applicable environmental legislation. An essential feature of environmental management is a commitment to improving environmental performance and reducing the environmental impacts of travelling, waste generation and disposal.

EMPLOYEES

One of the Group's key assets is the technical know-how which is embedded in its employees. People are the key driver of the Group's success through their technical and management capabilities. It is, therefore, essential that the Group attracts the best people and retains and develops those who are already working for it. The Group consequently tries to provide attractive, competitive remuneration structures and give on-going training to develop its skill base.

The Group's policy is that, where it is reasonable and practicable within existing legislation, all employees, are treated in the same way in matters relating to their employment, training and career development.

SOCIAL RESPONSIBILITY

The Board recognises that acting in a socially responsible way benefits the community, our customers, shareholders, the environment and employees alike. The Group's focus on the development of bioplastics is entirely in keeping with this philosophy.

GOING CONCERN

The Group had cash resources of £2.3m at 31 December 2017. The cash generated by continuing operations in the year, after working capital movements, was £0.7m.

The directors have reviewed forecasts and budgets for the period of 12 months post the approval of the accounts, which have been drawn up with appropriate regard for the current macroeconomic environment and the particular circumstances in which the Group operates. These were prepared with reference to contracted and visible business within the RF division, and the commercialisation, and increased volume, from the existing trials and launches within the Bioplastics division. As a result of this process, at the time of approving the financial statements, the directors consider that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future, and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

SUBSTANTIAL SHAREHOLDING

The Company has been notified that the following shareholders held a beneficial interest of 3 per cent or more of the Company's issued share capital as at 31 December 2017.

	Ordinary shares of 5p each	
	Percentage	**Number**
VA Pereira	23.65	555,263
JM Rushton-Turner	12.27	288,050
Hargreave Hale	4.83	113,431

SHARE CAPITAL AND CONTROL

The share capital of the Company, issued and unissued, consists entirely of one class of ordinary shares of 5p each. Each share ranks equally and carries the same rights to vote and receive dividends. No restrictions exist on the transfer or holding of the shares. Full details of the rights and obligations attaching to the Company's shares, in addition to those conferred by their holders by law, are set out in the Company's Articles of Association, a copy of which can be obtained by writing to the Company Secretary.

At the AGM held on 24 April 2017, the directors were authorised to allot equity securities for cash up to a maximum of ten per cent of the issued share capital. The directors intend to renew their authority at the next AGM when this authority will expire. At the present time the directors have no plans to exercise this authority.

At the last AGM the directors were given the power to purchase equity securities up to a maximum of ten per cent of the issued share capital. The power expires at the end of the next AGM and the directors intend to renew this authority. Purchases of shares by the Company will only be undertaken where they are in the best interests of the Company and its shareholders. Shares repurchased in accordance with the authority will either be cancelled or held to help the Company meet its existing share option plans.

At the last AGM the directors were given the power to allot relevant securities up to a maximum of approximately one third of the issued share capital. The directors intend to renew this authority at the next AGM when this power expires.

The Company offers a number of share plans for its employees. The rights attached to ordinary shares which are the subject of awards within any of the Company's share plans are not available until any share award or option is exercised and the shares are allotted or transferred to that awardee.

Changes to the Articles of Association must be approved by Special Resolution of the Company.

The directors do not believe there are any significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a successful takeover bid.

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment that occurs because of a successful takeover bid.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year and their beneficial interests in the shares of the Company were as follows:

	Ordinary shares of £0.05 each 31 December 2017	Ordinary shares of £0.05 each 31 December 2016
John F Standen (Chairman)	**51,336**	48,836
Paul R Mines (Chief Executive)	**21,885**	20,642
Declan L Brown (Group Finance Director)	**708**	708
Michael A Kayser (Senior Independent Non-Executive Director)	**4,071**	4,071

Share options granted to directors are set out in the Directors' Remuneration Report on pages 21 to 24. Except as disclosed in that report, there were no other transactions between directors and the Company or its subsidiaries.

In accordance with the Articles of Association the appointment of new directors must be ratified by the shareholders at the AGM following their appointment. In addition, one third of the directors of the Company must retire by rotation and seek re-election by the shareholders at each AGM. Every director should seek re-election by shareholders at least every three years.

Accordingly, John Standen and Declan Brown retire by rotation and offer themselves for re-election.

BOARD OF DIRECTORS

Further to the changes noted above the Board of Directors comprises:

John F Standen, Non Executive Chairman
John spent the majority of his career in corporate finance and was Chief Executive of Corporate Finance for BZW from 1993 to 1995. He retired from Barclays plc in 1998 and has since been a non-executive Chairman or Director of a number of quoted companies. During 2017, he stepped down as Chairman of the Board and Director of Lavendon Group plc, following its acquisition by Loxam S.A.S.

Paul R Mines, Chief Executive Officer
Paul, an engineer with an MBA from London Business School, spent his early career at ICI plc and Courtaulds plc undertaking a number of roles in production and commercial leadership in a variety of speciality chemicals and plastics. Having lead a management buy-out, Paul was CEO of Betts Group Holdings, a manufacturer of plastic tubes for oral-care and cosmetics, for the eight years to 2006. Among other activities in the biotechnology space, Paul is Chair of the BBSRC Industrial Biotechnology and Bioenergy Strategy Advisory Panel.

Declan L Brown, Group Finance Director
Declan was reappointed Group Finance Director on 23 April 2014 after serving in the same position from 1 November 2011 to 30 November 2012. Prior to this he was Chief Financial Officer for V Ships Capital, part of V Group, the world's largest shipping services provider. Prior to this he worked at Philip Morris Limited, Sappi Fine Paper plc and KPMG, with whom he qualified as a chartered accountant.

Michael A Kayser, Senior Independent Non Executive Director
Michael has extensive experience in both the chemicals sector and in senior management positions. This experience includes being Group Finance Director at Laporte plc for five years and Finance Director of Guinness Brewing Worldwide. He is currently Non-Executive Director of Transport Systems Catapult Ltd and Chairman of their audit and remuneration committees.

CORPORATE GOVERNANCE

The corporate governance report on pages 16 to 20 forms part of the Directors' report.

AUDITORS

Grant Thornton UK LLP have expressed their willingness to continue in office. In accordance with Section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP as auditors of the Company will be proposed at the next AGM.

By Order of the Board

Donna R Simpson-Strange
Company Secretary

26 March 2018

Corporate governance report

The Group is committed to business integrity, high ethical values and professionalism in all its activities. As an essential part of this commitment the Group supports the highest standards in corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement and the Directors' remuneration report describes how the principles of good governance set out in the UK Corporate Goverance Code, published by the Financial Reporting Council are applied within the Company. We have not adopted the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the Company.

The Corporate governance report forms part of the Directors' report on pages 12 to 15.

THE BOARD

Throughout 2017, the Board comprised the non-executive chairman, one other non-executive director, and two executive directors.

The non-executive directors are considered by the board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement.

The division of responsibilities between the non-executive chairman and chief executive is clearly established and is understood by the board. The non-executive chairman is responsible for the overall strategy of the Group with the chief executive officer being responsible for implementing the strategy and for the day to day running of the Group.

The senior independent director is Michael A Kayser and he is the director whom shareholders may contact if they feel their concerns are not being addressed through the normal channels. The non-executive directors meet at least once a year without the executive directors present.

The individual committee responsibilities of the directors are as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
J F Standen (Non-Executive Chairman)	Chairman	Member	Member	Chairman
P R Mines (Chief Executive)	Member	*	*	*
D L Brown (Group Finance Director)	Member	*	*	*
M A Kayser (Senior Independent Non-Executive Director)	Member	Chairman	Chairman	Member

All directors are subject to election at the AGM immediately following their appointment and to re-election every three years.

The chairman and senior non-executive director provide a wide range of skills and experience to the Group. They bring an independent judgement on issues of strategy, performance, risk and people through their contribution at board and committee meetings. After careful consideration, the Board has concluded that JF Standen was independent throughout the year, and that MA Kayser was independent throughout the year. In arriving at this conclusion the Board has applied the criteria set out in provision B.1.1 of the UK Corporate Governance Code. JF Standen's shareholding and participation in the Long Term Incentive Plan and MA Kayser's shareholdings in the Company are considered to be too small to affect their independence.

BOARD PROCEDURES

The Board met formally on 9 occasions during the year and individual attendance at those and the Board Committee meetings is set out in the table below. All Board members are supplied with information in a form and of a quality appropriate to enable them to discharge their duties. Board and committee papers are sent out as appropriate before meetings take place.

There is an agreed Schedule of Matters reserved for the Board for collective decision including:

- determining the strategy and control of the Group;
- amendments to the structure and capital of the Group;
- approval of financial reporting and internal controls;
- approval of capital and revenue expenditure of a significant size;
- acquisitions and disposals; and
- corporate governance matters and approval of Group policies and risk management strategies.

To enable the Board to perform its duties effectively all directors have full access to all relevant information and to the services of the Company Secretary whose responsibility it is for ensuring that Board procedures are followed. The appointment and removal of the Company Secretary is a matter reserved for the Board.

There is an agreed procedure whereby directors wishing to take independent legal advice in the furtherance of their duties may do so at the Company's expense. Appropriate training is available to all directors on appointment and on an ongoing basis as required.

The terms of reference for each of the Board Committees are available on request from the Company Secretary.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The following table shows the attendance of directors at meetings of the Board and of the Audit, Remuneration and Nomination Committees of the board during the year to 31 December 2017.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
J F Standen	9	2	5	—
P R Mines	9	*	*	*
D L Brown	9	*	*	*
MA Kayser	9	2	5	—
Number of meetings in the year	9	2	5	—

Where an asterisk appears in the table the director listed is not a member of the committee.

BOARD EFFECTIVENESS

During the year an appraisal of the board, each Board Committee, and the performance of the individual directors was carried out. The appraisal of the board and the committees was undertaken using written and verbal analysis and a summary of the responses was reviewed by the Chairman prior to the submission of the results to the whole board.

RELATIONS WITH SHAREHOLDERS

The Company recognises the importance of communicating with its shareholders, including its employee shareholders, to ensure that its strategy and performance are understood. This is achieved principally through the Interim Report, the Annual Report and the AGM. In addition, a range of corporate information is available to investors on the Company's website.

The Chairman, Chief Executive and the Finance Director are primarily responsible for investor relations. Feedback from major shareholders is reported to the board and discussed at its meetings. Formal presentations are made to institutional shareholders following the announcement of the company's full year and interim results. The board recognises that the AGM is the principal forum for dialogue with private shareholders. All directors normally attend the AGM and are available to answer any questions that shareholders may wish to raise.

The Notice of Meeting is sent to shareholders at least 21 days before the meeting. Shareholders vote on a show of hands, unless a poll is validly called and after each such vote the number of proxy votes received for and against the resolution is announced.

THE REMUNERATION COMMITTEE

The Remuneration Committee operates under written terms of reference and is comprised of the chairman and the independent non-executive director. Details can be found in the Directors' Remuneration Report on pages 21 to 24.

NOMINATION COMMITTEE

The Nomination Committee operates under written terms of reference. Its principal duty is the nomination of suitable candidates for the approval of the board to fill executive and non-executive vacancies on the board. The Nomination Committee comprises the non-executive chairman and the independent non-executive director. The meetings of the committee are chaired by the chairman. The committee's responsibilities include:

- regularly reviewing the structure, size and composition including the skills, knowledge and experience required of the board compared to its current position and make recommendations to the board with regard to any changes;
- giving full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company and what skills and expertise are therefore needed on the board in the future;
- being responsible for identifying and nominating for the approval of the board candidates to fill board vacancies as and when they arise;
- before making an appointment, evaluating the balance of skills, knowledge and experience on the board and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment;
- keeping up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it depends;
- reviewing annually the time required for non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties;
- ensuring that on appointment to the board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings;
- keeping under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- advising the board on succession planning for executive board appointments; and
- considering any other matters the board may request.

Following the appointment of a new director, the chief executive in conjunction with the Company Secretary, is responsible for ensuring that a full, formal and tailored induction to the Company and to their function within the Company is given.

AUDIT COMMITTEE

The Audit Committee operates under written terms of reference, which were reviewed during the year, meets at least twice a year and is comprised of both non-executive directors. Michael A Kayser, senior independent non-executive director, chairs the committee. The committee, taken as a whole, is considered to have significant recent and relevant financial experience. The Chief Executive and Finance Director normally attends meetings by invitation and the committee also meets with the external auditors without management present.

The external auditors attended all of the meetings (in part where appropriate) and have direct access to the committee chairman. The Company Secretary acts as secretary to the committee. The chairman of the committee attends the AGM to respond to any shareholder questions that might be raised on the committee's activities.

The committee's responsibilities include:

- reviewing the effectiveness of the Group's financial reporting and internal control procedures for the identification, assessment and reporting of risks;
- reviewing with the external auditors the nature and scope of their planned work;
- reviewing the half year and annual financial statements before submission to the board, focusing particularly on:
  - any changes in accounting policies and practices
  - major judgemental areas
  - significant adjustments resulting from the audit
  - the going concern assumption
  - compliance with accounting standards
  - compliance with applicable stock exchange and legal requirements.
- discussing any problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of the executive directors and other management, where necessary);
- reviewing the cost-effectiveness, independence and objectivity of the external auditors;
- considering the major findings of internal investigations and management's response; and
- considering any other matters the board may request.

The committee has the power to engage outside advisers if it considers it to be necessary.

The committee met two times during the year and its agenda is linked to events in the Company's financial calendar. The agenda is mostly cyclical such that the committee chairman approves the agenda on behalf of all members.

The committee also liaises with the external auditors on the continuity and rotation of key partners from the external auditors in accordance with the Ethical Standards of the ICAEW.

The Group policy on the provision by the external auditors of audit and non-audit services, which is based on the principle that the external auditors should only undertake non-audit services where they are the most appropriate provider, categorises such services between:

- auditor permitted services – those services which are acceptable for the auditors to provide and the provision of which can be engaged without referral to the Audit Committee (e.g. regulatory and other specialist financial reporting)
- auditor excluded services – those engagements that the Audit Committee and the board do not consider appropriate for the auditors to undertake (e.g. provision of outsourced financial or operational management functions)
- auditor authorised services – those services for which it is appropriate to consider the use of the external auditors and for which the specific approval of the Audit Committee is required before the auditors are permitted to provide the service (e.g. transaction support and advisory work, such as due diligence).

The policy defines the types of services falling under each category and sets out the criteria to be met and the internal approvals required prior to the commencement of any assignment. The Audit Committee reviews an analysis of all services provided by the external auditors. The policy is reviewed annually by the Audit Committee and approved by the board.

The disclosure of the fees payable to Grant Thornton UK LLP during the year are set out in Note 3 to the financial statements. The external auditors and committee chairman have regular dialogue concerning matters of independence and a report is made formally to the committee on this matter at least once a year. The Audit Committee is satisfied with the level of fees, independence, objectivity and effectiveness of Grant Thornton UK LLP. Accordingly a resolution for the re-appointment of Grant Thornton UK LLP as auditors of the Company will be proposed at the next AGM.

The Group does not have a dedicated internal audit function. The board annually reviews the need for such a function and has done so during the year. During the year, there were no adverse trends evident from the monitoring of internal controls or unexpected or unacceptable results of a material nature and this has led the board to conclude that at present a dedicated internal audit function is not necessary. The board will continue to keep this matter under review.

RISK MANAGEMENT AND INTERNAL CONTROL

The board is responsible for the Group's system of internal control and for reviewing its effectiveness. It is the role of management to implement the board's policies on risk and control through the design and operation of appropriate internal control systems. For the whole of the year under review and up to the date of approval of the Annual Report and Financial Statements, the board has had formal procedures in place to ensure that it is in a position to consider all the significant aspects of internal control and has worked closely with the external auditors in assessing and ensuring their effectiveness.

The board has conducted its annual review of the effectiveness of the Group's system of internal control.

This review has covered all controls including operational, compliance and risk management procedures, as well as legislative and financial. The process is summarised as follows:

- Operating management is charged with the ongoing responsibility for identifying risks facing each of the operating units and for putting in place procedures to mitigate, manage and monitor risks, including anti-bribery procedures;
- Operating units review all business risks and set out the significant risks to the operations, the controls in place and additional controls which could be implemented;
- The risk and control identification and management process is monitored and periodically reviewed by Group executive management;
- The key elements of the controls framework within which the Group operates are:
  - an organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements;
  - an embedded culture of openness of communication between operating company management and the Group executive management on matters relating to risk and control;
  - operating reviews covering all aspects of each business are conducted by Group executive management each month;
  - a comprehensive system of financial reporting. An annual budget for each operating company is prepared in detail and approved by the board. Monthly actual results are reported against budget and prior year and the forecast for the year is revised where necessary. Any significant changes and adverse variances are questioned by the board and remedial action is taken where appropriate. There is daily cash reporting to the Chief Executive and Finance Director and periodic reporting to the board on the Group's tax and treasury position.

The system of internal control is designed to manage rather than eliminate the risk of failing to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The risk framework as outlined above, gives reasonable assurance that the structure of controls in operation is appropriate to the Group's situation and that there is an acceptable level of risk throughout the business.

The board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group; that this has been in place for the year under review and up to the date of approval of the Annual Report and Financial Statements.

Directors' remuneration report

The Remuneration Committee comprises the two non-executive directors and is chaired by Michael A Kayser, senior independent non-executive director. The Remuneration Committee advises the board on individual directors' remuneration packages. The Remuneration Committee met five times during the year to 31 December 2017. The Committee has access to independent advice where it considers it appropriate. The Remuneration Committee considers recommendations from the Chief Executive.

REMUNERATION POLICY

The remuneration policy is set by the board. The Remuneration Committee provides advice to the board on the remuneration package of each director. Directors take no part in decisions affecting their own remuneration. The main objectives of the company's executive remuneration policy are to provide remuneration packages that will attract, retain and motivate individuals of an appropriate calibre and ensure that the interests of the executive directors are aligned with those of the shareholders. The remuneration of executive directors consists of five elements: basic salary, a significant element of performance-related bonus, benefits in kind, share based payments and pension provision. Remuneration details for each director are set out on page 24.

BASIC SALARY

The basic annual salary for each of the executive directors is determined by the Remuneration Committee having regard to their performance and market practice. It is the aim of the Remuneration Committee to reward directors competitively and on the broad principle that their remuneration should be based around the median remuneration paid to senior management of comparable public companies, but also having regard to the financial performance of the Group.

PERFORMANCE-RELATED INCENTIVES

Annual performance-related bonuses are considered and awarded based on the performance of both the individuals and the Group and are awarded on the recommendation of the Remuneration Committee. The amount awarded is determined at the end of the financial period by the Committee and takes into account the overall financial performance of the Group.

SHARE BASED PAYMENTS

The Remuneration Committee considers that long-term incentives should form an important part of senior executives' remuneration in order to reward the achievement of the company's growth, thereby aligning the interests of executives with the interests of shareholders.

SHARE OPTIONS

From 2007 and until 2010, the policy of the Remuneration Committee was to grant share options to a selected group of key executives (including the executive directors) under the terms of the Stanelco plc 2005 Unapproved Share Option Plan, up to a maximum value of 200 per cent of base salary in any one financial year. On expiration of three years from the date of grant, if the share price of the company's shares is equal to Xp then 25 per cent of the options will become available for exercise. The proportion of options available will increase pro rata up to 100 per cent if the share price is Yp or greater. For grants made on 4 July 2007, X and Y were 2.0p and 5.0p respectively (4,859p and 12,147p post the share consolidation on 16 July 2013). For all subsequent grants X and Y have been 1.0p and 2.5p respectively (2,429p and 6,073p post the share consolidation on 16 July 2013).

On 20 December 2017 Biome Technologies plc implemented a new long term incentive plan (the "2017 LTIP"). The plan is intended to align the interests of management with those of the shareholders over the next four years and to the maximum extent possible these have been issued as Enterprise Management Incentive (EMI) Options. The 2017 LTIP replaces the previous 2014 EMI scheme which expired on 4 October 2017.

Under the rules of the 2017 LTIP the total number of share options available to vest are restricted by criteria of both time and performance allowing for the creation of a value pool that may become available to the participants.

The time criterion restricts the value pool as per the following vesting profile:

- 10 December 2018 — 40% of the value pool
- 10 June 2019 — 50% of the value pool (less any amounts awarded under previous vestings)
- 10 December 2019 — 60% of the value pool (less any amounts awarded under previous vestings)
- 10 June 2020 — 70% of the value pool (less any amounts awarded under previous vestings)
- 10 December 2020 — 80% of the value pool (less any amounts awarded under previous vestings)
- 10 June 2021 — 90% of the value pool (less any amounts awarded under previous vestings)
- 10 December 2021 — 100% of the value pool (less any amounts awarded under previous vestings)

The performance criterion is designed to reward sustainable increases in the share price and is calculated as follows.

The total number of ordinary shares in respect of which options may be exercised will be determined by reference to the market value of the Group's shares on the vesting dates listed above. If the Company's average closing share price, taken over a 56 day period commencing 63 days before the relevant vesting date, exceeds 250p a value pool equal to a percentage of the Company's actual market capitalisation in excess of the market capitalisation as of 19 December 2017 based on a closing share price of 215p price will be created using the following mechanism:

- above 215p (up to and including 250p) the value pool percentage will be 13.2%
- above 250p (up to and including 500p) the additional value pool percentage will be 14.9%
- above 500p (up to and including 700p) the additional value pool percentage will be 19.9%
- above 700p (up to and including 800p) the additional value pool percentage will be 16.6%
- above 800p the additional value pool percentage will be 9.9%

95% of this value pool will be used to derive the proportion of share options that vest for each 2017 LTIP plan participant, subject to the individual maximums described above.

On 20 December 2017 the Company granted an award to John Standen, non-executive Chairman, subject to the 2017 LTIP performance conditions described above. If these performance conditions are met, John Standen will be paid a cash sum equal to 5% of the value pool created on the same basis that the value can be made available under the 2017 LTIP.

SERVICE CONTRACTS

All directors have service contracts. Each executive director has a service contract that may continue in force until their normal retirement date. These contracts do not contain provisions for pre-determined compensation that exceeds salary and benefits in kind for the notice period.

Directors' contracts and termination notices:

	Date of contract	Termination notice Director	Termination notice company	Renewable
Non-Executives				
John F Standen	23 Feb 2007	None	None	Annually
Michael A Kayser	7 Oct 2010	None	None	Annually
Executives				
Paul R Mines	16 April 2007	4 months	12 months	Normal retirement date
Declan L Brown	23 April 2014	6 months	12 months	Normal retirement date

PENSIONS

The company makes contributions to individual pension schemes for the executive directors at 10 per cent of basic salary.

The non-executive directors do not receive any pension contribution.

DIRECTORS' SHARE OPTIONS

Stanelco plc 2005 Unapproved Share Option Plan and Stanelco plc Employment Benefit Trust.

As at 31 December 2017, the following options had been appointed to sub trusts by the Trustees of the Stanelco plc Employee Benefit Trust for the benefit of the following directors and their families:

	Date Granted	Date exercisable	Date option lapses	Exercise price	Ordinary Shares of 5p each 31 December 2017
Paul R Mines	28 April 2008	28 April 2011	27 April 2018	1,943p	15,436
	24 April 2009	24 April 2012	23 April 2019	1,481p	20,243

The exercise price of the options granted under the above scheme is equal to the market value of the shares at the time when the options were granted adjusted for the share consolidation on 16 July 2013. The performance conditions attached to the share options are detailed on page 21.

DIRECTORS' AWARDS UNDER THE 2017 LONG TERM INCENTIVE PLAN

Biome Technologies plc 2017 Long Term Incentive Plan (the "2017 LTIP").

As at 31 December 2017, the following options have been granted under the 2017 LTIP:

	Date Granted	Date Option Lapses	Excercise Price	Ordinary Shares of 5p each 31 December 2017
Paul R Mines	20 December 2017	19 December 2022	215p	148,150
Declan L Brown	20 December 2017	19 December 2022	215p	69,136

The performance conditions attached to the awards are detailed on pages 21 and 22. These options may start vesting on 10 December 2018 to the extent that the performance conditions relating to an increase in the company's share price are satifised.

On 20 December 2017, the company granted an award to the chairman which mirrors the terms of the 2017 LTIP. Under this agreement, subject to the total shareholder return and financial underpin described above, John Standen will be paid a cash sum equal to 5% of the value pool created in excess of the minimum hurdle rate on the same basis that value can be made available under the 2017 LTIP.

The company's share price on 31 December 2017 was 215.0p (31 December 2016: 100.1p) and traded during the year at prices between 245.0p and 97.5p (2016: 190.0p and 82.5p).

DIRECTORS' REMUNERATION DURING THE YEAR

	Year ended 31 December 2017					
	Base salary/fees £	Bonuses £	Car allowances £	Benefits in kind £	Total £	Year ended 31 December 2016 Total £
Paul R Mines	**189,163**	**31,714**	**9,600**	**3,608**	**234,085**	210,625
Declan L Brown	**132,925**	**22,286**	**9,600**	**1,725**	**166,536**	150,103
John F Standen	**56,238**	**—**	**—**	**—**	**56,238**	55,000
Michael A Kayser	**25,563**	**—**	**—**	**—**	**25,563**	25,000
Total	**403,889**	**54,000**	**19,200**	**5,333**	**482,422**	440,728

The Company made contributions to individual pension schemes as follows:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Paul R Mines	**18,916**	18,500
Declan L Brown	**13,293**	13,000
	32,209	31,500

By Order of the Board

Michael A Kayser
Chairman of the Remuneration Committee

26 March 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The Group directors have elected to prepare the parent company financial statements in accordance with IFRSs. 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

The directors confirm that:

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

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

On behalf of the Board

Paul Mines
Chief Executive Officer

Declan Brown
Group Finance Director

26 March 2018

Report of the Independent auditor

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIOME TECHNOLOGIES PLC

Our opinion on the group financial statements is unmodified

We have audited the financial statements of Biome Technologies Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cashflow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended; and
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union.
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

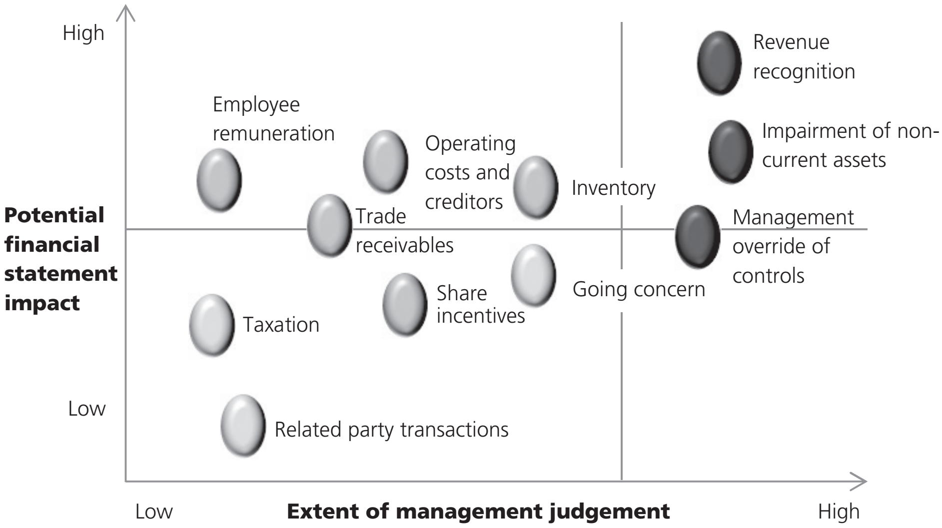
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £60,000, which represents 1% of the group’s revenue
- Key audit matters were identified as revenue recognition, Management over-ride of controls and Impairment of non-current assets.
- The operations that were subject to full-scope or targeted audit procedures made up 100% of consolidated revenues and 100% of total assets.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that 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 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.

Key Audit Matters – Group and parent	How the matter was addressed in the audit – Group and parent
Revenue recognition Revenues of £6.2 million have been recognised in the year ended 31 December 2017, arising substantially from the sale of goods. Revenue is the most significant item in the consolidated income statement and impacts a number of key performance indicators, and key strategic indicators set out in the Strategic Report. There is a risk of incorrect revenue recognition, arising from: – recognition of revenue without entitlement to that revenue; – revenue is not recognised in accordance with IFRSs as adopted by the European Union; and We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: – testing of revenue recognition policies to ensure in accordance with IAS 18 'Revenue' via testing a sample of individual revenue items during the year and around the year-end, agreeing items selected for testing through to purchase orders and evidence of delivery and payment. The group's accounting policy on revenue is on page 33 and related disclosures are included in note 1a – 1d and note 2. **Key observations** – Our testing did not identify instances where revenue was recognised without entitlement of that revenue. – Our testing did not identify incorrect revenue recognition.
Management override of controls The group financial statements comprise a number of accounting estimates made by management, which leads to a risk that the financial results are influenced through management bias in determining such estimates. We therefore identified management override of controls as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: – Comparison of accounting estimates, judgements and decision made by management to third party and post balance sheet evidence; and – Using data analytics and data interrogation techniques to identify journal entries with increased risk and ensure journals are in accordance with expectations; including corroborating any unusual entries to source documentation. **Key observations** Based on our audit work, we did not identify any instances of management override of control and we concluded that the accounting estimates in the financial statements were reasonable.
Impairment of non-current assets The directors are required to make an annual assessment to determine whether the Group's intangible assets, which stand at £1 million are impaired. The process for assessing whether impairment exists under International Accounting Standard (IAS) 36 Impairment of assets is complex. The process of determining the value in use, through forecasting cash flows related to cash generating units (CGUs) and the determination of the appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review. We therefore identified the intangible assets impairment review as a significant risk.	Our audit work included, but was not restricted to: – obtaining management's assessment and recalculating the arithmetical accuracy of those calculations including the sensitivity analyses testing the assumptions utilised in the impairment models, including growth rates, discount rates and terminal values; – challenging management's assessment of impairment indicators relating to intangible assets; – comparing current market capitalisation to carrying value of net assets and calculated value in use for the Group; – testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends and reviewing the cash flows for exceptional or unusual items or assumptions; and – corroborating the detailed disclosures to ensure information provided in the financial statements is compliant with the requirements of IAS 36 and consistent with the results of the impairment review.

Key Audit Matters – Group and parent	How the matter was addressed in the audit – Group and parent
	The group's accounting policy on "Impairment of Intangible Assets," is shown on page 39 and related disclosures are included in note 7. **Key observations** – Our sensitivity analyses gave headroom in varying circumstances. – We found that the assumptions made and estimates used in arriving at the value in use of intangible assets were balanced. We found no errors in the calculations. – Our audit work did not identify an impairment of non-current assets at year end.

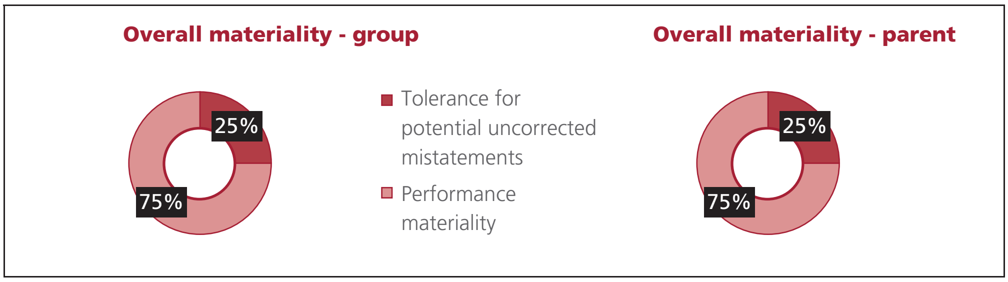
Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£60,000, which is 1% of total revenues. This benchmark is considered the most appropriate because it is the key driver of the results of the group and is monitored by management. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2016 to reflect the improvement in results in the current year.	£54,000, which is 1% of total assets restricted to 90% group materiality. This benchmark is considered the most appropriate because the company is a holding company without revenue. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2016 to reflect the improvement in results in the current year.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as related party transactions and directors' remuneration.	We determined a lower level of specific materiality for certain areas such as related party transactions and directors' remuneration.
Communication of misstatements to the audit committee	£3,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£2,700 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

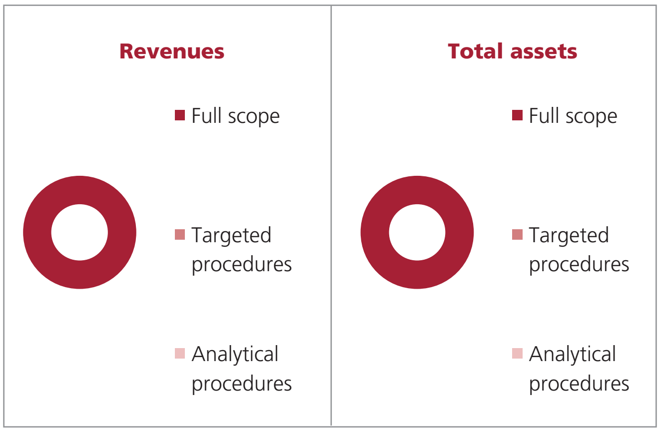
The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit
Our audit approach was based on a thorough understanding of the Group's and parent's business and is risk-based. The components of the Group were evaluated by the Group Audit Team based on a measure of materiality considering each as a percentage of total Group assets, liabilities, revenues and profit before taxes, to assess the significance of the component and to determine the planned audit response.

For those components that were evaluated as significant, either a full-scope or targeted audit approach was determined based on their relative materiality to the Group and our assessment of the audit risk. For significant components requiring a full-scope approach we evaluated controls over the financial reporting systems identified as part of our risk assessment, reviewed the accounts production process and addressed critical accounting matters. We then undertook substantive testing on significant transactions and material account balances.

In order to address the audit risks described above as identified during our planning procedures, we performed a full-scope audit of the financial statements of the Parent Company, Biome Bioplastics Limited, Stanelco RF Technologies Limited and Aquasol Limited. The operations that were subject to full-scope or targeted audit procedures made up 100% of consolidated revenues and 100% of total assets. Statutory audits of subsidiaries, where required by local laws, were performed to lower materiality where applicable.



Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 3 to 25, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine 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 in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the group 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 auditor's 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.

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

NICHOLAS WATSON
SENIOR STATUTORY AUDITOR
for and on behalf of
GRANT THORNTON UK LLP
STATUTORY AUDITOR,
CHARTERED ACCOUNTANTS

LONDON
26 March 2018

Principal accounting policies

BASIS OF PREPARATION

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2017.

The financial statements have been prepared under the historical cost convention. The measurement bases and principal accounting policies of the Group are set out below.

The financial statements have been prepared on a going concern basis as the directors believe that the Group has access to sufficient resources to continue in business for the foreseeable future. This is discussed more fully in the Directors' Report on pages 12 to 15.

The directors have prepared forecasts and budgets for the period of 12 months post the approval of the accounts, which have been drawn up with appropriate regard for the current macroeconomic environment and the particular circumstances in which the Group operates. These were prepared with reference to the forward order book and repeat business within the RF Division, and the anticipated increased volume from the new products, as they move from the manufacturing phase into the commercial phase of the product lifecycle, within the Bioplastics Division. As a result of this process, at the time of approving the financial statements, the directors consider that the Company and the Group, in conjuction with its existing cash balances, have sufficient resources to continue in operational existence for the foreseeable future, and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

ADOPTION OF NEW AND REVISED STANDARDS

The consolidated financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 31 December 2016.

As of 31 December 2017, the following standards and interpretations are in issue but not effective for accounting periods commencing on 1 January 2017:

- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018).
  A review is being undertaken to assess the impact of this accounting standard on revenue recognition within Stanelco RF Technologies and Biome Bioplastics
- IFRS 16 Leases (effective 1 January 2019)
  This will have the effect of changing the accounting treatment of the building and car leases from operating leases to finance leases.

The Group does not intend to apply any of these pronouncements early.

BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2017. Subsidiaries are entities over which the Group has the control. Control comprises an investor having power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power.

At 31 December 2017 the subsidiary undertakings were Stanelco RF Technologies Limited, InGel Technologies Limited, Biome Bioplastics Limited (formerly Adept Polymers Limited) and Aquasol Limited. Details of the composition of the group are included in note 9 to these financial statements.

The assets and liabilities of the Stanelco plc Employee Benefit Trust ("EBT") are included within the consolidated statement of financial position on the basis that the Group has the ability to exercise control over the EBT.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

REVENUE

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised upon the performance of services or transfer of risk to the customer.

Sale of goods

Revenue includes the sale of biodegradable and sustainable products in Bioplastics and the sale of optical fibre furnace systems, plastic welding equipment, induction heating equipment and spares in RF Applications divisions. Revenue from the sales of these goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, usually upon physical delivery of the goods to the customer or transfer of the goods to the customers nominated courier;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

The RF Applications division is involved in rendering services which include servicing, maintenance, consultancy, bespoke assembly and installation activities in relation to the equipment described above. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position reporting date. The outcome of the transaction is deemed to be able to be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the year end can be measured reliably and can be estimated by reference to the proportion of time required to complete the service and be accepted by the customer, and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Where a contract for goods or services involves delivery of several different elements and is not fully delivered or performed by the year end, revenue is recognised based on the proportion of the fair value of the elements completed to the fair value of the overall contract.

Rental income
Rental income received for assets leased to third parties is recognised in profit or loss across the lease term. Lease incentives are spread over the term of the lease.

Interest
Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Royalties
Royalties are recognised on an accruals basis in accordance with the substance of the relevant agreement.

Royalty income is based upon a percentage of revenue of specific products within the licensee's portfolio. Income is recognised within the corresponding period within which the licensee's revenue was generated where this information is available. In the absence of revenue information from a licensee a best estimate is used as the basis of estimation. There were no royalties received during the year (2016: £18,000).

Commissions
Commission income is recognised as it becomes receivable in accordance with the substance of the relevant agreement.

Commision income is earned on the sale of a third party's sales of goods and services within the UK market. Income is recognised within the corresponding period within which the third party's revenue was generated where the information is available. Commission income in 2017 is entirely based upon information provided by the third party and no estimates were required.

Dividends
Dividends are recognised when the shareholders rights to receive payment is established.

Grants
Grants relating to the intangible assets are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned. Other grants are credited to the income statement as the related expenditure is incurred.

INTANGIBLE ASSETS
Internally generated intangible assets are amortised on a straight-line basis over their useful lives.

Research and development
Expenditure on research is recognised as an expense in the period in which it is incurred.

Development costs are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed in the period in which they are incurred. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Until completion of the development project, the assets are subject to impairment testing only. Amortisation commences upon completion of the asset, and is shown within 'Administrative Expenses' on the consolidated statement of comprehensive income.

Capitalised development costs are amortised over a period of five years.

PROPERTY, PLANT AND EQUIPMENT

Depreciation

Property, plant and equipment are stated at cost or valuation, net of depreciation and any provision for impairment. Leasehold equipment is included in property, plant and equipment only where it is held under a finance lease. No depreciation is charged during the period of construction.

Depreciation is provided on all property, plant and equipment at rates calculated to write off their cost less estimated residual value over their expected useful lives on a straight line basis, as follows:-

Property	3 to 20 years
Plant and Equipment	3 to 20 years
Fixtures and Fittings	5 to 10 years
Motor vehicles	4 years

Residual value and useful lives are reviewed at least annually. Land is not depreciated.

Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

IMPAIRMENT TESTING OF OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

Other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying 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 based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the assets in the cash generating unit. All assets are subsequently re-assessed for indications that an impairment loss previously recognised may no longer exist.

LEASED ASSETS

Leases are regarded as operating leases when substantially all the risks and rewards incidental to ownership are not transferred and the payments made under them are charged to profit or loss on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

INVENTORIES

Inventory and work in progress is stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out method and consists of material and direct labour costs, together with an appropriate proportion of production overheads based upon normal levels of activity.

TAXATION

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the date of the statement of financial position.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity. Tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

FINANCIAL ASSETS

Financial assets held by the group comprise cash and receivables. The company's financial assets additionally include intercompany receivables. Financial assets are assigned to a category by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables, cash and cash equivalents are classified as loans and receivables.

Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in profit or loss.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

An assessment for impairment is undertaken at least at each date of statement of financial position. A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Investments in subsidiaries and joint ventures in the parent company accounts are initially measured at cost less impairment charges. Impairment is reviewed on an annual basis.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, demand deposits and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

FINANCIAL LIABILITIES

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial liabilities are trade and other payables. The company's financial liabilities additionally include intercompany payables. Financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance charges in the statement of comprehensive income. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are initially recorded at fair value net of issue costs and then subsequently measured at amortised cost.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

EQUITY

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares;
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares net of expenses of the share issue;
- "Capital redemption reserve" represents the normal value of bought back shares that were cancelled;
- "Share options reserve" represents equity-settled share-based employee remuneration until such share options are exercised;
- "Translation reserve" represents the differences arising from translation of investments in overseas subsidiaries;
- "Retained losses" represents retained losses; and
- "Retained profits" represents retained profits.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the date of the statement of financial position. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in profit or loss in the period in which they arise.

PENSIONS

The Group makes payments to defined contribution schemes. Contributions to the defined contribution pension schemes are charged to profit or loss in the year in which they become payable.

SHARE-BASED PAYMENT

Equity and cash settled share-based payment

The Group issues equity-settled and cash-settled share-based payments to directors and employees which must be measured at fair value and recognised as an expense in profit or loss, with a corresponding increase in equity in the case of equity-settled payments, and liabilities in the case of cash-settled awards. The fair values of equity-settled payments are measured at the dates of grant using option-pricing models, taking into account the terms and conditions upon which the awards are granted. Cash-settled share-based payments are measured at their fair value as at the balance sheet date. The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the Group's estimate of the number of awards which will be forfeited, either due to employees leaving the Group prior to vesting or due to non-market based performance conditions not being met. Where an award has market-based performance conditions, the fair value of the award is adjusted for the probability of achieving these via the option pricing model. The total amount recognised in the statement of comprehensive income as an expense is adjusted to reflect the actual number of awards that vest, except where forfeiture is due to the failure to meet market-based performance measures.

In the Company accounts where the grants relate to subsidiary employees the initial fair value and any subsequent adjustments are recognised as an addition to the cost of investment in the subsidiary company over the vesting period.

EMPLOYEE BENEFIT TRUST

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Group accounts. Any assets held by the EBT cease to be recognised in the consolidated statement of financial position when the assets vest unconditionally in identified beneficiaries.

CRITICAL ACCOUNTING JUDGEMENTS

Areas where the directors believe critical accounting judgement is required are:-

Capitalisation of development costs

In determining whether development costs should be capitalised it needs to be established, inter alia, whether completion of the intangible asset is technically feasible, whether the intangible asset will generate probable future economic benefits and whether there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

Development costs are capitalised if they meet these conditions and the other less subjective conditions detailed in the "Research and development" section of the accounting policies.

Intragroup balances

Intragroup balances are held at amortised cost and are deemed to be current and immediately payable on demand where cash balances exist to cover the net intragroup balance.

For the intragroup balances exceeding available cash balances, interest is charged at 7.5% per annum on the net intragroup balance owed.

These intragroup balances are impairment tested each year using a 12.5% discount factor. If the discounted cash flow assessment does not exceed the net intragoup balance then the difference is provided for as an unrecoverable amount.

KEY SOURCES OF ESTIMATION UNCERTAINTY

Investments

The directors make an assessment of the carrying value of investments at least annually. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Investments are allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows. An annual assessment is made on each investment to ensure that the anticipated future cash flows, discounted at 12.5%, exceed the carrying value of the investment. If the anticipated discounted cash flow does not exceed the investment value then the difference is written off to administrative expenses.

Intangible assets

The directors make an assessment of the carrying value of the capitalised development costs at least annually forecasting cash flows from the relevant products. These forecasts were prepared with the reference to contracted and visible business within the RF Division, and the commercialisation, and increased volume, from the exisiting trials and launches within the Bioplastics Division.

An assesment is made of the total market size of each development product and the company's potential share of these markets over the following five years. The potential profit margin is then discounted back using a 12.5% discount factor to test that the discounted cash flow of potential profit margin exceeds the capitalised carrying value of the development product. If the discounted cash flow of potential profit margin does not exceed the capitalised carrying value then the difference is written off to administrative expenses.

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Total £'000	2016 Total £'000
REVENUE	1a-1d, 2	**6,233**	**4,587**
Cost of sales	10	**(3,131)**	**(2,246)**
GROSS PROFIT		**3,102**	**2,341**
Other income	4	**—**	**450**
Administrative expenses	3a-3b, 5	**(3,513)**	**(3,374)**
LOSS FROM OPERATIONS		**(411)**	**(583)**
Investment income		**1**	**5**
Foreign exchange gain (loss)		**(32)**	**2**
LOSS BEFORE TAXATION		**(442)**	**(576)**
Taxation	6a	**210**	**77**
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(232)**	**(499)**
Basic and diluted loss per share – pence (continuing operations)		**(10)**	**(21)**

The calculation of earnings per share is based on the loss attributable to the equity holders of the parent for the year of £232,000 (2016: loss of £499,000) and a weighted average of 2,347,536 (2016: 2,347,536) ordinary shares in issue.

Details of share options which could potentially dilute basic earnings per share in future periods are given in Note 17.

Consolidated statement of financial position

AS AT 31 DECEMBER 2017

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
NON-CURRENT ASSETS					
Other intangible assets	7	**915**		1,164	
Property, plant and equipment	8a	**122**		164	
			1,037		1,328
CURRENT ASSETS					
Inventories	10	**797**		381	
Trade and other receivables	11a	**1,335**		1,345	
Cash and cash equivalents		**2,293**		1,535	
			4,425		3,261
TOTAL ASSETS			**5,462**		4,589
CURRENT LIABILITIES					
Trade and other payables	12a	**2,125**		1,066	
			2,125		1,066
TOTAL LIABILITIES			**2,125**		1,066
NET ASSETS			**3,337**		3,523

AS AT 31 DECEMBER 2017

	Note	**2017** £'000	2016 £'000
EQUITY			
Share capital	15	**117**	117
Share premium account	16a	**740**	740
Capital redemption reserve	16a	**4**	4
Share options reserve	16a,17	**219**	454
Translation reserves	16a	**(85)**	(85)
Retained profits/(losses)	16a	**2,342**	2,293
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AND TOTAL EQUITY		**3,337**	3,523

The financial statements were approved by the Board and authorised for issue on 26 March 2018.

Signed on behalf of the Board of Directors

Paul R Mines **(Chief Executive)**

Declan L Brown **(Group Finance Director)**

26 March 2018

The accompanying accounting policies and notes form an integral part of the financial statements.

Company registration No: 1873702 (England and Wales)

Company statement of financial position

AS AT 31 DECEMBER 2017

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
NON-CURRENT ASSETS					
Property, plant and equipment	8b	**8**		9	
Investments	9	**558**		558	
			566		567
CURRENT ASSETS					
Trade and other receivables	11b	**127**		192	
Amounts owed by subsidiary undertakings	27	**3,902**		4,910	
Cash and cash equivalents		**2,152**		1,481	
			6,181		6,583
TOTAL ASSETS			**6,747**		7,150
CURRENT LIABILITIES					
Trade and other payables	12b	**430**		332	
Amounts due to subsidiary undertakings	27	**488**		38	
			918		370
NON-CURRENT LIABILITIES			**—**		—
TOTAL LIABILITIES			**918**		370
NET ASSETS			**5,829**		6,780

AS AT 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
EQUITY			
Share capital	15	**117**	117
Share premium account	16b	**12**	12
Capital redemption reserve	16b	**4**	4
Share options reserve	16b,17	**209**	423
Retained profits/(losses)	16b	**5,487**	6,224
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**5,829**	6,780

The financial statements were approved by the Board and authorised for issue on 26 March 2018.

Signed on behalf of the Board of Directors

Paul R Mines **(Chief Executive)**

Declan L Brown **(Group Finance Director)**

26 March 2018

Company registration No: 1873702 (England and Wales)

The accompanying accounting policies and notes form an integral part of the financial statements.

Consolidated statement of changes in equity

AS AT 31 DECEMBER 2017

	Share capital	Share premium account	Capital redemption reserve	Share options reserve	Translation reserves	Retained earnings	Total equity attributable to equity holders of the parent	TOTAL EQUITY
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2017	117	740	4	454	(85)	2,293	3,523	3,523
Share options issued in share based payments	—	—	—	46	—	—	46	46
Cancellation of expired options	—	—	—	(281)	—	281	—	—
Transaction with owners	—	—	—	(235)	—	281	46	46
Loss for the year	—	—	—	—	—	(232)	(232)	(232)
Total comprehensive income for the year	—	—	—	—	—	(232)	(232)	(232)
Balance at 31 December 2017	117	740	4	219	(85)	2,342	3,337	3,337
Balance at 1 January 2016	117	740	4	542	(85)	2,597	3,915	3,915
Share options issued in share based payments	—	—	—	107	—	—	107	107
Cancellation of PEP expired options	—	—	—	(195)	—	195	—	—
Transaction with owners	—	—	—	(88)	—	195	107	107
Loss for the year	—	—	—	—	—	(499)	(499)	(499)
Total comprehensive income for the year	—	—	—	—	—	(499)	(499)	(499)
Balance at 31 December 2016	117	740	4	454	(85)	2,293	3,523	3,523

Company statement of changes in equity

AS AT 31 DECEMBER 2017

	Share capital	Share premium	Capital redemption reserve	Share options reserve	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2017	117	12	4	423	6,224	6,780
Share options issued in						
Share based payments	—	—	—	37	—	37
Cancellation of expired options	—	—	—	(251)	251	—
Transaction with owners	—	—	—	(214)	251	37
Loss for the year	—	—	—	—	(988)	(988)
Total comprehensive income for the year	—	—	—	—	(988)	(988)
Balance at 31 December 2017	117	12	4	209	5,487	5,829
Balance at 1 January 2016	117	12	4	481	6,715	7,329
Share options issued in						
Share based payments	—	—	—	90	—	90
Cancellation of expired options	—	—	—	(148)	148	—
Transaction with owners	—	—	—	(58)	148	90
Loss for the year	—	—	—	—	(639)	(639)
Total comprehensive income for the year	—	—	—	—	(639)	(639)
Balance at 31 December 2016	117	12	4	423	6,224	6,780

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	£'000	£'000
Loss after tax	**(232)**	(499)
Adjustment for:-		
Taxation	**(210)**	(77)
Foreign exchange loss/(gain)	**32**	(2)
Investment income	**(1)**	(5)
Loss from operations	**(411)**	(583)
Adjustment for:-		
Amortisation and impairment of intangible assets	**355**	653
Depreciation of property, plant and equipment	**64**	64
Share based payments	**46**	107
Foreign exchange (loss)/gain	**(26)**	—
Operating cash flows before movement in working capital	**28**	241
(Inrease)/decrease in inventories	**(417)**	664
Decrease/(increase) in receivables	**5**	(8)
Increase/(decrease) in payables	**1,059**	(561)
Cash generated/(utilised) in operations	**675**	336
Corporate tax received	**210**	77
Interest paid	**—**	—
Net cash inflow from operating activities	**885**	413
Investing activities		
Interest received	**1**	5
Investment in intangible assets	**(106)**	(452)
Purchase of property, plant and equipment	**(22)**	(19)
Net cash used in investing activities	**(127)**	(466)
Net increase/(decrease) in cash and cash equivalents	**758**	(53)
Cash and cash equivalents at the beginning of the year	**1,535**	1,588
Effect of foreign exchange rate changes	**—**	—
Cash and cash equivalents at end of year	**2,293**	1,535

Company statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	£'000	£'000
Loss after tax	**(988)**	(639)
Adjustment for:-		
Foreign exchange loss/(gain)	**14**	(9)
Investment income	**(354)**	(455)
Loss from operations	**(1,328)**	(1,103)
Adjustment for:-		
Depreciation of property, plant and equipment	**6**	8
Share based payments	**37**	90
Foreign exchange (loss)/gain	**(13)**	9
Operating cash flows before movement in working capital	**(1,298)**	(996)
Decrease/(increase) in receivables	**1,425**	1,689
(Increase)/decrease in payables	**548**	(533)
Cash generated/(utilised) by operations	**675**	160
Tax received	**—**	—
Interest paid	**—**	—
Net cash inflow from operating activities	**675**	160
Investing activities		
Interest received	**1**	4
Purchase of property, plant and equipment	**(5)**	(2)
Net cash used in investing activities	**(4)**	2
Increase/(decrease) in cash and cash equivalents	**671**	162
Cash and cash equivalents at beginning of year	**1,481**	1,319
Cash and cash equivalents at end of year	**2,152**	1,481

The accompanying accounting policies and notes form an integral part of the financial statements.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2017

1a. **SEGMENTAL INFORMATION BY BUSINESS ACTIVITY FOR THE YEAR ENDED 31 DECEMBER 2017**

	Bioplastics 2017 £'000	RF Technologies 2017 £'000	Central Costs 2017 £'000	Total 2017 £'000
Revenue				
External sales	**2,279**	**3,954**	**—**	**6,233**
Depreciation/amortisation	(358)	(55)	(6)	(419)
Share based payments	(3)	(6)	(37)	(46)
(LOSS)/PROFIT FROM CONTINUING OPERATIONS	**(421)**	**1,338**	**(1,328)**	**(411)**
Interest received				1
Finance charges				—
Foreign exchange loss				(32)
LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS				**(442)**
Taxation				210
LOSS FOR THE YEAR				**(232)**
CAPITAL EXPENDITURE				
Property, plant and equipment	—	17	5	**22**
Intangible assets	106	—	—	**106**
TOTAL ASSETS	1,795	1,380	2,287	**5,462**

The Group is managed through three divisions, Bioplastics, RF Technologies and Central costs. These reportable segments are the three strategic divisions for which monthly financial information is provided to the Board and senior management.

The Bioplastics division comprises of Biome Bioplastics Limited and Aquasol Limited. The division supplies a range of bioplastic resins that replace existing oil based materials in a wide variety of applications.

The RF Technologies division comprises of Stanelco RF Technologies. RF Technologies involves the design and manufacture of electrical/electronic systems based on advanced radio frequency technology.

The Central costs division comprises of senior management, corporate and administration functions, as well as facilities costs.

1b. SEGMENTAL INFORMATION BY GEOGRAPHICAL REGION FOR THE YEAR ENDED 31 DECEMBER 2017

	Non-current assets 2017 £'000	Total assets 2017 £'000	Tangible assets Capital expenditure 2017 £'000	Intangible assets Capital expenditure 2017 £'000
UK	1,037	5,462	22	106
	1,037	**5,462**	**22**	**106**

	Revenue 2017 £'000
US	3,030
China	1,345
UK	733
India	473
Germany	351
France	96
Other	205
	6,233

1c. SEGMENTAL INFORMATION BY BUSINESS ACTIVITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Bioplastics 2016 £'000	RF Technologies 2016 £'000	Central Costs 2016 £'000	Total 2016 £'000
Revenue from external customers	**1,585**	**3,002**	**—**	**4,587**
Depreciation/amortisation	(632)	(77)	(8)	(717)
Share based payments	(5)	(12)	(90)	(107)
(LOSS)/PROFIT FROM CONTINUING OPERATIONS	**(60)**	**713**	**(1,236)**	**(583)**
Investment revenue				5
Finance charges				—
Foreign exchange loss				2
LOSS BEFORE TAXATION FROM CONTINUING ACTIVITIES				**(576)**
Taxation				77
LOSS FOR THE YEAR				**(499)**
CAPITAL EXPENDITURE				
Property, plant and equipment	6	11	2	**19**
Intangible assets	452	—	—	**452**
TOTAL ASSETS	2,247	659	1,683	**4,589**

1d. **SEGMENTAL INFORMATION BY GEOGRAPHICAL REGION FOR THE YEAR ENDED 31 DECEMBER 2016**

	Non-current assets 2016 £'000	Total assets 2016 £'000	Tangible assets Capital expenditure 2016 £'000	Intangible assets Capital expenditure 2016 £'000
UK	1,328	4,589	19	452
	1,328	**4,589**	**19**	**452**

	Revenue 2016 £'000
US	1,741
UK	1,720
China	438
India	351
Italy	97
France	63
Other	177
	4,587

Revenue is attributed to individual countries based on the location of the customer.

The Group had two customers (2016: three customers) who accounted for more than 10% of Group revenues, one in the Bioplastics division with revenues of £1.4m (2016: one with revenues of £1.2m) and one in the RF division with revenues of £0.4m (2016: two with revenues of £1.3m). Combined these revenues were £2.3m (2016: £2.5m)

2. **REVENUE**

	2017 £'000	2016 £'000
Sales of goods	**5,828**	4,173
Grant income	**198**	165
Sales of services	**167**	156
Royalty income	**—**	18
Commissions	**40**	75
	6,233	4,587

3a. ADMINISTRATIVE EXPENSES

	2017 £'000	2016 £'000
Administrative expenses include:		
Depreciation, amortisation and impairment:		
Other intangible assets, owned	**355**	653
Property, plant and equipment, owned	**64**	64
Hire of plant and machinery	**7**	3
Operating lease rentals: Land and buildings	**50**	50
Operating lease income: Land and buildings	**(12)**	(12)
Share based payments – equity settled	**46**	107
Share based payments – cash settled	**(10)**	(5)
Bad debt provision	**3**	—

3b. AUDITORS' REMUNERATION

	2017 Grant Thornton UK LLP £'000	2016 Grant Thornton UK LLP £'000
Fees payable to the companys auditor for the audit of the company's annual accounts	**25**	22
Fees payable to the company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	**17**	16
Audit related assurance services	**6**	6
Tax compliance services	**8**	8
Total charged to consolidated statement of comprehensive income	**56**	52

4. OTHER INCOME

On 18 January 2017 the company announced that it had entered into a settlement agreement with third parties regarding legacy technology licencing arrangements involving the use of Aquasol's historic technology. As part of the settlement agreeement Aquasol received £450,000 as part of a mutual release of obligations by the parties. The patents associated with this technology are no longer in force. The £450,000 was recorded as other income in the accounts for the year ended 31 December 2016. The cash was received in 2017.

5. **DIRECTORS AND EMPLOYEES**

The average monthly number of persons (including Directors) employed by the Group during the year was:

	Group		Company	
	2017	2016	**2017**	2016
	Number	Number	**Number**	Number
Management	**7**	7	**6**	6
Administration	**3**	3	**2**	2
Sales	**4**	4	**—**	—
Manufacturing and engineering	**13**	11	**—**	—
	27	25	**8**	8
	£'000	£'000	**£'000**	£'000
Staff costs:				
Wages and salaries	**1,463**	1,338	**597**	562
Social security costs	**174**	168	**74**	80
Pension costs – personal pension contribution	**76**	75	**38**	37
	1,713	1,581	**709**	679
Directors' remuneration				
Short term employment benefits	**538**	503	**538**	503
Post employment benefits	**32**	32	**32**	32
	570	535	**570**	535

The Group has identified key management personnel as the executive and non-executive directors.

A detailed breakdown of directors' emoluments is contained in the Directors' Remuneration Report.

Share options charges related to executive directors and key personnel included within administrative expenses is a change of £29,715 (2016: £63,948)

6a. TAXATION

Analysis of charge in year	Group	
	2017	2016
	£'000	£'000
Current income tax		
Current income credit/charge	—	—
Adjustments in respect of prior periods:	(210)	(77)
Total current income tax (note 6b)	(210)	(77)
UK Corporation tax	(210)	(77)
Overseas corporation tax	—	—
Total consolidated corporation tax credit	(210)	(77)

6b. TAXATION

Factors affecting the total tax charge for year	Group	
	2017	2016
	£'000	£'000
Loss on ordinary activities before taxation	**(442)**	(576)
Tax thereon at UK statutory income tax rate 19.25% (2016: 20%)	**(85)**	(115)
Expenses not deductible for tax purposes	**9**	31
Additional deduction for research and development expenditure	**25**	(118)
Other short term temporary differences	**9**	8
Unrelieved tax losses and other deductions	**30**	182
Utilisation of tax losses	**—**	—
Capital allowances in the period in excess of depreciation	**12**	12
Adjustment in respect of prior periods	**(210)**	(77)
Total UK corporation tax	**(210)**	(77)
Overseas corporation tax	**—**	—
Tax credit for the year	**(210)**	(77)

The Group has estimated trading losses of £29.2m (2016: £29.0m) available indefinitely for carry forward against future trading profits. The Company has estimated trading losses of £16.5m (2016: £15.6m) available indefinitely for carry forward against future trading profits. The Group had capital losses of £1.5m (2016: £1.5m). Deferred tax assets have not been recognised in respect of these losses as there is insufficient certainty of future taxable profits against which to utilise them.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill relating to Aquasol £'000	Other intangible assets £'000	Total £'000
Group			
Cost:			
At 1 January 2016	1,991	3,919	5,910
Additions	—	452	452
At 1 January 2017	1,991	4,371	6,362
Additions	—	106	106
At 31 December 2017	**1,991**	**4,477**	**6,468**
Accumulated amortisation and impairment:			
At 1 January 2016	1,991	2,554	4,545
Provided in the year - charge for the year	—	653	653
At 1 January 2017	1,991	3,207	5,198
Provided in the year - charge for the year	—	355	355
At 31 December 2017	**1,991**	**3,562**	**5,553**
Net book value:			
At 31 December 2017	**—**	**915**	**915**
At 31 December 2016	**—**	**1,164**	**1,164**

Other Intangible Assets comprise £915,000 (2016: £1,164,000) of capitalised development costs. The remaining amortisation period on the £915,000 of other intangible assets at 31 December 2017 is a weighted average of 3.7 years (2016: 4.2 years).

Of the £915,000 of capitalised development costs, £889,000 relates to Bioplastics and £26,000 to RF Applications.

8a. **PROPERTY, PLANT AND EQUIPMENT** Group

	Land, buildings and leasehold improvements	Plant and equipment	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1 January 2016	198	618	202	1,018
Additions	—	15	4	19
Disposals	—	—	—	—
At 1 January 2017	198	633	206	1,037
Additions	—	12	10	22
Disposals	—	—	—	—
At 31 December 2017	198	645	216	1,059
Depreciation:				
At 1 January 2016	145	485	179	809
Provided in the year	14	43	7	64
Disposals	—	—	—	—
At 1 January 2017	159	528	186	873
Provided in the year	13	42	9	64
Disposals	—	—	—	—
At 31 December 2017	172	570	195	937
Net book value:				
31 December 2017	**26**	**75**	**21**	**122**
Net book value:				
31 December 2016	39	105	20	164

There were no assets, included above, held under finance leases or hire purchase contracts.

8b. PROPERTY, PLANT AND EQUIPMENT Company

	Land, buildings and leasehold improvements	Plant and equipment	Fixtures fittings and equipment	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1 January 2016	25	38	2	65
Additions	—	2	—	2
Disposals	—	—	—	—
At 1 January 2017	25	40	2	67
Additions	—	5	—	5
Disposals	—	—	—	—
At 31 December 2017	25	45	2	72
Depreciation:				
At 1 January 2016	23	26	1	50
Charge for year	2	6	—	8
Disposals	—	—	—	—
At 1 January 2017	25	32	1	58
Charge for year	—	6	—	6
Disposals	—	—	—	—
At 31 December 2017	25	38	1	64
Net book value:				
At 31 December 2017	—	7	1	8
At 31 December 2016	—	8	1	9

9. INVESTMENTS

	Total
	£'000
Investments Company	
Cost:	
31 December 2016	2,750
31 December 2017	2,750
Diminuation in value:	
31 December 2016	2,192
31 December 2017	2,192
Net book value at 31 December 2017	**558**
Net book value at 31 December 2016	558

In the opinion of the directors, the aggregate value of the company's investment is not less than the amount included in the company statement of financial position. The investments, as at 31 December 2017, relate to Aquasol.

Holding of more than 20 per cent.
The Company holds more than 20 per cent of the share capital of the following companies:

Company	Country of registration	Class	Percentage of shares held
Stanelco RF Technologies Limited	England and Wales	2 Ordinary £1 shares	100
InGel Technologies Limited	England and Wales	9,500 Ordinary "A" 1p shares	93.7
Biome Bioplastics Limited*	England and Wales	2 Ordinary £1 shares	100
Aquasol Limited	England and Wales	29,000 Ordinary £1 shares	100

*Formerly Adept Polymers Limited

The registered address of each of the subsidiaries listed above is Starpol Technology Centre, North Road, Marchwood Industrial Park, Marchwood, Southampton, SO40 4BL.

Stanelco RF Technologies Limited is involved in the development, manufacture and supply of Radio Frequency applications equipment. InGel Technologies Limited is a dormant company. Biome Bioplastics Limited is a company that specialises in the formulation and manufacture and sale of bioplastics. Aquasol Limited specialises in designing packaging solutions and has specific expertise in water soluble packaging.

All companies are wholly owned by Biome Technologies plc except for InGel Technologies Limited in which a 6.3 per cent shareholding is held by Cardinal Health 409 Incorporated (formerly R.P. Scherer Corporation).

10. INVENTORIES

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Raw materials and consumables	**170**	67	**—**	—
Work in progress	**215**	78	**—**	—
Finished goods and goods for resale	**412**	236	**—**	—
Total	**797**	381	**—**	—

Cost of sales in the consolidated statement of comprehensive income relates to the cost of goods sold. Stock recognised in cost of sales during the year as an expense was £2,989,000 (2016: £2,162,000).

11a. TRADE AND OTHER RECEIVABLES Group

	2017	2016
	£'000	£'000
Trade receivables	**850**	474
Other receivables	**216**	727
Prepayments and accrued income	**269**	144
Total	**1,335**	1,345

An allowance has been made for estimated irrecoverable amounts from the sale of goods of £23,000. This allowance has been determined by reference to past default experience. The directors consider that the carrying amount of trade and other receivables approximates their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

The average credit period taken on the sale of goods was 42 days.

Ageing of past due but not impaired receivables is as follows

	2017	2016
	£'000	£'000
60 - 90 days past due	**36**	25
90 - 120 past due	**47**	—
120 + past due	**12**	1
Total	**95**	26

11a. TRADE AND OTHER RECEIVABLES Group continued

Movement in allowance for doubtful debts:

	2017 £'000	2016 £'000
Balance at the beginning of the period	**34**	94
Exchange differences	**—**	—
Amounts written off as uncollectible	**(16)**	(60)
Impairment losses recognised	**5**	—
Total	**23**	34

In determining the recoverability of a trade receivable the directors consider any changes in the credit quality of the trade receivable from the date credit was initially granted to the reporting date. Accordingly, the directors believe that there is no further provision required in excess of the allowance for doubtful debts.

Ageing of impaired receivables is as follows:

	2017 £'000	2016 £'000
0 - 30 days	**2**	—
120 + days	**21**	34
Total	**23**	34

11b. TRADE AND OTHER RECEIVABLES Company

	2017 £'000	2016 £'000
Trade receivables	**1**	—
Other receivables	**66**	125
Prepayments and accrued income	**60**	67
Total	**127**	192

Details of the intragroup receivables can be found in Note 27.

11b. TRADE AND OTHER RECEIVABLES continued

Ageing of past due but not impaired receivables is as follows:

	2017 £'000	2016 £'000
90 - 120	**—**	—
120 +	**—**	—
Total	**—**	—

Movement in allowance for doubtful debts:

	2017 £'000	2016 £'000
Balance at the beginning of the period	**—**	60
Provided in the year	**—**	—
Amounts written off as uncollectible	**—**	(60)
Total	**—**	**—**

In determining the recoverability of a trade receivable the directors consider any changes in the credit quality of the trade receivable from the date credit was initially granted to the reporting date. Accordingly, the directors believe that there is no further provision required in excess of the allowance for doubtful debts.

12a. TRADE AND OTHER PAYABLES Group

	2017 £'000	2016 £'000
Trade payables	**683**	403
Other taxation and social security costs	**50**	54
Other creditors	**65**	55
Accruals and deferred income	**1,327**	554
Total	**2,125**	1,066

12b. TRADE AND OTHER PAYABLES Company

	2017 £'000	2016 £'000
Trade payables	**141**	100
Other taxation and social security costs	**50**	46
Other creditors	**61**	56
Accruals and deferred income	**178**	130
Total	**430**	332

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 56 days. For all suppliers, no interest is charged if the trade payable exceeds the credit period.

The carrying amount of all trade and other payables is a reasonable approximation of fair value.

Details of the intragroup payables can be found in Note 27.

13. FINANCIAL INSTRUMENTS

Categories of financial instruments

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Financial assets				
Loans and receivables	**3,412**	2,736	**6,122**	8,264
Financial liabilities recorded at amortised cost				
Trade and other payables	**1,257**	885	**868**	324

The Group's finance function provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages financial risk relating to the operations of the Group.

13. FINANCIAL INSTRUMENTS Continued

Net foreign currency monetary assets

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Euros	**1**	52	**—**	52
US Dollars	**24**	92	**24**	92

All of the Group and Companies financial instruments are considered to be held at an approximation to fair value.

Maturity of financial liabilities

Contractual undiscounted cash flows in respect of financial liabilities are as follows:

Group

2017	**0-60 days £'000**	**61 days - 6 months £'000**	**7 months - 1 year £'000**	**13 months - 2 years £'000**	**2-5 years £'000**	**Total £'000**
Trade and other payables	1,121	136	—	—	—	1,257
Total	1,121	136	—	—	—	1,257

2016	**0-60 days £'000**	**61 days - 6 months £'000**	**7 months - 1 year £'000**	**13 months - 2 years £'000**	**2-5 years £'000**	**Total £'000**
Trade and other payables	800	85	—	—	—	885
Total	800	85	—	—	—	885

Company

2017	**0-60 days £'000**	**61 days - 6 months £'000**	**7 months - 1 year £'000**	**13 months - 2 years £'000**	**2-5 years £'000**	**Total £'000**
Trade and other payables	814	54	—	—	—	868
Total	814	54	—	—	—	868

2016	**0-60 days £'000**	**61 days - 6 months £'000**	**7 months - 1 year £'000**	**13 months - 2 years £'000**	**2-5 years £'000**	**Total £'000**
Trade and other payables	300	24	—	—	—	324
Total	300	24	—	—	—	324

14. **OBLIGATIONS UNDER FINANCE LEASES**

There are no finance leases in the group or parent company.

15. **SHARE CAPITAL**

	2017 £'000	2016 £'000
Allotted, issued and fully paid: Ordinary shares of 5p each		
At January: 2,347,536 (2016: 2,347,536)	**117**	117
Issued in the year: Nil (2016: Nil)	**—**	—
Cancelled in the year: Nil (2016: Nil)	**—**	—
At 31 December: 2,347,536 (2016: 2,347,536)	**117**	117

All ordinary shares carry equal participation in assets, rights to dividends and voting power.

There were no transaction costs deducted directly from equity in 2017.

16a. **RESERVES AND ACCUMULATED PROFITS** Group

	Share premium account	**Capital redemption reserve**	**Share options reserve**	**Translation reserves**	**Profit & Loss Reserve**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Opening Balance as at 1 January 2017	**740**	**4**	**454**	**(85)**	**2,293**
Loss for the year					(232)
Share options charge/(credit) for the year			(235)		281
Balance at 31 December 2017	**740**	**4**	**219**	**(85)**	**2,342**

	Share premium account	**Capital redemption reserve**	**Share options reserve**	**Translation reserves**	**Profit & Loss Reserve**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Opening Balance as at 1 January 2016	**740**	**4**	**542**	**(85)**	**2,597**
Loss for the year					(499)
Share options charge/(credit) for the year			(88)		195
Balance at 31 December 2016	**740**	**4**	**454**	**(85)**	**2,293**

16b. **RESERVES AND ACCUMULATED PROFITS** Company

	Share premium account	Capital redemption reserve	Share options reserve	Profit & Loss Reserve
	£'000	**£'000**	**£'000**	**£'000**
Opening Balance as at 1 January 2017	**12**	**4**	**423**	**6,224**
Loss for the year				(988)
Share option charge/(credit) for the year			(214)	251
Balance at 31 December 2017	**12**	**4**	**209**	**5,487**

	Share premium account	Capital redemption reserve	Share options reserve	Profit & Loss Reserve
	£'000	**£'000**	**£'000**	**£'000**
Opening Balance as at 1 January 2016	**12**	**4**	**481**	**6,715**
Loss for the year				(639)
Share options charge/(credit) for the year			(58)	148
Balance at 31 December 2016	**12**	**4**	**423**	**6,224**

17. SHARE OPTIONS RESERVE

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Opening balance	**454**	542	**423**	481
Income and expenditure charge for the year in respect of the fair value of share based payments under share option awards	**46**	108	**37**	90
Expired and cancelled share options taken directly to reserves	**(281)**	(196)	**(251)**	(148)
Closing balance	**219**	454	**209**	423

Under International Financial Reporting Standard No. 2: Share Based Payments (IFRS 2) the fair value of share based payments are expensed in profit or loss throughout their vesting period.

Share option award schemes
The Group operates various equity-settled share option schemes (the "Schemes") for certain employees.

The awards outstanding can be summarised as follows:

	2017 Number of ordinary shares of £0.05	2016 Number of ordinary shares of £0.05
Scheme		
2017 Long Term Incentive Plan (2017 LTIP)	**306,176**	—
2014 EMI Share Option Plan (2014 EMI)	**—**	164,333
Stanelco plc 2005 Unapproved Share Option Plan and Stanelco plc Employment Benefit Trust (2005 USOP)	**68,314**	111,059
Total	**374,490**	275,392

Share Schemes
On 20 December 2017 the Company granted share options under a new Long Term Incentive Plan (2017 LTIP) which replaces the expired 2014 EMI share option scheme. To the maximum extent possible these share options have been issued as Enterprise Management Incentive (EMI) options.

The 2017 EMI share options are granted by the Board to employees of the Company and UK subsidiaries at an exercise price equal to the market price at the date of grant. The options have a four year vesting period with vestings commencing on 10 December 2018 and every six months thereafter. Vested shares must be exercised within five years from the date of grant. The 2005 USOP scheme provides for the grant of options to executives and employees and Trustees of the Biome Technologies plc Employment Benefit Trust. Options are granted at an exercise price based on market value on the date of grant. Options have a three year vesting period and can be exercised from the commencement of the third anniversary and expiring ten years from the date of grant. Performance conditions restrict the number of shares exercisable, further details can be found in the Director's remuneration report on page 21 of this Report.

17. **SHARE OPTIONS RESERVE** continued

	2005 USOP	EMI	2014 EMI	2017 LTIP
Balance outstanding at 1 January 2016	111,059	308	328,665	—
Granted	—	—	—	—
Lapsed	—	(308)	(164,332)	—
Balance outstanding at 31 December 2016	111,059	—	164,333	—
Exercise prices of options outstanding at the period end in the range	1,263p - 1,943p	—	165p	—
Weighted average exercise price of options outstanding at the year end	1,548p	—	165p	—
Weighted average contractual life in months of options outstanding at the year end	16	—	10	—
Exercisable at the year end	111,059	—	—	—
Weighted average exercise price of options currently exercisable at the year end	1,548p	—	—	—

	2005 USOP	EMI	2014 EMI	2017 LTIP
Balance outstanding at 1 January 2017	111,059	—	164,333	—
Granted	—	—	—	306,176
Lapsed	(42,745)	—	(164,333)	—
Balance outstanding at 31 December 2017	68,314	—	—	306,176
Exercise prices of options outstanding at the period end in the range	1,481p - 1,943p	—	—	215p
Weighted average exercise price of options outstanding at the year end	1,726p	—	—	215p
Weighted average contractual life in months of options outstanding at the year end	9	—	—	59
Exercisable at the year end	68,314	—	—	—
Weighted average exercise price of options currently exercisable at the year end	1,726p	—	—	—

17. **SHARE OPTIONS RESERVE** continued

The weighted average exercise prices of options granted, exercised and lapsed during the year in pence were:

Year ended 31 December 2016

pence (after share consolidation)	**2005 USOP**	**EMI**	**2014 EMI**	**2017 LTIP**
Options granted	—	—	—	—
Options lapsed	—	29,759p	165p	—

Year ended 31 December 2017

pence	**2005 USOP**	**EMI**	**2014 EMI**	**2017 LTIP**
Options granted	—	—	—	215p
Options lapsed	1,263p	—	165p	—

Outstanding share options by exercise price ranges	**2017**		2016	
	Total	**Exercisable**	Total	Exercisable
2005 USOP				
0p - 12,000p	**68,314**	**68,314**	111,059	111,059
Total	**68,314**	**68,314**	111,059	111,059
2014 EMI				
0p - 12,000p	**—**	**—**	164,333	—
Total	**—**	**—**	164,333	—
2017 LTIP				
0p - 12,000p	**306,176**	**—**	—	—
Total	**306,176**	**—**	—	—

18. **PROFIT AND LOSS ACCOUNT** Company

	2017	2016
	£'000	£'000
Opening balance	**6,224**	6,715
Transfer from share option reserve	**251**	148
Retained loss for the year	**(988)**	(639)
Closing balance	**5,487**	6,224

In accordance with the concession granted under Section 408 Companies Act 2006, the profit and loss account of the holding company has not been separately presented. The retained loss of the holding company for the year is £988,000 (2016: retained loss £639,000).

19. **CAPITAL COMMITMENTS**

The Group had no capital commitments at 31 December 2017 and 31 December 2016.

20. **COMMITMENTS UNDER OPERATING LEASES – LESSEE**

At 31 December the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	£'000	£'000
Land and buildings:		
Within one year	**50**	50
In the second to fifth years inclusive	**33**	83
After five years	**—**	—
Other operating leases:		
Within one year	**7**	12
In the second to fifth years inclusive	**15**	3
Total	**105**	148

None of the leases have any discounted periods or breakpoints within their remaining term.

21. **PENSION COMMITMENTS**

The Group makes contributions to personal pension plans schemes based on contractual terms. The contribution charge for the year was £76,000 (2016: £73,000).

22. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Group and Company's financial instruments arise directly from operations and include cash, trade receivables, trade payables, lease finance and equity. The use of these instruments exposes the Group and Company to risk relating to exchange rate, liquidity, interest rates and credit.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT Continued

Foreign currency exchange rate risk

Within the Group, Bioplastics sales are predominantly priced in USD whilst the cost of sales are predominantly in Euros creating exchange rate risk. RF Applications sales are predominantly quoted in Sterling. The bespoke nature of most RF Applications sales allow for adverse and beneficial exchange rate movements to be reflected in the quoted price. The Group does not enter into forward foreign currency contracts.

The total foreign exchange loss recognised for the year in 2017 was £33,000 (2016: gain £2,000), which comprised of the foreign exchange loss from trading.

Interest rate risk

Currently the Group and Company do not have any external Loans or external Floating Rate Borrowings. Exposure to interest rate fluctuations is primarily with interest received on its cash asset. An increase or decrease of 1 per cent in market interest rates would have a circa £18,000 effect on interest income during 2017. Trade receivable and payables do not ordinarily attract interest and are therefore subject to fair value interest rate risk.

The interest rate exposure of the financial assets and liabilities of the Group as at 31 December 2017 is shown in the table below. The table includes trade receivables and payables as these do not attract interest and are therefore subject to fair value interest rate risk.

Group

Interest rate	**Fixed £'000**	**Floating £'000**	**Zero £'000**	**Total £'000**
Financial assets				
Cash and cash equivalents	—	2,293	—	2,293
Trade and other receivables	—	—	1,119	1,119
Totals	**—**	**2,293**	**1,119**	**3,412**
Financial liabilities				
Trade and other payables	—	—	2,075	2,075
Lease finance	—	—	—	—
Promissory notes	—	—	—	—
Totals	**—**	**—**	**2,075**	**2,075**

Company

Interest rate	**Fixed £'000**	**Floating £'000**	**Zero £'000**	**Total £'000**
Financial assets				
Cash and cash equivalents	—	2,152	—	2,152
Trade and other receivables	—	3,904	66	3,970
Totals	—	6,056	66	6,122
Financial liabilities				
Trade and other payables	—	—	868	868
Totals	—	—	868	868

Liquidity risk

The Group and Company fund activities from existing cash resources. Liquidity is managed over the medium term with appropriate steps taken to ensure adequate cash is available to fund the Group and Company's activities.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT Continued

Credit risk

The Group and Company's principal financial assets are cash and trade receivables. The credit risk arising from the Group and Company's trade receivables is reduced through prescribing credit limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. Note 11 provides information regarding the effects of credit risk to the Group and Company. In addition the company has intercompany balances owed by its subsidiaries. The company continually monitors its subsidiaries performance to assess the recoverability of these intercompany balances.

23. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its Equity as capital. The Group has no external debt finance and hence gearing is not measured.

The Group manages its capital to ensure the entities in the Group are able to continue as going concerns whilst maximising the long-term return to stakeholders.

Equity comprises issued share capital, reserves and retained losses as disclosed in the consolidated statement of changes in equity.

The Group adheres to the capital maintenance requirements as set out in the Companies Act.

	2017	2016
	£'000	£'000
Total equity	**3,337**	3,523
Cash and cash equivalents	**2,293**	1,535

24. CONTRACTS IN WHICH DIRECTORS HAVE AN INTEREST

There are no contracts within which the directors have an interest.

25. CONTINGENT LIABILITIES

There are no contingent liabilities.

26. CONTROL

The Company's ordinary shares are publically traded on the Alternative Investment Market (AIM) of the London Stock Exchange. There is no single controlling party.

27. **RELATED PARTY TRANSACTIONS**

Details of share holdings in subsidiary companies are shown in note 9. Transactions between the Company and its subsidiary companies, which are related parties, have been eliminated on consolidation. The year end balances between the Company and its subsidiary companies are shown below:

	Amounts owed by related parties		Amounts owed of related parties	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Stanelco RF Technologies Limited	**1,571**	—	**—**	—
Ingel Technologies Limited	**—**	—	**—**	—
Biome Bioplastics Limited	**2,331**	4,910	**—**	—
Aquasol Limited	**—**	—	**(488)**	(38)
Stanelco Inc	**—**	—	**—**	—
Total	**3,902**	4,910	**(488)**	(38)

Included in the above are provisions against certain inter-company receivables as follows:

	2017	2016
	£'000	£'000
Stanelco RF Technologies Limited	**5,120**	8,120
Stanelco Inc	**—**	—
Biome Bioplastics Limited	**8,342**	5,342
Ingel Technologies Ltd	**39**	39
Total	**13,501**	13,501

Intergroup provisions	**2017**	2016
	£'000	£'000
Balance at the beginning of the year	**13,501**	13,634
Impact of foreign exchange movements	**—**	—
Impairment losses recognised/(reversed)	**—**	(133)
Amounts written off	**—**	—
Total	**13,501**	13,501

The balances are held at amortised cost. Impairment is assessed by calculating the present value of estimated future cashflows discounted at 12.25%.

Interest is charged from 1 January 2014 on net intercompany balances at 7.5% per annum unless the other company has available cash balances to settle the outstanding amount.

No collateral or guarantees are held for intergroup receivables and all are repayable on demand.

During the year to 31 December 2017 Biome Bioplastics Limited purchased equipment from Stanelco RF Technologies Limited for £50,000 (2016: nil). There was no other intergroup trading during the year ended 31 December 2017 or in the year ended 31 December 2016.

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