ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2020

BIOME TECHNOLOGIES

A pivotal year for the Group as the Bioplastics division grew vigorously and flourished while the RF Technologies division was managed tightly through turbulent times.

PAUL MINES | CEO

Officers and Advisers

Board of Directors

John Standen	Non-Executive Chairman
Paul Mines	Chief Executive Officer
Rob Smith	Chief Financial Officer
Michael Kayser	Non-Executive Senior Independent Director
Simon Herrick	Non-Executive Director

Company Secretary

Donna Simpson-Strange

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Chairman's Statement

BUSINESS PERFORMANCE

2020 was a pivotal year for the Group with its Bioplastics division's sales growing to a record £4.9m (65% increase over 2019), as we continue to benefit from the momentum in supplying compostable bioplastics to growing market sectors. By contrast, our RF Technologies division was, as anticipated, adversely affected by overcapacity in the fibre optic cable manufacturing sector.

Both businesses operated against the ongoing backdrop of the Covid-19 pandemic and lockdowns, which, whilst hindering our efforts to diversify the RF Technologies division's customer base, demonstrated the resilience of the bioplastics market and the strength of Biome's offering and relevance to this rapidly expanding compostable materials market.

As a result of these trends, Bioplastics represented 86% of Group revenues in the year.

During the year we completed an equity placing and subscription that raised an additional £1.0m, net of costs, to

Bioplastics division

In our placing circular to shareholders last year, we laid out four growth drivers which we believed would deliver significant value for shareholders and maintain our KPI target of 40% revenue growth in the Bioplastics division through 31 December 2023. I would like to mention these growth drivers again specifically and update you on progress in each of them:

1. Continued growth from existing customers with existing products, especially flexible film in both industrial and particularly home compostable formats, in the North American market.

   Growth from our existing customers and products remains positive. We expect growth in flexible film in North America to be more pronounced in the medium term.

2. Filtration mesh: The Company envisages growth with a second end-customer with a material that has been proven with an existing customer over the last three years. Implementation of this project is underway.

   This project is going well and we confidently expect implementation to complete later this year. As recently announced, our second end-customer has placed orders for equipment that increases their capacity to utilise Biome's filtration mesh on a significant proportion of their installed capacity. Revenues will become significant and recurring from H2 2021 and for the whole of 2022, thus delivering a major part of our KPI target.

3. Coffee pod material: The Company launched a project for a heat stable material for coffee pods within the US at the end of 2019. Commercial sales of this product are gaining momentum.

   In addition to continued demand from the lead customer (as previously announced) this material is now being trialled at several other end-user organisations. We expect significant commercial progress in this area in H2 this year and beyond.

4. Packaging film: The Company is working on seven new customer projects that focus on the conversion of flexible packaging to compostable formats.

   Six of these projects are for the North American Market. Six of these original projects continue at pace with trials either taking place in Q1 or expected for Q2 2021. One project with an end-user in the USA has been suspended due to the pandemic. A further pipeline of new customer projects of scale has been added to this growth driver and trial orders have been placed by customers in Q1 this year. We expect two or three of these to become commercially meaningful and generate recurring revenue towards the end of this year.

Over the last seven years, Biome Bioplastics has coordinated significant research and development funding in conjunction with leading universities, in pursuit of bringing a new family of novel bio-based and biodegradable polyesters to market. Exciting new materials are now emerging, and we have recently announced our success in partnering with Innovate UK, the UK's innovation agency and a leading manufacturer to bring a biodegradable tree-guard to market. This project is still at a relatively early stage and it is therefore too early to predict the scale or timing of production orders. However, the Board is encouraged by the support and reception that this initiative has already gained.

We believe that the progress described above highlights the growing reputation of our Bioplastics business for innovative materials and how it is leading to market success and penetration, particularly in the USA.

RF Technologies division

The downturn in demand for capital goods in the fibre optic cable manufacturing sector that the division first saw in 2019 continued throughout 2020. The division's efforts to diversify its revenue stream were hampered by the ongoing Covid-19 pandemic, as it became difficult to engage with new customers and a number of potential opportunities were put on hold as our clients deferred capital expenditure. In the face of the ongoing difficulties in the fibre optic market and other sectors, it was necessary to implement a number of cost reduction measures. 2021 has started with some glimmers of recovery in the fibre optic sector and we have started receiving more enquiries both for new fibre optic furnaces as well as spares and service orders, although we do not expect to see a material pickup in the near future.

COVID-19

The Group continues to monitor the ongoing impact of the Covid-19 epidemic and places high importance on caring for its staff and customers. Adjustments made in 2020 to commercial and manufacturing activities remain in force and are continually reviewed to ensure they provide a safe operating environment.

With a year's experience of working with the varying restrictions in both in the UK and overseas, the Group has a better understanding of the commercial impact of the pandemic and has adapted accordingly to meet the opportunities and risks presented.

We have only experienced minor supply chain issues in the Bioplastics division but continue to be vigilant in case of any disruption. Business development has been successfully managed remotely with use of video conferencing to regularly interface with customers.

The RF Technologies division was more adversely impacted by Covid-19. The division's ongoing activity to widen the markets that it sells into has been frustrated by a slowdown in capital expenditure and restrictions placed on travelling to and meeting with potential customers.

A number of cost saving actions have been taken to reduce the RF Technologies division's overhead expenditure including a reduction in the number of staff and use of the Coronavirus Job Retention Scheme to maintain operational capabilities.

Whilst we expect to see a continuing impact from Covid-19, the business has adapted to the challenges that the pandemic has presented, and we look forward to a more normal environment in the future.

RESULTS

The Group's results were in line with the market forecast for the year ended 31 December 2020.

Consolidated Group revenue for the year was £5.7m (2019: £7.0m) reflecting the increase in Bioplastics sales offset by the decline in those from the RF Technologies division. Group gross margins for the year were 29.4% (2019: 43.5%) reflecting the changing mix of sales towards volume Bioplastics.

The Group loss before interest, taxation, depreciation and amortisation (LBITDA) was in line with market expectations at £0.9m (2019: £0.5m LBITDA). A Group operating loss of £1.6m for the year was incurred (2019: £1.0m loss).

During 2020, the Board concluded that, to gain a more accurate representation of the costs and profits associated with the Bioplastics and RF Technologies divisions, certain costs previously accounted for as part of the Central Costs division would be allocated, to the operating divisions. These costs include insurance, accounting, administration, facilities, and executive management activities attributable to the operating divisions. A restatement of the segmental information for 2019 has been made to allow users of this information to compare it on a consistent basis.

The Bioplastics division achieved an increase in sales to £4.9m (2019: £3.0m) representing 65.4% growth as the division grew its sales with both new and existing customers and demand for compostable products strengthened. The division recorded a LBITDA of £0.1m which was an improvement over the prior year (2019: £0.8m LBITDA restated) as sales revenue increased. The resulting operating loss also narrowed to £0.5m (2019: £1.2m loss restated).

The RF Technologies division's revenues were £0.8m (2019: £4.0m) reflecting the hiatus in demand in the fibre optic market compounded by the effects of the Covid-19 pandemic. The division reported a LBITDA of £0.4m (2019: £0.8m EBITDA restated) and an operating loss of £0.5m (2019: £0.7m profit restated). These results reflect management actions to reduce costs where possible in the light of market conditions and benefiting from the UK Government's Coronavirus Job Retention scheme.

The Group's cash balances as at 31 December 2020 were £1.7m (31 December 2019: £2.1m) reflecting trading losses for the year offset by the net equity fund raise of £1.0m in the year. The Group had no debt as at 31 December 2020. Capitalised product investment in the Bioplastics division was £0.3m (2019: £0.3m).

STRATEGY

The Group continues to execute on its strategy to be a leading player in its chosen markets. In both markets addressed by the Group our products are developed to meet our customers' demanding requirements and incorporate a high level of technological knowhow that differentiates our offerings from the competition.

In the Chairman's statement, made as part of the interim results for 2020, we updated and restated our high level Key Performance Indicators (KPIs) to extend the period they cover to 31 December 2023 and to reflect the continued growth in the Bioplastics division as well as the market headwinds facing the RF Technologies division. The revised KPIs and the progress made as at 31 December 2020 is set out below: -

- 40% annual revenue growth in the Bioplastics division.
  During the year ended 31 December 2020, the division exceeded this target with revenue growth of 65.4%.

- Bioplastics division's profitable revenue growth to achieve a 10%-12.5% EBITDA margin by the end of the KPI period.
  Good progress was made towards this KPI as the Bioplastics division's LBITDA narrowed to 2.4% for 2020 compared with 27.4% LBITDA in 2019 (calculated on a like-for-like basis).

- Continued diversification of the Group's turnover by product and market to ensure that no single product or end customer contributes more than 15% of revenues by 2023.
  The Group had two customers (2019: two customers) who each accounted for more than 15% of Group revenues. In 2020, both of these customers were in the Bioplastics division as their use of Biome products continued to grow. The two customers referred to are converters of material for a further number of end customers. Good progress is being made to diversify the number of end customers and the variety of products being sold.

- Continued 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 with £0.7m R&D investment in the year.

BOARD AND PERSONNEL CHANGES

In October 2020, we were pleased to announce the appointment of Rob Smith as Chief Financial Officer. Rob is an experienced 'C-level' executive with many years' service with technology-based AIM listed SMEs both as CFO and CEO and having most recently been CEO at Filtronic plc.

Post year-end Michael Kayser confirmed his decision to retire from his role as non-executive director and chairman of both the Remuneration and Audit Committees. Michael has served Biome exceedingly well during a very exciting 10 years for the business.

We are pleased to welcome the appointment of Simon Herrick, as a non-executive director. He will be a member of the Nominations Committee and will chair both the Audit and Remuneration Committees. Simon qualified as a

Chartered Accountant with Price Waterhouse and has held a number of executive director roles with listed companies including Northern Foods plc, Debenhams plc and Blancco Technology Group plc. Simon is currently NED and chair of Audit and Remuneration Committees at both Ramsdens Holdings PLC and FireAngel Safety Technology Group plc.

RACE TO ZERO

As recently announced, Biome Technologies has signed up to the United Nations Race to Zero Climate Campaign and is committed to reducing its carbon emissions in line with publicly disclosed targets. We will commence reporting on our progress on this vital subject in our results for the year ending 31 December 2021.

OUTLOOK

We believe that the growth phase that the Bioplastics division has entered represents a permanent move to more sustainable materials and confirmation that our strategy is working. We expect that the opportunities we have secured, and that are starting to turn into repeat business, are only the beginning of a market shift to more sustainable products. The RF Technologies division remains susceptible to market disruption caused by Covid-19 but we are encouraged by a slight improvement in its outlook; we will continue to closely monitor the ongoing progress of the division.

Trading in the first quarter of 2021 was in line with our expectations and the outlook for the year remains unchanged. We continue to manage our cash resources to ensure that we are able to achieve sustainability for the Group.

John Standen
Chairman
25 March 2021

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 bioplastics 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. The growing portfolio of products is driven by customer requirements and 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

The Bioplastics division achieved sales revenue of £4.9m (2019: £3.0m), an increase of 65.4%. This increase in reported revenues related to existing products as well as new product launches and reflects the continuing increased activity and enquiry levels that currently exist both in the Bioplastics division and also the wider market. Staffing and resourcing 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 £0.5m (2019: £1.2m loss restated).

Markets

Plastics and their use or misuse by humanity remains a key environmental topic for both the UK and overseas markets. There is sustained pressure from consumers, media and governments to reduce the environmental impact of plastics. In recent years the focus of this pressure has been on the "end-of-life" of such materials, how they are disposed of and the consequence of fugitive release to the environment. In addition, with rising concerns regarding climate change there is greater interest in how such materials might also be manufactured with lower carbon footprints.

The compelling case for compostable (biodegradable) bioplastics lies in their ability to ensure that organic food waste reaches appropriate treatment (e.g. industrial scale anaerobic digestion and composting facilities) and that the resulting digestate and compost does not contain persistent plastic contamination when spread to soils. This is driving the growth of the compostable packaging market in sectors such as food waste bags, coffee pods, tea bags and other food contaminated packaging formats.

The growth of the compostable plastics market is facilitated when there is a clear route for food waste and food contaminated packaging to reach appropriate sorting and treatment facilities. This requires appropriate labelling, user education, collection, sorting and treatment capacity. The quality of such disposal supply chains varies considerably by geographic territory and often within countries although there is, in general, a move to improve and scale-up such activity.

Arguably, the consumer desire to change the plastic model is pulling through increased demand for compostable plastics at a rate that is faster than the disposal supply chains are able to adapt to. As a result, there is increased demand from the market for bioplastics that can be composted at home. Whilst it is a minority of the population that has the access and/or desire to treat organic waste and packaging at home, those that are are highly motivated to treat such waste appropriately. This is driving the compostable plastics market to producing and certifying products that are suitable for this end-of-life solution. Such products are required to compost at lower temperatures and in less well managed conditions than can be expected at industrial facilities.

The case for bio-based bioplastics is driven by the growing scientific evidence that the use of biogenic inputs reduces the carbon footprint of such materials and will in time lead to a more sustainable plastics industry. There are a limited number of territories that legislatively require bio-based inputs in some plastics, but it might be expected that this trend is likely to accelerate. There is some evidence that some consumers will choose bio-based materials when offered a choice, but this appears, at present, to sit behind the desire for compostable functionality.

The UK market has been somewhat slower to embrace compostable and bio-based materials than some other territories. Whilst there is considerable focus on plastic waste, there is still a continuing debate of how best to manage the problem. The local council control of the disposal supply chain and its wide variability is seen by some as part of the problem and a move in England towards universal food waste collection by 2023 presents an opportunity for compostable plastics. At present, 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 widespread 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 product developments 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 2020, the development team worked on a variety of technical challenges that included the development of home compostable materials, the improvement of oxygen and vapour barrier performance, the soil degradability of materials to be used in tree shelters and the improvement of temperature performance for a variety of end-uses.

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 with improved functionality at a cost comparable to current petro-based plastics. This development work continues to be supported by research grants and much of the work is undertaken in collaboration with leading UK universities.

STANELCO RF TECHNOLOGIES DIVISION

The RF Technologies 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 2020 were significantly reduced at £0.8m (2019: £4.0m). The reduction was caused by the combined effects of the continued low level of capital goods expenditure in the division's main telecoms fibre optic market due to the previously reported excess capacity for fibre optic industry and the Covid-19 pandemic that has caused delays in capital equipment purchases throughout the UK industrial sector. As a consequence of the reduced sales, the division incurred an operating loss for the period of £0.5m (2019: £0.7m profit restated).

The business currently focuses on four key revenue streams:

Optical Fibre Furnace Systems

The RF Technologies 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 continuing imbalance in the global demand for optical fibre compared to the installed capacity base. This overcapacity affected demand for furnaces in 2020 with no orders being received during the year. It is expected that as demand for fibre optic cable grows the imbalance in manufacturing capacity will reverse in the mid-term. The Group is receiving enquiries for specific types of furnaces and spares that suggests that capacity utilisation is increasing. Nonetheless, we do not expect to see a significant change in market dynamics during 2021.

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 mainly into the UK industrial sector. Whilst this is a small part of the division's sales it is a strategic aim to increase the equipment offering and expand sales of this type of equipment.

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

Biome 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. Risks and uncertainties associated with the on-going Covid-19 pandemic are considered in a dedicated sub-section to the principal risks and uncertainties.

Risk	Nature	Mitigation strategies
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. 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 Directors aim to focus their product range on areas where demand is not reliant on government regulation. 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.
Exchange rate fluctuations	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.

Risk	Nature	Mitigation strategies
Suppliers and Raw Materials (continued)	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 mitigate this risk the division is seeking to validate new materials coming onto the market which may be used in substitution.
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. 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 takes professional advice from experienced patent attorneys and works hard to win patents applied for and to ensure that the scope is sufficiently broad. 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.	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.

Risk	Nature	Mitigation strategies
Commercialisation of New Products (Continued)	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	
Customers and customer concentration	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.
Brexit	The UK left the European Union during the year under review and the transition arrangements ended on 31 December 2020. The new trade deal entered into between the UK and the European Union was in negotiation until the end of the transition period and therefore we have had to implement new processes with little forward notice of the details of trading arrangements. This has caused some minor short-term disruption of both exports to and imports from countries in 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. Whilst deliveries of these goods are not therefore transported through the UK new local documentation and compliance procedures have been required for us to export from the EU.	The Group has worked closely with import and export agents as well as local advisers in Europe to ensure that we are compliant with the various new regulations now in force. The Group will continue to monitor local regulations as the new requirements settle down and will introduce additional, proportionate mitigating policies as required.

COVID-19

The Covid-19 pandemic continues to significantly impact individuals, businesses, markets and economies, but despite this there has been minimal direct impact on the Group's operations. The Group has continued its manufacturing and development operations in accordance with Government advice.

New orders for products supplied by the RF Technologies Division have reduced as our customers have reduced their investment activities. However, this must also be seen in the light of an overall excess in capacity in our main fibre optic market that had already seen suppressed sales in 2019.

The Biome Bioplastics division had to conduct some trials virtually, where physical attendance was not possible or permitted and it utilised the skills and expertise of a consultant in the US to assist with some of these trials.

The table below details some of the key risks and the strategies that we have introduced to mitigate the risks:

Risk	Nature	Mitigation strategies
Financial	Increased market risk and reduced revenues heighten the liquidity risk whilst deterioration of the economic market heightens credit risk. Economic disruption may also impact financial markets including currencies, interest rates, borrowing costs and the availability of debt and equity finance. The impact of Covid-19 on our customers and their ability to continue to trade and pay invoices on time and the consequential impact on the Group's cashflow. Impact of going concern assessment.	The Group is tightly controlling overhead spend and actively reducing spend where possible and has used the UK Government's Coronavirus Job Retention Scheme (Furlough) to offset employment costs where staff have not been able to work due to "lockdown" restrictions and disruptions to order flows from customers. It was necessary to make a number of staff redundant in the RF division. Some of the Group's customers have experienced liquidity issues during the period and this has meant that we have had to increase our provision for slow moving debts. As a result, the Group has focussed its activities on supplying customers with stronger financial positions. A thorough going concern assessment was conducted that considered a number of scenarios and included a reverse stress test. The directors concluded that there is sufficient working capital for the Group to meet present and future obligations over the next 12 months.
Health and safety	The health and safety of our employees is of paramount importance. There is a risk that our colleagues may come into contact with carriers of Covid-19 and bring it in to our facilities. In order to manage the risks and adhere to government guidelines the Group had to change the method of operation and implement measures to mitigate the risk.	The Group was quick to set up a Covid-19 response team and implement a range of measures to combat the risks of Covid-19. This included asking all employees to work from home that were able to do so. This worked well as our principal IT systems are cloud based or accessible remotely. A proportion of our employees were not able to work from home as they need to access facilities at our Marchwood facility. To this end, the Group carried out risk assessments and put in place a dedicated `Covid Team', to ensure compliance of the implemented positive safety measures and to undertake a continual review of

Risk	Nature	Mitigation strategies
Health and Safety (continued)	The health and safety of our employees is of paramount importance. There is a risk that our colleagues may come into contact with carriers of Covid-19 and bring it in to our facilities. In order to manage the risks and adhere to government guidelines the Group had to change the method of operation and implement measures to mitigate the risk.	the effectiveness and relevance of such measures. Further risk assessments will be carried out if deemed necessary. A Covid policy that was communicated to staff remains in force. Signage around the building is displayed; to inform staff of maximum occupancy levels within certain areas of the building, as well as a reminder of social distancing and the frequency of hand washing. There has been an increase in the frequency and thoroughness of the cleaning provided by external contractors. All staff have been issued with a `Covid Pack', consisting of hand sanitisers, anti-bacterial wipes and face masks. Staff are consulted with about Covid and encouraged to raise any concerns.
Cyber Security	Covid-19 has increased cyber threats from cyber criminals and other malicious groups who are targeting businesses by deploying Covid-19 related scams and phishing emails. Employees working from home have also heightened cyber security risks.	Biome has effective cyber security controls and has increased the focus on addressing security alerts as soon as they arise. Security education of employees has been increased highlighting security threats.

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:

Like-for-like comparisons	2020 £'m	2019 £'m	Growth
Revenues			
Bioplastics	**4.9**	3.0	65.4%
RF Technologies	**0.8**	4.0	(79.7%)
Reported Group Revenues	**5.7**	7.0	(17.3%)
(L)/EBITDA		Restated	
Bioplastics	**(0.1)**	(0.8)	
RF Technologies	**(0.4)**	0.8	
Central Costs	**(0.4)**	(0.5)	
Reported **(L)/EBITDA**	**(0.9)**	(0.5)	
less depreciation, amortisation and equity share option charges:		Restated	
Bioplastics	**(0.4)**	(0.4)	
RF Technologies	**(0.1)**	(0.1)	
Central Costs	**(0.2)**	(0.1)	
	(0.7)	(0.5)	
(Loss)/Profit from Operations		Restated	
Bioplastics	**(0.5)**	(1.2)	
RF Technologies	**(0.5)**	0.7	
Central Costs	**(0.6)**	(0.6)	
Like-for-Like Operating Loss	**(1.6)**	(1.0)	
Net Assets			
Non-current assets	**1.4**	1.5	
Inventories	**0.7**	0.6	
Trade and other receivables	**1.6**	1.9	
Cash	**1.7**	2.1	
Trade and other payables	**(1.1)**	(1.5)	
Long term lease commitments	**(0.4)**	(0.4)	
Net assets	**3.9**	4.2	

Segmental information has been restated to allocate costs previously accounted for as Central Costs to Bioplastics and RF Technologies, see Note 2 for details.

REVENUES

Reported Group revenues decreased in the year to £5.7m from £7.0m due to the absence of orders for fibre optic furnaces sold by the RF Technologies division exacerbated by lower demand for capital goods resulting from the recession caused by Covid-19. The Bioplastics division continued to see significant increases in revenues as customers see the benefits of compostable packaging particularly in the food and beverages sector.

(L)/EBITDA

Reported (Loss) / Earnings Before Interest, Taxation, Depreciation and Amortisation ((L)/EBITDA) for the year was a loss of £0.9m (2019: (£0.5m)). The increase in LBITDA is a direct result of the lower revenues in the RF Technologies division. This has been partially 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 £1.6m compared to an operating loss of £1.0m in the prior year.

Administrative costs across the Group in 2020 were £3.6m (2019: £4.5m). When the non-cash effects of depreciation, amortisation and equity settled share option charges are removed, the cash administrative expenses in 2020 decreased to £2.9m compared to prior year (2019: £4.0m). This decrease in expenses is mainly attributable to reductions in expenditure within the RF Technologies division, as costs were scaled back as a result of the lower activity levels, and savings made by senior directors / employees voluntarily accepting lower salaries to help mitigate the financial impact of Covid-19.

Investment in product research and development was £0.7m in the year (2019: £1.1m), which includes the research work in grant backed Industrial Biotechnology, of which £0.3m (2019: £0.3m) was capitalised in the year. The reduced level of research and development expenditure in the year was attributable to a reduction in the value of grant funded research activity. Tax R&D claims resulted in a credit being recognised in the year of £0.2m with cash being received after the year end (2019: credit of £0.1m).

The Group recorded a loss after tax for the year of £1.5m (2019: loss after tax of £0.9m), giving a basic loss per share of 51p (2019: loss per share of 35p).

STATEMENT OF FINANCIAL POSITION

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

As at 31 December 2020, there was £0.8m of capitalised development costs (2019: £0.9m) within the Group's statement of financial position, of which £0.4m 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

	2020 **£'000**	2019 £'000
Loss from operations	**1,575**	(1,020)
Adjustment for non-cash items	**658**	539
Movement in working capital	**138**	(1,029)
Cash utilised by operations	**1,055**	(1,573)
Investment activities	**275**	(303)
R&D Tax Credit	**-**	205
Interest paid	**(38)**	(2)
Financing activities	**920**	1,185
Net decrease in cash	**(448)**	(488)
Opening cash balance	**2,126**	2,614
Closing cash balance	**1,678**	2,126

The cash utilised in operations, before working capital movements, was £0.9m (2019: cash utilisation of £0.5m). Working capital movements of £0.1m utilisation in the year reflected the increased utilisation in the Bioplastics division offset by a further unwind of working capital in the RF Technologies division.

Investment in the year in capitalised product development and capex was flat at £0.3m (2019: £0.3m). Financing activities principally represented the share issues in 2020 and 2019 with new shares in the Company raising £1.0m net of costs (2019: £1.2m). No R&D tax credits were received during 2020 as the claim for 2019 expenditure was not submitted until the end of the year (2019: £0.2m). Post year end a payment of £0.2m was received in respect of 2019 R&D tax credits.

The resultant closing cash position was £1.7m (2019: £2.1m).

GOING CONCERN

The Group has operated for a year under Covid-19 pandemic conditions and has had time to assess the impact that the pandemic has had on its business. During 2020 the Group and specifically the RF Technologies division has reduced its cost base. Further to that, the Company successfully raised additional funding of £1.0m (after expenses) by way of a placing and subscription of new equity completed in the second half of 2020.

The key business risks and conditions that may impact the Group's ability to continue as a going concern are the utilisation of existing resources to finance growth, investment and expenditure; the rates of growth and cash generated by group revenues, the timing of breakeven and positive cashflow generation and the ability to secure additional debt or equity financing in future if this became necessary. The primary area of judgement that the Board considered, in the going concern assessment, related to revenue expectations and visibility.

The Board was mindful of the guidance surrounding a severe but plausible assessment and, accordingly, considered a number of scenarios in revenue reduction against the original plans. A reverse stress test was constructed to identify at which point the Group might run out of its available cash. The test was designed specifically to understand how far revenue would need to fall short of the base case forecast and does not represent the directors view on current and projected trading. The test assumed the unlikely scenario that (a) demand for RF products would decline to a lower level than that seen in 2020 and (b) the sales growth achieved by Bioplastics during the second half of 2020 would not be repeated in the forecast period. For the reverse stress test, the Board specifically excluded any significant upsides to this scenario. This is despite strong incremental demand potential at both existing and new customers for the Group's Bioplastic products and excludes the potential of an improvement in the Fibre Optic furnace market. This most severe scenario also excludes any mitigating reduction in the cost base that the Board would clearly undertake in this event. In all scenarios modelled, including the reverse stress test, the Group has sufficient resources to operate and meet its liabilities throughout the going concern review period without the inclusion of the impact of mitigating actions.

At 31 December 2020 the Group had a net cash balance of £1.7m and as at 24 March 2021 a balance of £1.7m. The 31 December 2020 balance exceeded market forecast and the 24 March 2021 balance was better than predicted in all the going concern scenarios tested. On a revised base case scenario adopted for their assessment, the Board is comfortable that the Group can continue its operations for at least a 12-month period following the approval of these financial statements.

As a result of this review, which incorporated sensitivities and risk analysis, the Directors believe that the Group has sufficient resources and working capital to meet their present and foreseeable obligations for a period of at least 12 months from the approval of these financial statements.

By order of the Board.

Paul Mines
Chief Executive Officer

25 March 2021

Directors' Report

The directors present their Annual Report and the audited Financial Statements of Biome Technologies plc for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Group's operations are focussed in two distinct areas: Bioplastics and Radio Frequency (RF) Technologies. The Bioplastics division produces a bio-degradable 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 RF Technologies division has worldwide renown in the design and installation of specialist RF furnaces, welders and induction heating equipment.

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

RESULTS AND DIVIDENDS

The financial results of the Group are set out in the consolidated statement of comprehensive income on page 47. The directors do not recommend payment of a dividend (2019: 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 9.

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 development costs amounted to £0.7m (2019: £1.1m), of which £0.3m (2019: £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. Furthermore, the Group's Bioplastics division is at the forefront of developing bio-degradable plastics capable of replacing oil-based plastics in a wide range of applications. As our customers increasingly adopt our technology the use of polluting, non-degradable plastics is reduced.

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 well qualified and motivated employees and retains and develops those who are already working for it. The Group consequently tries to provide attractive, competitive remuneration structures and gives 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 Report and Financial Statements have been produced on a going concern basis. The process the directors undertook to establish the going concern basis is set out on page 16 of the strategic report and in the notes to the financial statements on page 54.

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 2020.

	Ordinary shares of 5p each	
	Number	Percentage
V Pereira	667,356	17.96%
JM Rushton-Turner	406,384	10.94%
Seguro Nominees Limited	193,634	5.21%
M McNulty	166,666	4.49%

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 25 June 2020, 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 5p each			
	2020		2019	
	Shares	**Percentage**	Shares	Percentage
John Standen	**70,836**	**1.91%**	58,336	2.08%
Paul Mines	**44,025**	**1.18%**	31,525	1.13%
Robert Smith (appointed 30 November 2020)	**3,000**	**0.08%**	-	-
Declan Brown (resigned 30 April 2020)	**-**	**-**	3,970	0.14%
Michael Kayser	**4,071**	**0.11%**	4,071	0.15%
	121,932	**3.28%**	97,902	3.50%

On 24 March 2021, Simon Herrick was appointed as a director of the company and will chair the audit and remuneration committees.

Share options granted to directors are set out in the Directors' Remuneration Report on pages 31 to 33. 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, Robert Smith and Simon Herrick offer themselves for election and John Standen 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.

Directors' Report continued

BOARD OF DIRECTORS

The Board of Directors comprises:

John 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 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.

Robert (Rob) Smith, Chief Financial Officer

Rob is a chartered management accountant with significant experience in leadership roles in a number of technology companies, where he has been instrumental in leading growth strategies and improving operational efficiencies. Most recently, Rob served in the CFO and CEO roles at Filtronic plc, an AIM listed electronics designer and manufacturer of advanced filters, antennas and transceivers. Prior to this he was Finance Director of AIM listed APC Technology Group plc, a specialist distributor and manufacturer of electronic components and semiconductor products with a focus on green technology industries.

Michael 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.

Simon Herrick, Non-Executive Director

Simon qualified as an ACA with Price Waterhouse and has held a number executive director roles with listed companies including Northern Foods plc, Debenhams plc and Blancco Technology Group plc. Simon is currently NED and chair of Audit and Remuneration Committees at both Ramsdens Holdings PLC and FireAngel Safety Technology Group plc.

CORPORATE GOVERNANCE

The corporate governance report on pages 21 to 30 forms part of the Directors' report.

FUTURE DEVELOPMENTS

The future developments of the Group are disclosed in the Outlook section on page 6 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 Simpson-Strange
Company Secretary

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 17 to 20, and the Directors' remuneration report describes how the principles of good governance are applied within the Company.

Environmental, Social and Governance

REDUCING OUR IMPACT ON THE ENVIRONMENT

Biome Technologies plc is committed to developing products that reduce humanity's impact of the environment. Our Bioplastics division has been at the forefront of developing and delivering compostable materials that replace petro-chemical derived plastics. Our passion is for making plastics from sustainably sourced materials that are easily compostable but still deliver the benefits of traditional plastic materials.

Intrinsic to our development process is consideration of the environmental impact of the production, use and end-of-life of our products. To this end, we make extensive use of third party test houses to assess environmental performance both empirically (e.g. soil toxicology) and by modelling (e.g. life cycle analysis).

Biome uses a mixture of in-house and out-sourced manufacturing facilities and we are committed to ensuring that our processes are managed in a way that has the least possible impact on the environment. As our scale increases, we will introduce and report on performance indicators that will help us monitor and minimise our direct impact on the environment.

To provide visibility and public accountability for our actions in this regard the business has committed to the United Nations Race to Zero campaign with the explicit target of achieving net-zero for the business by 2030. Shareholders will be informed of our activities and progress towards this target.

SOCIAL RESPONSIBILITY

We aim to manage our business in a socially responsible and ethical manner. We aim at all times to act with integrity and behave responsibly as we execute our strategy, and this ethos underpins our business model.

Health and safety

We are committed to ensuring that we operate in an environment that promotes health and safety (H&S) across our operations. This philosophy extends beyond traditional H&S compliance at our Marchwood site as we encourage and support our employees working from home or at customer and supplier premises to adopt best practice. At Marchwood we conduct regular H&S risk assessments and continuously review our practices in light of the ongoing Covid-19 pandemic.

Employees

The Group's success depends on its employees and across the Group we recognise that it is their commitment and contribution that is vital to the execution of the Group's strategy.

We are continually looking to develop a high performance culture through our recruitment, employee engagement, people development and resource management strategies.

We aim to develop and empower employees to achieve, and we strive to make our Group a beacon for learning and excellence.

Equal opportunities

The Group is committed to a policy of equal opportunity by which it ensures that all activities are based on merit. We are committed to policies that promote diversity and inclusion across everything we do. Our policies and practices emphasise the importance of treating our staff and stakeholders in a professional and non-discriminatory manner. In particular this applies to employment whether it be in hiring, reward, development or promotion. In the event that an employee requires it, the Group will make reasonable appropriate adjustments, and so far, as is practicable, will continue to provide employment. All staff are actively encouraged to respect co-workers and stakeholders and we strive to create a culture where no individual is disadvantaged and, collectively, we act to prevent discrimination on the grounds of gender, religion, belief, race, creed, age, disability, sexual orientation, ethnic origin, or marital status.

Corporate Governance Report continued

GOVERNANCE FRAMEWORK

The Directors have chosen to adopt the Quoted Companies Alliance Corporate Governance Code 2018 (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 5 of the Chairman's Statement detail the four high level KPIs which the Group has revised and extended to 31 December 2023 to enable the Board to monitor progress in fulfilling its medium-term strategy. The key risks and challenges to the Group and how the Board seeks to address these are detailed in pages 9 to 13 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 Chief Financial Officer 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.

More details on how we interact with shareholders are provided under the s172 statement, on pages 24 to 26.

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 9 to 13. 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 26 to 29. The Chief Executive and Chief Financial Officer 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 20. 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. Due to constraints imposed by Covid-19 restrictions the 2020 process was completed in January and February 2021 and 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 Corporate Governance Report on page 21 details the environmental and social responsibility policies of the Group. The key risks and challenges to the Group are detailed on pages 9 to 13 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*

As set out in the following Section 172(1) Statement on the discharge of directors' duties, 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 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.

Section 172 (1) Statement on the Discharge of Directors' Duties

In compliance with the Companies Act 2006, the Board are required to act in accordance with a set of general duties. During the year ending 31 December 2020, the Board consider that they have individually and collectively acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole having regard to the six matters listed in s. 172 (1) (a) to (f) of the Companies Act 2006. In order to achieve long-term success for the benefit of all shareholders, the Board recognises the importance of building and maintaining relationships with key stakeholders as well as considering the likely consequences of its decisions in the long term.

DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

Biome's objective is to grow profitably by being a trusted supplier of bioplastics and RF equipment. Matters that impacted our key decisions and strategies towards meeting this objective during the year are set out in the Chairman's Statement and Strategic Report.

STAKEHOLDER ENGAGEMENT

The Board recognises its responsibility to take into consideration the needs and concerns of Biome's key stakeholders as part of its decision-making process. The table below demonstrates how the Group engages with its stakeholders and the target outcomes:

Stakeholder	How we engage	Key outcomes
Customers	The Board receives feedback from the commercial team members of both divisions. The CEO briefs the Board each month as to how we are performing with each of our main customers. The Executive Directors, along with senior members of the sales and technical teams will attend meetings with strategic-level influencers within our customers' organisations. We continually seek opportunities to collaborate at a product and technology strategy level with our key clients. We regularly participate in a wide range of trade shows, conferences and symposia. They play an important role in our business development planning. Covid-19 prevented physical attendance at most events this year although many took place online. We undertake joint marketing and promotional activity with selected customers when such activity aligns with the strategy of both organisations.	A high level of engagement with customers at strategic level. A good understanding of both customer and market trend requirements better informs the development and refinement of our own strategy. A board-level engagement with our customers to help us convey our commitment to understand and meet their business needs. Trade show and conference attendance not only allows us to present a shop window for attracting the widest range, and deepest concentration of potential clients over a short time period, but also enables us to observe in one place the broader market mood and emerging trends. The Board receives a summary report on such events.

Stakeholder	How we engage	Key outcomes
Employees	The Executive Directors communicate with employees through both planned and ad hoc communication sessions to update them on the performance of the business and progress on key objectives. Employees are encouraged to ask questions throughout. Covid-19 has posed significant challenges with many employees working from home. We have used a set of formal and informal meetings and communication tools to maintain a collaborative working environment. The Group relies upon highly specialised skill sets that are in short supply. We seek to retain and actively develop employees though appraisals and training. We benchmark remuneration levels against similar roles in our industry sectors.	Wider and deeper communication leads to greater transparency throughout the business and facilitates a more engaged, motivated and effective team. The Group aims to be an attractive place to work by providing a rewarding long-term personal development opportunity environment. A better informed and consulted workforce is more likely to be both better motivated and more effective.
Investors	The CEO and CFO hold investor meetings throughout the year both on request and specifically following the release of the annual, half year and quarterly results. Feedback from these meetings is shared with the Board. Major shareholders are regularly engaged to hear their views on a range of issues such as strategy, remuneration and corporate governance. The Group's Annual Report and Accounts is available to shareholders in both hard copy form and online. All announcements and presentations are available on the Company's website whilst we also engage on social media platforms such as Twitter and LinkedIn.	A wide range of communication channels are used to engage with investors during the year. Feedback from investors has informed the Board's discussions and decisions on the Company's strategy. All material information that is worthy of investor announcement is made available simultaneously to both shareholders and potential shareholders. Regular and frequent interaction between the company and our broker ensures we receive regular guidance and remain aligned on our engagement with the investment community. We have presented at Mello Events to allow shareholders physical and online access to the Directors and strategy. Briefing videos are available to investors on the Company website.
Suppliers and Research Partners	Meetings are held with key suppliers on a regular basis. These meeting involve Executive Directors on a regular basis. This ensures a more intimate knowledge of each other's capabilities and objectives and leads to closer alignment of values. Our Group values are flowed down to our supply chain to ensure compliance with social responsibility and good	The Group's supplier base is a key part of the company's ecosystem and effective relationships with our suppliers are essential to the delivery of Group performance. We engage with our suppliers through our engineering and operations teams and we work closely with key suppliers to ensure we take advantage of innovative technical and commercial solutions in the supply chain in

Stakeholder	How we engage	Key outcomes
Suppliers and Research Partners (Continued)	governance policies. Supply contracts of material significance to the Group are subject to internal controls with a summary of the key terms being provided to the Executive Directors for approval. We have a number of long-term collaborations with UK Universities. Meetings are held with the key staff and academics at these Universities on a quarterly basis and any issues resolved. The Group aims to play fair with is suppliers and pay in line with the contractual payment terms.	order to secure a competitive advantage. We minimise our exposure to supplier related risks by requiring them to adhere to our Group policies and for them to confirm they are not in conflict with these policies before or during engagement. The Board receives regular updates regarding key supplier performance metrics and any issues under review.

THE BOARD

The Board is comprised of non-executive and executive directors whose skills and experience enhance the management capability of the company. During 2020 two non-executives served through the entire year as did Paul Mines, Chief Executive. In April 2020, Declan Brown resigned as Group Finance Director and the services of interim finance professionals were used until the appointment of Rob Smith on 30 November 2020.

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 Kayser and he is the director whom shareholders may contact if they feel their concerns are not being addressed through the normal channels. As Michael Kayser will retire at the AGM, concerns should be directed to Simon Herrick after the date of that meeting. 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
John Standen	Chairman	Member	Member	Chairman
Paul Mines	Member	-	-	-
Robert Smith (appointed 30 November 2020)	Member	-	-	-
Declan Brown (resigned 30 April 2020)	Member	-	-	-
Michael Kayser	Member	Chairman	Chairman	Member
Simon Herrick	Member	Member	Member	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 John Standen was independent throughout the year, and that Michael Kayser was independent throughout the year. In arriving at this conclusion, the Board considered that John Standen's shareholding and participation in the Long Term Incentive Plan and Michael

Kayser's shareholdings in the Company to be too small to affect their independence.
It is intended that Simon Herrick will take the Chair of the Audit and Remuneration Committees after the AGM.

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 2020. In total there were eleven Board, two Audit, two remuneration and four Nomination committee meetings during 2020.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
John Standen	11	2	2	4
Paul Mines	11	-	-	-
Robert Smith (appointed 30 November 2020)	1	-	-	-
Declan Brown (resigned 30 April 2020)	3	-	-	-
Michael Kayser	10	2	2	4

Where a dash ("-") 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 31 to 34.

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 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 Chief Financial Officer normally attend 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

  - o major judgemental areas
  - o significant adjustments resulting from the audit
  - o the going concern assumption
  - o compliance with accounting standards
  - o 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 is set out in Note 4b 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 Kayser, senior independent non-executive director. The Remuneration Committee advises the board on individual director’s remuneration packages. The Remuneration Committee met two times during the year to 31 December 2020. 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 33.

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

On 20 December 2017 Biome Technologies plc implemented a 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.

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:

		Termination notice		
	Date of Contract	Director	Company	Renewable
Non-Executives				
John Standen	23 Feb 2007	None	None	Annually
Michael Kayser	07 Oct 2010	None	None	Annually
Simon Herrick	24 Mar 2021	None	None	Annually
Executives				
Paul Mines	16 April 2007	4 months	12 months	Normal Retirement Date
Robert Smith	30 Nov 2020	6 months	6 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 2020, the following options have been granted under the 2017 LTIP:

	Date of Granted	Date Option Lapses	Excercise Price	Ordinary shares of 5p each 31 Dec 2020
Paul Mines	20 Dec 2017	19 Dec 2022	215p	148,150

The performance conditions attached to the awards are detailed on pages 31 and 32.

As at 31 December 2020, 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	Excercise Price per share
Paul Mines	82,961	215p

In recognition of his "good leaver" status and the volatility of share prices during the Covid-19 pandemic, the Board granted Declan Brown an extension to the period that he could exercise vested options over 38,715 shares. This extension period expires on 31 March 2021.

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 pay-out, under this scheme, was made in 2020.

The company's share price on 31 December 2020 was 235.0p (31 December 2019: 280.0p) and traded during the year at prices between 280.0p and 130.0p (2019: 680.0p and 280.0p).

SHARE OPTIONS GRANTED TO DIRECTORS IN LIEU OF ACCRUED BONUS

On 30 January 2020 share options were granted to Paul Mines and Declan Brown in lieu of provisionally granted bonuses accrued in 2018. These share options can be exercised at any time until 30 April 2022. The Board has resolved that Mr Brown's 18,733 options would not lapse when he left the Group on 30 April 2020.

The value of the grant (the closing share price on 30 January less the option price multiplied by the number of shares granted), as set out in the following table, has been recorded as an administrative expense in the year and the provision for the bonus of £191,469, accrued in 2018, has been released to administrative expenses.

	Number of Shares	Exercise Price	Closing Mid-Market Price on Date Grant	Value of Grant £
Paul Mines	26,666	5p	260p	67,998
Declan Brown	18,733	5p	260p	47,769
Total	**45,399**		**260p**	**115,767**

DIRECTORS' REMUNERATION DURING THE YEAR

	Year ended 31 Dec 2020						Year ended 31 Dec 2019
	Base Salary/Fee	Bonuses	Car allowance	Benefits in kind	Other	Total	Total
	£	£	£	£	£	£	£
Paul Mines[1]	**187,200**	-	**9,600**	**3,775**	**16,450**	**217,025**	236,709
Robert Smith[2]	**13,077**	-	**837**	-	-	**13,914**	-
Declan Brown[3]	**48,667**	-	**3,200**	**601**	-	**52,468**	155,601
John Standen	**55,350**	-	-	-	-	**55,350**	60,667
Michael Kayser	**25,200**	-	-	-	-	**25,200**	27,667
Total	**329,494**	-	**13,637**	**4,376**	**16,450**	**363,957**	480,644

[1] Other payments of £16,450 relate to remuneration paid in lieu of pension contributions.

[2] Robert Smith was appointed as a director of the Company on 30 November 2020.

[3] Declan Brown resigned as a director of the company with effect from 30 April 2020.

The Company made contributions to individual pension schemes as follows:

	Year ended 31 Dec 2020 Total	Year ended 31 Dec 2019 Total
	£	£
Paul Mines	-	-
Robert Smith	**1,308**	-
Declan Brown	**4,867**	14,417
Total	**6,174**	14,417

By Order of the Board

Michael Kayser

Chairman of the Remuneration Committee

25 March 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006. 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

Robert Smith
Chief Financial Officer

25 March 2021

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 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International accounting standards in conformity with the requirements 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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006 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.

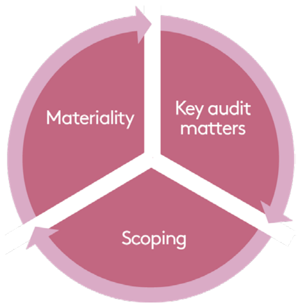
Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

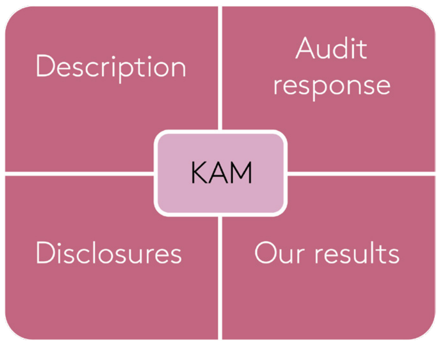
Our approach to the audit

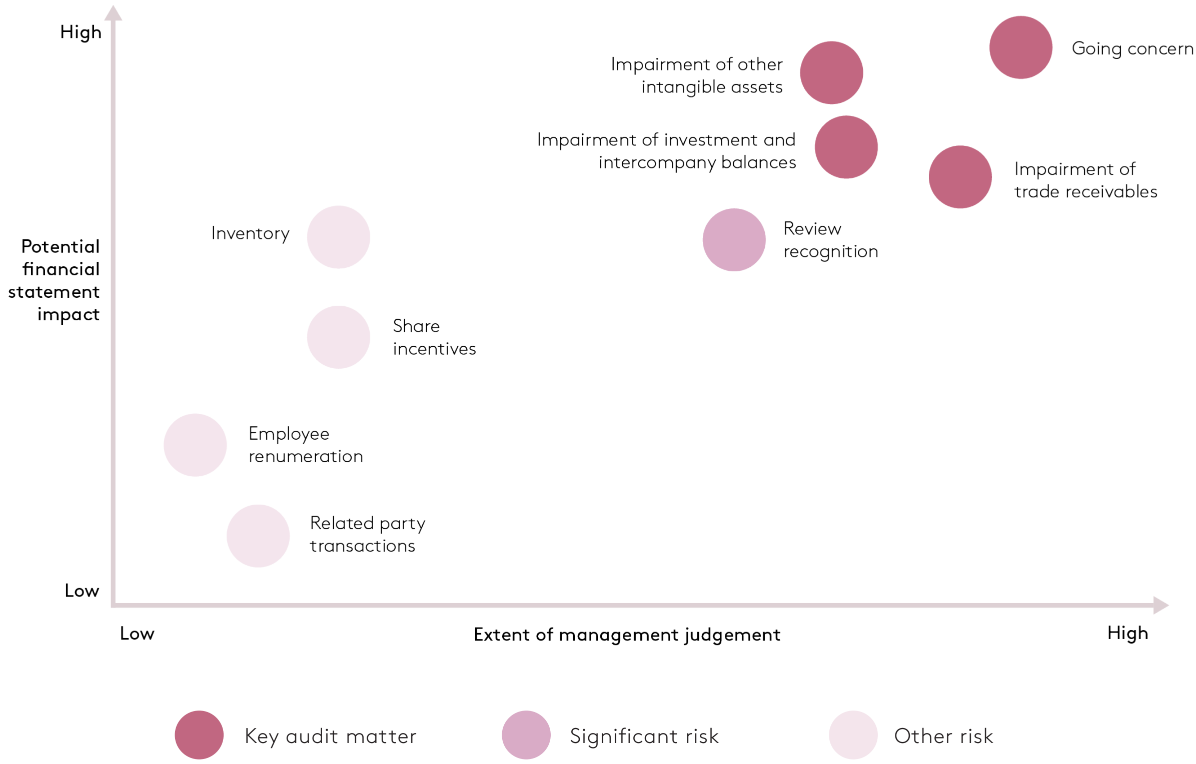


Overview of our audit approach
Overall materiality: Group: £85,800, which represents 1.5% of the group's revenue. Parent company: £84,500, which represents 1.6% of the parent company's total assets.
Key audit matters were identified as: • Going concern (new); • Impairment of other intangible assets (same as previous year); • Impairment of trade receivables (new); and • Impairment of investment and intercompany balances (new). Our auditor's report for the year ended 31 December 2019 included one key audit matter that has not been reported as a key audit matter in our current year's report. This related to the revenue recognition on the production of furnaces which is not included in the current year since the balance was nil.
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 our scope addressed the matter – Group*

Going Concern
We identified going concern as one of the most significant assessed risks of material misstatement as a result of the judgement required to conclude whether there is a material uncertainty related to going concern. The group has reported losses for the financial period of £1,544,000 (2019: £877,000) and has been impacted by Covid-19 as well as wider market factors. The group successfully completed two equity placing and subscriptions in the last 18 months raising £2.2m net of expenses. The group currently has no debt facilities and any future funding needs may require additional share placement.
 	
In undertaking their assessment of going concern for the group, the directors considered the ongoing uncertainties surrounding the impact of the Covid-19 pandemic on the economies and sectors the group serve.
 	
The directors identified the key business risks and conditions that may impact the group's ability to continue as a going concern to be the utilisation of existing resources to finance growth, investment and expenditure; the rates of growth and cash generated by Group revenues, the timing of breakeven and positive cashflow generation and the ability to secure additional debt or equity financing in future if this became
	In responding to the key audit matter, we performed the following audit procedures:
	
	In our evaluation of the directors' conclusions, evaluating the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19.
	
	Our procedures included:
	
	• obtaining an understanding of key controls over management's going concern models, including those over the inputs and assumptions used in the models;
	• using our internal specialist to support the assessment of the appropriateness of forecast assumptions, through:
	    • obtaining and comparing analyst reports, industry data and other external information with management's estimates;
	    • applying professional judgment to determine if the external reports, data and other

Report of the Independent Auditor
continued

Key Audit Matter – Group	*How our scope addressed the matter – Group*
necessary. As a result of the current macro-economic climate, there is significantly more judgement applied in developing cashflow forecasts. The primary areas of judgement relate to the timing and growth in revenues. The directors prepared a base case model and a number of reasonably possible downside scenarios applying reduced revenues to this base case. A reverse stress test was also prepared by the directors, excluding any upsides and mitigating actions that might be taken. The directors have concluded, based on the various scenarios developed, that the group has sufficient resources available to meet its liabilities as they fall due for a period of at least 12 months from the date of the financial statements and have concluded that there are no material uncertainties around the going concern assumptions.	information provided corroborative or contradictory evidence in relation to management's assumptions; • assessing and challenging the reasonableness of estimates made by the directors and the related disclosures; • comparing forecast sales and growth rates to historic experience, accuracy of forecasting and projected market growth by reference to external information and events taking place after the balance sheet date; • analysing how key business risks and conditions might affect the group's financial resources or ability to continue operations over the going concern period; • understanding management's proposed mitigating actions to reduce costs and manage cash flows and assessing whether the mitigating actions were within the group's control; • challenging the expected impact of those actions based on available supporting evidence; • performing our own sensitivity analysis; • evaluating the results of the reverse stress tests performed by management; • evaluation of the results of the procedures performed by our internal specialists; and • evaluating the group's disclosures on going concern for compliance with the requirements of IAS 1 'Presentation of financial statements'.
Relevant disclosures in the Annual Report and Accounts 2020 • The group's principal risks and uncertainties, impact of COVID-19, financial review and Going concern assessment are set out in the Strategic Report on Pages 9 to 16. The going concern assessment is also set out in Note 1.	**Our results** • The Directors' forecasts, as well as reasonably possible downside scenarios indicate that the group has sufficient financial resources over the going concern period. • Based on the information available as at the date of this report we consider the forecasts prepared by the Directors and their underlying assumptions to be balanced. • We have reviewed the disclosures prepared by the Directors set out on page 16 and consider them to be appropriate.

Report of the Independent Auditor
continued

Key Audit Matter – Group	*How our scope addressed the matter – Group*
Impairment of other intangible assets We identified impairment of other intangible assets as one of the most significant assessed risks of material misstatement due to error. 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 capitalised development costs of £258,000, with a carrying value of £821,000, 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. The primary areas of judgement relate to the timing and growth in revenues.	In responding to the key audit matter, we performed the following audit procedures: • 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 for consistency with other models used and based upon historical performance of the entity, expected future earnings and external data such as order enquiries; 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.
Relevant disclosures in the Annual Report and Accounts 2020 • The group's accounting policy on impairment of other intangible assets is shown on page 57 and related disclosures are included in note 7.	**Our results** • Our sensitivity analysis indicated that management's impairment assessment was not highly sensitive to changes in assumptions; and • based on the audit work performed, we found that the assumptions used by management in arriving at the value in use of other intangible assets were balanced. We found no mathematical errors in the calculations. Based on the audit work performed we did not find any indicators that other intangible assets are materially impaired

Key Audit Matter – Group	*How our scope addressed the matter – Group*
Impairment of trade receivables We identified impairment of trade receivables as one of the most significant assessed risks of material misstatement due to error. Our preliminary analytical procedures identified that, as a result of macroeconomic uncertainties caused by Covid-19, there was an accumulation of old trade receivables which may not be recoverable and an increase in receivables days. The process for assessing whether impairment exists under International Financial Reporting Standard 9 Financial Instruments involves judgement over the	In responding to the key audit matter, we performed the following audit procedures: • analysed aged and overdue trade receivables and agreed a sample to invoice to confirm the correct aging being applied; • challenged management's assessment of impairment relating to trade receivable; • corroborated management's assumptions against other information and historical trends in arriving at their consideration of the 'Expected Credit Loss' as prescribed by International Financial Reporting Standard 9 Financial Instruments; and

Key Audit Matter – Group	*How our scope addressed the matter – Group*
likelihood of future events which may be uncertain. The primary areas of judgement relating to the impairment of trade receivables are the timing and quantum of subsequent cash receipts. **Relevant disclosures in the Annual Report and Accounts 2020** • The group's accounting policy on impairment of trade receivables is shown on page 59 and related disclosures are included in note 11.	• tested a sample of trade receivables for events occurring up to the date of the auditor's report by verifying to subsequent cash receipts. **Our results** • Our testing indicated that management's impairment assessment was not highly sensitive to changes in assumptions; and • based upon the audit work performed we found that the assumptions used by management were balanced and events occurring up to the date of the auditor's report do not contradict the assumptions made. Based on the audit work performed we did not find any indicators that the net balance of trade receivables is not recoverable.

Key Audit Matter – Parent company	*How our scope addressed the matter – Parent company*
Impairment of investment and intercompany balances We identified impairment of investment and intercompany balances as one of the most significant assessed risks of material misstatement due to error. The investments in subsidiaries are included within the company only balance sheet of Biome Technologies Plc and are recorded at Nil following an impairment in the year. The process of determining whether an investment in subsidiary needs to be impaired includes forecasting cash flows related to the entity 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. The primary areas of judgement relate to the timing and growth in revenues. **Relevant disclosures in the Annual Report and Accounts 2020** • The group's accounting policy on impairment of investments and intercompany balances are shown on page 57 and related disclosures are included in note 9.	In responding to the key audit matter, we performed the following audit procedures: • comparing the book value of the investments in subsidiaries and intercompany balances as at 31 December 2020 to the company's valuations as determined by management; • checking the calculations within the impairment model and comparing the results to the investment carrying values to determine whether there is impairment; • testing the assumptions utilised in the impairment models by calculation of our own estimates of growth rates and discount rates to evaluate management's point estimate; and • testing the accuracy of management's forecasting through comparison of budget to actual data and historical variance trends to confirm whether management has a robust process for assessing impairment. **Our results** • Our analysis in respect of intercompany balances identified that the assumptions used by management in arriving at the provision for intercompany balances were balanced. Based on the audit work performed we did not identify indicators that the investment in subsidiaries balance is impaired and we are satisfied that the intercompany balances are recoverable.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

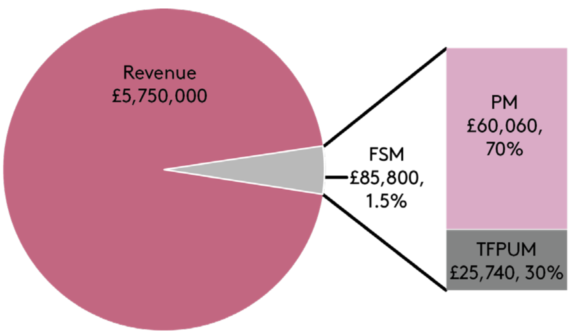
Materiality measure	*Group*	*Parent Company*
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£85,800 which represents 1.5% of the group's revenue.	£84,500 which represents 1.6% of the parent company's total assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the significant judgement that this benchmark is 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 that we determined for the year ended 31 December 2019 to reflect the reduction in trade.	In determining materiality, we made the significant judgement that this benchmark is the most appropriate due to the company being a holding company without revenue. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2019 to reflect the increase in the company's equity in the year.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£60,060 which is 70% of financial statement materiality.	£59,150 which is 70% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: • The level of performance materiality could be increased due to our strong understanding and knowledge of the group's operations and previous years' experience in auditing the group; • However as a result of the changes in finance staff during the year we chose to reduce our threshold due to a potential lack of consistent control across the year.	
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality threshold	We determined a lower level of specific materiality for related parties and directors' remuneration.	
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	

Report of the Independent Auditor
continued

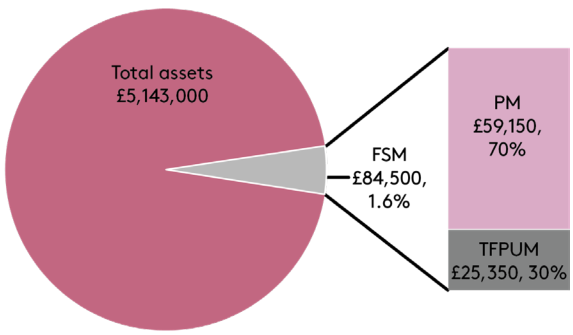
Materiality measure	*Group*	*Parent Company*
Threshold for communication	£4,300 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£4,200 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality - Group



Overall materiality - Parent Company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

- Obtaining an understanding of the group and its environment, including group wide controls, documenting internal controls relevant to the audit, evaluating the group's internal controls, and assessing the risks of material misstatement at the group level.
- Evaluation by the group audit team of identified components to assess their significance and determine the planned audit responses based on a measure of materiality. We determined component significance using a number of key benchmarks, such as total assets, revenues and (loss) / 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 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.
- Our approach is consistent with the approach taken in the period ended 31 December 2019.

Report of the Independent Auditor
continued

Audit approach	No. of components	% coverage **total assets**	% coverage **revenue**	% coverage **PBT**
Full-scope audit	4	%100	%100	%100

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

Matter 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, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- The Group is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors, and legal and regulatory correspondence. The key laws and regulations we considered in this context included the UK Companies Act 2006, AIM Listing Rules and International Financial Reporting Standards.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
    - journal entries that increased revenues or that reclassified costs from the income statement to the balance sheet; and
    - potential management bias in determining accounting estimates, especially in relation to the calculation of impairment of other intangible assets and trade receivables.
- Our audit procedures involved:
    - evaluation of the design effectiveness and testing the operating effectiveness of controls that management has in place to prevent and detect fraud;
    - journal entry testing, with a focus on material manual journals, including those with unusual account combinations and those posted directly to the consolidation that increased revenue or that reclassified costs from the income statement to the balance sheet;
    - challenging assumptions and judgements made by management in its significant accounting estimates; and
    - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion,

deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.

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
25 March 2021

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	2	**5,705**	6,957
Cost of goods sold	10	**(4,029)**	(3,933)
Gross profit		**1,676**	3,024
Other operating income	2	**300**	436
Administrative expenses	4, 5	**(3,551)**	(4,480)
Loss from operations		**(1,575)**	(1,020)
Investment income		**2**	6
Finance Charges		**(38)**	(9)
Foreign exchange gain/(loss)		**(88)**	-
Loss before taxation		**(1,699)**	(1,023)
Taxation	6	**155**	146
Loss and total comprehensive income for the year		**(1,544)**	(877)
Basic loss per share - pence		**(51)p**	(35)p
Diluted loss per share - pence		**(51)p**	(35)p

The calculation of loss per share is based on the loss attributable to the equity holders of the parent for the year of £1,544,000 (2019: loss of £877,000) and a weighted average of 3,033,457 (2019: 2,472,038) ordinary shares in issue for basic earnings per share and a weighted average of 3,033,457 (2019: 2,472,038) 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 17.

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

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
NON-CURRENT ASSETS					
Other intangible assets	7	821		883	
Property, plant and equipment	8a	574		653	
			1,395		1,536
CURRENT ASSETS					
Inventories	10	746		555	
Trade and other receivables	11a	1,594		1,885	
Cash and cash equivalents		1,678		2,126	
			4,018		4,566
TOTAL ASSETS			5,413		6,102
CURRENT LIABILITIES					
Trade and other payables	12a	1,076		1,381	
Lease liabilities	14	38		76	
			1,114		1,457
NON-CURRENT LIABILITIES		400		438	
Lease liabilities	14		400		438
TOTAL LIABILITIES			1,514		1,895
NET ASSETS			3,899		4,207
EQUITY					
Share capital	15		186		140
Share premium account	16a		2,200		1,250
Capital redemption reserve	16a		4		4
Share options reserve	16a, 17		617		377
Translation reserves	16a		(85)		(85)
Retained earnings	16a		977		2,521
TOTAL EQUITY			3,899		4,207

The financial statements were approved by the Board and authorised for issue on 25 March 2021

Signed on behalf of the Board of Directors

Paul Mines
Chief Executive

Robert Smith
Chief Financial Officer

25 March 2021

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 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
NON-CURRENT ASSETS					
Property, plant and equipment	8b	**468**		519	
Investments	9	-		558	
			468		1,077
CURRENT ASSETS					
Trade and other receivables	11b	**130**		116	
Amounts owed by subsidiary undertakings	27	**2,874**		2,725	
Cash and cash equivalents		**1,671**		2,103	
			4,675		4,944
TOTAL ASSETS			**5,143**		6,021
CURRENT LIABILITIES					
Trade and other payables	12b	**294**		454	
Amounts due to subsidiary undertakings	27	-		488	
Lease liabilities	14	**38**		76	
			332		1,018
NON-CURRENT LIABILITIES					
Lease liabilities	14	**400**		438	
			400		438
TOTAL LIABILITIES			**732**		1,456
NET ASSETS			**4,411**		4,565
EQUITY					
Share capital	15		**186**		140
Share premium account	16b		**2,200**		1,250
Capital redemption reserve	16b		**4**		4
Share options reserve	16b, 17		**457**		268
Retained earnings	16b		**1,564**		2,903
TOTAL EQUITY			**4,411**		4,565

Signed on behalf of the Board of Directors

Paul Mines
Chief Executive

Robert Smith
Chief Financial Officer

25 March 2021

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

Company registration No: 01873702 (England and Wales)

Consolidated Statement of Changes in Equity

As at 31 December 2020

	Share capital	Share premium account	Capital redemption reserve	Share options reserve	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 Jan 2020	140	1,250	4	377	(85)	2,521	4,207
Share options issued in share based payments	-	-	-	240	-	-	240
Issue of share capital	46	950	-	-	-	-	996
Cancellation of expired options	-	-	-	-	-	-	-
Transactions with owners	186	2,200	4	617	(85)	2,521	5,443
Loss for the year	-	-	-	-	-	(1,544)	(1,544)
Total comprehensive income for the year	-	-	-	-	-	(1,544)	(1,544)
Balance at 31 December 2020	186	2,200	4	617	(85)	977	3,899
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	-
Transactions 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

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

Company Statement of Changes in Equity

As at 31 December 2020

	Share capital	Share premium account	Capital redemption reserve	Share options reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 Jan 2020	140	1,250	4	268	2,903	4,565
Share options issued in share based payments	-	-	-	189	-	189
Issue of share capital	46	950	-	-	-	996
Cancellation of expired options	-	-	-	-	-	-
Transactions with owners	186	2,200	4	457	2,903	5,750
Loss for the year	-	-	-	-	(1,339)	(1,339)
Total comprehensive income for the year	-	-	-	-	(1,339)	(1,339)
Balance at 31 December 2020	186	2,200	4	457	1,564	4,411
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	-
Transactions 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

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 2020

	2020 £'000	2019 £'000
Loss after taxation	**(1,544)**	(877)
Adjustments for:-		
Taxation	**(155)**	(146)
Foreign exchange loss/(gain)	**88**	-
Finance charges	**38**	9
Investment income	**(2)**	(6)
Loss from operations	**(1,575)**	(1,020)
Adjustments for:-		
Amortisation and impairment of intangible assets	**320**	317
Depreciation of property, plant and equipment	**98**	77
Share based payments - equity settled	**240**	136
Foreign exchange gain/(loss)	**-**	9
Operating cash flows before movement in working capital	**(917)**	(481)
Decrease/(increase) in inventories	**(191)**	400
Decrease/(increase) in receivables	**293**	(1,087)
(Decrease)/increase in payables	**(240)**	(405)
Cash utilised in operations	**(1,055)**	(1,573)
Corporate tax received	**-**	205
Interest paid	**(38)**	(2)
Net cash outflow from operating activities	**(1,093)**	(1,370)
Investing activities		
Interest received	**2**	6
Investment in intangible assets	**(258)**	(282)
Purchase of property, plant and equipment	**(19)**	(27)
Net cash used in investing activities	**(275)**	(303)
Financing activities		
Proceeds from issue of share capital	**1,100**	1,300
Costs of issue of ordinary share capital	**(104)**	(104)
Repayment of obligations under leasing activities	**(76)**	(11)
Net cash from financing activities	**920**	1,185
Net decrease in cash and cash equivalents	**(448)**	(488)
Cash and cash equivalents at the beginning of the year	**2,126**	2,614
Cash and cash equivalents at the end of the year	**1,678**	2,126

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 2020

	2020 £'000	2019 £'000
Loss after taxation	(1,339)	(1,264)
Adjustments for:-		
Foreign exchange loss/(gain)	38	-
Finance charges	36	9
Investment income	(219)	(218)
Loss from operations	(1,484)	(1,473)
Adjustments for:-		
Depreciation of property, plant and equipment	70	29
Net movement in provision for impairment of investment and loan in subsidiary	70	-
Share based payments - equity settled	189	97
Foreign exchange gain/(loss)	-	(2)
Operating cash flows before movement in working capital	(1,155)	(1,349)
Decrease/(increase) in receivables	56	(297)
(Decrease)/increase in payables	(200)	(32)
Cash utilised in operations	(1,299)	(1,678)
Corporate tax received	-	-
Interest paid	(36)	(1)
Net cash outflow from operating activities	(1,335)	(1,679)
Investing activities		
Interest received	2	5
Purchase of property, plant and equipment	(19)	(8)
Net cash used in investing activities	(17)	(3)
Financing activities		
Proceeds from issue of share capital	1,100	1,300
Costs of issue of ordinary share capital	(104)	(104)
Repayment of obligations under leasing activities	(76)	(11)
Net cash from financing activities	920	1,185
Net decrease in cash and cash equivalents	(432)	(497)
Cash and cash equivalents at the beginning of the year	2,103	2,600
Cash and cash equivalents at the end of the year	1,671	2,103

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

Notes to the Financial Statements

For the Year Ended 31 December 2020

1. PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

The consolidated and company financial statements have been prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006.

These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2020.

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 Strategic Report on pages 16 and below.

Going Concern

The Group has operated for a year under Covid-19 pandemic conditions and has had time to assess the impact that the pandemic has had on its business. During 2020, the Group and specifically the RF Technologies division has reduced its cost base. Further to that, the Company successfully raised additional funding of £1m equity by way of a placing and subscription completed in the second half of 2020.

The key business risks and conditions that may impact the Group's ability to continue as a going concern are the utilisation of existing resources to finance growth, investment and expenditure; the rates of growth and cash generated by group revenues, the timing of breakeven and positive cashflow generation and the ability to secure additional debt or equity financing in future if this became necessary. The primary area of judgement that the Board considered, in the going concern assessment, related to revenue expectations and visibility.

The Board was mindful of the guidance surrounding a severe but plausible assessment and, accordingly, considered a number of scenarios in revenue reduction against the original plans. A reverse stress test was constructed to identify at which point the Group might run out of its available cash. The test was designed specifically to understand how far revenue would need to fall short of the base case forecast and does not represent the directors view on current and projected trading. The test assumed the unlikely scenario that (a) demand for RF products would decline to a lower level than that seen in 2020 and (b) the sales growth achieved by Bioplastics during the second half of 2020 would not be repeated in the forecast period. For the reverse stress test, the Board specifically excluded any significant upsides to this scenario. This is despite strong incremental demand potential at both existing and new customers for the Group's Bioplastic products and excludes the potential of an improvement in the Fibre Optic furnace market. This most severe scenario also excludes any mitigating reduction in the cost base that the Board would clearly undertake in this event. In all scenarios modelled, including the reverse stress test, the Group has sufficient resources to operate and meet its liabilities throughout the going concern review period without the inclusion of the impact of mitigating actions.

At 31 December 2020, the Group had a net cash balance of £1.7m and as at 24 March 2021 a balance of £1.7m. The 31 December 2020 balance exceeded market forecast and the 24 March 2021 balance was better than predicted in all the going concern scenarios tested. On a revised base case scenario adopted for their assessment, the Board is comfortable that the Group can continue its operations for at least a 12-month period following the approval of these financial statements.

As a result of this review, which incorporated sensitivities and risk analysis, the Directors believe that the Group has sufficient resources and working capital to meet their present and foreseeable obligations for a period of at least 12 months from the approval of these financial statements

Adoption of New and Revised Standards

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

Basis of Consolidation

The Group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2020. 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 2020 the subsidiary undertakings were Stanelco RF Technologies Limited, InGel Technologies Limited, Biome Bioplastics Limited (formerly Adept Polymers Limited) and Aquasol Limited. Details of the composition of the group are included in note 9 to these financial statements.

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

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

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

Revenue

Revenue 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 RF Technologies 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 RF Technologies 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 RF Technologies Division are recognised at a point in time when the goods are dispatched. Revenues from equipment sales within the RF Technologies 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 RF Technologies 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.

The Bioplastics division carry out paid development work for customers. Revenues associated with this activity are recognised at a point in time when the service or maintenance work has been completed.

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 2020 is entirely based upon information provided by the third party and no estimates were required.

Other income

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.

Coronavirus Job Retention Scheme (furlough)

Payments received under the UK Government's furlough scheme are treated as other income.

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 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

As set out above, the on-going effects of the Covid-19 pandemic has required the Board to make a number of significant judgements in respect of forecasts used in the preparation of the going concern assessment. With a year of operating under market conditions affected by the pandemic and various operating restrictions, the Board was able to consider a number of scenarios based on differing levels of revenue to arrive at its determination to adopt the ongoing concern basis in the preparation of the financial statement. These scenarios included completing a reverse stress test, sensitivities and risk analysis.

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 £nil (2019: £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 Technologies 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 £821,000. The useful economic life of intangible assets is estimated at five years and amortised to zero over this period.

2. SEGMENTAL INFORMATION

The Group is managed through two operating divisions, Bioplastics and RF Technologies supported by a separately managed Central Costs division. 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 who assess performance of the segments using the following key performances indicators: revenues, operating profit and Earnings Before Interest, Taxation, Depreciation and Amortisation. The details provided to the Board with respect to assets and liabilities are measured in a way consistent with the financial statements.

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 Limited. 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.

During 2020 the board concluded that, to gain a more accurate representation of the costs and profits associated with the Bioplastics and RF Technologies divisions, certain costs previously accounted for as part of the Central Costs division would be allocated, to the operating divisions. These costs include insurance, accounting, administration, facilities, and executive management activities attributable to the operating divisions. A restatement of segmental information for 2019 has been made to allow users of this information to compare it on a consistent basis.

a. By Business Activity for the Year Ended 31 December 2020

	2020				2019 (Restated)			
	£'000 Bioplastics	£'000 RF	£'000 Central	£'000 Total	£'000 Bioplastics	£'000 RF	£'000 Central	£'000 Total
Revenue from sales	4,946	804	-	5,750	2,991	3,966	-	6,957
Removal of inter-segment sales	-	(45)	-	(45)	-	-	-	-
Total external sales	4,946	759	-	5,705	2,991	3,966	-	6,957
(Loss)/profit from operations	(517)	(461)	(597)	(1,575)	(1,176)	748	(592)	(1,020)
Interest received	-	-	2	2	-	-	6	6
Finance charges	-	-	(38)	(38)	-	-	(9)	(9)
Foreign exchanges loss	(88)	-	-	(88)	-	-	-	-
Loss before taxation	(605)	(461)	(633)	(1,699)	(1,176)	748	(595)	(1,023)
Taxation	155	-	-	155	146	-	-	146
Loss for the year	(450)	(461)	(633)	(1,544)	(1,030)	748	(595)	(877)

Reconciliation to Loss Before Interest Tax Depreciation and Amortisation (LBITDA)

(Loss)/profit from operations	(517)	(416)	(597)	(1,575)	(1,176)	748	(592)	(1,020)
Depreciation/amortisation	(364)	(50)	(4)	(418)	(340)	(52)	(2)	(394)
Share based payments	(35)	(16)	(189)	(240)	(17)	(22)	(97)	(136)
LBITDA	(118)	(395)	(404)	(917)	(819)	822	(493)	(490)

Other segmental information

Capital Expenditure

Property, plant and equipment	9	9	1	19	254	265	26	545
Intangible assets	258	-	-	258	320	-	-	320
Total Capital Expenditure	267	9	1	277	574	265	26	865
Total Assets	3,886	1,414	113	5,413	3,291	2,183	628	6,102

b. By Geographical Region for the Year Ended 31 December 2020

	2020			2019		
	Revenue £'000	Total assets £'000	Capital additions £'000	Revenue £'000	Total assets £'000	Capital additions £'000
UK	490	5,413	277	1,404	6,102	865
Europe	517	-	-	2,063	-	-
North America	4,585	-	-	2,475	-	-
Latin America	5	-	-	7	-	-
Asia	107	-	-	1,007	-	-
Rest of World	1	-	-	-	-	-
	5,705	5,413	277	6,956	6,102	865

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

The Group had two customers (2019: four customers) who accounted for more than 10% of Group revenues, both in the Bioplastics division (2019: two customers) with revenues of £4.5m (2019: £2.0m).

3. REVENUE

	2020	2019
	£'000	£'000
Sales of goods	5,456	6,706
Sales of services	242	188
Commissions	7	63
	5,705	6,957

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

		2020	2019
		£'000	£'000
Point in time	Sales of goods	5,273	3,505
	Sales of services	242	188
	Commissions	7	63
		5,522	3,756
Over time	Sales of goods	183	3,201
		5,705	6,957

Other income not included in sales revenue and recognised in the year consisted of the following:

	2020	2019
	£'000	£'000
Grants income in respects of research and development	190	436
Payments received under the Coronavirus Job Retention Scheme	96	-
Net proceeds from the sale of fixed assets	14	-
	300	436

4. ADMINISTRATIVE EXPENSES

a. Administrative Expenses Include:

	2020	2019
	£'000	£'000
Depreciation, amortisation and impairment:		
Other intangible assets, owned	320	317
Property, plant and equipment, owned	98	77
Hire of plant and machinery	3	4
Short term leases	14	63
Share based payments - equity settled	240	136
Share based payments - cash settled	-	(11)
Bad debt provision	252	(2)

b. *Auditor's Remuneration*

	2020 Grant Thornton UK LLP £'000	2019 Grant Thornton UK LLP £'000
Fees payable to the company's auditor for the audit of the company's interim and annual accounts	**42**	32
Additional fee for 2019 year end audit not provided in the accounts for that year		
Fees payable to the company's auditor for the audit and its associates for other services:	**2**	-
Audit of the accounts of subsidiaries	**26**	23
Audit related assurance services	**11**	6
Tax compliance services	**11**	12
Tax advisory services	**-**	4
Total charged to the consolidated statement of comprehensive income	**92**	77

c. *Reconciliation to Performance Measures*

EBITDA	2020 £'000	2019 £'000
Loss from operations per consolidated statement of comprehensive income	**(1,575)**	(1,020)
Amortisation	**320**	317
Depreciation	**98**	77
Share option charges - equity settled	**240**	136
	(917)	(490)

5. DIRECTORS AND EMPLOYEES

	Group		Company	
	2020 Number	2019 Number	**2020 Number**	2019 Number
Management	**7**	7	**5**	6
Administration	**3**	3	**2**	2
Sales	**5**	7	**-**	-
Manufacturing, engineering and technical	**16**	25	**-**	-
	31	42	**7**	8
	£'000	£'000	**£'000**	£'000
Staff costs:				
Wages and salaries	**1,535**	2,112	**499**	629
Social security costs	**170**	242	**60**	77
Pension costs - personal pension contributions	**78**	99	**12**	21
	1,783	2,453	**571**	727
Directors remuneration:				
Short term employment benefits	**405**	536	**405**	536
Post employment benefits	**6**	14	**6**	14
	411	550	**411**	550

6. TAXATION

Analysis of charge in a year

	Group	
	2020	2019
	£'000	£'000
Current income tax		
Current in credit/charge	**-**	-
Adjustment in respect of prior periods:	**(155)**	(146)
Total current income tax (see below)	**(155)**	(146)

UK Corporation tax	**(155)**	(146)
Overseas corporation tax	**-**	-
Total consolidated corporation tax credit	**(155)**	(146)

Factors affecting the total tax charge for year

	Group	
	2020	2019
	£'000	£'000
Loss on ordinary activities before taxation	**(1,699)**	(1,020)
Tax thereon at UK statutory income tax rate 19% (2018: 19%)	**(323)**	(194)
Expenses not deductible for tax purpose	**63**	91
Additional deduction for research and development expenditure	**(64)**	1
Other short term temporary differences	**-**	10
Unrelieved tax losses and other deductions	**376**	272
Utilisation of tax losses	**(52)**	(180)
Adjustment in respect of prior periods	**(155)**	(146)
Total UK corporation tax	**(155)**	(146)
Overseas corporation tax	**-**	-
Tax credit for the year	**(155)**	(146)

The Group has estimated trading losses of £31.2m (2019: £29.0m) available indefinitely for carry forward against future trading profits. The Company has estimated trading losses of £20.2m (2019: £18.8m) available indefinitely for carry forward against future trading profits. The Group had capital losses of £1.5m (2019: £1.5m). Deferred tax assets have not been recognised in respect of these losses as there is insufficient certainty of future taxable profits against which to utilise them.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill relating to Aquasol	Other intangible assets	Total
Group	£'000	£'000	£'000
Cost:			
At 1 January 2019	1,991	4,770	6,761
Additions	-	282	282
At 1 January 2020	1,991	5,052	7,043
Additions	-	258	258
At 31 December 2020	**1,991**	**5,310**	**7,301**
Accumulated amortisation and impairment:			
At 1 January 2019	1,991	3,852	5,843
Provided in the year - charge for the year	-	317	317
At 1 January 2020	1,991	4,169	6,160
Provided in the year - charge for the year	-	320	320
At 31 December 2020	**1,991**	4,489	6,480
Net book value:			
At 31 December 2020	**-**	**821**	**821**
At 31 December 2019	-	883	883

Other Intangible Assets comprise £821,000 (2019: £883,000) of capitalised development costs. The remaining amortisation period on the £821,000 of other intangible assets at 31 December 2020W is a weighted average of 3.4 years (2019: 3.4 years).

All of the £821,000 of capitalised development costs relates to the Bioplastics Division.

8. PROPERTY, PLANT AND EQUIPMENT

a. Group

	Land, buildings and leasehold improvements	Motor vehicles	Plant and equipment	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2019	200	-	743	236	1,179
Additions	493	25	24	3	545
Disposals	-	-	-	-	-
At 1 January 2020	693	25	767	239	1,724
Additions	5	-	14	-	19
Disposals	(24)	(11)	-	(6)	(41)
At 31 December 2020	674	14	781	233	1,702
Depreciation:					
At 1 January 2019	185	-	602	207	994
Charge for year	21	12	33	11	77
Disposals	-	-	-	-	-
At 1 January 2020	206	12	635	218	1,071
Charge for year	50	11	31	6	98
Disposals	(24)	(11)	-	(6)	(41)
At 31 December 2020	232	12	666	218	1,128
Net book value:					
At 31 December 2020	**442**	**2**	**115**	**15**	**574**
Net book value:					
At 31 December 2019	487	13	132	21	653

b. Company

	Land, buildings and leasehold improvements	Motor vehicles	Plant and equipment	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2019	25	-	58	7	90
Additions	493	25	7	1	526
Disposals	-	-	-	-	-
At 1 January 2020	518	25	65	8	616
Additions	5	-	14	-	19
Disposals	(24)	(11)	-	-	(35)
At 31 December 2020	499	14	79	8	600
Depreciation:					
At 1 January 2019	25	-	42	1	68
Charge for year	10	12	6	1	29
Disposals	-	-	-	-	-
At 1 January 2020	35	12	48	2	97
Charge for year	50	11	8	1	70
Disposals	(24)	(11)	-	-	(35)
At 31 December 2020	61	12	56	3	132
At 31 December 2020	**438**	**2**	**23**	**5**	**468**
At 31 December 2019	483	13	17	6	519

9. INVESTMENTS

	Total
	£'000
Investments Company	
Cost:	
At 31 December 2019	2,750
At 31 December 2020	2,750
Diminution in value:	
At 31 December 2019	2,192
Provision for investment in Aquasol Limited	558
At 31 December 2020	2,750
Net book value:	
At 31 December 2020	-
At 31 December 2019	558

A provision for the value of the investment in Aquasol Limited was made in the financial year and provisions have been made for loans to and from this entity. The directors of Aquasol and the parent are currently reviewing the status of this legal entity as it has not traded for a number of years and there are currently no plans to trade through this entity.

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	100.0%
InGel Technologies Limited	England and Wales	9,500 Ordinary "A" 1p shares	93.7%
Biome Bioplastics Limited	England and Wales	2 Ordinary £1 shares	100.0%
Aquasol Limited	England and Wales	29,000 Ordinary £1 shares	100.0%

The registered address of each of the subsidiaries listed above is Starpol Technology Centre, North Road, 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).

10. INVENTORIES

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Raw materials and consumables	**39**	342	-	-
Work in progress	-	21	-	-
Finished good and goods for resale	**707**	192	-	-
Total	**746**	555	-	-

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 £4,029,000 (2018: £3,923,000). The change in profile of inventory reflects the increase in sales revenue in the Bioplastics division and the reduction in revenue in the RF Technologies division.

11. TRADE AND OTHER RECEIVABLES

a. Group

	2020	2019
	£'000	£'000
Trade receivables	**1,280**	1,417
Other receivables	**236**	249
Prepayments and accrued income	**78**	219
Total	**1,594**	1,885

An allowance has been made for estimated irrecoverable amounts from the sale of goods of £4,000 (2019: £20,000). These amounts were calculated, after making specific impairments, by reference to an expected loss model and with regard to past default experience. Specific impairments, totalling £252,000, were made during the year for receivable balances in respect of three customers. 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 69 days.

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

	2020 £'000	2019 £'000
60 - 90 days past due	**54**	274
90 - 120 days past due	**252**	5
120+ days past due	**259**	56
Total	**565**	335

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:

	2020 £'000	2019 £'000
120+ days past due	**256**	20
Total	**256**	20

b. Company

	2020 £'000	2019 £'000
Trade receivables	**48**	-
Other receivables	**31**	62
Prepayments and accrued income	**51**	54
Total	**130**	116

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

12. TRADE AND OTHER PAYABLES

a. Group

	2020 £'000	2019 £'000
Trade payables	**520**	531
Other taxation and social security costs	**55**	65
Other payables	**67**	44
Accruals and deferred income	**434**	741
Total	**1,076**	1,381

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 19 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.

b. Company

	2020 £'000	2019 £'000
Trade payables	**94**	40
Other taxation and social security costs	**55**	65
Other payables	**40**	44
Accruals and deferred income	**105**	305
Total	**294**	454

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 27.

13. FINANCIAL INSTRUMENT

Categories of Financial Instruments

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Financial assets	**3,195**	3,791	**4,624**	4,890
Loans and receivables				
Financial liabilities recorded at amortised cost				
Trade and other payables	**1,076**	1,205	**294**	876
Lease liabilities	**438**	514	**438**	514
Net foreign currency monetary assets				
Euros	**2**	4	**1**	-
US Dollars	**541**	229	**541**	229

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.

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 2020	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	1,076	-	-	-	-	-	1,076
Lease liabilities	7	13	18	39	141	220	438
Total	1,083	13	18	39	141	220	1,514

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

Company 2020	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	294	-	-	-	-	-	294
Lease liabilities	7	13	18	39	141	220	438
Total	301	13	18	39	141	220	732

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

14. OBLIGATIONS UNDER LEASES

The Group leases its main building with the current lease coming into effect on 12 October 2019 which is treated as a right of use asset in accordance with the provisions of IFRS 16. The 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
Premises	483	-	(21)	462
Motor vehicles	13	-	(12)	1
Total	496	-	(33)	463

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

	Group
	£'000
Lease liability as at 1 January 2020	514
New leases entered into during the year	-
Interest charged during the year	38
Payments made during the year	(114)
Lease liability as at 31 December 2020	**438**

	2020	2019
	£'000	£'000
Lease liability payable in less than a year	**38**	76
Lease liability payable in more than one year	**400**	438
Total	**438**	514

15. SHARE CAPITAL

	2020		2019	
Allotted, issued and fully paid: Ordinary shares of 5p each	**Shares**	**£'000**	Shares	£'000
At 1 January	**2,798,525**	**140**	2,365,188	118
Issued in the year	**916,667**	**46**	433,337	22
	3,715,192	**186**	2,798,525	140

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

On 24 September 2020 the company placed and issued 857,000 new ordinary shares for a price of £1.20 per share. On 24 September 2020 a subscription for 41,667 shares was made and these subscription shares were issued on 11 December 2020 at a price of £1.20 per share. The placing and subscription resulted in a combined raise of £1.1m before costs. Transaction costs of £104,000, directly associated with the placing and subscription of these shares, were offset against the share premium account.

16. RESERVES AND ACCUMULATED PROFITS

a. Group

	Share premium account	Capital redemption reserve	Share option reserve	Translation reserve	Profit & Loss reserve
	£'000	£'000	£'000	£'000	£'000
Opening balance as at 1 January 2020	1,250	4	377	(85)	2,521
Loss for the year	-	-	-	-	(1,544)
Issue of share capital	950	-	-	-	-
Share option charge/(credit) for the year	-	-	240	-	-
Balance at 31 December 2020	**2,200**	**4**	**617**	**(85)**	**977**

	Share premium account	Capital redemption reserve	Share option reserve	Translation reserve	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 option charge/(credit) for the year	-	-	61	-	75
Balance at 31 December 2019	**1,250**	**4**	**377**	**(85)**	**2,521**

b. Company

	Share premium account	Capital redemption reserve	Share option reserve	Profit & Loss Reserve
	£'000	£'000	£'000	£'000
Opening balance as at 1 January 2020	1,250	4	268	2,903
Loss for the year	-	-	-	(1,339)
Issue of share capital	950	-	-	-
Share option charge/(credit) for the year	-	-	189	-
Balance at 31 December 2020	**2,200**	**4**	**457**	**1,564**

	Share premium account	Capital redemption reserve	Share option 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**

17. SHARE OPTION RESERVE

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Opening balance	**377**	316	**268**	246
Income and expenditure charge for the year in respect of the fair value of share based payments under the share option awards	**240**	136	**189**	97
Share options exercised	**-**	-	**-**	-
Expired and cancelled share options taken directly to reserves	**-**	(75)	**-**	(75)
Closing balance	**617**	377	**457**	268

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 scheme

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 and a further grant was made on 17 February 2020. 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. Performance conditions restrict the number of shares exercisable, further details can be found in the Director's remuneration report on pages 31 to 32 of this Report.

	Shares issued in lieu of bonus		2017 Long Term Incentive Plan	
	2020	2019	**2020**	2019
	Number of ordinary shares of £0.05	Number of ordinary shares of £0.05	**Number of ordinary shares of £0.05**	Number of ordinary shares of £0.05
Balance outstanding at 1 January	**-**	-	**306,176**	306,176
Granted	**45,399**	-	**83,739**	-
Exercised	**-**	-	**-**	-
Lapsed	**-**	-	**(47,985)**	-
Balance outstanding at 31 December	**45,399**	-	**341,930**	306,176
Exercise prices of options outstanding at the period end in the range	**5p**	-	**215p - 270p**	215p
Weighted average exercise price of options outstanding at the year end	**5p**	-	**228p**	215p
Weighted average contractual life in months of options outstanding at the year end	**16**	-	**23**	35
Exercisable at the year end	**45,399**	-	**171,453**	171,453
Weighted average exercise price of options currently exercisable at the year end	**5p**	-	**215p**	215p

Share Options Granted In lieu of Bonus

On 30 January 2020 share options were granted to Paul Mines and Declan Brown in lieu of provisionally granted bonuses accrued in 2018. These share options can be exercised at any time until 30 April 2022. The Board resolved that an extension be granted to Mr Brown's 18,733 options so that they would not lapse until 31 March 2021.

18. COMPANY PROFIT AND LOSS ACCOUNT

	2020	2019
	£'000	£'000
Opening balance	**2,903**	4,092
Transfer from share option reserve	**-**	75
Retained loss for the year	**(1,339)**	(1,264)
Closing balance	**1,564**	2,903

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 £1,339,000 (2019: retained loss £1,264,000).

19. CAPITAL COMMITMENTS

The Group had no capital commitments at 31 December 2020 and 31 December 2019.

20. COMMITMENTS UNDER OPERATING LEASES – LESSEE

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

	2020	2019
	£'000	£'000
Within one year	**1**	1
In the second to fifth years inclusive	**-**	1
Total	**1**	2

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 2020.

21. PENSION COMMITMENTS

The Group makes contributions to personal pension plans schemes based on contractual terms. The contribution charge for the year was £79,000 (2019: £99,000).

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Foreign currency exchange rate risk

Within the Group, the Bioplastics division's sales are predominantly priced in USD whilst the cost of sales are predominantly in USD and EUR creating an exchange rate risk. The RF Technologies division's sales are predominantly quoted in GBP. The bespoke nature of most of the RF Technologies division's 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 2020 was £88,000 (2019: loss £8,000), 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 £16,000 effect on interest income during 2020. 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 2020 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	-	1,678	-	1,678
Trade and other receivables	-	-	1,516	1,516
Total	**-**	**1,678**	**1,516**	**3,194**
Financial liabilities				
Trade and other payables	-	-	1,021	1,021
Lease finance	438	-	-	438
Total	**438**	**-**	**1,021**	1,459

Company

Interest rate	Fixed £'000	Floating £'000	Zero £'000	Total £'000
Financial assets				
Cash and cash equivalents	-	1,671	-	1,671
Trade and other receivables	-	2,874	79	2,953
Total	**-**	**4,545**	**79**	**4,624**
Financial liabilities				
Trade and other payables	-	-	239	239
Lease finance	438	-	-	438
Total	**438**	**-**	**239**	**677**

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.

Credit risk

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

23. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

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

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

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

	2020	2019
	£'000	£'000
Total equity	3,899	4,207
Cash and cash equivalents	1,678	2,126

24. CONTRACTS IN WHICH DIRECTORS HAVE AN INTEREST

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

25. CONTINGENT LIABILITIES

There are no contingent liabilities.

26. CONTROL

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

27. RELATED PARTY TRANSACTIONS

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

	Amounts owed		Amounts owed	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Aquasol Limited	-	-	-	(488)
Biome Bioplastics Limited	**1,291**	782	-	-
InGel Technologies Limited	-	-	-	-
Stanelco Inc	-	-	-	-
Stanelco RF Technologies Limited	**1,583**	1,943	-	-
Balance at 31 December 2020	**2,874**	2,725	-	(488)

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

	2020	2019
	£'000	£'000
Aquasol Limited	**-**	-
Biome Bioplastics Limited	**11,717**	11,717
InGel Technologies Limited	**39**	39
Stanelco Inc	**-**	-
Stanelco RF Technologies Limited	**1,745**	1,745
Total	**13,501**	13,501

Intergroup provisions	**2020**	2019
	£'000	£'000
Balance at the beginning of year	**13,501**	13,501
Impact of foreign exchange movements	**-**	-
Impairment losses recognised/(reserved)	**-**	-
Amounts written off	**-**	-
Balance at December 2020	**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.

During the year ended 31 December 2020 Biome Bioplastics Limited purchased equipment from Stanelco RF Technologies Limited for £45,000, there was no intergroup trading in 2019.

Paul Mines, the Company's Chief Executive Office and John Standen, Chairman, both subscribed for 12,500 new ordinary shares in a placing of new ordinary shares on 24 September 2020 (the "Placing"), which represented an amount of £15,000 each at the Placing's issue price of 120 pence per share (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 £80,000 at the Issue Price. Mr JM Rushton-Turner, a substantial shareholder of the Company, subscribed for 40,667 new ordinary shares in the Placing, which represented an amount of £48,800 at the Issue Price. The shares were issued on 24 September 2020.

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