ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2019

BIOME
TECHNOLOGIES

It’s encouraging to see the Bioplastics division revenues grow at pace.

PAUL MINES | CEO

Officers and advisers

Board of Directors

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

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Chairman's statement

The Group's encouraging performance in 2019 was notable for the improvement in the prospects and performance of the Bioplastics division and the raising of £1.2m, net of costs, in new equity funds in October to support its anticipated further growth.

The Bioplastics division, driven by a variety of new product launches with both existing and new customers, increased reported revenues substantially. Encouragingly, the trajectory of demand for bioplastics in a number of markets inflected upwards significantly during the year. The underlying drivers of this change in demand are fundamental, being the development of a low carbon economy (in response to climate change) and the better management of plastic waste. Consumers and brands are changing their purchasing practices with regard to plastics and there are early signs of legislative response. The division entered 2020 with its strongest pipeline of customer positions and prospects and continues to move towards being the principal revenue generator within the Group.

As anticipated the Stanelco RF division returned to a more normalised revenue level after the exceptional demand levels experienced in 2018. The division's main source of income remains the supply of furnaces to the fibre optic cable market. Whilst it is clear that the medium-term prospects for this market are strong, driven by the demand for 5G telecoms and internet connectivity, in the short-term the Board believes that there will be over-capacity and subdued demand for the capital goods that the division manufactures.

The Group has been monitoring the impact of Covid-19 since the outbreak began and is caring for its staff and customers and adjusting its activities accordingly. Both divisions continue their operations with staff working from home wherever possible. The Stanelco RF division continues its manufacturing on a limited basis and, in particular, is providing service support to medical and energy sector customers in the UK. Manufacturing for the Bioplastics division continues in line with customer demand in both the USA and Europe with associated commercial and technical support provided remotely from the UK.

Demand in early 2020 for both divisions was as expected with a strong demand-pull from the bioplastics market. However, travel and operating constraints are having an increasing effect. At this time it is too early to predict with any confidence the likely overall impact that there may be on the business from Covid-19. Biome Technologies is a resilient business, bolstered by the additional cash raised in October 2019 to support its growth plan. The Group has a strong management team in place and has consistently demonstrated that it can adapt and respond quickly to changing market conditions.

The Board remains confident in its strategy and believes that the Group is well positioned to benefit from the growth of the global bioplastics market. Clearly, current conditions are evolving fast and the Group will provide further updates as the situation develops.

RESULTS

Group reported revenues totalled £7.4m (which includes government grant income of £0.4m (2018: £0.4m) recorded as other operating income) compared with £8.9m in 2018, which was in line with market expectations and reflects the significant increase in the Bioplastics division revenues and subdued demand in the Stanelco RF division. Gross margins at Group level (including government grant income) were 47% (2018: 54%), largely as a result of the change in mix of Group revenues towards the Bioplastics division.

The Group's loss before interest, taxation, depreciation, amortisation, and share option scheme charges ("EBITDA") was £0.5m (2018: EBITDA profit of £0.6m), which is in line with market expectations, with the Group also recording an operating loss of £1.0m (2018: operating profit of £0.1m). The loss after taxation was £0.9m (2018: profit after tax of £0.1m). The basic loss per share in 2019 was 35 pence (2018: earnings per share of 6 pence).

The Bioplastics division's reported revenues, inclusive of government grant income, increased substantially in the year to £3.4m (2018: £1.9m) as a result of strong demand for its existing products as well as sales of its newly launched products in the year. The division recorded a reduced EBITDA loss for the year of £0.3m (2018: EBITDA loss of £0.5m) as a result of the increased revenue levels with some of this benefit being offset by increased spend on research and development on novel biotechnology-based materials (supported by government grants). The resultant operating loss also reduced to £0.6m (2018: loss of £0.8m).

The Stanelco RF division's revenues were £4.0m (2018: £7.0m) as revenues reduced from the exceptionally high level of demand for fibre optic furnaces in 2018. This division recorded an EBITDA profit for the year of £1.2m (2018: £2.7m). Operating profit also reduced, reflecting the lower revenue levels, to £1.1m (2018: £2.6m).

The Group's cash balances at 31 December 2019 were £2.1m (31 December 2018: £2.6m). Working capital levels increased year on year as the Bioplastics division's revenues increased requiring additional stocks as well as increased receivables balances. Within the Stanelco RF division there was a working capital outflow as a result of the unwinding of customer deposits from the previous year during the first quarter of 2019.

The Group successfully raised £1.2m of equity, net of costs, during the year to support the growth, and increased working capital requirements, in the Bioplastics division. Capitalised investment in product development was £0.3m (2018: £0.3m).

MARKETS

The Bioplastics division continues to see increasing demand, predominantly in overseas markets, in the conversion of end products from traditional petro-chemical based persistent materials to bio-based and biodegradable alternatives. Whilst the price differential between the two options remains, adoption will continue to be driven by markets which have the clearest consumer focus, such as single use packaging. It should be noted that the division is seeing the greatest adoption of its products in the US although increasing demand is also appearing across Europe and the UK. As such markets grow, metrics to better dimension them are emerging with indications that a number of the main markets have doubled over the last 12-18 months. The division continues to focus its efforts on supplying solutions to specific customer requirements rather than the larger, but lower margin, volume market. Varied short-term impacts from the Covid-19 crisis are emerging. Enhanced demand is being seen from the division's long standing customers serving the on-line food and drink market (particularly coffee). Reduced demand is apparent from those serving the restaurant sector and those in the early stages of new product deployment. Robust revenue growth is anticipated to continue in this division in the medium term.

The Stanelco RF division's principal products and revenues are derived from the production and maintenance of furnaces for the manufacture of fibre optical cable. During 2018 there was an exceptional level of capacity expansion by the division's customers resulting in the previously announced exceptional revenue levels in that year. 2019 saw a return to a more normalised level of furnaces delivered. Market intelligence currently indicates that there is over capacity in the fibre optic cable market and therefore it is anticipated that the number of fibre optic furnaces sold in 2020 will reduce further. Whilst an upturn in fibre optic cable demand had been envisaged for the end of 2020 into 2021, this is likely to be delayed given current global circumstances. The division is also continuing to explore other markets which can utilise its expertise in induction heating.

The Group is also monitoring the potential downside associated with the UK not concluding a trade arrangement with the European Union at the end of this year. However, this is not deemed to be a significant risk for the Group as the majority of the Bioplastics products that are sourced within the European Union are either sold locally into the continental European market or exported directly to the North American market. Within the Stanelco RF division, its products are generally bespoke with a lead time of over a month and therefore tariffs or customs delays can be incorporated into the sales contract.

STRATEGY

The Group's strategy is to build a leading position in its chosen markets. Products have been developed in both divisions which are focussed closely on customer requirements and where the Group feels it has commercial and technical edge. Development work is focussed on areas where it is believed that there is the potential for us to be the supplier of choice and where the Group can achieve satisfactory returns.

The Group has just completed its second year of the three covered by high-level Key Performance Indicators (KPIs) that the Board adopted for the period 2018 to the end of 2020. These KPIs were set with attainment at the end of a three-year horizon being as important as year by year performance.

The KPI's status as at the end of year two is:

- KPI: Compound Group reported revenue growth (including government grant income) of 25% per annum across the Group and 40% compound reported revenue growth in the Bioplastics division.

  In 2019 neither the Group or the Bioplastics division met this target although the Bioplastics division exceeded this level of growth within the year.

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

  Good progress towards achieving this KPI has been made. In 2019 only two customers had more than 15% of Group reported revenues, one in each of the Bioplastics and Stanelco RF divisions, with each accounting for approximately 17% of Group revenues.

- KPI: 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.

  The Group met this target in 2019 with £1.0m spent in the year of which £0.4m was spent on developing its near-term product pipeline plus an additional £0.6m on its medium-term Industrial Biotechnology programme (funded in part by £0.4m of government grants).

Given the impact of the Covid-19 virus, the Board will reset the KPI time horizon to a four-year period (rather than the current three years) which will cover the period to the end of 2021. Future reporting will be adjusted accordingly.

BIOME BIOPLASTICS

The Bioplastics division had a very encouraging year with a mixture of strong demand for its existing product line plus new product launches resulting in reported revenues increasing by 81% year on year (including government grant income).

The increase in reported revenues has come from a number of new market opportunities mainly in the US market. The projects commercialising in the year have included the rigid ring to complete the coffee pod offering plus a biodegradable pod for the nutrition market. Revenues have also increased within both the UK and Europe although this is relatively minor compared to the increase in revenues to the US.

The division's medium-term research activities in Industrial Biotechnology continued in the year focussing on the development of a new range of performance polymers with properties which are expected to improve the existing generation of products. This work, which is supported by government grants, is based on the use of advanced Industrial Biotechnology techniques to form polymers from waste bi-products. Two of the government grant-backed projects successfully concluded in the year and further grants are being sought to continue this work. These polymers are subject to patent applications.

STANELCO RF TECHNOLOGY

The Stanelco RF division saw a predicted lower level of activity from the exceptional year it had in 2018. The excess capacity in the fibre optic cable market is taking longer than anticipated to unwind as growth has faltered, and therefore a lower level of demand for the division's fibre optic furnaces is expected to continue into 2020. It should be noted, however, that the division still remained cash positive.

The Stanelco RF division remains committed to a strategy to sell products that complement its expertise outside the furnace market and a number of other end use markets are being explored to diversify away from the cyclical fibre optic furnace market.

BOARD AND PERSONNEL CHANGES

As announced in January 2020, Declan Brown, Group Finance Director, has decided to step down from the Board and leave the Company at the end of April to pursue a new challenge. He has helped the Company enormously over the last six years, particularly in setting in place the foundations for the Bioplastics business. The Board wishes him well.

David Hughes will join the business as a non-main Board Interim Finance Director in mid-April. David is a chartered accountant who qualified with KPMG. He spent his early career as a CFO in large corporates such as Simon Engineering, ABB, Calor Gas both in the UK and internationally. He has spent the last 15 years as CFO/COO in a variety of PE-backed businesses including specific experience in both the engineering and biotechnology sectors. The Board looks forward to his contribution.

Also, during the year, Sally Morley, previously Commercial Director for the Bioplastics division, was promoted to Managing Director of the division. This promotion has been combined with the strengthening of the Bioplastics team as it looks to service the current, and anticipated growth curve of the business.

OUTLOOK

It is apparent to the Board that Covid-19, with the resultant restrictive social and travel practices and associated economic impact is having an impact on the operations of the Group. It is too early at this stage to be confident in trying to make any accurate overall forecasts of the impact that Covid-19 will have, for example, on employees, customers or growth. However, we will do our utmost to keep shareholders abreast of developments and any unanticipated further impact on the Group.

We are implementing a number of measures to reduce the Group's costs and manage its cash-flow in this period. These include a voluntary 20% reduction in base salary for the Executive Directors and Non-Executive Directors for a period of three months from 1 May 2020, use of the UK Government's "furlough scheme" and curtailment of any discretionary operational and capital expenditure. These and other potential actions are being reviewed on a regular basis. Consideration is also being given to other relevant UK Government business support schemes.

We believe that the Bioplastics division is in a strong growth phase, with the many market opportunities we have already forecast to grow this year in the food and beverage sector, and with new opportunities continuing to emerge. We are focussed on taking best advantage of these opportunities although there may be supply chain disruption as well as potential impact in demand for these products in the forthcoming period. In contrast, the Stanelco RF division will be more adversely impacted than the Bioplastics division. The large Stanelco RF customers are based in China and India and reference has already been made to the slowdown in these territories and the overcapacity in the optical fibre market. We believe Covid-19 will further delay any upturn in orders for Stanelco RF's furnaces. We have adjusted our expectations for the Group accordingly.

Given the lead times to which the Company's divisions operate, the impact of Covid-19 on Biome during the first quarter of the financial year was limited, with trading in the quarter in line with management's expectations at the time of the Group's trading update on 30 January 2020. A full trading update for the first quarter will be made on 22 April 2020, in line with Company's usual reporting timetable.

We will continue to work our cash resources to maximise our ability to overcome the challenges posed by Covid-19 and deliver good medium-term growth for shareholders.

John Standen
Chairman

15 April 2020

Strategic Report

Biome Technologies plc is a growth orientated, commercially driven technology group. Its strategy is founded on building market-leading positions based on patented technology and serving international customers in the biodegradable plastics and radio frequency heating sectors. We have 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 directors consider its shareholders, employees, customers and suppliers as its key stakeholders and the divisional analysis below outlines the strategies that have been adopted to promote the success of the Group and to meet its objectives.

BIOME BIOPLASTICS DIVISION

Reported revenues in the Bioplastics division (inclusive of government grant income of £0.4m (2018: £0.4m) recorded as within other operating income) increased to £3.4m (2018: £1.9m). This increase in reported revenues, relating to existing products as well as new product launches, reflects the increased activity and enquiry levels that currently exist both in the Bioplastics division and also the wider market. Staffing levels were adjusted accordingly to accommodate this increased activity, which is anticipated to maintain its upward trajectory over the coming years. The net effect of the increase in revenues was to decrease the division's operating loss to £0.6m (2018: loss of £0.8m).

MARKETS

Plastic waste has remained a key topic for the environment both in the UK and overseas. Whilst public opinion in the UK has continued to focus on this area there is still a continuing debate as to how to combat this problem. As such the UK market remains a smaller part of the Bioplastics division's short-term focus with the more immediate sales opportunities and growth being in the US market.

Cost and functionality will remain key hurdles over the wide spread adoption of bioplastics over petro-chemical plastics. Current adoption is therefore driven by consumer pull, and their willingness to pay a premium for biodegradability/compostability, or government legislation. To overcome these hurdles the Bioplastics division focuses on areas of the market where there is a high technical performance requirement, the cost of the biomaterial is a small fraction of the end product price, and where there is a consumer willingness to convert to a biodegradable material.

Research and development within the Bioplastics division is therefore focussed on these three areas and in particular targeted towards customer requirements for a biodegradable solution. The commercial lifecycle of our products can be categorised in the following stages of the 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 and 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 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 requirement for the product and a willingness to pay a premium for the environmental attributes. During 2019, the development team commercialised three new products, including the rigid ring for the coffee pod offering and also a pod for the nutritional supplements market. Initial sales of these products commenced during 2019 and it is anticipated that sales in these products will grow throughout 2020.

The Bioplastics division also continued its work in medium term Industrial Biotechnology research into the transformation of lignocellulose (often sourced from 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 has the potential to transform the demand for bioplastics. This development work is supported by a number of research grants with research expenditure, both in terms of headcount and other sub-contracting and materials costs, increased in the year as two of the projects reach their conclusion and work is transferred from the universities. Patent applications have been made to support the materials and technology under development.

STANELCO RF TECHNOLOGIES DIVISION

The Stanelco RF division 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 is also exploring other markets where its expertise in induction heating can be utilised. Total revenues in 2019 of £4.0m were lower than the prior year (2018: £7.0m) due to the previously reported exceptional demand experienced in the prior year. Operating profit for the period was £1.1m (2018: £2.6m).

The business currently focuses on four key revenue streams:

OPTICAL FIBRE FURNACE SYSTEMS

The Stanelco RF division is a world leader in the design and manufacture of induction furnace systems used in the manufacture and processing of silica glass "preforms" to produce optical fibre. Each system is bespoke to customers' exact requirements. There is currently a reported imbalance in the global demand for optical fibre compared to the installed capacity base. Whilst this overcapacity is expected to reverse in the medium term the Group anticipates that there will be a lower level of demand for fibre optic furnaces in 2020.

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.

INDUCTION HEATING EQUIPMENT

The division sells bespoke induction heating equipment into other market sectors. Whilst this is a small part of the division's sales it is a strategic aim to increase the equipment offering of the division into other markets.

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 or mitigate all of these risks.

COVID-19

The potential impact of this virus is evolving. The Group operates on a global level and is exposed to potential restrictions in the supply of raw materials, lower customer demand, and production ceasing due to either travel restrictions or employees being infected by the virus. This would have consequential implications to the Group results and its cash balances.

Whilst it is impossible to plan for every possible scenario the Group has looked to protect the effectiveness of its workforce by minimising, where possible, the interaction of members of teams performing similar tasks, remote working and restricting travel.

The Group also has a flexible overhead base which will enable it to adapt and flex operations as this highly uncertain event across the globe unfolds.

BREXIT

There still remains a risk that the UK will leave the European Union without a 'deal' or with less than optimal arrangements in place, which could lead to short term turmoil and uncertainty in the ability to import and export goods between the UK and European Union and uncertainty as to the rights of employees within the Group who originate from the European Union.

The majority of the Bioplastics products that are produced in the European Union are sold either locally into the continental European market or exported directly to the US market. Deliveries of these goods are not therefore transported through the UK and therefore import and export delays are not considered a significant risk for the division.

The Stanelco RF division focusses on bespoke equipment which is designed to the customers' specification. These items have a lead time of over a month and therefore there is the ability to incorporate increased time required to export to the European Union if required.

The Group employs a number of European Union nationals and is providing assistance to them in applying to the EU Settlement Scheme in order to secure their employment eligibility and rights post the UK's exit from the European Union.

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 the medium term impact of any adverse exchange rate movements, the Group will look to move production and match the currency of its input costs with those of the contractual selling price thereby reducing the currency movement risk to the gross margin of the product.

The Group's products and manufacturing processes utilise a number of raw materials and other commodities. In particular the Bioplastics division requires a few, key raw materials to manufacture its biodegradable polymer resins. There are very few suppliers of these key raw materials and with the current increased demand for biodegradable products there is a risk that the division may not be able to purchase the required volumes of materials to meet customer demand or that prices may be increased at short notice. To try and mitigate this risk the division is seeking to validate new materials coming onto the market which may be used in substitution.

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) such 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, either through price or technical performance, 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 rather than offering "off the shelf" solutions.

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:

- Research and Development phase – the development of the products may prove not to be technically feasible or do not exactly match the perceived customer need
- Initial 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. Impairment testing of the capitalised costs is performed twice a year with any impaired capitalised costs 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, then this could have a significant impact on the Group's results.

The Group works closely with its customers with the aim of ensuring that its products evolve in line with their requirements. In addition, the Group is continually seeking to add to its customer base and, as its revenues grow, seeks to become less dependent on any single customer.

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 or demand for these key products exceeding supply then this could have a significant impact on the Group's ability to fulfil its orders and achieve its strategic aims.

The Group is constantly testing and seeking alternative suppliers of raw materials to reduce its reliance on a small number of key suppliers.

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.

	2019 £'m	2018 £'m	Growth
LIKE-FOR-LIKE COMPARISONS			
Revenues			
Biome Bioplastics			
– Revenues	3.0	1.5	
– Grant income (Other operating income)	0.4	0.4	
	3.4	1.9	81%
Stanelco RF	4.0	7.0	(43%)
Reported Group revenues	**7.4**	**8.9**	**(16%)**
EBITDA			
Biome Bioplastics	(0.3)	(0.5)	
Stanelco RF	1.2	2.7	
Central costs	(1.4)	(1.6)	
Reported EBITDA	**(0.5)**	**0.6**	
Less depreciation, amortisation and equity share option charges:			
Biome Bioplastics	(0.3)	(0.3)	
Stanelco RF	(0.1)	(0.1)	
Central costs	(0.1)	(0.1)	
	(0.5)	(0.5)	
(Loss)/profit from Operations			
Biome Bioplastics	(0.6)	(0.8)	
RF Technologies	1.1	2.6	
Central Costs	(1.5)	(1.7)	
Like for Like Operating Profit/(loss)	**(1.0)**	**0.1**	
Non-current assets	1.5	1.1	
Inventories	0.6	1.0	
Trade and other receivables	1.9	0.9	
Cash	2.1	2.6	
Trade and other payables	(1.5)	(1.8)	
Long term lease commitments	(0.4)	—	
Net assets	**4.2**	**3.8**	

REVENUES

Reported Group revenues, including grant income included as other operating income, decreased in the year to £7.4m from £8.9m due to the return to a more normalised level of Stanelco RF revenues which have almost been offset by significant increases in revenues within the Bioplastics division.

A reclassification has been made to both 2019 and the 2018 prior year comparative in the consolidated income statement to move government grant income from revenues to other operating income. This is purely to present the classification of this income in accordance with the requirements of IAS 20 (Accounting for Government Grants).

EBITDA

Reported EBITDA for the year was a loss of £0.5m (2018: profit of £0.6m). This reduction in EBITDA is a direct result of the lower revenues in the Stanelco RF division. This has been slightly offset by increases in revenues in the Bioplastics division as well as reduced overhead costs.

OPERATING PROFITS/(LOSSES)

The Group recorded an operating loss for the year of £1.0m compared to an operating profit of £0.1m in the prior year.

Administrative costs across the Group in 2019 were £4.5m (2018: £4.7m). When the non-cash effects of depreciation, amortisation and equity settled share option charges are removed, the cash administrative expenses in 2019 decreased to £4.0m compared to prior year (2018: £4.2m). This decrease in expenses is mainly attributable to a decrease within the Stanelco RF division, as costs were scaled back as a result of the lower activity levels, and also lower incentive scheme costs within central costs. These cost savings were partially offset by an increase in spend in the grant backed Industrial Biotechnology research work.

The Group also adopted IFRS 16, the new accounting standard for leases using the modified retrospective approach. After a review of the lease obligations the Group concluded that only two car leases required opening adjustments. No other opening adjustments were required as all the other leases had either less than twelve months to expiry or were of low value. The Group has, however, signed a new property lease on 11 March 2020 which has been back dated to the expiry of the old lease on 11 October 2019 and this lease has been brought onto the statement of financial position as at the year end as a right-of-use asset. The total value of right-of-use assets brought onto the statement of financial position in the year amounted to £0.5m with a corresponding lease liability recorded also.

Investment in product research and development was £1.1m in the year (2018: £0.9m), which includes the research work in the grant backed Industrial Biotechnology, of which £0.3m (2018: £0.3m) was capitalised in the year. Tax R&D claims resulted in a credit being received in the year of £0.1m (2018: credit of £0.1m).

The Group recorded a loss after tax for the year of £0.9m (2018: profit after tax of £0.1m), giving a basic loss per share of 35p (2018: earnings per share of 6p).

STATEMENT OF FINANCIAL POSITION

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

As at 31 December 2019, there was £0.9m of capitalised development costs (2018: £0.9m) within the Group's statement of financial position, of which £0.5m 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

	2019 £'m	2018 £'m
Cashflow		
(Loss)/profit from operations	(1.0)	0.1
Adjustment for non-cash items	0.5	0.6
Movement in working capital	(1.1)	—
Cash (utilised)/generated by operations	**(1.6)**	**0.7**
Investment activities	(0.3)	(0.4)
R&D Tax credit	0.2	—
Financing activities	1.2	
Net (decrease)/increase in cash	**(0.5)**	**0.3**
Opening cash balance	2.6	2.3
Closing cash balance	**2.1**	**2.6**

The cash utilised from operations, before working capital movements, was £0.5m (2018: cash generation of £0.7m) mainly reflecting the decrease in performance within the Stanelco RF division compared to the prior year. Working capital movements reflected the increases in working capital required in the Bioplastics division as its revenues increased significantly as well as the unwind of customer deposits in place for the Stanelco RF division at the beginning of the year. As a result, the cash utilised by operations during 2019 was £1.6m (2018: cash generated £0.7m).

Investment in the year in capitalised product development and capex (excluding the effect of IFRS 16) was £0.3m (2018: £0.4m). The effect of the adoption of IFRS 16 (Leases) resulted in the new property lease for the main building being brought onto the statement of financial position as at 31 December 2019. This also had the effect of increasing capex and the resultant liability in financing activities by £0.5m. Also included in financing activities for 2019 was the placement of new shares in the Company raising £1.2m net of costs. R&D tax credits received in 2019 and were £0.2m (2018: nil).

The resultant closing cash position was £2.1m (2018: £2.6m).

GOING CONCERN

The Directors have prepared forecasts for the period of 12 months following the approval of the accounts, which have been drawn up with appropriate regard for the current macroeconomic environment, including the current Covid-19 situation, the impact of Brexit at the end of the year, and the circumstances in which the Group operates. These were prepared with reference to the forward order book, prospects and repeat business within the Stanelco RF division, and the existing base business and anticipated increased volume from new products within the Bioplastics division. In particular the directors have put considerable focus on the potential impacts that the evolving Covid-19 situation may have on the Group's operations and performance, including potential delays to projected orders, product development, supply chain, operational capacity, and access to further development capital.

As mentioned in the Chairman's Statement the Board believes that the Covid-19 situation will have a more severe impact on the Stanelco RF division than that of the Bioplastics division. A number of scenarios have been modelled which assume limited sales for a three-month and six-month period as well as reverse stress testing using a worse case scenario where there are no sales for a protracted period running into quarter one of 2021. Our use of three months as one of the scenarios uses the experience of China, now experiencing a return to near normality following a twelve week period and also six months based on a continuation of the current situation, the Group's exposure to international markets and a longer timeframe before a return to normality. These scenarios have been combined with various cost cutting measures, including use of the government furlough scheme, to mitigate some of these downsides. Whilst there are multiple uncertainties associated with the evolving Covid-19 situation in determining the appropriateness of the going concern assumption the directors believe that, given the flexibility in the overhead base, the Group's cash resources should be sufficient to operate for a period of twelve months from the date of approval of the accounts. The Group successfully raised £1.2m net of expenses in October 2019 and as at 14 April 2020 has cash balances of £1.7m.

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

By order of the Board.

Paul Mines
Chief Executive Officer

15 April 2020

Directors' report

The directors present their Annual Report and the audited Financial Statements of Biome Technologies plc for the year ended 31 December 2019.

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 8 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 44. The directors do not recommend payment of a dividend (2018: 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 7.

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 £1.1m (2018: £0.9m), of which £0.3m (2018: £0.3m) 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 Directors have prepared forecasts for the period of 12 months following the approval of the accounts, which have been drawn up with appropriate regard for the current macroeconomic environment, including the current Covid-19 situation, the impact of Brexit at the end of the year, and the circumstances in which the Group operates. These were prepared with reference to the forward order book, prospects and repeat business within the Stanelco RF division, and the existing base business and anticipated increased volume from new products within the Bioplastics division. In particular the directors have put considerable focus on the potential impacts that the evolving Covid-19 situation may have on the Group's operations and performance, including potential delays to projected orders, product development, supply chain, operational capacity, and access to further development capital.

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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 2019.

	Ordinary shares of 5p each	
	Percentage	**Number**
VA Pereira	21.46	600,689
JM Rushton-Turner	13.03	365,717

SHARE CAPITAL AND CONTROL

The issued share capital of the Company 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 2019, 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 2019	Ordinary shares of £0.05 each 31 December 2018
John F Standen (Chairman)	**58,336**	53,336
Paul R Mines (Chief Executive)	**31,525**	26,525
Declan L Brown (Group Finance Director)	**3,970**	3,970
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 25 to 28. 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, Michael Kayser retires by rotation and offers himself for re-election.

LIABILITY INSURANCE FOR DIRECTORS AND OFFICERS

The Company has purchased insurance to cover the directors and officers of Biome Technologies plc and its subsidiaries against defence costs and civil damages awarded following an action brought against them in their personal capacity whilst carrying out their professional duties for the Group.

BOARD OF DIRECTORS

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.

CORPORATE GOVERNANCE
The corporate governance report on pages 19 to 24 forms part of the Directors' report.

FUTURE DEVELOPMENTS
The future developments of the Group are disclosed in the Outlook section on page 5 of the Chairman's Statement.

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

15 April 2020

Corporate governance report

The Group is committed to business integrity, high ethical values and professionalism in all its activities. The Board is accountable to the Company's shareholders for good governance and this statement, which forms part of the Directors' report on pages 15 to 18, and the Directors' remuneration report describes how the principles of good governance are applied within the Company. The Directors' have chosen to adopt the Quoted Companies Alliance Corporate Governance Code 2018 (the 'QCA Code'). The section below sets out the ways in which the Group applies the ten principles of the QCA Code in support of the Group's medium to long term success.

1. **Establish a strategy and business model which promote long term value for shareholders**
   The business model and strategy is explained within the Chairman's Statement on pages 3 to 6. In addition, page 4 of the Chairman's Statement detail the three main KPIs which the Group has adopted over the period 2018 to 2020 to enable its medium-term strategy to be fulfilled. The key risks and challenges to the Group and how the Board seeks to address these are detailed in pages 8 to 10 of the Strategic Report.

2. **Seek to understand and meet shareholder needs and expectations**
   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, the AGM, and information on the 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. 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.

3. **Take into account wider stakeholder and social responsibilities and their implications for long-term success**
   The Group is committed to the sustainability of its success. Key stakeholders are identified by the Directors as its customers, suppliers, employees and the environment. Where issues are raised by any of these stakeholders these are discussed and acted upon by the senior management team.

4. **Embed effective risk management, considering both opportunities and threats, throughout the organisation**
   The main risks to the Group are disclosed in the Strategic Report on pages 8 to 10. Significant risks are discussed in Board meetings with a risk register set up which is reviewed by senior management. The risk register and the effectiveness of the Company's risk management is also reviewed during the Audit Committee meetings.

5 **Maintain the board as a well-functioning, balanced team led by the chair**
   Full details of the Board, including an assessment of the independence of the non-executive directors, and its sub-committees are provided in pages 20 to 24. The Chief Executive and Group Finance Director work full time. The Chairman and the Senior Independent Director contribute approximately 8 days per month and 2 days per month respectively but this can vary from time to time.

6. **Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**
   The Board invites senior managers to attend its Board meetings at various times during the year to provide a different perspective and enable challenging discussions on the progress of the Company.

   Certain details of the directors and their relevant experience, skills and personal qualities and capabilities can be found within the Directors' Report on page 17. Training needs are assessed on an ad-hoc basis as the need arises.

7. **Evaluate board performance on clear relevant objectives, seeking continuous improvement**
   The Board carries out an annual, internal evaluation of its performance. This covers the effectiveness of the Board as a whole, its individual members, and its committees. Given the size of the Company's Board the Directors have best determined that Board and director effectiveness is best assessed by each individual director, plus senior managers that have attended Board meetings, contacting the Chairman individually to summarise areas that have worked well and areas for improvement. These individual responses are summarised by the Chairman and feedback given including any suggestions for change. The annual evaluation of the Chairman is run by the Senior Independent Non-executive Director using the same process. The process ran during 2019 did not reveal any substantive issues. This appraisal process has evolved over the last couple of years away from a prescribed questionnaire and the Board believes this now gives a more relevant evaluation process.

8. **Promote a corporate culture that is based on ethical values and behaviours**
   The Group is committed to business integrity, high ethical values and professionalism in all of its activities. As an essential part of this commitment the Group supports the highest standards in corporate governance. The Directors' Report on page 15 details the environmental and social responsibility policies of the Group. The key risks and challenges to the Group are detailed on pages 8 to 10 of the Strategic Report.

   All employees have an induction on commencing their employment with the Group. This includes the ethical standards that the employee is expected to maintain and compliance with all applicable laws and regulations. A whistleblowing policy is also in place for employees to report serious matters of concern.

9. **Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**
   Details of the Company's governance structure are detailed within this section of the Annual Report. In addition, full terms of reference of the Company's remuneration nomination, and audit committees and their terms of reference can be found on the Company's website. The board continually monitors its governance and will evolve this in line with best practise as appropriate.

10. **Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**
    The Company encourages two-way communication with its shareholders. Regular dialogue is had with the Group's major shareholders as well as the AGM being used for any shareholder to attend and raise questions. A report is given at each Board meeting of correspondence that any Director has had with a shareholder.

    Thought is regularly given and action taken, for the development of new and more effective ways of improving our dialogue with shareholders. This is particularly applicable to the Company's website and to direct shareholder contact.

    The Company communicates how it is governed and is performing through its annual report and accounts and regulatory announcements. The results of voting on all resolutions in future general meetings are announced via RNS, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent shareholders.

THE BOARD

Throughout 2019, 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 considered that JF Standen's shareholding and participation in the Long Term Incentive Plan and MA Kayser's shareholdings in the Company to be too small to affect their independence.

BOARD PROCEDURES

The Board met formally on 11 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 2019.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
J F Standen	11	2	3	—
P R Mines	11	*	*	*
D L Brown	11	*	*	*
M A Kayser	11	2	3	—
Number of meetings in the year	11	2	3	—

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

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 25 to 28.

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 partner's 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. 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

As a company listed on the Alternative Investment Market (AIM), the Company is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations"), nor is it required to comply with the principles relating to directors' remuneration in the UK Corporate Governance Code 2016 (the "Code"). This report has not been audited.

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 three times during the year to 31 December 2019. 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 28.

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' AWARDS UNDER THE 2017 LONG TERM INCENTIVE PLAN

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

As at 31 December 2019, 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 23 and 24.

As at 31 December 2019, the following options, from the total award above, have vested and become available for exercise under the rules of the scheme:

	Options vested and available for exercise	Exercise price per share
Paul R Mines	82,961	215 pence
Declan L Brown	38,715	215 pence

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. No payout, under this scheme, was made in 2019.

The company's share price on 31 December 2019 was 280.0p (31 December 2018: 515.0p) and traded during the year at prices between 680.0p and 280.0p (2018: 760.0p and 200.0p).

DIRECTORS' REMUNERATION DURING THE YEAR

	Year ended 31 December 2019						Year ended 31-Dec 2018 Total
	Base salary/fees	**Bonuses**	**Car allowances**	**Benefits in kind**	**Other**	**Total**	
	£	**£**	**£**	**£**	**£**	**£**	£
Paul R Mines[1][2]	**205,333**	**—**	**9,600**	**3,733**	**18,043**	**236,709**	327,568
Declan L Brown[2]	**144,167**	**—**	**9,600**	**1,834**	**—**	**155,601**	220,009
John F Standen	**60,667**	**—**	**—**	**—**	**—**	**60,667**	83,556
Michael A Kayser	**27,667**	**—**	**—**	**—**	**—**	**27,667**	26,583
Total	**437,834**	**—**	**19,200**	**5,567**	**18,043**	**480,644**	657,716

(1) other payments of £18,043 relate to remuneration paid in lieu of pension contributions.

(2) the prior year figure included bonus accruals for Paul R Mines and Declan L Brown of £100,000 and £70,250 respectively. These accruals were subsequently converted to share options on 30 January 2020 over 26,666 ordinary shares for Paul R Mines and 18,733 ordinary shares for Declan L Brown. These share options have an exercise price per share of 5 pence.

The Company made contributions to individual pension schemes as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Paul R Mines	**—**	—
Declan L Brown	**14,417**	13,830
	14,417	13,830

By Order of the Board

Michael A Kayser
Chairman of the Remuneration Committee

15 April 2020

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

15 April 2020

Report of the Independent auditor

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

Opinion

Our opinion on the 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 2019, which comprise the Principal accounting policies, 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 statements of cash flows and notes to the financial statements. 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 and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group associated with these particular events.

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

Overview of our audit approach

- Overall materiality: £90,000, which represents approximately 1.2% of the group's revenue at the planning stage of the audit.
- Key audit matters were identified as revenue recognition and impairment of other intangible assets.
- We performed full scope audit procedures on the financial statements of Biome Technologies plc and on the financial information of Biome Bioplastics Limited, Stanelco RF Technologies Limited and Aquasol Limited, and analytical procedures on the remaining component.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) 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 Matter – Group	How the matter was addressed in the audit – Group
Revenue recognition – production of furnaces Revenue of £6,957,000 has been recognised by the group in the year ended 31 December 2019, arising substantially from the sale of goods and the production of furnaces. There is a risk of incorrect revenue recognition, arising from estimates made by management in respect of the stage of completion of the furnaces. Revenue may not be recognised in accordance with IFRS 15 'Revenue from Contracts with Customers'. We therefore identified revenue recognition in respect of revenue arising from the production of furnaces 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: – assessing the group's revenue recognition policy against the financial reporting framework, including IFRS 15, and checking management's assessment of IFRS 15 by comparing to underlying contracts; – performing controls testing on a sample of sales items recognised during the year and supplementing the controls test with a further substantive test by agreeing certain items to customer payments; and – testing cut off by selecting sales invoices around the year end and checking whether the revenue was recognised in the correct period. The group's accounting policy on revenue, including its recognition, is shown on page 37 to the financial statements and related disclosures are included in notes 1 and 2. **Key observations** Based on the results of our audit testing, we did not identify any materially incorrect revenue recognition for revenue from production of furnaces.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Impairment of other intangible assets The directors are required to assess if any indicators of impairment exist under International Accounting Standard (IAS) 36 'Impairment of Assets'. The Group is loss making and some of the capitalised development costs, with a carrying value of £883,000, are not yet ready for use. The process for assessing whether impairment exists under IAS 36 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 impairment of intangible assets 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: – assessment of costs capitalised during the year against the recognition criteria in IAS 38 'Intangible Assets'; – challenging management's assessment of impairment indicators relating to other intangible assets by considering the future sales pipeline and the technical feasibility to complete the projects; – obtaining management's impairment assessment, checking the arithmetical accuracy of the discounted cash flow calculations, and performing sensitivity analyses on those calculations; – testing the assumptions utilised in the impairment models, including growth rates, discount rates and terminal values based upon historical performance of the entity, expected future earnings and external market data; and – testing the reasonableness 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, if any. The group's accounting policy on impairment of other intangible assets is shown on page 39 and related disclosures are included in note 6. **Key observations** – Our sensitivity analysis indicated that management's impairment assessment was not highly sensitive to changes in assumptions. – Based upon the results of our audit testing, we found that the assumptions used by management in arriving at the value in use of other intangible assets were reasonable. We found no mathematical errors in the calculations. – We concur with management's assessment that other intangible assets are not materially impaired.

We did not identify any key audit matters in relation to the audit of the financial statements of the parent company.

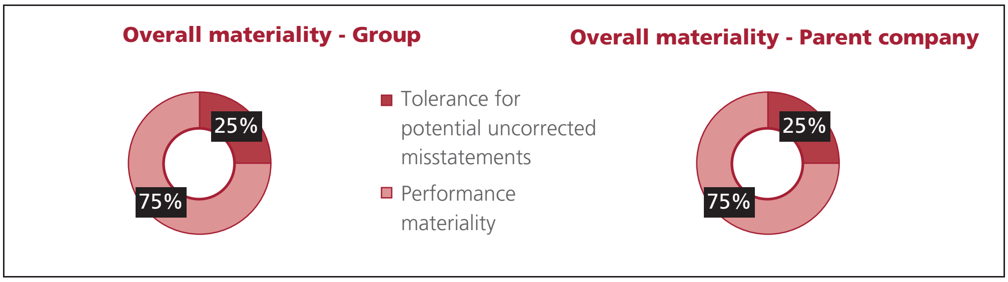
Our application of materiality

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 Company
Financial statements as a whole	£90,000, which represents approximately 1.2% of the Group's revenue at the planning stage of the audit. This benchmark is considered the most appropriate because it is the primary driver of the compound revenue growth KPI and is monitored by management. Materiality for the current year is lower than the level we determined for the year ended 31 December 2018 to reflect the decrease in revenue for the current year and the decrease in the measurement percentage from 1.5% last year to 1.2% this year.	£79,000, which represents 2% of the parent company's total assets, capped at 88% of group materiality for group audit purposes. This benchmark is considered the most appropriate because the company is a holding company without revenue. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2018 to reflect the capping at the lower group materiality this 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	£4,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£3,950 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

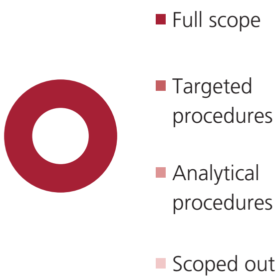
Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Evaluating the group's internal control environment and documenting internal control relevant to the audit.
- Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. We assessed this by determining the component's significance for a number of key benchmarks, such as total assets, revenues and profit before taxation.
- We performed a full scope audit of the financial statements of the parent company and of the financial information of Biome Bioplastics Limited, Stanelco RF Technologies Limited and Aquasol Limited. For full-scope approach, we evaluated controls over the financial reporting systems identified as part of our risk assessment, reviewed the accounts production process and

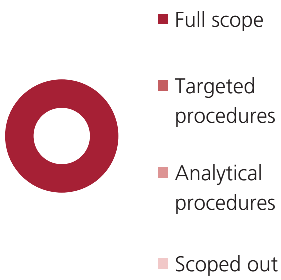
addressed critical accounting matters. We then undertook substantive testing on significant transactions and material account balances.

- For group audit purposes, the financial information of InGel Technologies Limited was subjected to analytical review procedures at group level.
- The operations that were subject to full-scope audit procedures made up 100% of consolidated revenue and 100% of consolidated total assets.

Revenues



Total assets



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, 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 in 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 statement of directors' responsibilities set out on page 29, 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 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.

Use of our report
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.

Norman Armstrong BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton
15 April 2020

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 2019.

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 15 to 18.

GOING CONCERN

The Directors have prepared forecasts for the period of 12 months following the approval of the accounts, which have been drawn up with appropriate regard for the current macroeconomic environment, including the current Covid-19 situation, the impact of Brexit at the end of the year, and the circumstances in which the Group operates. These were prepared with reference to the forward order book, prospects and repeat business within the Stanelco RF division, and the existing base business and anticipated increased volume from new products within the Bioplastics division. In particular the directors have put considerable focus on the potential impacts that the evolving Covid-19 situation may have on the Group's operations and performance, including potential delays to projected orders, product development, supply chain, operational capacity, and access to further development capital.

As mentioned in the Chairman's Statement the Board believes that the Covid-19 situation will have a more severe impact on the Stanelco RF division than that of the Bioplastics division. A number of scenarios have been modelled which assume limited sales for a three-month and six-month period as well as reverse stress testing using a worse case scenario where there are no sales for a protracted period running into quarter one of 2021. Our use of three months as one of the scenarios uses the experience of China, now experiencing a return to near normality following a twelve week period and also six months based on a continuation of the current situation, the Group's exposure to international markets and a longer timeframe before a return to normality. These scenarios have been combined with various cost cutting measures, including use of the government furlough scheme, to mitigate some of these downsides. Whilst there are multiple uncertainties associated with the evolving Covid-19 situation in determining the appropriateness of the going concern assumption the directors believe that, given the flexibility in the overhead base, the Group's cash resources should be sufficient to operate for a period of twelve months from the date of approval of the accounts. The Group successfully raised £1.2m net of expenses in October 2019 and as at 14 April 2020 has cash balances of £1.7m.

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.

ADOPTION OF NEW AND REVISED STANDARDS

In 2019 the Group has adopted new guidance of IFRS 16 for the recognition of lease contracts (see Leased Assets on page 39). This guidance was applied using a 'Modified retrospective application' which means there is no restatement of the comparative period but there will be an opening adjustment to retained earnings as at 1 January 2019 to account for a right-of-use asset and lease liability. In addition the Group applied the exemptions allowed for short term leases of less than one year duration from 1 January 2019 and also the exemptions allowed for low value assets.

As of 31 December 2019, the following standards and interpretations are in issue but not effective for accounting periods commencing on 1 January 2019:

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (amendments regarding the definition of material)

The Group does not intend to apply this pronouncement early.

BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2019. Subsidiaries are entities over which the Group has control. Control comprises an investor having power over the investee and who 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 2019 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 8 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 arises mainly from the sale of biodegradable plastic resins within the Bioplastics division, and the sale of radio frequency equipment systems, spares and service work within the Stanelco RF division.

To determine whether to recognise revenue, the Group follows a five step process:

- Identifying the contract with the customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligations are satisfied

Revenue is recognised either at a point in time or, in the case of some equipment sales within the Stanelco RF division, over time as the Group satisfies performance obligations by transferring the promised good or services.

Sale of goods

Revenues from the sales of biodegradable plastic resins within the Bioplastics Division and sales of spares within the Stanelco RF division are recognised at a point in time when the goods are dispatched. Revenues from equipment sales within the Stanelco RF division are assessed on a contract by contract basis to assess whether revenue is recognised at a point in time or over time. When concluding that the contract allows revenue over time an assessment is made as to whether the Group could enforce payment recognising the work completed at any given point should the contract be terminated.

Rendering of services

The Stanelco RF division is involved in servicing and maintenance in relation to the equipment described above. Revenues associated with this activity are recognised at a point in time when the service or maintenance work has been completed.

Rental income

The Group ceased sub-letting part of its office space in 2018 and therefore no rental income was received in 2019.

Commissions

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

Commission 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 2019 is entirely based upon information provided by the third party and no estimates were required.

GRANTS

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

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.

DIVIDENDS

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

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
The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as a 'contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets the following evaluations:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments, including inflation adjustments to rent reviews for property leases, and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables (split between obligations becoming payable within one year and after one year).

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. The Group has adopted the simplified model for trade receivables allowable under IFRS 9 "Financial Instruments".

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.

The Group has a relatively small number of customers and therefore the assessment of impairment of trade receivables is done on a customer by customer basis based on historical impairments and also cash collection history.

An assessment for impairment is undertaken at least at each date of the 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 nominal 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 statement of financial position 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 recognised using the expected loss model under IFRS 9, the financial reporting standard for financial instruments.

Going concern

The Group has been monitoring the potential impact of Covid-19 since the outbreak began. However, given the continually evolving nature of this situation, it is too early to predict with any certainty what the full impact, and timing, this will have on the Group. A number of scenarios have been modelled which assume limited sales for a three-month and six-month period as well as a more severe case scenario whereby there are no sales for a more protracted period. These scenarios have been combined with various cost cutting measures, including the use of the government furlough scheme, to mitigate some of the downsides. On this basis the directors have determined that it is appropriate to adopt the going concern basis in the preparation of the financial statements. However, there are multiple uncertainties in how long the Covid-19 situation will last and therefore the outcome may be inconsistent with assumptions that have been reasonable to use at this time.

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. The current carrying value of investments in the Company is £558,000.

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 existing trials and launches within the Bioplastics Division.

An assessment 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. The current carrying value of intangible assets in the Group is £883,000. The useful economic life of intangible assets is estimated at five years and amortised to zero over this period.

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 Total £'000	2018 Total Restated* £'000
REVENUE	1a-1e, 2	**6,957**	**8,459**
Cost of sales	9	**(3,933)**	**(4,042)**
GROSS PROFIT		**3,024**	**4,417**
Other operating income		**436**	**391**
Administrative expenses	3a-3b, 4	**(4,480)**	**(4,745)**
(LOSS)/PROFIT FROM OPERATIONS		**(1,020)**	**63**
Investment income		**6**	**4**
Finance charges		**(9)**	**—**
Foreign exchange gain/(loss)		**—**	**17**
(LOSS)/PROFIT BEFORE TAXATION		**(1,023)**	**84**
Taxation	5a	**146**	**59**
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(877)**	**143**
Basic (loss)/earnings per share – pence		**(35)**	**6**
Diluted (loss)/earnings per share – pence		**(35)**	**5**

*See note 1a.

The calculation of earnings per share is based on the loss attributable to the equity holders of the parent for the year of £877,000 (2018: profit of £143,000) and a weighted average of 2,472,038 (2018: 2,357,986) ordinary shares in issue for basic earnings per share and a weighted average of 2,472,038 (2018: 2,782,194) ordinary shares in issue for diluted earnings per share.

Details of share options which could potentially dilute basic earnings per share in future periods are given in Note 16.

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

Consolidated statement of financial position

AS AT 31 DECEMBER 2019

	Note	2019 £'000	2019 £'000	2018 Restated* £'000	2018 Restated* £'000
NON-CURRENT ASSETS					
Other intangible assets	6	**883**		918	
Property, plant and equipment	7a	**653**		185	
			1,536		1,103
CURRENT ASSETS					
Inventories	9	**555**		955	
Trade and other receivables	10a	**1,885**		873	
Cash and cash equivalents		**2,126**		2,614	
			4,566		4,442
TOTAL ASSETS			**6,102**		5,545
CURRENT LIABILITIES					
Trade and other payables	11a	**1,381**		1,792	
Lease liabilities	13	**76**		—	
			1,457		1,792
NON-CURRENT LIABILITIES					
Lease liabilities	13	**438**		—	
			438		—
TOTAL LIABILITIES			**1,895**		1,792
NET ASSETS			**4,207**		3,753

*See note 1a.

AS AT 31 DECEMBER 2019

	Note	**2019** £'000	2018 Restated* £'000
EQUITY			
Share capital	14	**140**	118
Share premium account	15a	**1,250**	77
Capital redemption reserve	15a	**4**	4
Share options reserve	15a, 16	**377**	316
Translation reserves	15a	**(85)**	(85)
Retained profits/(losses)	15a	**2,521**	3,323
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AND TOTAL EQUITY		**4,207**	3,753

*See note 1a.

The financial statements were approved by the Board and authorised for issue on 15 April 2020.

Signed on behalf of the Board of Directors

Paul R Mines **(Chief Executive)**

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

15 April 2020

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

Company registration No: 01873702 (England and Wales)

Company statement of financial position

AS AT 31 DECEMBER 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
NON-CURRENT ASSETS					
Property, plant and equipment	7b	**519**		22	
Investments	8	**558**		558	
			1,077		580
CURRENT ASSETS					
Trade and other receivables	10b	**116**		132	
Amounts owed by subsidiary undertakings	26	**2,725**		2,198	
Cash and cash equivalents		**2,103**		2,600	
			4,944		4,930
TOTAL ASSETS			**6,021**		5,510
CURRENT LIABILITIES					
Trade and other payables	11b	**454**		485	
Amounts due to subsidiary undertakings	26	**488**		488	
Lease liabilities	13	**76**		—	
			1,018		973
NON-CURRENT LIABILITIES					
Lease Liabilities	13	**438**		—	
			438		—
TOTAL LIABILITIES			**1,456**		973
NET ASSETS			**4,565**		4,537

AS AT 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
EQUITY			
Share capital	14	**140**	118
Share premium account	15b	**1,250**	77
Capital redemption reserve	15b	**4**	4
Share options reserve	15b, 16	**268**	246
Retained profits/(losses)	15b	**2,903**	4,092
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**4,565**	4,537

The financial statements were approved by the Board and authorised for issue on 15 April 2020.

Signed on behalf of the Board of Directors

Paul R Mines **(Chief Executive)**

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

15 April 2020

Company registration No: 01873702 (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 2019

	Share capital	Share premium account	Capital redemption reserve	Share options reserve	Translation reserves	Retained earnings	TOTAL EQUITY
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	118	77	4	316	(85)	3,323	3,753
Share options issued in share based payments	—	—	—	136	—	—	136
Issue of share capital	22	1,173	—	—	—	—	1,195
Cancellation of expired options	—	—	—	(75)	—	75	—
Transaction with owners	22	1,173	—	61	—	75	1,331
Loss for the year	—	—	—	—	—	(877)	(877)
Total comprehensive income for the year	—	—	—	—	—	(877)	(877)
Balance at 31 December 2019	140	1,250	4	377	(85)	2,521	4,207
Balance at 1 January 2018*	117	12	4	219	(85)	3,070	3,337
Share options issued in share based payments	—	—	—	218	—	—	218
Issue of share capital	1	54	—	—	—	—	55
Exercise of share options	—	11	—	(11)	—	—	—
Cancellation of expired options	—	—	—	(110)	—	110	—
Transaction with owners	1	65	—	97	—	110	273
Profit for the year	—	—	—	—	—	143	143
Total comprehensive income for the year	—	—	—	—	—	143	143
Balance at 31 December 2018*	118	77	4	316	(85)	3,323	3,753

* Restated see note 1a.

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

Company statement of changes in equity

AS AT 31 DECEMBER 2019

	Share capital	Share premium	Capital redemption reserve	Share options reserve	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	118	77	4	246	4,092	4,537
Share options issued in Share based payments	—	—	—	97	—	97
Issue of share capital	22	1,173	—	—	—	1,195
Cancellation of expired options	—	—	—	(75)	75	—
Transaction with owners	22	1,173	—	22	75	1,292
Loss for the year	—	—	—	—	(1,264)	(1,264)
Total comprehensive income for the year	—	—	—	—	(1,264)	(1,264)
Balance at 31 December 2019	140	1,250	4	268	2,903	4,565
Balance at 1 January 2018	117	12	4	209	5,487	5,829
Share options issued in Share based payments	—	—	—	158	—	158
Issue of share capital	1	54	—	—	—	55
Exercise of share options	—	11	—	(11)	—	—
Cancellation of expired options	—	—	—	(110)	110	—
Transaction with owners	1	65	—	37	110	213
Loss for the year	—	—	—	—	(1,505)	(1,505)
Total comprehensive income for the year	—	—	—	—	(1,505)	(1,505)
Balance at 31 December 2018	118	77	4	246	4,092	4,537

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

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	£'000	£'000
(Loss)/profit after tax	**(877)**	143
Adjustment for:-		
Taxation	**(146)**	(59)
Foreign exchange loss/(gain)	**—**	(17)
Finance charges	**9**	—
Investment income	**(6)**	(4)
Profit/(loss) from operations	**(1,020)**	63
Adjustment for:-		
Amortisation and impairment of intangible assets	**317**	290
Depreciation of property, plant and equipment	**77**	57
Share based payments – equity settled	**136**	218
Foreign exchange (loss)/gain	**9**	16
Operating cash flows before movement in working capital	**(481)**	644
Decrease/(increase) in inventories	**400**	(158)
Decrease/(increase) in receivables	**(1,087)**	521
(Decrease)/increase in payables	**(405)**	(277)
Cash generated/(utilised) in operations	**(1,573)**	730
Corporate tax received	**205**	—
Interest paid	**(2)**	—
Net cash inflow from operating activities	**(1,370)**	730
Investing activities		
Interest received	**6**	4
Investment in intangible assets	**(282)**	(293)
Purchase of property, plant and equipment	**(27)**	(120)
Net cash used in investing activities	**(303)**	(409)
Financing activities		
Proceeds of issue of ordinary share capital	**1,300**	—
Costs of issue of ordinary share capital	**(104)**	—
Repayment of obligations under leasing activities	**(11)**	—
Net cash from financing activities	**1,185**	—
Net increase/(decrease) in cash and cash equivalents	**(488)**	321
Cash and cash equivalents at the beginning of the year	**2,614**	2,293
Cash and cash equivalents at end of year	**2,126**	2,614

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

Company statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	£'000	£'000
Loss after tax	**(1,264)**	(1,505)
Adjustment for:-		
Foreign exchange loss/(gain)	**—**	(9)
Finance charges	**9**	—
Investment income	**(218)**	(232)
Loss from operations	**(1,473)**	(1,746)
Adjustment for:-		
Depreciation of property, plant and equipment	**29**	4
Share based payments – equity settled	**97**	158
Foreign exchange (loss)/gain	**(2)**	9
Operating cash flows before movement in working capital	**(1,349)**	(1,575)
Decrease/(increase) in receivables	**(297)**	1,927
(Increase)/decrease in payables	**(32)**	110
Cash generated/(utilised) by operations	**(1,678)**	462
Tax received	**—**	—
Interest paid	**(1)**	—
Net cash inflow from operating activities	**(1,679)**	462
Investing activities		
Interest received	**5**	4
Purchase of property, plant and equipment	**(8)**	(18)
Net cash used in investing activities	**(3)**	(14)
Financing activities		
Proceeds of issue of ordinary share capital	**1,300**	—
Costs of issue of ordinary share capital	**(104)**	—
Repayment of obligations under leasing activities	**(11)**	—
Net cash from financing activities	**1,185**	—
Increase/(decrease) in cash and cash equivalents	**(497)**	448
Cash and cash equivalents at beginning of year	**2,600**	2,152
Cash and cash equivalents at end of year	**2,103**	2,600

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

1a. **PRIOR YEAR ADJUSTMENTS**

A prior year adjustment has been made, relating to the reclassification of £0.4m of grant income from revenue to other operating income in the consolidated statement of comprehensive income. This is purely to correct the classification of this income in accordance with the requirements of IAS 20 (Accounting for Government Grants). This reclassification has no impact on the consolidated profit of the Group for the year ended 31 December 2018.

In addition, a further reclassification has been made in the consolidated statement of financial position to resolve a historical difference with the subsidiary InGel Technologies Limited's share premium account of £0.7m being included within the Group's share premium figure. This balance is being reclassified to retained profits within the consolidated statement of financial position. Again, this adjustment has no impact on the profit of the Group for the year ended 31 December 2018.

Consolidated statement of comprehensive income for the year ended 31 December 2018

	As reported	Reclassification of grant income and share premium	Restated
	£'000	£'000	£'000
Revenue	8,850	(391)	8,459
Gross profit	4,808	(391)	4,417
Other operating income	—	391	391
Profit from operations	63	—	63
Loss before taxation	84	—	84
Loss after taxation	143	—	143

Consolidated statement of financial position as at 31 December 2018

	As reported	Reclassification of grant income and share premium	Restated
	£'000	£'000	£'000
Equity			
Share capital	118	—	118
Share premium account	805	(728)	77
Capital redemption reserve	4	—	4
Share options reserve	316	—	316
Translations reserve	(85)	—	(85)
Retained profits	2,595	728	3,323
Equity attributable to equity holders of the parent and total equity	**3,753**	—	**3,753**

There is no change to the previously reported consolidated statement of cash flows.

1b. SEGMENTAL INFORMATION BY BUSINESS ACTIVITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Bioplastics 2019 £'000	RF Technologies 2019 £'000	Central Costs 2019 £'000	Total 2019 £'000
Revenue				
External sales	**2,991**	**3,966**	**—**	**6,957**
Depreciation/amortisation	(327)	(38)	(29)	(394)
Share based payments	(17)	(22)	(97)	(136)
(LOSS)/PROFIT FROM CONTINUING OPERATIONS	**(597)**	**1,081**	**(1,504)**	**(1,020)**
Interest received				6
Finance charges				(9)
Foreign exchange loss				—
LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS				**(1,023)**
Taxation				146
LOSS FOR THE YEAR				**(877)**
CAPITAL EXPENDITURE				
Property, plant and equipment	17	2	8	**27**
Intangible assets	282	—	—	**282**
TOTAL ASSETS	2,292	1,073	2,737	**6,102**

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 chief operating decision makers for each division are the executive directors and the divisional managing directors.

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.

1c. SEGMENTAL INFORMATION BY GEOGRAPHICAL REGION FOR THE YEAR ENDED 31 DECEMBER 2019

	Non-current assets 2019 £'000	Total assets 2019 £'000	Tangible assets Capital expenditure 2019 £'000	Intangible assets Capital expenditure 2019 £'000
UK	1,536	6,102	27	282
	1,536	**6,102**	**27**	**282**

	Revenue 2019 £'000
US	1,600
UK	1,404
Italy	1,231
Canada	875
Germany	629
India	481
China	365
Pakistan	162
Other	210
	6,957

1d. SEGMENTAL INFORMATION BY BUSINESS ACTIVITY FOR THE YEAR ENDED 31 DECEMBER 2018 RESTATED

	Bioplastics 2018 £'000	RF Technologies 2018 £'000	Central Costs 2018 £'000	Total 2018 £'000
Revenue from external customers	**1,499**	**6,960**	**—**	**8,459**
Depreciation/amortisation	(297)	(46)	(4)	(347)
Share based payments	(27)	(33)	(158)	(218)
(LOSS)/PROFIT FROM CONTINUING OPERATIONS	**(792)**	**2,601**	**(1,746)**	**63**
Investment revenue				4
Finance charges				—
Foreign exchange gain				17
PROFIT BEFORE TAXATION FROM CONTINUING ACTIVITIES				**84**
Taxation				59
PROFIT FOR THE YEAR				**143**
CAPITAL EXPENDITURE				
Property, plant and equipment	72	30	18	**120**
Intangible assets	293	—	—	**293**
TOTAL ASSETS	1,846	945	2,754	**5,545**

1e. SEGMENTAL INFORMATION BY GEOGRAPHICAL REGION FOR THE YEAR ENDED 31 DECEMBER 2018 RESTATED

	Non-current assets 2018 £'000	Total assets 2018 £'000	Tangible assets Capital expenditure 2018 £'000	Intangible assets Capital expenditure 2018 £'000
UK	1,103	5,545	120	293
	1,103	**5,545**	**120**	**293**

	Revenue 2018 £'000
China	2,604
UK	1,549
Germany	1,429
US	1,303
India	1,221
South Africa	164
Other	189
	8,459

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

The Group had four customers (2018: four customers) who accounted for more than 10% of Group revenues, two in the Bioplastics division with revenues of £2.0m (2018: none) and two in the RF division with revenues of £2.2m (2018: four with revenues of £5.4m). Combined these revenues were £4.2m (2018: £5.4m)

2. REVENUE

	2019 £'000	2018 Restated £'000
Sales of goods	**6,706**	8,228
Sales of services	**188**	210
Commissions	**63**	21
	6,957	8,459

The Group's revenue disaggregated by pattern of revenue recognition is as follows.

		2019 £'000	2018 Restated £'000
Point in time	Sales of goods	**3,505**	2,207
	Sales of services	**188**	210
	Commissions	**63**	21
		3,756	2,438
Over time	Sales of goods	**3,201**	6,021
		6,957	8,459

3a. ADMINISTRATIVE EXPENSES

	2019 £'000	2018 £'000
Administrative expenses include:		
Depreciation, amortisation and impairment:		
Other intangible assets, owned	**317**	290
Property, plant and equipment, owned	**77**	57
Hire of plant and machinery	**4**	5
Short term leases	**63**	60
Short term lease income	**—**	(8)
Share based payments – equity settled	**136**	218
Share based payments – cash settled	**(11)**	25
Bad debt provision	**(2)**	2

3b. AUDITORS' REMUNERATION

	2019 Grant Thornton UK LLP £'000	2018 Grant Thornton UK LLP £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	**32**	25
Fees payable to the company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	**23**	18
Audit related assurance services	**6**	11
Tax compliance services	**12**	8
Tax advisory services	**4**	—
Total charged to consolidated statement of comprehensive income	**77**	62

3c. RECONCILIATION TO PERFORMANCE MEASURES

The Group refers to "Reported Revenues" and "EBITDA" (defined as earnings before interest, taxation, depreciation, amortisation and share option charges) in the Chairman's Statement and Strategic Report as part of its review of performance measures. These are reconciled to the financial statements as per the below:

Group Reported Revenues

	2019 £'000	2018 £'000
Revenues per consolidated statement of comprehensive income	**6,957**	8,459
Other operating income	**436**	391
Reported revenues	**7,393**	8,850

EBITDA

	2019 £'000	2018 £'000
Operating (loss)/profit per consolidated statement of comprehensive income	**(1,020)**	63
Amortisation	**317**	290
Depreciation	**77**	57
Share option charges – equity settled	**136**	218
EBITDA	**(490)**	628

4. DIRECTORS AND EMPLOYEES

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

	Group		Company	
	2019	2018	**2019**	2018
	Number	Number	**Number**	Number
Management	**7**	7	**6**	6
Administration	**3**	3	**2**	2
Sales	**7**	6	**—**	—
Manufacturing, engineering and technical	**25**	21	**—**	—
	42	37	**8**	8
	£'000	£'000	**£'000**	£'000
Staff costs:				
Wages and salaries	**2,112**	2,077	**629**	805
Social security costs	**242**	244	**77**	102
Pension costs – personal pension contribution	**99**	80	**21**	21
	2,453	2,401	**727**	928
Directors' remuneration				
Short term employment benefits	**536**	738	**536**	738
Post employment benefits	**14**	14	**14**	14
	550	752	**550**	752

Of the above gross payroll costs £116,688 (2018: £86,040) has been capitalised as an intangible development cost.

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 charge of £96,450 (2018: £157,714)

5a. TAXATION

Analysis of charge in year	Group	
	2019	2018
	£'000	£'000
Current income tax		
Current income credit/charge	—	—
Adjustments in respect of prior periods:	(146)	(59)
Total current income tax (note 5b)	(146)	(59)
UK Corporation tax	(146)	(59)
Overseas corporation tax	—	—
Total consolidated corporation tax credit	(146)	(59)

The above tax credit relates to the research and development tax credit.

5b. TAXATION

Factors affecting the total tax charge for year	Group	
	2019	2018
	£'000	£'000
Profit/(loss) on ordinary activities before taxation	**(1,020)**	84
Tax thereon at UK statutory income tax rate 19% (2018: 19%)	**(194)**	16
Expenses not deductible for tax purposes	**91**	36
Additional deduction for research and development expenditure	**1**	56
Other short term temporary differences	**10**	4
Unrelieved tax losses and other deductions	**272**	—
Utilisation of tax losses	**(180)**	(112)
Adjustment in respect of prior periods	**(146)**	(59)
Total UK corporation tax	**(146)**	(59)
Overseas corporation tax	**—**	—
Tax credit for the year	**(146)**	(59)

The Group has estimated trading losses of £29.0m (2018: £28.5m) available indefinitely for carry forward against future trading profits. The Company has estimated trading losses of £18.8m (2018: £17.7m) available indefinitely for carry forward against future trading profits. The Group had capital losses of £1.5m (2018: £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.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill relating to Aquasol £'000	Other intangible assets £'000	Total £'000
Group			
Cost:			
At 1 January 2018	1,991	4,477	6,468
Additions	—	293	293
At 1 January 2019	1,991	4,770	6,761
Additions	—	282	282
At 31 December 2019	**1,991**	**5,052**	**7,043**
Accumulated amortisation and impairment:			
At 1 January 2018	1,991	3,562	5,553
Provided in the year - charge for the year	—	290	290
At 1 January 2019	1,991	3,852	5,843
Provided in the year - charge for the year	—	317	317
At 31 December 2019	**1,991**	**4,169**	**6,160**
Net book value:			
At 31 December 2019	**—**	**883**	**883**
At 31 December 2018	**—**	**918**	**918**

Other Intangible Assets comprise £883,000 (2018: £918,000) of capitalised development costs. The remaining amortisation period on the £883,000 of other intangible assets at 31 December 2019 is a weighted average of 3.4 years (2018: 3.5 years).

Of the £883,000 of capitalised development costs, £881,000 relates to Bioplastics and £2,000 to RF Technologies.

7a. **PROPERTY, PLANT AND EQUIPMENT** Group

	Land, buildings and leasehold improvements	Motor vehicles	Plant and equipment	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2018	198	—	645	216	1,059
Additions	2	—	98	20	120
Disposals	—	—	—	—	—
At 1 January 2019	200	—	743	236	1,179
Additions	493	25	24	3	545
Disposals	—	—	—	—	—
At 31 December 2019	693	25	767	239	1,724
Depreciation:					
At 1 January 2018	172	—	570	195	937
Provided in the year	13	—	32	12	57
Disposals	—	—	—	—	—
At 1 January 2019	185	—	602	207	994
Provided in the year	21	12	33	11	77
Disposals	—	—	—	—	—
At 31 December 2019	206	12	635	218	1,071
Net book value:					
31 December 2019	**487**	**13**	**132**	**21**	**653**
Net book value:					
31 December 2018	15	—	141	29	185

The Group entered into a new lease for its main building effective 12 October 2019. Under the provisions of IFRS 16 this lease is included as an addition within the above 'Land, buildings and leasehold improvements' as a right-to-use asset for £421,000. Included within the depreciation charge for the year is an amount of £9,000 associated with this asset.

The Group also adopted the modified retrospective approach for its motor vehicle leases which resulted in an addition to motor vehicles, as above, as a right-to-use asset for £24,000. Included within the depreciation charge for the year is an amount of £12,000 associated with those assets.

7b. **PROPERTY, PLANT AND EQUIPMENT** Company

	Land, buildings and leasehold improvements	Motor vehicles	Plant and equipment	Fixtures fittings and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2018	25	—	45	2	72
Additions	—	—	13	5	18
Disposals	—	—	—	—	—
At 1 January 2019	25	—	58	7	90
Additions	493	25	7	1	526
Disposals	—	—	—	—	—
At 31 December 2019	518	25	65	8	616
Depreciation:					
At 1 January 2018	25	—	38	1	64
Charge for year	—	—	4	—	4
Disposals	—	—	—	—	—
At 1 January 2019	25	—	42	1	68
Charge for year	10	12	6	1	29
Disposals	—	—	—	—	—
At 31 December 2019	35	12	48	2	97
Net book value:					
At 31 December 2019	483	13	17	6	519
At 31 December 2018	—	—	16	6	22

The Company entered into a new lease for its main building effective 12 October 2019. Under the provisions of IFRS 16 this lease is included as an addition within the above 'Land, buildings and leasehold improvements' as a right-to-use asset for £421,000. Included within the depreciation charge for the year is an amount of £9,000 associated with this asset.

The Company also adopted the modified retrospective approach for its motor vehicle leases which resulted in an addition to motor vehicles, as above, as a right-to-use asset for £24,000. Included within the depreciation charge for the year is an amount of £12,000 associated with these assets.

8. INVESTMENTS

	Total
	£'000
Investments Company	
Cost:	
31 December 2018	2,750
31 December 2019	2,750
Diminution in value:	
31 December 2018	2,192
31 December 2019	2,192
Net book value at 31 December 2019	**558**
Net book value at 31 December 2018	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 2019, 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 is a dormant company.

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).

9. INVENTORIES

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Raw materials and consumables	**342**	296	**—**	—
Work in progress	**21**	317	**—**	—
Finished goods and goods for resale	**192**	342	**—**	—
Total	**555**	955	**—**	—

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 £3,923,000 (2018: £3,850,000).

10a. TRADE AND OTHER RECEIVABLES Group

	2019	2018
	£'000	£'000
Trade receivables	**1,417**	267
Other receivables	**249**	206
Prepayments and accrued income	**219**	400
Total	**1,885**	873

An allowance has been made for estimated irrecoverable amounts from the sale of goods of £20,000 (2018: £22,000). 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 55 days.

Ageing of past due but not impaired receivables is as follows

	2019	2018
	£'000	£'000
60 - 90 days past due	**274**	3
90 - 120 past due	**5**	13
120 + past due	**56**	7
Total	**335**	23

10a. **TRADE AND OTHER RECEIVABLES** Group continued

Movement in allowance for doubtful debts:

	2019 £'000	2018 £'000
Balance at the beginning of the period	**22**	23
Exchange differences	**—**	—
Amounts recovered	**(2)**	(3)
Amounts written off as uncollectible	**—**	—
Impairment losses recognised	**—**	2
Total	**20**	22

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:

	2019 £'000	2018 £'000
0 - 30 days	**—**	—
120 + days	**20**	22
Total	**20**	22

10b. **TRADE AND OTHER RECEIVABLES** Company

	2019 £'000	2018 £'000
Trade receivables	**—**	—
Other receivables	**62**	64
Prepayments and accrued income	**54**	68
Total	**116**	132

Details of the intragroup receivables can be found in Note 26.

11a. TRADE AND OTHER PAYABLES Group

	2019 £'000	2018 £'000
Trade payables	**531**	581
Other taxation and social security costs	**65**	82
Other creditors	**44**	60
Accruals and deferred income	**741**	1,069
Total	**1,381**	1,792

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 39 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.

11b. TRADE AND OTHER PAYABLES Company

	2019 £'000	2018 £'000
Trade payables	**40**	50
Other taxation and social security costs	**65**	82
Other creditors	**44**	61
Accruals and deferred income	**305**	292
Total	**454**	485

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. 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 26.

12. FINANCIAL INSTRUMENTS

Categories of financial instruments

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Financial assets				
Loans and receivables	**3,791**	3,088	**4,890**	4,904
Financial liabilities recorded at amortised cost				
Trade and other payables	**1,205**	1,290	**876**	892
Lease liabilities	**514**	—	**514**	—

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.

12. FINANCIAL INSTRUMENTS Continued

Net foreign currency monetary assets

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Euros	**4**	8	**—**	—
US Dollars	**229**	1	**229**	1

All of the Group and Company's 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

2019	**0-60 days £'000**	**61 days - 6 months £'000**	**7 months - 1 year £'000**	**13 months - 2 years £'000**	**2-5 years £'000**	**5-10 years £'000**	**Total £'000**
Trade and other payables	1,205	—	—	—	—	—	1,205
Lease liabilities	29	26	22	37	128	272	514
Total	1,234	26	22	37	128	272	1,719

2018	**0-60 days £'000**	**61 days - 6 months £'000**	**7 months - 1 year £'000**	**13 months - 2 years £'000**	**2-5 years £'000**	**5-10 years £'000**	**Total £'000**
Trade and other payables	998	292	—	—	—	—	1,290
Total	998	292	—	—	—	—	1,290

Company

2019	**0-60 days £'000**	**61 days - 6 months £'000**	**7 months - 1 year £'000**	**13 months - 2 years £'000**	**2-5 years £'000**	**5-10 years £'000**	**Total £'000**
Trade and other payables	876	—	—	—	—	—	876
Lease liabilities	29	26	22	37	128	272	514
Total	905	26	22	37	128	272	1,390

2018	**0-60 days £'000**	**61 days - 6 months £'000**	**7 months - 1 year £'000**	**13 months - 2 years £'000**	**2-5 years £'000**	**5-10 years £'000**	**Total £'000**
Trade and other payables	698	194	—	—	—	—	892
Total	698	194	—	—	—	—	892

13. **OBLIGATIONS UNDER LEASES**

The Group leases its main building with the previous lease expiring on 11 October 2019 and a new lease coming into effect on 12 October 2019. The Group has applied the exemption for the previous lease, as its expiry was less than twelve months from the adoption date of IFRS 16, and not reflected this on the statement of financial position as a right-of-use asset. In addition, the Group has applied the modified retrospective approach for car leases and not restated the prior year. The new lease for the building has been reflected on the statement of financial position under property, plant and equipment as a right-of-use asset as follows:

	Opening Book Value £'000	Additions £'000	Depreciation Charge £'000	Closing Book Value £'000
Office buildings	—	493	(10)	483
Motor vehicles	—	25	(12)	13
Total	—	518	(22)	496

Lease liabilities are presented in the statement of financial position as follows:

	As at 1 January 2019 £'000	Lease Obligations Incurred £'000	Interest Charged £'000	Payments Made £'000	As at 31 December 2019 £'000
Current	—	80	9	13	76
Non-Current	—	438	—	—	438
Total	—	518	9	13	514

The lease property has been entered into for 10 years with an option to terminate the lease after 5 years in the Company's favour only. As it is not certain that the Company will terminate the lease after 5 years the value for the right-of-use asset has been assumed for the full 10 year term. The Company is obliged to pay a rental amount of £70,000 per annum with a rent review after 5 years.

The Group has applied the exemption for short term and low value assets for the remaining leases in the Group and not included them as a right-to-use asset on the statement of financial position. The rental obligations for these leases are included in notes 3a and 19.

14. **SHARE CAPITAL**

	2019 £'000	2018 £'000
Allotted, issued and fully paid: Ordinary shares of 5p each		
At January: 2,365,188 (2018: 2,347,536)	**118**	117
Issued in the year: 433,337 (2018: 17,652)	**22**	1
Cancelled in the year: Nil (2018: Nil)	**—**	—
At 31 December: 2,798,525 (2018: 2,365,188)	**140**	118

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

On 2nd October 2019 the Company placed 433,337 new ordinary shares for a price of £3.00 share to raise £1.3m before costs. Transaction costs of £104,000, directly associated with the placement of these shares, were offset against the share premium account.

15a. **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 2019	**77**	**4**	**316**	**(85)**	**3,323**
Loss for the year					(877)
Issue of share capital	1,173	—	—	—	
Share options charge/(credit) for the year	—	—	61	—	75
Balance at 31 December 2019	**1,250**	**4**	**377**	**(85)**	**2,521**

	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 2018*	**12**	**4**	**219**	**(85)**	**3,070**
Profit for the year	—	—	—	—	143
Issue of share capital	54	—	—	—	—
Exercise of share options	11	—	(11)	—	—
Share options charge/(credit) for the year	—	—	108	—	110
Balance at 31 December 2018*	**77**	**4**	**316**	**(85)**	**3,323**

15b. **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 2019	**77**	**4**	**246**	**4,092**
Loss for the year	—	—	—	(1,264)
Issue of share capital	1,173	—	—	—
Share option charge/(credit) for the year	—	—	22	75
Balance at 31 December 2019	**1,250**	**4**	**268**	**2,903**

	Share premium account	Capital redemption reserve	Share options reserve	Profit & Loss Reserve
	£'000	£'000	£'000	£'000
Opening Balance as at 1 January 2018	**12**	**4**	**209**	**5,487**
Loss for the year	**—**	—	—	(1,505)
Issue of share capital	**54**	—	—	—
Exercise of share options	**11**	—	(11)	—
Share options charge/(credit) for the year	**—**	**—**	48	110
Balance at 31 December 2018	**77**	**4**	**246**	**4,092**

* Restated see note 1a.

16. SHARE OPTIONS RESERVE

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Opening balance	**316**	219	**246**	209
Income and expenditure charge for the year in respect of the fair value of share based payments under share option awards	**136**	218	**97**	158
Share options exercised	**—**	(11)	**—**	(11)
Expired and cancelled share options taken directly to reserves	**(75)**	(110)	**(75)**	(110)
Closing balance	**377**	316	**268**	246

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:

	2019 Number of ordinary shares of £0.05	2018 Number of ordinary shares of £0.05
Scheme		
2017 Long Term Incentive Plan (2017 LTIP)	**306,176**	306,176
Stanelco plc 2005 Unapproved Share Option Plan and Stanelco plc Employment Benefit Trust (2005 USOP)	**—**	32,051
Total	**306,176**	338,227

Share Schemes

On 20 December 2017 the Company granted share options under a new Long Term Incentive Plan (2017 LTIP) which replaced 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 25 of this Report.

16. **SHARE OPTIONS RESERVE** continued

	2005 USOP	2017 LTIP
Balance outstanding at 1 January 2018	68,314	306,176
Granted	—	—
Lapsed	(36,263)	—
Balance outstanding at 31 December 2018	32,051	306,176
Exercise prices of options outstanding at the period end in the range	1,481p	215p
Weighted average exercise price of options outstanding at the year end	1,481p	215p
Weighted average contractual life in months of options outstanding at the year end	4	47
Exercisable at the year end	32,051	119,015
Weighted average exercise price of options currently exercisable at the year end	1,481p	215p

	2005 USOP	2017 LTIP
Balance outstanding at 1 January 2019	32,051	306,176
Granted	—	—
Exercised	—	—
Lapsed	(32,051)	—
Balance outstanding at 31 December 2019	—	306,176
Exercise prices of options outstanding at the period end in the range	—	215p
Weighted average exercise price of options outstanding at the year end	—	215p
Weighted average contractual life in months of options outstanding at the year end	—	35
Exercisable at the year end	—	171,453
Weighted average exercise price of options currently exercisable at the year end	—	215p

16. **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 2018

pence (after share consolidation)	**2005 USOP**	**2017 LTIP**
Options granted	—	—
Options lapsed	1,943p	—

Year ended 31 December 2019

pence	**2005 USOP**	**2017 LTIP**
Options granted	—	—
Options exercised	—	—
Options lapsed	1,481p	—

Outstanding share options by exercise price ranges	**2019**		2018	
	Total	**Exercisable**	Total	Exercisable
2005 USOP				
0p - 12,000p	—	—	32,051	32,051
Total	—	—	32,051	32,051
2017 LTIP				
0p - 12,000p	**306,176**	**171,453**	306,176	119,015
Total	**306,176**	**171,453**	306,176	119,015

17. **PROFIT AND LOSS ACCOUNT** Company

	2019	2018
	£'000	£'000
Opening balance	**4,092**	5,487
Transfer from share option reserve	**75**	110
Retained loss for the year	**(1,264)**	(1,505)
Closing balance	**2,903**	4,092

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 £1,260,000 (2018: retained loss £1,505,000).

18. **CAPITAL COMMITMENTS**

The Group had no capital commitments at 31 December 2019 and 31 December 2018.

19. **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:

	2019	2018
	£'000	£'000
Land and buildings:		
Within one year	**—**	45
In the second to fifth years inclusive	**—**	—
After five years	**—**	—
Other operating leases:		
Within one year	**1**	14
In the second to fifth years inclusive	**1**	21
Total	**2**	80

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

On 1 January 2019 the Group adopted IFRS 16, the new reporting standard for leases. The standard allows an exemption for short-term leases which are defined as those of a duration of less than one year and those leases of low value. The Group has therefore taken the exemption allowed under IFRS 16 for short term leases and those of low value and does not recognise the above leases on the statement of financial position as at 31 December 2019. The Group has recognised the new lease for the main building as a right-of-use asset on the statement of financial position with the details found in note 13.

20. **PENSION COMMITMENTS**

The Group makes contributions to personal pension plans schemes based on contractual terms. The contribution charge for the year was £99,000 (2018: £80,000).

21. **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.

21. 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 2019 was £8,000 (2018: gain £17,000), 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 £17,000 effect on interest income during 2019. 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 2019 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	—	2,126	—	2,126
Trade and other receivables	—	—	1,666	1,666
Totals	**—**	**2,126**	**1,666**	**3,792**
Financial liabilities				
Trade and other payables	—	—	1,316	1,316
Lease finance	514	—	—	514
Promissory notes	—	—	—	—
Totals	**514**	**—**	**1,316**	**1,830**

Company

Interest rate	**Fixed £'000**	**Floating £'000**	**Zero £'000**	**Total £'000**
Financial assets				
Cash and cash equivalents	—	2,103	—	2,103
Trade and other receivables	—	2,725	62	2,787
Totals	—	4,828	62	4,890
Financial liabilities				
Trade and other payables	—	—	876	876
Lease finance	514	—	—	514
Totals	514	—	876	1,390

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.

21. 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 10 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.

22. 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.

	2019	2018
	£'000	£'000
Total equity	**4,207**	3,753
Cash and cash equivalents	**2,126**	2,614

23. CONTRACTS IN WHICH DIRECTORS HAVE AN INTEREST

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

24. CONTINGENT LIABILITIES

There are no contingent liabilities.

25. CONTROL

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

26. **RELATED PARTY TRANSACTIONS**

Details of share holdings in subsidiary companies are shown in note 8. 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 to related parties	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Stanelco RF Technologies Limited	**1,943**	2,198	**—**	—
InGel Technologies Limited	**—**	—	**—**	—
Biome Bioplastics Limited	**782**	—	**—**	—
Aquasol Limited	**—**	—	**(488)**	(488)
Stanelco Inc	**—**	—	**—**	—
Total	**2,725**	2,198	**(488)**	(488)

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

	2019	2018
	£'000	£'000
Stanelco RF Technologies Limited	**1,745**	1,745
Stanelco Inc	**—**	—
Biome Bioplastics Limited	**11,717**	11,717
InGel Technologies Ltd	**39**	39
Total	**13,501**	13,501

Intergroup provisions	**2019**	2018
	£'000	£'000
Balance at the beginning of the year	**13,501**	13,501
Impact of foreign exchange movements	**—**	—
Impairment losses recognised/(reversed)	**—**	—
Amounts written off	**—**	—
Total	**13,501**	13,501

The balances are held at amortised cost. The net balances have been calculated using the expected credit loss model under IFRS9 (Financial Instruments).

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.

There was no intergroup trading during the year ended 31 December 2019 (2018: Biome Bioplastics Limited purchased equipment from Stanelco RF Technologies Limited for £1,000).

Paul Mines, the Company's Chief Executive Officer, subscribed for 5,000 new ordinary shares in a placing of new ordinary shares on 12 September 2019 (the "Placing"), which represented an amount of £15,000 at the Placing's issue price of 300 pence per share (the "Issue Price"). The Company's Non-Executive Chairman, John Standen subscribed for 2,500 new ordinary shares in the Placing and his wife Mrs K M Standen subscribed for 2,500 new ordinary shares in the Placing, which represented a total amount of £15,000 at the Issue Price. Mr V Pereira, a substantial shareholder of the Company, subscribed for 66,667 new ordinary shares in the Placing, which represented an amount of £200,001 at the Issue Price. Mr JM Rushton-Turner, a substantial shareholder of the Company, subscribed for 76,667 new ordinary shares in the Placing, which represented an amount of £230,001 at the Issue Price. The shares were issued on 2 October 2019.

27. POST STATEMENT OF FINANCIAL POSITION EVENTS

The Group has been monitoring the impact of Covid-19 since the outbreak began at the beginning of 2020 and is caring for its staff and adjusting its operations accordingly. Demand in early 2020 for both divisions has continued as expected with a strong demand-pull from the bioplastics market. However, travel and operating constraints are having an increasing effect. At this time it is too early to predict with any confidence the likely overall impact that there may be on the business from Covid-19 although it is anticipated Covid-19 will have a greater impact on the Stanelco RF division than on the Bioplastics division. However, the Group is a resilient business with a good statement of financial position, bolstered by the additional cash raised in October 2019 to support its growth plan. The Group has a strong management team in place and has consistently demonstrated that it can adapt and respond quickly to changing market conditions.

The Company also entered into a new property lease on 11 March 2020 for its main building. This new lease is effective from 12 October 2019, the point at which the old lease expired. The new lease is for a period of ten years with a break in the Company's favour only after five years. The initial rental is for £70,000 per annum with a rent review after five years.

The Company also issued share options to the two executive directors on 30 January 2020 and cancelled the bonus accrual of £170,250 associated with the year ended 31 December 2018. This accrual was subsequently converted to share options over 26,666 ordinary shares for Paul R Mines and 18,733 ordinary shares for Declan L Brown. Further details can be found in the directors remuneration report on page 25.

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