biome technologies plc

Annual Report and Financial Statements

for the year ended 31 December 2018

Officers and advisers

Board of Directors

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

Company Secretary

Donna R Simpson-Strange

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Chairman's statement

2018's performance encompassed both an exceptional revenue and profit performance in the Stanelco RF division along with a substantial increase in the number of projects underway and consequent widening of the customer base in the Bioplastics division. The Group recorded a pre-tax profit for the year, was cash flow positive, and ended the year with exceptionally good prospects for its Bioplastics division.

We undertook a recruitment drive to bolster the above trends and this is partly reflected in the increase in costs for 2018, although the full impact will be seen during 2019. We believe that the growth in turnover and the widening of end uses for the materials of the Bioplastics division will be crucial in successfully achieving our KPIs to 2020 and we expect to report positive news in this regard during 2019. We are striving to position our Group as a future leader in the field of plant-based bioplastic materials.

RESULTS

Group revenues totalled £8.9m (2017: £6.2m), reflecting material increases in the Stanelco RF division. Gross margins at Group level increased to 54% (2017: 50%), largely as a result of changes in product mix.

The Group's profit before interest, taxation, depreciation, amortisation, and share option scheme charges ("EBITDA") increased to £0.6m (2017: EBITDA profit of £0.1m) and it also recorded an operating profit of £0.1m (2017: loss of £0.4m). The profit after taxation was £0.1m (2017: loss of £0.2m). The basic earnings per share in 2018 was 6 pence (2017: loss per share of 10 pence).

The year saw a substantial increase in activity levels in both divisions, with headcount increasing from an average of 27 employees in 2017 to an average of 37 in 2018. Within the Stanelco RF division, headcount increased by four employees, relating mainly to increased engineering requirements and sales personnel to cover the manufacturing and delivery requirements associated with the significant revenue increase. Within the Bioplastics division an additional two employees were recruited to supplement UK sales capability and broaden the near-term technical development base. Moreover, an increase in government grants allowed the acceleration of the Group's mid-term Industrial Biotechnology research activity (in conjunction with UK universities) through the recruitment of an additional four scientists/engineers on fixed term contracts.

The Bioplastics' division's revenues decreased in the year to £1.9m (2017: £2.3m) as a result of lower demand for outer packaging for the US single-serve coffee market. This decrease was partially offset by increases elsewhere in the division's other product lines, including the biodegradable non-woven filter for coffee pods. The division recorded an EBITDA loss for the year of £0.5m (2017: EBITDA loss of £0.1m) due to the lower turnover levels and the increase in headcount mentioned above. The resultant operating loss was £0.8m (2017: loss of £0.4m).

The Stanelco RF division's revenues increased to £7.0m (2017: £4.0m) as the division benefitted from exceptional demand in the fibre optic furnace market. This increase in turnover resulted in a sharp increase in the division's EBITDA profit for the year to £2.7m (2017: £1.4m). Operating profit also increased to £2.6m (2017: £1.3m).

The Group has continued to manage its cash position carefully, taking cash balances at 31 December 2018 to £2.6m (31 December 2017: £2.3m). The cash generated by operations was £0.7m (2017: cash generation £0.2m, excluding a one-off settlement receipt of £0.45m). The year-end working capital position remained the same as that at the end of 2017. Capitalised investment in product development was £0.3m (2017: £0.1m).

MARKETS

The Stanelco RF division operates in a mature market niche, with its revenues principally driven by demand for fibre optic cable to provide greater data capacity on mobile networks and increases in internet traffic due to services such as video streaming. Stanelco RF's major product lines are sophisticated furnaces which allow the fibre to be stretched from a rod of glass and produced in large quantities. China and India are the principal geographic markets for these furnaces and demand has been very strong over the past two years. Our recent market intelligence indicates that the market has slowed down considerably, due to overcapacity and the well-publicised trade related issues that these countries are experiencing. Future mid-term demand can be regarded in a positive light, albeit dependant on new generations of internet expansion. It is considered to be a cash-generative cyclical business by the Board.

Biome Bioplastics operates in a burgeoning emerging market with very significant growth potential. Such growth is subject to sustained consumer sentiment and favourable regulatory stimulus. It is a young market and our business model is to focus on developing and manufacturing new materials in conjunction with innovative "early-adopter" businesses which are interested in replacing oil-based materials with those derived from plants or other ecological sources. Our portfolio of products continues to expand and ranges from materials with good temperature stability performance to those that can be incorporated in multi-layer laminate structures conveying barriers and hence can deliver shelf-life performance. Sales growth with a number of key customers will propel our success and continuous investment in new materials is paramount.

STRATEGY

The Group's strategy continues to be to build a leading position in its chosen markets based on proprietary IP-protected technology. It has chosen to do this by developing products in application areas where we feel that the Group has a competitive advantage in terms of skillset, where a premium price can potentially be charged, and where we are not reliant on government legislation or policy. These products are driven by customer requirements and are compatible with existing manufacturing processes and our focus is on supplying market requirements rather than being technology-led.

The 2017 Annual Report highlighted the three high-level Key Performance Indicators (KPIs) that the Board adopted for the business trajectory through to the end of 2020. Whilst these KPIs were set with attainment at the end of a three-year horizon in mind, the following reviews their status as at the end of year one:

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

  For 2018 the Group exceeded this target although the target was not met in the Bioplastics division

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

  This was not achieved as turnover was dominated by the exceptional demand for fibre optic furnaces.

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

  The Group met this target in 2018 with £0.8m spent in the year of which £0.3m was on developing its near-term product pipeline plus an additional £0.5m on its medium-term Industrial Biotechnology programme (supported by various government grants).

BIOME BIOPLASTICS

The Bioplastics division had a mixed year. Revenue dropped due to significantly lower sales volumes of materials for outer packaging application in the single serve US coffee market. However, during the period other sales, including the non-woven mesh filter, increased by more than 50%.

In line with our strategy to diversify the customer base the division has attracted new customer interest from both the US and European markets and as reported in recent statements there are a number of projects which have the potential to substantially increase sales in 2019. The first of these projects is to supply a rigid ring to the coffee market that is heat stable. This project is at an advanced stage with revenues continuing to be anticipated to commence in quarter two of 2019. Additional projects which are scheduled to commercialise in 2019 are for a novel material for a single serve nutrition pod, disposable cutlery for the US market, and a plastic film-based product.

The division has also increased headcount in the year in both the sales and technical functions in order to address the increased potential customer requirements from a number of territories and applications for a biodegradable solution. Worthy of particular note is the shift of public perception in the UK with regard to plastic waste and the potential change of legislative positions on plastics packaging. Local interest in bioplastics has increased significantly and the division is actively engaged in working with a number of customers and other parties to establish whether this will lead to a significant change in market demand.

The division's medium-term research activities in Industrial Biotechnology continue to focus on the development of a new range of performance polymers derived from biomass. This work is based on the use of advanced industrial biotechnology techniques and is supported by a number of government grants with an additional grant of £0.6m over two years having been awarded at the end of 2018. This work is undertaken in conjunction with various leading universities. The focus of this research work has identified several novel polymers, which can be derived from the production of bio-based monomers. These polymers are subject to patent applications and work continues to determine the commercial viability of these new materials at a larger scale.

STANELCO RF TECHNOLOGY

The Stanelco RF division had a record year in 2018 primarily driven by the requirement for equipment for fibre optic cable production for use in the construction of telecommunications and data infrastructure in Asia. This demand has led to a record number of fibre optic furnaces being built and delivered in the year. We regard the level of demand in 2018 as an exception rather than a maintainable level. It should be noted that the order book for fibre optic furnaces for 2019 is lower than that of the comparable period a year ago and therefore revenues from this division for 2019 are anticipated to be lower than the exceptional level achieved in 2018 but higher than those in 2017.

The contract to develop a new pipe-welding system continues with the pre-production units due to be delivered in 2019. If this phase is successful then it is anticipated that it will lead to substantial production orders.

The Stanelco RF division remains committed to a strategy to sell products that complement its expertise outside the furnace market. During 2018 the division successfully designed, built, and delivered a product to be used in the metal processing market. Further diversification in this thematic area is being pursued.

OUTLOOK

Several substantial opportunities within the Bioplastics division's markets are progressing actively and, in this context, the Board continues to expect a gradual but sustained increase in Bioplastics revenues as the year progresses.

For the Stanelco RF division, 2018 was an exceptional year with a record number of deliveries of optic fibre furnaces. There will be a period whilst these deliveries are incorporated into our customers' manufacturing process and before they undertake significant further expansion. Therefore, revenues in 2019 are anticipated to be at a lower level than the £7m achieved in 2018, but higher than the £4m achieved in 2017.

The Board remains committed to delivering its strategy and current trading for both divisions is in line with the expectations set out above.

John Standen
Chairman

27 March 2019

Strategic Report

2018 delivered an increased performance in Group EBITDA of £0.6m (2017: £0.1m) which led to the Group achieving an operating profit of £0.1m (2017: operating loss of £0.4m).

In the Bioplastics division, lower levels of turnover were a result of a significant drop in the sales of outer packaging for the US single serve coffee market. This decrease was partially offset by an increase in other sales, including the biodegradable non-woven mesh for coffee pods, of over 50%. The resultant effect of this was a fall in turnover of the Bioplastics division for the year of 17% over the prior year.

The Stanelco RF division had an exceptional year driven by very strong demand in the optic furnace market with record numbers of furnaces being sold in the year. Turnover for the division increased 76% over the prior year.

The divisional analysis below outline the strategies that will be adopted for 2019 and 2020 to meet the Group's objectives.

BIOME BIOPLASTICS DIVISION

Revenues in the Bioplastics division decreased to £1.9m (2017: £2.3m). This decrease in revenues, relating to an existing product, belies the increased activity and enquiry levels that currently exist in the Bioplastics division. It is to accommodate this increased activity, which is anticipated to generate revenues over the short and medium term, that staffing and consequently overheads were increased during the year. The increased headcount was focussed on sales and technical resource within the existing first generation of products and also on research technologists on fixed term contracts, supported by government grants, for the next generation Industrial Biotechnology work. The net effect of the decrease in revenues, along with increased overhead, increased the division's operating loss to £0.8m (2017: £0.4m).

MARKETS

Interest and public awareness in the management of plastic waste and its effect on the environment came into the spotlight in 2018. This is exemplified by media interest and a shift in public opinion in the UK which has increased the enquiry levels for the division. There still remains a debate over the strategic direction of the treatment of plastic waste in the UK, with Biome lobbying for composting to be a meaningful part of the mix. With regard to single use packaging plastics, incumbent interests are focused on recycling options albeit, with renewed interest in universal food-waste collection, anaerobic digestion and composting infrastructure (that suit bioplastics) which may gain further traction. This is perhaps best exemplified by the UK Plastics Pact that is a coalition of companies that accounts for some 80% of consumer packaging in the UK market. Under the UK Plastics Pact two specific targets for 2025 are:

- 100% of packaging to be reusable, recyclable or compostable
- 70% of packaging effectively recycled or composted

Both of these targets provide reason for optimism in the development of bioplastics in the UK over the coming years.

The increased production costs of functional bioplastics over petro-chemical plastics remains a considerable hurdle in the wide spread adoption of bioplastics. The market is therefore driven by government legislation or the willingness of the consumer end-user to pay a premium for biodegradability/compostability.

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

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. A variety of our products are at various stages of the commercial lifecycle and these are 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 2018, the development team continued to focus on supporting trials with existing and new customers to achieve innovative ways to expand the product streams and diversify the customer base.

The division's main focus throughout the year has been to:

- transfer production of the biodegradable non-woven mesh to the US from Europe, in order to increase capacity and be closer to the customer base,
- develop a rigid ring to complete our suite of products for the US coffee pod market,
- the development of the materials for a novel and innovative pod for the nutrition market, and
- a plastic film-based product for the North American market.

The development of the rigid ring is nearing the commercial phase of its development cycle with initial revenues continuing to be anticipated to commence in the second quarter of 2019. The innovative pod for the nutrition market is entering the initial manufacturing phase. The plastic film project is earlier in its product lifecycle and is currently in the development phase.

During 2018 the Bioplastics division also continued its work in Industrial Biotechnology medium-term research into the transformation of lignocellulose (often sourced from agricultural waste) into low cost bioplastics using microbial and enzymatic routes. If successful, it is anticipated that this work will result in bioplastics at a cost comparable to current petro-based plastics which has the potential to transform the demand for bioplastics. This development work is supported by a number of research grants and another grant was awarded in the year amounting to £0.6m over two years to focus on the pilot scale production of one of the supporting monomers. Research expenditure, both in terms of headcount and other sub-contracting and materials costs, was increased in the year as some of the projects reach their conclusion and work is transferred from the universities. Patent applications have been made to support the materials and technology under development.

STANELCO RF TECHNOLOGIES DIVISION

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

The division's core offering is the supply of fibre optic furnaces, although the business continues in its strategic aims of diversifying its product streams into other areas utilising radio frequency technology. Total revenues in 2018 of £7.0m were substantially higher than the prior year (2017: £4.0m). This increase in revenues is attributable to record numbers of fibre optic furnaces being sold and delivered into the market. Operating profit for the period increased to £2.6m (2017: £1.3m).

The business currently focuses on four key revenue streams:

OPTICAL FIBRE FURNACE SYSTEMS

The Stanelco RF division is a world leader in the design and manufacture of induction furnace systems used in the manufacture and processing of silica glass "preforms" to produce optical fibre. Each system is bespoke to a customers' exact requirements. The global demand for optical fibre has increased in 2018 with customers making capital investments as part of the roll out of infrastructure investment in telecommunications, including "5G", in Asia.

PLASTIC WELDING EQUIPMENT

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

INDUCTION HEATING EQUIPMENT

In 2018, work in this area centred on the next phase of the previously reported contract to develop a new pipe welding system. This next phase is due to complete in 2019 with the delivery of the pre-production units.

The division has increased its sales effort in the induction heating market and in 2018 sold its first unit into the metal processing sector.

SERVICE AND SPARES

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

BREXIT

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

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

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

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

POLITICAL, ECONOMIC AND REGULATORY ENVIRONMENT

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

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

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

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

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

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

INTELLECTUAL PROPERTY

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

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

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

COMPETITION

There is a risk that competitors may be able to develop products and services that are more attractive to customers, either through price or technical performance, than the Group's products and services.

The Group aims to be ahead of the competition through working closely with customers to produce products that meet their exact requirements rather than offering "off the shelf" solutions.

COMMERCIALISATION OF NEW PRODUCTS

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

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

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

CUSTOMERS

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

FINANCIAL RISKS

The Group uses various financial instruments including cash, lease finance, equity and other items such as trade receivables and trade payables that arise directly from its operations. The existence of these instruments exposes the Group to a number of financial risks, the main ones being exchange rate risk, liquidity risk, interest rate risk and credit risk. The Directors review and agree policies for managing each of these risks and these are summarised in Note 21 to the Group's full financial statements for the year ended 31 December 2018.

SUPPLIERS AND RAW MATERIALS

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

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

FINANCIAL REVIEW

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

The summary results for the Group are shown below.

	2018 £'m	2017 £'m	Growth
LIKE-FOR-LIKE COMPARISONS			
Revenues			
Biome Bioplastics	1.9	2.3	(17%)
RF Technologies	7.0	3.9	76%
Total revenues	**8.9**	**6.2**	**42%**
EBITDA (pre share option charges)			
Biome Bioplastics	(0.5)	(0.1)	
RF Technologies	2.7	1.4	
Central costs	(1.6)	(1.2)	
Reported EBITDA	**0.6**	**0.1**	
Profit/(loss) from Operations			
Biome Bioplastics	(0.8)	(0.4)	
RF Technologies	2.6	1.3	
Central Costs	(1.7)	(1.3)	
Like for Like Operating Profit/(loss)	**0.1**	**(0.4)**	
Non-current assets	1.1	1.0	
Inventories	1.0	0.8	
Trade and other receivables	0.9	1.3	
Cash	2.6	2.3	
Trade and other payables	(1.8)	(2.1)	
Net assets	**3.8**	**3.3**	

REVENUES

Group revenues increased in the year to £8.9m from £6.2m due to significant increases in revenues in the Stanelco RF division.

In Stanelco RF Technologies, revenues benefitted from exceptional demand for strong fibre optic furnaces market whilst Biome Bioplastics revenues were impacted by a drop in sales of outer packaging for the US single serve coffee market.

The Group also adopted IFRS 15, the new international accounting standard for revenue recognition, on 1 January 2018 and, following a review of all revenue streams, no changes have been required for either 2018 or the prior year comparative.

EBITDA

EBITDA for the year was a profit of £0.6m (2017: profit of £0.1m). This improvement in EBITDA is a direct result of the increased performance of the Stanelco RF division. The contribution of Biome Bioplastics decreased due to lower sales plus also an increase in overhead in sales and technical resources for the current generation of products, and also an increase in overhead to accelerate the government grant backed medium term Industrial Biotechnology initiatives.

OPERATING PROFITS/(LOSSES)

The Group recorded an operating profit for the year of £0.1m compared to an operating loss of £0.4m in the prior year.

Administrative costs across the Group in 2018 were £4.7m (2017: £3.5m). When the non-cash effects of depreciation, amortisation and share option charges are removed, the cash administrative expenses in 2018 increased to £4.2m compared to prior year

(2017: £3.0m). This increase in expenses is mainly attributable to a £0.4m increase within the Stanelco RF division, due to increased headcount, temporary resource, and travel, to accommodate the large increase in activity levels, a £0.4m increase in the grant backed Industrial Biotechnology research work as the development reached a stage which enabled the partial transfer of activities from the participating universities to the Company, plus a £0.4m increase in central costs which is due to incentive scheme costs plus increased building costs as a result of additional space being needed for the increased activity levels.

Investment in product development was £0.9m in the year (2017: £0.4m), which includes the development work in the grant backed Industrial Biotechnology, of which £0.3m (2017: £0.1m) was capitalised in the year. Tax R&D claims resulted in a receivable being accrued in the year of £0.1m (2017: credit of £0.2m).

The Group recorded a profit after tax for the year of £0.1m (2017: loss after tax of £0.2m), giving a basic earnings per share of 6p (2017: loss per share of 10p).

BALANCE SHEET

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

As at 31 December 2018, there was £0.9m of capitalised development costs (2017: £0.9m) within the Group's balance sheet, of which £0.7m relates to BiomeMesh. An assessment is made at least annually which assumes future potential market take up of the products and the margins achievable.

CASHFLOW

	2018 £'m	2017 £'m
Cashflow		
Profit/(loss) from operations	0.1	(0.4)
Adjustment for non-cash items	0.6	0.5
Movement in working capital	—	0.6
Cash generated by operations	**0.7**	**0.7**
Investment activities	(0.4)	(0.1)
R&D Tax credit	—	0.2
Net increase/(decrease) in cash	**0.3**	**0.8**
Opening cash balance	2.3	1.5
Closing cash balance	2.6	2.3

The cash generated from operations, before working capital movements, was £0.7m (2017: cash generation of £0.1m) reflecting the substantial increase in trading performance from the Stanelco RF division during 2018 compared to the prior period. Working capital movements were flat in the year compared to a net inflow of £0.6m in the prior year. As a result, the cash generated by operations during 2018 was £0.7m (2017: £0.7m).

Investment in the year in capitalised product development and capex was £0.4m (2017: £0.1m). R&D tax credits were received in 2019 and therefore there was no cash effect in 2018 (2017: £0.2m).

The resultant closing cash position was £2.6m (2017: £2.3m).

GOING CONCERN

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

By order of the Board.

Paul Mines
Chief Executive Officer

27 March 2019

Directors' report

The directors present their Annual Report and the audited Financial Statements of Biome Technologies plc for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

The subsidiary undertakings affecting the profits or net assets of the Group in the year are listed in Note 8 to the financial statements.

RESULTS AND DIVIDENDS

The financial results of the Group are set out in the consolidated statement of comprehensive income on page 42. The directors do not recommend payment of a dividend (2017: nil per share).

KEY CONTRACTUAL ARRANGEMENTS

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

RESEARCH AND DEVELOPMENT

The continuous advancement of technology and processes by the Group means costs are incurred each year in research and development. For the year under review these costs amounted to £850,000 (2017: £368,000), of which £293,000 (2017: £106,000) was capitalised.

ENVIRONMENT

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

EMPLOYEES

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

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

SOCIAL RESPONSIBILITY

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

GOING CONCERN

The Group had cash resources of £2.6m at 31 December 2018. The cash generated by continuing operations in the year, after working capital movements, was £0.7m.

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

SUBSTANTIAL SHAREHOLDING

The Company has been notified that the following shareholders held a beneficial interest of 3 per cent or more of the Company's issued share capital as at 31 December 2018.

	Ordinary shares of 5p each	
	Percentage	**Number**
VA Pereira	22.57	534,022
JM Rushton-Turner	12.18	288,050
G Pereira	3.35	79,286
B Pereira	3.30	78,149

SHARE CAPITAL AND CONTROL

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

At the AGM held on 24 April 2018, the directors were authorised to allot equity securities for cash up to a maximum of ten per cent of the issued share capital. The directors intend to renew their authority at the next AGM when this authority will expire. At the present time the directors have no plans to exercise this authority.

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

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

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

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

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

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

DIRECTORS AND DIRECTORS' INTERESTS

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

	Ordinary shares of £0.05 each 31 December 2018	Ordinary shares of £0.05 each 31 December 2017
John F Standen (Chairman)	**53,336**	51,336
Paul R Mines (Chief Executive)	**26,525**	21,885
Declan L Brown (Group Finance Director)	**3,970**	708
Michael A Kayser (Senior Independent Non-Executive Director)	**4,071**	4,071

Share options granted to directors are set out in the Directors' Remuneration Report on pages 23 to 26. 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, Paul Mines retires by rotation and offers himself for re-election.

BOARD OF DIRECTORS

The Board of Directors comprises:

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

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

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

Michael A Kayser, Senior Independent Non Executive Director
Michael has extensive experience in both the chemicals sector and in senior management positions. This experience includes being Group Finance Director at Laporte plc for five years and Finance Director of Guinness Brewing Worldwide.

CORPORATE GOVERNANCE

The corporate governance report on pages 17 to 22 forms part of the Directors' report.

AUDITORS

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

By Order of the Board

Donna R Simpson-Strange
Company Secretary

27 March 2019

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 13 to 16, and the Directors' remuneration report describes how the principles of good governance are applied within the Company. The Directors' have chosen to adopt the Quoted Companies Alliance Corporate Governance Code 2018 (the 'QCA Code'). The section below sets out the ways in which the Group applies the ten principles of the QCA Code in support of the Group's medium to long term success.

1. **Establish a strategy and business model which promote long term value for shareholders**
   The business model and strategy is explained within the Chairman's Statement on pages 3 to 5. In addition, page 4 of the Chairman's Statement detail the three main KPIs which the Group has adopted over the period 2018 to 2020 to enable its medium-term strategy to be fulfilled. The key risks and challenges to the Group and how the Board seeks to address these are detailed in pages 6 to 9 of the Strategic Report.

2. **Seek to understand and meet shareholder needs and expectations**
   The Company recognises the importance of communicating with its shareholders, including its employee shareholders, to ensure that its strategy and performance are understood. This is achieved principally through the Interim Report, the Annual Report, the AGM, and information on the website.

   The Chairman, Chief Executive and the Finance Director are primarily responsible for investor relations. Feedback from major shareholders is reported to the Board and discussed at its meetings. The Board recognises that the AGM is the principal forum for dialogue with private shareholders. All directors normally attend the AGM and are available to answer any questions that shareholders may wish to raise. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. Shareholders vote on a show of hands, unless a poll is validly called and after each such vote the number of proxy votes received for and against the resolution is announced.

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

4. **Embed effective risk management, considering both opportunities and threats, throughout the organisation**
   The main risks to the Group are disclosed in the Strategic Report on pages 7 to 9. 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 18 to 22. The Chief Executive and Group Finance Director work full time. The Chairman and the Senior Independent Director contribute approximately 8 days per month and 2 days per month respectively but this can vary from time to time.

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

   Certain details of the directors and their relevant experience, skills and personal qualities and capabilities can be found within the Directors' Report on page 15. Training needs are assessed on an ad-hoc basis as the need arises.

7. **Evaluate board performance on clear relevant objectives, seeking continuous improvement**
   The Board carries out an annual, internal evaluation of its performance. This covers the effectiveness of the Board as a whole, its individual members, and its committees. Given the size of the Company's Board the Directors have best determined that Board and director effectiveness is best assessed by each individual director, plus senior managers that have attended Board meetings, contacting the Chairman individually to summarise areas that have worked well and areas for improvement. These individual responses are summarised by the Chairman and feedback given including any suggestions for change. The annual evaluation of the Chairman is run by the Senior Independent Non-executive Director using the same process. The process run during 2018 did not reveal any substantive issues. This appraisal process has evolved over the last couple of years away from a prescribed questionnaire and the Board believes this now gives a more relevant evaluation process.

8. Promote a corporate culture that is based on ethical values and behaviours

The Group is committed to business integrity, high ethical values and professionalism in all of its activities. As an essential part of this commitment the Group supports the highest standards in corporate governance. The Directors' Report on page 12 details the environmental and social responsibility policies of the Group. The key risks and challenges to the Group are detailed on pages 6 to 9 of the Strategic Report.

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

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

Details of the Company's governance structure are detailed within this section of the Annual Report. In addition, full terms of reference of the Company's remuneration nomination, and audit committees and their terms of reference can be found on the Company's website. The board continually monitors its governance and will evolve this in line with best practise as appropriate.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company encourages two-way communication with its shareholders. Regular dialogue is had with the Group's major shareholders as well as the AGM being used for any shareholder to attend and raise questions. A report is given at each Board meeting of correspondence that any Director has had with a shareholder.

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

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

THE BOARD

Throughout 2018, the Board comprised the non-executive chairman, one other non-executive director, and two executive directors.

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

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

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

The individual committee responsibilities of the directors are as follows:

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

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

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

BOARD PROCEDURES

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

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

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

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

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

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

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The following table shows the attendance of directors at meetings of the Board and of the Audit, Remuneration and Nomination Committees of the board during the year to 31 December 2018.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
J F Standen	9	2	3	—
P R Mines	9	*	*	*
D L Brown	9	*	*	*
MA Kayser	9	2	3	—
Number of meetings in the year	9	2	3	—

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

THE REMUNERATION COMMITTEE

The Remuneration Committee operates under written terms of reference and is comprised of the chairman and the independent non-executive director. Details can be found in the Directors' Remuneration Report on pages 23 to 26.

NOMINATION COMMITTEE

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

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

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

AUDIT COMMITTEE

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

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

The committee's responsibilities include:

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

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

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

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

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

Directors' remuneration report

The Remuneration Committee comprises the two non-executive directors and is chaired by Michael A Kayser, senior independent non-executive director. The Remuneration Committee advises the board on individual directors' remuneration packages. The Remuneration Committee met three times during the year to 31 December 2018. 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 26.

BASIC SALARY

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

PERFORMANCE-RELATED INCENTIVES

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

SHARE BASED PAYMENTS

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

SHARE OPTIONS

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

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

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

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

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

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

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

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

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

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

SERVICE CONTRACTS

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

Directors' contracts and termination notices:

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

PENSIONS

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

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

DIRECTORS' SHARE OPTIONS

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

As at 31 December 2018, the following options had been appointed to sub trusts by the Trustees of the Stanelco plc Employee Benefit Trust for the benefit of the following directors and their families:

	Date Granted	Date exercisable	Date option lapses	Exercise price	Ordinary Shares of 5p each 31 December 2018
Paul R Mines	24 April 2009	24 April 2012	23 April 2019	1,481p	20,243

The exercise price of the options granted under the above scheme is equal to the market value of the shares at the time when the options were granted adjusted for the share consolidation on 16 July 2013. The performance conditions attached to the share options are detailed on page 23.

DIRECTORS' AWARDS UNDER THE 2017 LONG TERM INCENTIVE PLAN

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

As at 31 December 2018, the following options have been granted under the 2017 LTIP:

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

The performance conditions attached to the awards are detailed on pages 23 and 24.

On 10 December 2018, the first vesting date, the following options, from the total award above, vested and became available for exercise under the rules of the scheme:

	Options vested and available for exercise	Exercise price per share
Paul R Mines	57,588	215 pence
Declan L Brown	26,874	215 pence

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

On 10 December John Standen was awarded £25,339 under the first vesting of this scheme which was paid in a combination of 2,000 shares and £14,539 cash.

The company's share price on 31 December 2018 was 515.0p (31 December 2017: 215.0p) and traded during the year at prices between 760.0p and 200.0p (2017: 245.0p and 97.5p).

DIRECTORS' REMUNERATION DURING THE YEAR

	Year ended 31 December 2018						Year ended 31-Dec 2017
	Base salary/fees	**Bonuses**	**Car allowances**	**Benefits in kind**	**Other**	**Total**	Total
	£	**£**	**£**	**£**	**£**	**£**	£
Paul R Mines[1]	**196,850**	**100,000**	**9,600**	**3,820**	**17,298**	**327,568**	234,085
Declan L Brown	**138,300**	**70,250**	**9,600**	**1,859**	**—**	**220,009**	166,536
John F Standen[2]	**58,217**	**—**	**—**	**—**	**25,339**	**83,556**	56,238
Michael A Kayser	**26,583**	**—**	**—**	**—**	**—**	**26,583**	25,563
Total	**419,950**	**170,250**	**19,200**	**5,679**	**42,637**	**657,716**	482,422

(1) other payments of £17,298 relate to remuneration paid in lieu of pension contributions.

(2) other payments of £25,339 relate to the award under the first vesting of the chairman LTIP. This amount was settled by the issue of 2,000 shares and £14,539 cash.

The Company made contributions to individual pension schemes as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Paul R Mines	**—**	18,916
Declan L Brown	**13,830**	13,293
	13,830	32,209

By Order of the Board

Michael A Kayser
Chairman of the Remuneration Committee

27 March 2019

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The Group directors have elected to prepare the parent company financial statements in accordance with IFRSs. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

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

On behalf of the Board

Paul Mines
Chief Executive Officer

Declan Brown
Group Finance Director

27 March 2019

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 2018 which comprise Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cashflow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

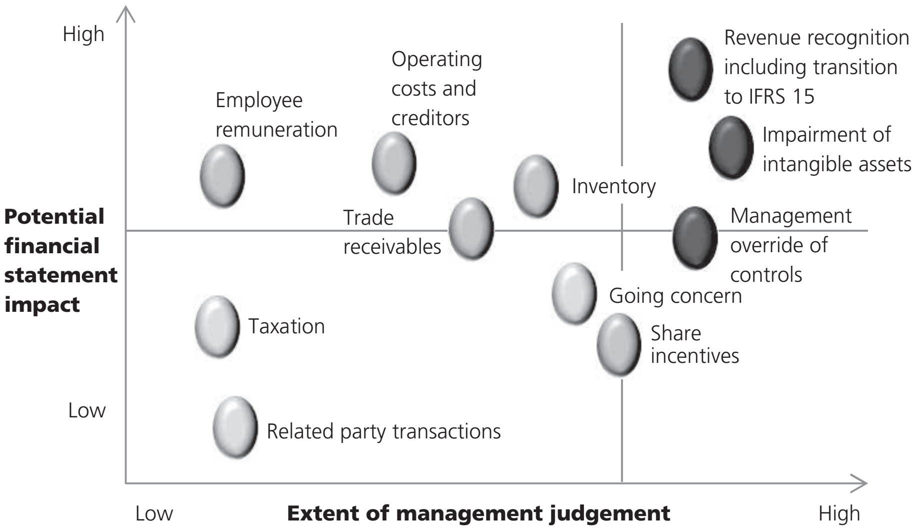
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's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

Overview of our audit approach

- Overall materiality: £137,000, which represents 1.5% of the group's revenue at planning stage
- Key audit matters were identified as revenue recognition including transition to IFRS 15 and impairment of intangible assets.
- The operations that were subject to full scope audit procedures made up 100% of consolidated revenues and 100% of total assets.

Key audit matters

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



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Revenue recognition including transition to IFRS 15 Revenues of £8,850,000 have been recognised in the year ended 31 December 2018, arising substantially from the sale of goods. Revenue is the most significant item in the consolidated income statement and impacts a number of key performance indicators and key strategic indicators set out in the Strategic Report. There is a risk of incorrect revenue recognition, arising from: – recognition of revenue without entitlement to that revenue; – revenue not being recognised in accordance with IFRSs as adopted by the European Union. – transition to IFRS 15 has not been appropriately effected We therefore identified revenue recognition, including transition to IFRS 15 as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: – assessing revenue recognition policies to ascertain whether they were in accordance with IFRS 15 'Revenue from contracts with customers' – selecting a sample of individual revenue items during the year and around the year end and testing the point of revenue recognition is in line with the accounting policies and IFRS 15 requirements, and – testing the cut-off and occurrence of revenue via testing a sample of individual revenue items by agreeing items selected for testing through to purchase orders and evidence of delivery and payment; – checking the operating effectiveness of controls around revenue recognition by checking and corroborating the matching controls for a sample of individual revenue items – Corroborating management's assessment of the five-step approach included within IFRS 15 by comparing management's assessment to contract details and specific terms and determining whether the two were consistent. The group's accounting policy on revenue is on page 35 and related disclosures are included in note 1 and 2. **Key observations** – Note 2 appropriately discloses the impact of IFRS 15 on the accounts. – Our testing did not identify any material instances where revenue was recognised without entitlement of that revenue. – Our testing did not identify incorrect revenue recognition.
Impairment of intangible assets The directors are required to make an assessment of impairment indicators to determine whether the Group's intangible assets, which stand at £918,000 might be impaired. Where such indicators exist the directors are required to perform an impairment review to determine whether the assets are impaired. The process for assessing whether impairment exists under International Accounting Standard (IAS) 36 Impairment of assets is complex. The process of determining the value in use, through forecasting cash flows related to cash generating units (CGUs) and the determination of the appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review. We therefore identified the impairment of intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement	Our audit work included, but was not restricted to: – challenging management's assessment of impairment indicators relating to intangible assets; – obtaining management's assessment of intangible asset impairment and recalculating the arithmetical accuracy of those calculations including the sensitivity analyses – testing the assumptions, via corroboration to supporting evidence, utilised in the impairment models, including growth rates, discount rates and terminal values; – comparing current fair value to carrying value of net assets and calculated value in use for the Group; – testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends and reviewing the cash flows for exceptional or unusual items or assumptions; and – corroborating the detailed disclosures to ensure information provided in the financial statements is compliant with the requirements of IAS 36 and consistent with the results of the impairment review. The group's accounting policy on impairment testing is included under "Impairment testing of other Intangible Assets and property, plant and equipment," shown on page 37 and related disclosures are included in note 6. **Key observations** – We found that the assumptions made and estimates used in arriving at the value in use of intangible assets were balanced. We found no errors in the calculations. – Our audit work did not identify an impairment of intangible assets at year end.

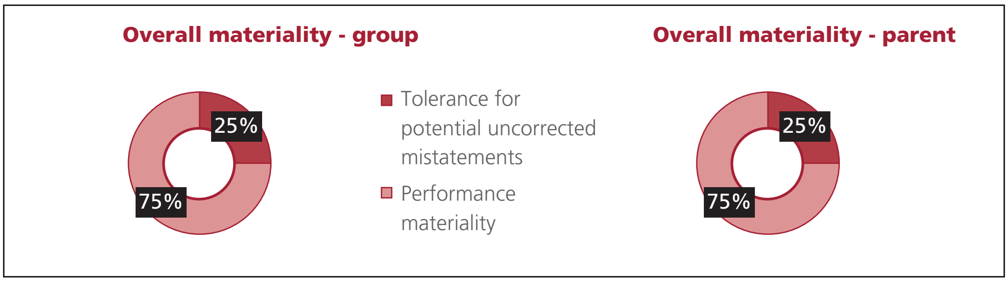
Our application of materiality

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

Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	£137,000 which is 1.5% revenues at the planning stage. This benchmark is considered the most appropriate because it is the key driver of the results of the group and is monitored by management. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2017 to reflect the improvement in results in the current year.	£101,000 which is 2% of total assets. This benchmark is considered the most appropriate because the company is a holding company without revenue. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2017 to reflect the improvement in results in the current year.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as related party transactions and directors' remuneration.	We determined a lower level of specific materiality for certain areas such as related party transactions and directors' remuneration.
Communication of misstatements to the audit committee	£6,900 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£5,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

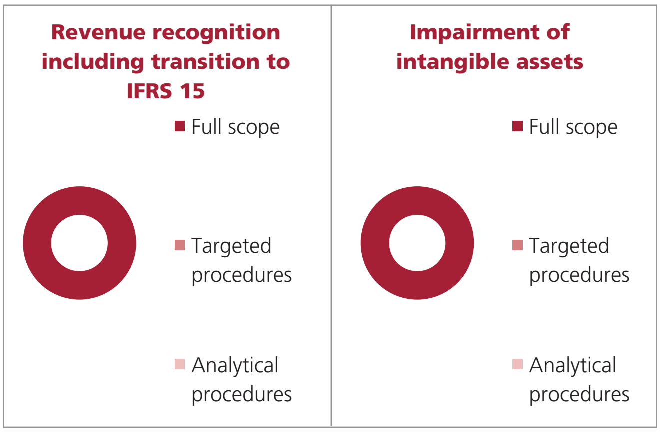


An overview of the scope of our audit

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

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

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



Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

Matters on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements
As explained more fully in the directors' responsibilities statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

LONDON
27 March 2019

Principal accounting policies

BASIS OF PREPARATION

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

These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2018.

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

The financial statements have been prepared on a going concern basis as the directors believe that the Group has access to sufficient resources to continue in business for the foreseeable future. This is discussed more fully in the Directors' Report on pages 13 to 16.

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

ADOPTION OF NEW AND REVISED STANDARDS

In 2018 the Group has adopted new guidance of IFRS 15 for the recognition of revenue from contracts with customers (see Revenue on page 35). This guidance was applied using a 'Modified retrospective application' which means there is no restatement of the comparative period but there is an opening adjustment to retained earnings as at 1 January 2018 to account for any earnings taken in 2017 that need to be reclassified to 2018. Following a review of all revenue streams it has been determined that no opening adjustments with respect to the adoption of IFRS 15 are required.

Further, the Group has adopted new guidance of IFRS 9 for accounting for financial instruments (see Financial Assets on page 38). This guidance was applied using the transitional relief allowing the entity not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings. The Group also adopted the 'Simplified model for trade receivables, contract assets and lease receivables'. Following a review of all trade receivables, including historical cash collection, it has been determined that no adjustments were necessary.

As of 31 December 2018, the following standards and interpretations are in issue but not effective for accounting periods commencing on 1 January 2018:

- IFRS 16 Leases (effective 1 January 2019)
  A review is being undertaken to assess the impact of this accounting standard on the Group's Financial Statements.

The Group does not intend to apply this pronouncement early.

BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2018. Subsidiaries are entities over which the Group has control. Control comprises an investor having power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power.

At 31 December 2018 the subsidiary undertakings were Stanelco RF Technologies Limited, InGel Technologies Limited, Biome Bioplastics Limited (formerly Adept Polymers Limited) and Aquasol Limited. Details of the composition of the group are included in note 8 to these financial statements.

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

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

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

REVENUE

Revenue arises mainly from the sale of biodegradable plastic resins within the Bioplastics division, and the sale of radio frequency equipment systems, spares and service work within the Stanelco RF division.

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

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

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

Sale of goods

Revenues from the sales of biodegradable plastic resins within the Bioplastics Division and sales of spares within the Stanelco RF division are recognised at a point in time when the goods are dispatched. Revenues from equipment sales within the Stanelco RF division are assessed on a contract by contract basis to assess whether revenue is recognised at a point in time or over time.

Rendering of services

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

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

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

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 2018 is entirely based upon information provided by the third party and no estimates were required.

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

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

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

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

Depreciation

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

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

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

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

Disposal of assets

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

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

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

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

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the assets in the cash generating unit. All assets are subsequently re-assessed for indications that an impairment loss previously recognised may no longer exist.

LEASED ASSETS

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

INVENTORIES

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

TAXATION

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

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

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

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

FINANCIAL ASSETS

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

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

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

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

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 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 balance sheet date. The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the Group's estimate of the number of awards which will be forfeited, either due to employees leaving the Group prior to vesting or due to non-market based performance conditions not being met. Where an award has market-based performance conditions, the fair value of the award is adjusted for the probability of achieving these via the option pricing model. The total amount recognised in the statement of comprehensive income as an expense is adjusted to reflect the actual number of awards that vest, except where forfeiture is due to the failure to meet market-based performance measures.

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

EMPLOYEE BENEFIT TRUST

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

CRITICAL ACCOUNTING JUDGEMENTS

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

Capitalisation of development costs

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

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

Intragroup balances

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

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

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

Investments

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

Intangible assets

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

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 Total £'000	2017 Total £'000
REVENUE	1a-1d, 2	**8,850**	**6,233**
Cost of sales	9	**(4,042)**	**(3,131)**
GROSS PROFIT		**4,808**	**3,102**
Administrative expenses	3a-3b, 4	**(4,745)**	**(3,513)**
PROFIT/(LOSS) FROM OPERATIONS		**63**	**(411)**
Investment income		**4**	**1**
Foreign exchange gain/(loss)		**17**	**(32)**
PROFIT/(LOSS) BEFORE TAXATION		**84**	**(442)**
Taxation	5a	**59**	**210**
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**143**	**(232)**
Basic earnings/(loss) per share – pence		**6**	**(10)**
Diluted earnings/(loss) per share – pence		**5**	**(10)**

The calculation of earnings per share is based on the profit attributable to the equity holders of the parent for the year of £143,000 (2017: loss of £232,000) and a weighted average of 2,357,986 (2017: 2,347,536) ordinary shares in issue for basic earnings per share and a weighted average of 2,782,194 (2017: 2,347,536) ordinary shares in issue for diluted earnings per share.

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

Consolidated statement of financial position

AS AT 31 DECEMBER 2018

	Note	**2018**	**2018**	2017	2017
		£'000	**£'000**	£'000	£'000
NON-CURRENT ASSETS					
Other intangible assets	6	**918**		915	
Property, plant and equipment	7a	**185**		122	
			1,103		1,037
CURRENT ASSETS					
Inventories	9	**955**		797	
Trade and other receivables	10a	**873**		1,335	
Cash and cash equivalents		**2,614**		2,293	
			4,442		4,425
TOTAL ASSETS			**5,545**		5,462
CURRENT LIABILITIES					
Trade and other payables	11a	**1,792**		2,125	
			1,792		2,125
TOTAL LIABILITIES			**1,792**		2,125
NET ASSETS			**3,753**		3,337

	Note	**2018** £'000	2017 £'000
EQUITY			
Share capital	14	**118**	117
Share premium account	15a	**805**	740
Capital redemption reserve	15a	**4**	4
Share options reserve	15a, 16	**316**	219
Translation reserves	15a	**(85)**	(85)
Retained profits/(losses)	15a	**2,595**	2,342
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AND TOTAL EQUITY		**3,753**	3,337

The financial statements were approved by the Board and authorised for issue on 27 March 2019.

Signed on behalf of the Board of Directors

Paul R Mines **(Chief Executive)**

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

27 March 2019

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

Company registration No: 1873702 (England and Wales)

Company statement of financial position

AS AT 31 DECEMBER 2018

	Note	**2018**	**2018**	2017	2017
		£'000	**£'000**	£'000	£'000
NON-CURRENT ASSETS					
Property, plant and equipment	7b	**22**		8	
Investments	8	**558**		558	
			580		566
CURRENT ASSETS					
Trade and other receivables	10b	**132**		127	
Amounts owed by subsidiary undertakings	26	**2,198**		3,902	
Cash and cash equivalents		**2,600**		2,152	
			4,930		6,181
TOTAL ASSETS			**5,510**		6,747
CURRENT LIABILITIES					
Trade and other payables	11b	**485**		430	
Amounts due to subsidiary undertakings	26	**488**		488	
			973		918
NON-CURRENT LIABILITIES			**—**		—
TOTAL LIABILITIES			**973**		918
NET ASSETS			**4,537**		5,829

AS AT 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
EQUITY			
Share capital	14	**118**	117
Share premium account	15b	**77**	12
Capital redemption reserve	15b	**4**	4
Share options reserve	15b, 16	**246**	209
Retained profits/(losses)	15b	**4,092**	5,487
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**4,537**	5,829

The financial statements were approved by the Board and authorised for issue on 27 March 2019.

Signed on behalf of the Board of Directors

Paul R Mines **(Chief Executive)**

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

27 March 2019

Company registration No: 1873702 (England and Wales)

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

Consolidated statement of changes in equity

AS AT 31 DECEMBER 2018

	Share capital	Share premium account	Capital redemption reserve	Share options reserve	Translation reserves	Retained earnings	Total equity attributable to equity holders of the parent	TOTAL EQUITY
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018	117	740	4	219	(85)	2,342	3,337	3,337
Share options issued in share based payments	—	—	—	218	—	—	218	218
Issue of share capital	1	54	—	—	—	—	55	55
Exercise of share options	—	11	—	(11)	—	—	—	—
Cancellation of expired options	—	—	—	(110)	—	110	—	—
Transaction with owners	1	65	—	97	—	110	273	273
Profit for the year	—	—	—	—	—	143	143	143
Total comprehensive income for the year	—	—	—	—	—	143	143	143
Balance at 31 December 2018	118	805	4	316	(85)	2,595	3,753	3,753
Balance at 1 January 2017	117	740	4	454	(85)	2,293	3,523	3,523
Share options issued in share based payments	—	—	—	46	—	—	46	46
Cancellation of expired options	—	—	—	(281)	—	281	—	—
Transaction with owners	—	—	—	(235)	—	281	46	46
Loss for the year	—	—	—	—	—	(232)	(232)	(232)
Total comprehensive income for the year	—	—	—	—	—	(232)	(232)	(232)
Balance at 31 December 2017	117	740	4	219	(85)	2,342	3,337	3,337

Company statement of changes in equity

AS AT 31 DECEMBER 2018

	Share capital	Share premium	Capital redemption reserve	Share options reserve	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018	117	12	4	209	5,487	5,829
Share options issued in						
Share based payments	—	—	—	158	—	158
Issue of share capital	1	54	—	—	—	55
Exercise of share options	—	11	—	(11)	—	—
Cancellation of expired options	—	—	—	(110)	110	—
Transaction with owners	1	65	—	37	110	213
Loss for the year	—	—	—	—	(1,505)	(1,505)
Total comprehensive income for the year	—	—	—	—	(1,505)	(1,505)
Balance at 31 December 2018	118	77	4	246	4,092	4,537
Balance at 1 January 2017	117	12	4	423	6,224	6,780
Share options issued in						
Share based payments	—	—	—	37	—	37
Cancellation of expired options	—	—	—	(251)	251	—
Transaction with owners	—	—	—	(214)	251	37
Loss for the year	—	—	—	—	(988)	(988)
Total comprehensive income for the year	—	—	—	—	(988)	(988)
Balance at 31 December 2017	117	12	4	209	5,487	5,829

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	£'000	£'000
Profit/(loss) after tax	**143**	(232)
Adjustment for:-		
Taxation	**(59)**	(210)
Foreign exchange loss/(gain)	**(17)**	32
Investment income	**(4)**	(1)
Profit/(loss) from operations	**63**	(411)
Adjustment for:-		
Amortisation and impairment of intangible assets	**290**	355
Depreciation of property, plant and equipment	**57**	64
Share based payments	**218**	46
Foreign exchange (loss)/gain	**16**	(26)
Operating cash flows before movement in working capital	**644**	28
(Increase)/decrease in inventories	**(158)**	(417)
Decrease/(increase) in receivables	**521**	5
Increase/(decrease) in payables	**(277)**	1,059
Cash generated/(utilised) in operations	**730**	675
Corporate tax received	**—**	210
Interest paid	**—**	—
Net cash inflow from operating activities	**730**	885
Investing activities		
Interest received	**4**	1
Investment in intangible assets	**(293)**	(106)
Purchase of property, plant and equipment	**(120)**	(22)
Net cash used in investing activities	**(409)**	(127)
Net increase/(decrease) in cash and cash equivalents	**321**	758
Cash and cash equivalents at the beginning of the year	**2,293**	1,535
Effect of foreign exchange rate changes	**—**	—
Cash and cash equivalents at end of year	**2,614**	2,293

Company statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	£'000	£'000
Loss after tax	**(1,505)**	(988)
Adjustment for:-		
Foreign exchange loss/(gain)	**(9)**	14
Investment income	**(232)**	(354)
Loss from operations	**(1,746)**	(1,328)
Adjustment for:-		
Depreciation of property, plant and equipment	**4**	6
Share based payments	**158**	37
Foreign exchange (loss)/gain	**9**	(13)
Operating cash flows before movement in working capital	**(1,575)**	(1,298)
Decrease/(increase) in receivables	**1,927**	1,425
(Increase)/decrease in payables	**110**	548
Cash generated/(utilised) by operations	**462**	675
Tax received	**—**	—
Interest paid	**—**	—
Net cash inflow from operating activities	**462**	675
Investing activities		
Interest received	**4**	1
Purchase of property, plant and equipment	**(18)**	(5)
Net cash used in investing activities	**(14)**	(4)
Increase/(decrease) in cash and cash equivalents	**448**	671
Cash and cash equivalents at beginning of year	**2,152**	1,481
Cash and cash equivalents at end of year	**2,600**	2,152

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

1a. **SEGMENTAL INFORMATION BY BUSINESS ACTIVITY FOR THE YEAR ENDED 31 DECEMBER 2018**

	Bioplastics 2018 £'000	RF Technologies 2018 £'000	Central Costs 2018 £'000	Total 2018 £'000
Revenue				
External sales	**1,890**	**6,960**	**—**	**8,850**
Depreciation/amortisation	(297)	(46)	(4)	(347)
Share based payments	(27)	(33)	(158)	(218)
(LOSS)/PROFIT FROM CONTINUING OPERATIONS	**(792)**	**2,601**	**(1,746)**	**63**
Interest received				4
Finance charges				—
Foreign exchange gain				17
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS				**84**
Taxation				59
PROFIT FOR THE YEAR				**143**
CAPITAL EXPENDITURE				
Property, plant and equipment	72	30	18	**120**
Intangible assets	293	—	—	**293**
TOTAL ASSETS	1,846	945	2,754	**5,545**

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

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

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

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

1b. **SEGMENTAL INFORMATION BY GEOGRAPHICAL REGION FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	Revenue 2018 £'000
China	2,604
UK	1,940
Germany	1,429
US	1,303
India	1,221
South Africa	164
Other	189
	8,850

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

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

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

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

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

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

The Group had four customers (2017: two customers) who accounted for more than 10% of Group revenues, none in the Bioplastics division (2017: one with revenues of £1.4m) and four in the RF division with revenues of £5.4m (2017: one with revenues of £0.4m). Combined these revenues were £5.4m (2017: £2.3m)

2. REVENUE

	2018 £'000	2017 £'000
Sales of goods	**8,228**	5,828
Grant income	**391**	198
Sales of services	**210**	167
Commissions	**21**	40
	8,850	6,233

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

		2018 £'000	2017 £'000
Point in time	Sales of goods	**2,207**	2,804
	Grant income	**391**	198
	Sales of services	**210**	167
	Commissions	**21**	40
		2,829	3,209
Over time	Sales of goods	**6,021**	3,024
		8,850	6,233

3a. ADMINISTRATIVE EXPENSES

	2018 £'000	2017 £'000
Administrative expenses include:		
Depreciation, amortisation and impairment:		
Other intangible assets, owned	**290**	355
Property, plant and equipment, owned	**57**	64
Hire of plant and machinery	**5**	7
Operating lease rentals: Land and buildings	**60**	50
Operating lease income: Land and buildings	**(8)**	(12)
Share based payments – equity settled	**218**	46
Share based payments – cash settled	**25**	(10)
Bad debt provision	**2**	3

3b. AUDITORS' REMUNERATION

	2018 Grant Thornton UK LLP £'000	2017 Grant Thornton UK LLP £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	**25**	25
Fees payable to the company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	**18**	17
Audit related assurance services	**11**	6
Tax compliance services	**8**	8
Total charged to consolidated statement of comprehensive income	**62**	56

4. **DIRECTORS AND EMPLOYEES**

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

	Group		Company	
	2018	2017	**2018**	2017
	Number	Number	**Number**	Number
Management	**7**	7	**6**	6
Administration	**3**	3	**2**	2
Sales	**6**	4	**—**	—
Manufacturing, engineering and technical	**21**	13	**—**	—
	37	27	**8**	8
	£'000	£'000	**£'000**	£'000
Staff costs:				
Wages and salaries	**2,077**	1,463	**805**	597
Social security costs	**244**	174	**102**	74
Pension costs – personal pension contribution	**80**	76	**21**	38
	2,401	1,713	**928**	709
Directors' remuneration				
Short term employment benefits	**738**	538	**738**	538
Post employment benefits	**14**	32	**14**	32
	752	570	**752**	570

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

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

Share options charges related to executive directors and key personnel included within administrative expenses is a charge of £157,714 (2017: £29,715)

5a. TAXATION

Analysis of charge in year	Group 2018 £'000	2017 £'000
Current income tax		
Current income credit/charge	—	—
Adjustments in respect of prior periods:	(59)	(210)
Total current income tax (note 5b)	(59)	(210)
UK Corporation tax	(59)	(210)
Overseas corporation tax	—	—
Total consolidated corporation tax credit	(59)	(210)

5b. TAXATION

Factors affecting the total tax charge for year	Group 2018 £'000	2017 £'000
Profit/(loss) on ordinary activities before taxation	**84**	(442)
Tax thereon at UK statutory income tax rate 19% (2017: 19.25%)	**16**	(85)
Expenses not deductible for tax purposes	**25**	9
Additional deduction for research and development expenditure	**56**	25
Other short term temporary differences	**4**	9
Unrelieved tax losses and other deductions	**—**	30
Utilisation of tax losses	**(112)**	—
Capital allowances in the period in excess of depreciation	**11**	12
Adjustment in respect of prior periods	**(59)**	(210)
Total UK corporation tax	**(59)**	(210)
Overseas corporation tax	**—**	—
Tax credit for the year	**(59)**	(210)

The Group has estimated trading losses of £28.5m (2017: £29.2m) available indefinitely for carry forward against future trading profits. The Company has estimated trading losses of £17.7m (2017: £16.5m) available indefinitely for carry forward against future trading profits. The Group had capital losses of £1.5m (2017: £1.5m). Deferred tax assets have not been recognised in respect of these losses as there is insufficient certainty of future taxable profits against which to utilise them.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill relating to Aquasol £'000	Other intangible assets £'000	Total £'000
Group			
Cost:			
At 1 January 2017	1,991	4,371	6,362
Additions	—	106	106
At 1 January 2018	1,991	4,477	6,468
Additions	—	293	293
At 31 December 2018	**1,991**	**4,770**	**6,761**
Accumulated amortisation and impairment:			
At 1 January 2017	1,991	3,207	5,198
Provided in the year - charge for the year	—	355	355
At 1 January 2018	1,991	3,562	5,553
Provided in the year - charge for the year	—	290	290
At 31 December 2018	**1,991**	**3,852**	**5,843**
Net book value:			
At 31 December 2018	**—**	**918**	**918**
At 31 December 2017	**—**	**915**	**915**

Other Intangible Assets comprise £918,000 (2017: £915,000) of capitalised development costs. The remaining amortisation period on the £918,000 of other intangible assets at 31 December 2018 is a weighted average of 3.5 years (2017: 3.7 years).

Of the £918,000 of capitalised development costs, £906,000 relates to Bioplastics and £12,000 to RF Applications.

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

	Land, buildings and leasehold improvements	Plant and equipment	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1 January 2017	198	633	206	1,037
Additions	—	12	10	22
Disposals	—	—	—	—
At 1 January 2018	198	645	216	1,059
Additions	2	98	20	120
Disposals	—	—	—	—
At 31 December 2018	200	743	236	1,179
Depreciation:				
At 1 January 2017	159	528	186	873
Provided in the year	13	42	9	64
Disposals	—	—	—	—
At 1 January 2018	172	570	195	937
Provided in the year	13	32	12	57
Disposals	—	—	—	—
At 31 December 2018	185	602	207	994
Net book value:				
31 December 2018	**15**	**141**	**29**	**185**
Net book value:				
31 December 2017	26	75	21	122

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

7b. PROPERTY, PLANT AND EQUIPMENT Company

	Land, buildings and leasehold improvements	Plant and equipment	Fixtures fittings and equipment	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1 January 2017	25	40	2	67
Additions	—	5	—	5
Disposals	—	—	—	—
At 1 January 2018	25	45	2	72
Additions	—	13	5	18
Disposals	—	—	—	—
At 31 December 2018	25	58	7	90
Depreciation:				
At 1 January 2017	25	32	1	58
Charge for year	—	6	—	6
Disposals	—	—	—	—
At 1 January 2018	25	38	1	64
Charge for year	—	4	—	4
Disposals	—	—	—	—
At 31 December 2018	25	42	1	68
Net book value:				
At 31 December 2018	—	16	6	22
At 31 December 2017	—	7	1	8

8. INVESTMENTS

	Total
	£'000
Investments Company	
Cost:	
31 December 2017	2,750
31 December 2018	2,750
Diminution in value:	
31 December 2017	2,192
31 December 2018	2,192
Net book value at 31 December 2018	**558**
Net book value at 31 December 2017	558

In the opinion of the directors, the aggregate value of the company's investment is not less than the amount included in the company statement of financial position. The investments, as at 31 December 2018, relate to Aquasol.

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

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

*Formerly Adept Polymers Limited

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

Stanelco RF Technologies Limited is involved in the development, manufacture and supply of Radio Frequency applications equipment. InGel Technologies Limited is a dormant company. Biome Bioplastics Limited is a company that specialises in the formulation and manufacture and sale of bioplastics. Aquasol Limited is a dormant company.

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

9. INVENTORIES

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Raw materials and consumables	**296**	170	**—**	—
Work in progress	**317**	215	**—**	—
Finished goods and goods for resale	**342**	412	**—**	—
Total	**955**	797	**—**	—

Cost of sales in the consolidated statement of comprehensive income relates to the cost of goods sold. Stock recognised in cost of sales during the year as an expense was £3,850,000 (2017: £2,989,000).

10a. TRADE AND OTHER RECEIVABLES Group

	2018	2017
	£'000	£'000
Trade receivables	**267**	850
Other receivables	**206**	216
Prepayments and accrued income	**400**	269
Total	**873**	1,335

An allowance has been made for estimated irrecoverable amounts from the sale of goods of £22,000. This allowance has been determined by reference to past default experience. The directors consider that the carrying amount of trade and other receivables approximates their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

The average credit period taken on the sale of goods was 28 days.

Ageing of past due but not impaired receivables is as follows

	2018	2017
	£'000	£'000
60 - 90 days past due	**3**	36
90 - 120 past due	**13**	47
120 + past due	**7**	12
Total	**23**	95

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

Movement in allowance for doubtful debts:

	2018 **£'000**	2017 £'000
Balance at the beginning of the period	**23**	34
Exchange differences	**—**	—
Amounts recovered	**(3)**	—
Amounts written off as uncollectible	**—**	(16)
Impairment losses recognised	**2**	5
Total	**22**	23

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:

	2018 **£'000**	2017 £'000
0 - 30 days	**—**	2
120 + days	**22**	21
Total	**22**	23

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

	2018 **£'000**	2017 £'000
Trade receivables	**—**	1
Other receivables	**64**	66
Prepayments and accrued income	**68**	60
Total	**132**	127

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

10b. TRADE AND OTHER RECEIVABLES continued

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

	2018 £'000	2017 £'000
90 - 120	**—**	—
120 +	**—**	—
Total	**—**	—

Movement in allowance for doubtful debts:

	2018 £'000	2017 £'000
Balance at the beginning of the period	**—**	—
Provided in the year	**—**	—
Amounts written off as uncollectible	**—**	—
Total	**—**	**—**

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

11a. TRADE AND OTHER PAYABLES Group

	2018 £'000	2017 £'000
Trade payables	**581**	683
Other taxation and social security costs	**82**	50
Other creditors	**60**	65
Accruals and deferred income	**1,069**	1,327
Total	**1,792**	2,125

11b. TRADE AND OTHER PAYABLES Company

	2018 £'000	2017 £'000
Trade payables	**50**	141
Other taxation and social security costs	**82**	50
Other creditors	**61**	61
Accruals and deferred income	**292**	178
Total	**485**	430

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 50 days. For all suppliers, no interest is charged if the trade payable exceeds the credit period.

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

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

12. FINANCIAL INSTRUMENTS

Categories of financial instruments

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Financial assets				
Loans and receivables	**3,088**	3,412	**4,904**	6,122
Financial liabilities recorded at amortised cost				
Trade and other payables	**1,290**	1,257	**892**	868

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

12. FINANCIAL INSTRUMENTS Continued

Net foreign currency monetary assets

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Euros	**8**	1	**—**	—
US Dollars	**1**	24	**1**	24

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

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

Group

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

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

Company

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

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

13. OBLIGATIONS UNDER FINANCE LEASES

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

14. SHARE CAPITAL

	2018 £'000	2017 £'000
Allotted, issued and fully paid: Ordinary shares of 5p each		
At January: 2,347,536 (2017: 2,347,536)	**117**	117
Issued in the year: 17,652 (2017: Nil)	**1**	—
Cancelled in the year: Nil (2017: Nil)	**—**	—
At 31 December: 2,365,188 (2017: 2,347,536)	**118**	117

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

There were no transaction costs deducted directly from equity in 2018.

15a. RESERVES AND ACCUMULATED PROFITS Group

	Share premium account	**Capital redemption reserve**	**Share options reserve**	**Translation reserves**	**Profit & Loss Reserve**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Opening Balance as at 1 January 2018	**740**	**4**	**219**	**(85)**	**2,342**
Profit for the year					143
Issue of share capital	54				
Exercise of share options	11		(11)		
Share options charge/(credit) for the year			108		110
Balance at 31 December 2018	**805**	**4**	**316**	**(85)**	**2,595**

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

15b. **RESERVES AND ACCUMULATED PROFITS** Company

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

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

16. SHARE OPTIONS RESERVE

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Opening balance	**219**	454	**209**	423
Income and expenditure charge for the year in respect of the fair value of share based payments under share option awards	**218**	46	**158**	37
Share options exercised	**(11)**	—	**(11)**	—
Expired and cancelled share options taken directly to reserves	**(110)**	(281)	**(110)**	(251)
Closing balance	**316**	219	**246**	209

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

Share option award schemes

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

The awards outstanding can be summarised as follows:

	2018 Number of ordinary shares of £0.05	2017 Number of ordinary shares of £0.05
Scheme		
2017 Long Term Incentive Plan (2017 LTIP)	**306,176**	306,176
Stanelco plc 2005 Unapproved Share Option Plan and Stanelco plc Employment Benefit Trust (2005 USOP)	**32,051**	68,314
Total	**338,227**	374,490

Share Schemes

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

The 2017 EMI share options are granted by the Board to employees of the Company and UK subsidiaries at an exercise price equal to the market price at the date of grant. The options have a four year vesting period with vestings commencing on 10 December 2018 and every six months thereafter. Vested shares must be exercised within five years from the date of grant. The 2005 USOP scheme provides for the grant of options to executives and employees and Trustees of the Biome Technologies plc Employment Benefit Trust. Options are granted at an exercise price based on market value on the date of grant. Options have a three year vesting period and can be exercised from the commencement of the third anniversary and expiring ten years from the date of grant. Performance conditions restrict the number of shares exercisable, further details can be found in the Director's remuneration report on page 23 of this Report.

16. SHARE OPTIONS RESERVE continued

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

	2005 USOP	2014 EMI	2017 LTIP
Balance outstanding at 1 January 2018	68,314	—	306,176
Granted	—	—	—
Exercised	—	—	—
Lapsed	(36,263)	—	—
Balance outstanding at 31 December 2018	32,051	—	306,176
Exercise prices of options outstanding at the period end in the range	1,481p	—	215p
Weighted average exercise price of options outstanding at the year end	1,481p	—	215p
Weighted average contractual life in months of options outstanding at the year end	4	—	47
Exercisable at the year end	32,051	—	119,015
Weighted average exercise price of options currently exercisable at the year end	1,481p	—	215p

16. **SHARE OPTIONS RESERVE** continued

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

Year ended 31 December 2017

pence (after share consolidation)	**2005 USOP**	**2014 EMI**	**2017 LTIP**
Options granted	—	—	215p
Options lapsed	1,263p	165p	—

Year ended 31 December 2018

pence	**2005 USOP**	**2014 EMI**	**2017 LTIP**
Options granted	—	—	—
Options exercised	—	—	—
Options lapsed	1,943p	—	—

Outstanding share options by exercise price ranges	**2018**		2017	
	Total	**Exercisable**	Total	Exercisable
2005 USOP				
0p - 12,000p	**32,051**	**32,051**	68,314	68,314
Total	**32,051**	**32,051**	68,314	68,314
2017 LTIP				
0p - 12,000p	**306,176**	**119,015**	306,176	—
Total	**306,176**	**119,015**	306,176	—

17. PROFIT AND LOSS ACCOUNT Company

	2018	2017
	£'000	£'000
Opening balance	**5,487**	6,224
Transfer from share option reserve	**110**	251
Retained loss for the year	**(1,505)**	(988)
Closing balance	**4,092**	5,487

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 £1,505,000 (2017: retained loss £988,000).

18. CAPITAL COMMITMENTS

The Group had no capital commitments at 31 December 2018 and 31 December 2017.

19. COMMITMENTS UNDER OPERATING LEASES – LESSEE

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

	2018	2017
	£'000	£'000
Land and buildings:		
Within one year	**45**	50
In the second to fifth years inclusive	**—**	33
After five years	**—**	—
Other operating leases:		
Within one year	**14**	7
In the second to fifth years inclusive	**21**	15
Total	**80**	105

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

20. PENSION COMMITMENTS

The Group makes contributions to personal pension plans schemes based on contractual terms. The contribution charge for the year was £80,000 (2017: £76,000).

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT Continued

Foreign currency exchange rate risk

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

The total foreign exchange gain recognised for the year in 2018 was £17,000 (2017: loss £33,000), 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 £24,000 effect on interest income during 2018. 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 2018 is shown in the table below. The table includes trade receivables and payables as these do not attract interest and are therefore subject to fair value interest rate risk.

Group

Interest rate	Fixed £'000	Floating £'000	Zero £'000	Total £'000
Financial assets				
Cash and cash equivalents	—	2,614	—	2,614
Trade and other receivables	—	—	474	474
Totals	**—**	**2,614**	**474**	**3,088**
Financial liabilities				
Trade and other payables	—	—	1,711	1,711
Lease finance	—	—	—	—
Promissory notes	—	—	—	—
Totals	**—**	**—**	**1,711**	**1,711**

Company

Interest rate	Fixed £'000	Floating £'000	Zero £'000	Total £'000
Financial assets				
Cash and cash equivalents	—	2,600	—	2,600
Trade and other receivables	—	2,198	64	2,262
Totals	—	4,798	64	4,862
Financial liabilities				
Trade and other payables	—	—	892	892
Totals	—	—	892	892

Liquidity risk

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

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT Continued

Credit risk

The Group and Company's principal financial assets are cash and trade receivables. The credit risk arising from the Group and Company's trade receivables is reduced through prescribing credit limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. Note 10 provides information regarding the effects of credit risk to the Group and Company. In addition the Company has intercompany balances owed by its subsidiaries. The Company continually monitors its subsidiaries performance to assess the recoverability of these intercompany balances.

22. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

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

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

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

	2018	2017
	£'000	£'000
Total equity	**3,753**	3,337
Cash and cash equivalents	**2,614**	2,293

23. CONTRACTS IN WHICH DIRECTORS HAVE AN INTEREST

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

24. CONTINGENT LIABILITIES

There are no contingent liabilities.

25. CONTROL

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

26. RELATED PARTY TRANSACTIONS

Details of share holdings in subsidiary companies are shown in note 8. Transactions between the Company and its subsidiary companies, which are related parties, have been eliminated on consolidation. The year end balances between the Company and its subsidiary companies are shown below:

	Amounts owed by related parties		Amounts owed of related parties	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Stanelco RF Technologies Limited	**2,198**	1,571	**—**	—
Ingel Technologies Limited	**—**	—	**—**	—
Biome Bioplastics Limited	**—**	2,331	**—**	—
Aquasol Limited	**—**	—	**(488)**	(488)
Stanelco Inc	**—**	—	**—**	—
Total	**2,198**	3,902	**(488)**	(488)

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

	2018	2017
	£'000	£'000
Stanelco RF Technologies Limited	**1,745**	5,120
Stanelco Inc	**—**	—
Biome Bioplastics Limited	**11,717**	8,342
Ingel Technologies Ltd	**39**	39
Total	**13,501**	13,501

Intergroup provisions	**2018**	2017
	£'000	£'000
Balance at the beginning of the year	**13,501**	13,501
Impact of foreign exchange movements	**—**	—
Impairment losses recognised/(reversed)	**—**	—
Amounts written off	**—**	—
Total	**13,501**	13,501

The balances are held at amortised cost. Impairment is assessed by calculating the present value of estimated future cashflows discounted at 12.5%.

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

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

During the year to 31 December 2018 Biome Bioplastics Limited purchased equipment from Stanelco RF Technologies Limited for £1,000 (2017: £50,000). There was no other intergroup trading during the year ended 31 December 2018 or in the year ended 31 December 2017.

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