



ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



Introduction

Interest in the products from the Bioplastics division continued to build but growth was frustrated by global supply chain turbulence whilst the RF Technologies division saw strong recovery in its order book.

Paul Mines | CEO

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Chairman's statement

Business performance

2021 was a challenging year for the Group with delays to anticipated growth as the Group had to contend with a number of third-party operating issues. Project implementation by customers for our Bioplastics' products; shipping and other logistics issues; and with little sign of a return to furnace sales growth in our RF Technologies division until the second half of the year. As a result we had to reduce our expectations during the year.

An increased focus on cost and working capital management in the year ensured that the year-end cash position was better than anticipated at £1.0m with more identified improvements underway to provide the finance and other resources for further anticipated growth.

Bioplastics division

A significant commitment was secured in March 2021 for the deployment of the Bioplastics division's proprietary compostable filtration material, expected to support a significant portion of the Group's expected revenue growth during 2021 and beyond. However, the ultimate potential of this commitment was not delivered in the year as the customer delayed on more machines from the two currently in use.

In our placing circular to shareholders in 2020, we laid out four growth drivers which we believed would deliver significant value for shareholders and maintain our KPI target of 40% revenue growth in the Bioplastics division through 31 December 2023. I would like to return to these growth drivers again specifically and update you on progress in each of them:

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

Growth from our existing customers and products stalled in 2021 as transatlantic shipments were delayed by up to five months and our customers struggled with material and labour shortages. We expect growth in flexible film in North America to be more pronounced in the medium term.

2. Filtration mesh: The Company envisaged growth with a second end-customer with a material that has been proven with an existing customer over the last four years.

This project, with anticipated significant and recurring revenues from H2 2021, turned into a commitment in March 2021. However, first engineering delays and then logistics issues meant that a more gradual ramp-up is now expected during 2022. Substantive discussions have begun with two further customers to deploy this material.

3. Coffee pod material: The Company launched a project for a heat stable material for coffee pods within the US at the end of 2019. Commercial sales of this product are now well embedded with a lead customer.

In addition to continued demand from the lead customer this material is now at a late stage of testing with another large end-user organisation. Following Covid related delays, commercial volumes are now expected to ramp-up in H2 2022.

4. Packaging film: The Company is working on seven new customer projects that focus on the conversion of flexible packaging to compostable formats. Six of these projects are for the North American Market.

Six of these original projects continue and whilst trials turned to commercial usage in 2021, we now expect two or three of these to become commercially meaningful during 2022.

Innovative materials

As a separate enterprise, Biome Bioplastics has coordinated research and development funding in conjunction with leading universities, in pursuit of bringing new novel bio-based and biodegradable polyesters to market. Exciting new materials are now being produced at pilot scale on a regular basis and their technical and commercial properties assessed. We expect to undertake initial small-scale manufacturing on semi-commercial equipment in 2022.

Our tree-guard contracts, with Innovate UK, the UK's innovation agency, and Suregreen Ltd, a leading manufacturer in the sector, to bring a biodegradable tree-guard to market, has accelerated production of the new product in 2022. There are now tens of thousands of such products being tested at various UK locations and commercial sales have begun. As both increased tree planting and environmental pressures increase, we believe we have developed an excellent material for a growing market and will seek to exploit its potential in the coming years.

Home composting, rather than industrial composting, is a trend that is coming closer to market acceptance. There has been a shift in technical requirements in the bioplastic market with more consumers and brands seeking products that can be certified for home composting as well as through industrial scale facilities. The division's scientists have been working to deliver products that deliver this technical performance at a competitive price point and a patent for a new family of materials has been filed recently. Work to exploit this technology commercially will step-up in this financial year.

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

RF Technologies division

The downturn in demand for capital goods in the fibre optic cable manufacturing sector that the division first saw in 2019 continued through the first half of 2021. However, as the year progressed, we saw improvement in spares and service orders and then interest in quotations for increased capacity. Ultimately this resulted in the first substantive new order for additional capacity for the fibre optic sector since 2018.

The division's efforts to diversify its revenue stream also gained traction in 2021. The bounce back in demand as Covid-19 restrictions were eased in some territories, saw an uplift in enquiries for new capacity. This was manifested in a substantive order for the medical sector in December 2021 and another for the food packaging sector in Continental Europe in January 2022. These are important steps for the division as it refines and demonstrates its capability on a wider stage.

The division is experiencing the disruptions to supply lines other manufacturers are having to contend with. Innovative and more costly solutions are occasionally having to be applied to this challenge to enable our contracts to be delivered in a timely fashion. We expect this situation to continue for the time being.

Covid-19

The Group continues to monitor the ongoing impact of the Covid-19 epidemic and places high importance on caring for its staff and customers. Some adjustments made in 2020 to commercial and manufacturing activities remain but are now being progressively eased in line with government guidance on these matters.

We have experienced substantive supply chain issues in the Bioplastics division and whilst this turbulence is expected to continue through 2022, we are improving our capability to foresee and manage such issues. We have seen and continue to see an increase in input costs, including raw material, shipping, fuel and labour. We have, in the main, been able to pass these costs on to customers and we are continually working to mitigate the effects of inflation on our business. Business development in the North American market that has been successfully managed remotely for two years is now taking place in person again.

The RF Technologies division's ongoing activity to widen the markets that it sells was frustrated in 2020 and early 2021 by a slowdown in capital expenditure and restrictions placed on travelling to and meeting with potential customers. However, as the pandemic has eased, more normal business development has resumed not least with three face-to-face exhibitions planned for 2022.

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

We have not experienced significant operational issues since the beginning of the Russian invasion of Ukraine.

Chairman's statement (continued)

Results

The Group's results were in line with the revised market forecast for the year ended 31 December 2021.

Consolidated Group revenue for the year was £5.7m (2020: £5.7m) reflecting the slight decrease in Bioplastics sales offset by the modest uptick in those from the RF Technologies division. Group gross margins for the year were 33.8% (2020: 29.4%) reflecting an improved mix of sales during the year.

The Group loss before taxation reduced to £1.2m (2020: £1.7m) whilst the non-GAAP measure of loss before interest, taxation, depreciation and amortisation (LBITDA) was better than market expectations at £0.6m (2020: £1.0m LBITDA restated). A Group operating loss of £1.1m for the year was incurred (2020: £1.6m loss).

The Bioplastics division saw a slight decrease in sales to £4.8m (2020: £4.9m) representing a 3.0% decline and flat loss before taxation of £0.6m (2020: £0.5m loss restated). The division recorded a slightly higher LBITDA of £0.2m (2020: £0.1m LBITDA) as sales marginally decreased.

The RF Technologies division's revenues, after elimination of intercompany sales, were up 23.4% to £0.9m (2020: £0.8m) reflecting the start of a recovery in demand for the division's products. Loss before taxation was significantly reduced at £0.1m (2020: £0.5m). The division reported a LBITDA of £nil/breakeven for the year (2020: £0.4m LBITDA) and an operating loss of £0.1m (2020: £0.5m Loss). These results reflect the improved sales in the year and the full-year benefit of cost reductions made in 2020.

The Group's cash balances as at 31 December 2021 were £1.0m (31 December 2020: £1.7m) reflecting trading losses for the year offset by lower working capital. The Group had no debt, other than leases in respect of right of use assets as at 31 December 2021 (2020: £nil). Capitalised product investment in the Bioplastics division was £0.3m (2020: £0.3m).

Strategy

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

In my statement, made as part of the interim results for 2020, I updated and restated our high-level Key Performance Indicators (KPIs) to 31 December 2023 to reflect the continued growth in the Bioplastics division as well as the market headwinds facing the RF Technologies division. The revised KPIs and the progress made as at 31 December 2021 is set out below: -

40% annual revenue growth in the Bioplastics division.

During the year ended 31 December 2021, the division missed this target with a revenue decline of 3.0% as shipments in H2 were held-up and delays in the implementation of new projects occurred as customers managed their own supply chain problems. We expect growth of KPI magnitude to return in 2022.

Bioplastics division's profitable revenue growth to achieve a 10%-12.5% EBITDA margin by the end of the KPI period.

Progress towards this KPI was reversed with the revenue decline described above.

Continued diversification of the Group's turnover by product and market to ensure that no single product or end customer contributes more than 15% of revenues by 2023.

The Group had two customers (2020: two customers) who each accounted for more than 15% of Group revenues. In 2021, both of these customers were in the Bioplastics division. The two customers referred to are converters of material for a further number of end customers. Good progress is being made to diversify the number of end customers and the variety of products being sold.

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

The Group met this target with £1.0m R&D investment in the year representing an increase of £0.3m on 2020.

Board and personnel changes

With the retirement of Michael Kayser, Simon Herrick joined the Board as non-executive director on 25 March 2021 and assumed the responsibilities as Chair of Audit and Remuneration Committees, member of the Nominations Committee and has recently assumed the role of senior non-executive director. Simon qualified as a Chartered Accountant with Price Waterhouse and has held several executive director roles with listed companies including Northern Foods plc, Debenhams plc and Blanco Technology Group plc.

Race to Zero

Biome Technologies signed up to the United Nations Race to Zero Climate Campaign and is committed to reducing its carbon emissions in line with publicly disclosed targets. Our reporting of actual greenhouse gas emissions and medium-term targets commences in these Statements and demonstrate good initial reductions of Scope 1 and 2 emissions (direct energy use) against the recent baseline. Plans have been developed to drive progress towards both 2030 and 2050 targets.

Our Bioplastics division's products are already subject to individual Life Cycle Analysis (LCA) that encompass the full supply chain where appropriate, and we will look to extend our broader Group reporting to include Scope 3 emissions (those from toll manufacture, growing, extraction, manufacture, and processing of the raw materials used) as robust data becomes available.

Outlook

Despite the challenging frustrations of 2021 we believe the Group has good opportunities for growth in the current year.

The Bioplastics division will continue to benefit from the move to more sustainable materials and, as it continues to broaden its product and customer portfolio and the logistics issues ease, we expect growth to return in the second half of 2022. It is also anticipated that several of the technical developments, set out in the Strategic Report during 2021, will start to be commercialised in 2022.

The RF Technologies division has been successful in winning some good contracts to underpin expectations for 2022 and we are encouraged by the improvement in its outlook. It is particularly pleasing to see the division executing on its strategy of diversification in markets served that should put the business on a more secure long-term footing, particularly in the first half of the current year.

Trading in the first quarter of 2022 has been in line with our expectations and the outlook for the year remains unchanged. We continue to manage our cash resources to ensure that we can support further growth and achieve sustainability for the Group.

John Standen

Chairman

23 March 2022

Strategic report

Biome Technologies plc is a growth orientated, commercially driven technology group. Its strategy is founded on building market-leading positions based on its technology intellectual property and serving international customers in the bioplastics and radio frequency heating sectors. We have chosen to do this by developing products in application areas where value-added pricing can be justified and that are not reliant on government legislation. The growing portfolio of products is driven by customer requirements and compatible with existing manufacturing processes. They are market rather than technology led.

The directors consider its shareholders, employees, customers and suppliers as its key stakeholders and the divisional analysis below outlines the strategies that have been adopted to promote the success of the Group and to meet its objectives.

Biome Bioplastics division

The Bioplastics division achieved sales revenue of £4.8m (2020: £4.9m), a decrease of 3.0%. The slight decrease in reported revenues, compared to the record performance in 2020, was attributable to the industry-wide logistics challenges encountered as the global economy restarted after the first wave of lockdowns of the coronavirus pandemic. Throughout 2021 we experienced lengthening lead-times and disruptions to sea-freight and road logistics. The implementation plans of our customers were impacted by shortages of staffing and materials affecting their production and purchasing patterns. New product introductions were delayed as customers focused resource on securing existing supply to the detriment of new product introductions. The division's operating loss for the year was £0.6m (2020: £0.5m loss).

Markets

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

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

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

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

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

The UK market has been somewhat slower to embrace compostable and bio-based materials than some other territories. Whilst there is considerable focus on plastic waste, there is still a continuing debate of how best to manage the problem. The local council control of the disposal supply chain and its wide variability is seen by some as part of the problem and a move in England towards universal food waste collection by 2025 presents an opportunity for compostable plastics. At present, the UK market remains a smaller part of the Bioplastics division's short-term focus with the more immediate sales opportunities and growth being in the US market.

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

Research and development within the Bioplastics division is therefore focussed on these three areas and in particular targeted towards customer requirements for a biodegradable solution. The commercial lifecycle of our product developments can be categorised in the following stages of the product lifecycle:

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

Technical Development

Biome Bioplastic's development work remains focussed on innovative developments where there is a customer requirement for the product and a willingness to pay a premium for the environmental attributes. During 2021, the development team worked on a variety of technical challenges that included the development of a range of home compostable materials for different applications, the improvement of oxygen and vapour barrier performance, the soil degradability of materials to be used in tree guards and the improvement of temperature performance for a variety of end-uses. The home compostable work made particular progress in the year, an important patent filing has been made in this area and commercial deployment of this technology is expected to begin in 2022.

The Bioplastics division also continued its work in medium term Industrial Biotechnology research into the transformation of lignocellulose (often sourced from agricultural waste) into low-cost bioplastics using microbial and enzymatic routes. If successful, it is anticipated that this work will result in bioplastics with improved functionality at a cost comparable to current petroleum-based plastics. This development work continues to be supported by research grants and much of the work is undertaken in collaboration with leading UK universities. The scale at which the polymerisation activities have been carried out has been increased over the last twelve months and the differentiated performance of materials better understood. Plans have been developed to migrate this activity to a contract partner at pilot scale in 2022 with the capability and capacity to manufacture at commercial scale in due course.

Stanelco RF Technologies division

The RF Technologies division, through the use of radio frequency technology, creates innovative solutions for thermal process applications. The division's products are renowned for their quality and durability. The division's systems are designed and manufactured to provide exceptional sealing, welding and heating process solutions to a wide variety of commercial sectors.

The division's core offering is the supply of fibre optic furnaces, although the business is also engaged with other markets where its expertise in induction heating can be utilised such as medical, food packaging and aerospace. Total revenues in

Strategic report (continued)

2021, after the elimination of intercompany sales, were £0.9m (2020: £0.8m) representing a 23.4% improvement. This improvement reflected an improving demand picture as industry recovers from the economic effects of the coronavirus pandemic. Order intake in the final quarter of 2021 and first quarter of 2022 has been particularly encouraging. As a consequence of the improved sales and cost reductions made in 2020, the division's operating loss for the period reduced to £0.1m (2020: £0.5m loss).

The business currently focuses on four key revenue streams:

Optical Fibre Furnace Systems

The RF Technologies division is a world leader in the design and manufacture of induction furnace systems used in the manufacture and processing of silica glass "preforms" to produce optical fibre. Each system is bespoke to customers' exact requirements. After a sustained period of overcapacity in the fibre-optic manufacturing industry there are signs that producers are starting to invest in maintenance and upgrades of existing equipment and to add new capacity. Whilst no new furnaces were shipped in 2021 orders were received for two systems to be delivered in the first half of 2022. It is expected that as demand for fibre optic cable grows further furnace systems will be ordered. Whilst it is not possible to predict the timing and scale of further orders, we are encouraged by the level of enquiries and quoting activity.

Plastic Welding Equipment

These units are used in a multitude of end-user applications including the nuclear, medical and industrial sectors. The equipment is provided in either hand-held, mobile or fully automated static solutions, dependent on customers' requirements.

Induction Heating Equipment



The division sells bespoke induction heating equipment mainly into the UK and Continental European industrial sector. Whilst this has been a small part of the division's sales it is a strategic aim to increase the equipment offering and expand sales of this type of equipment. During 2021 we were pleased to win contracts and make some shipments to noteworthy clients in the UK and we were pleased to announce a significant contract win from a food packaging equipment manufacturer in early 2022.

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. This provides an underlying base load of revenues for the division.

Principal Risks and Uncertainties

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

Risk	Nature	Mitigation strategies	Change in year
Suppliers and Raw Materials	<p>The Group's products and manufacturing processes utilise a number of raw materials and other commodities. In particular the Bioplastics division requires a few, key raw materials to manufacture its biodegradable polymer resins. There are very few suppliers of these key raw materials and with the current increased demand for biodegradable products there is a risk that the division may not be able to purchase the required volumes of materials to meet customer demand or that prices may be increased at short notice.</p> <p>The Bioplastics division sources raw materials internationally, some of which are bulk shipped via sea freight mainly to the US.</p>	<p>To mitigate this risk the division is seeking to validate new materials coming onto the market which may be used in substitution.</p> <p>To mitigate increased shipping lead-times the Bioplastics division is working closely with customers to improve visibility and forecast accuracy to ensure materials are ordered sufficiently far in advance to ensure that they are available to meet demand.</p>	<p>Supply chains became increasingly stretched during 2022 resulting in longer-lead times and additional shipping costs.</p> 
Intellectual Property	<p>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.</p> <p>Other companies are actively engaged in the development of bioplastics. There is a risk that these companies may have applied for (or been granted) patents which impinge on the areas of activity of the Group. This could prevent the Group from carrying out certain activities or, if the Group manufactures products which breach (or may appear to breach) such patents there is a risk that the Group could become involved in litigation which could be costly and protracted and ultimately be liable for damages if the breach is proven.</p>	<p>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.</p> <p>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.</p>	<p>The Group continues to develop its intellectual property and has made good progress with "home compostable" innovation that has led to a new patent application in 2022.</p> 

Strategic report (continued)

Risk	Nature	Mitigation strategies	Change in year
Commercialisation of New Products	<p>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:</p> <ul style="list-style-type: none"> • 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 	<p>The Directors ensure that regular reviews of product development are undertaken so that unsuccessful developments can be terminated early in their life cycle. Impairment testing of the capitalised costs is performed twice a year with any impaired capitalised costs written off.</p>	<p>The Group undertakes several developments and made notable progress with its Tree Guards project during the year. However, other new product introductions were delayed due to the disruption to supplies and issues with customers caused by Covid-19.</p> 
Customers and customer concentration	<p>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.</p>	<p>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.</p>	<p>Customer concentration levels remain a concern for the Group with two customers each accounting for more than 15% of sales during 2021.</p> 

In addition to the principal risks the Group is subject to a range of other risks and uncertainties. The Board maintains a risk register and reviews this biannually to ensure that the Group's operations management identifies actual and potential risks and develops appropriate mitigating activities to ensure that these risks are managed.

These risks, which also apply to many other industries and businesses, include: -

- Financial
- Political, Economic and Regulatory Environment
- Exchange rate fluctuations
- Competition
- Brexit
- Health and Safety (including Covid-19)
- Cyber Security
- Ongoing geo-political insecurity (including the Russian invasion of Ukraine)

Financial Review

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

The summary results for the Group are shown below:

Like-for-like comparisons

	2021 £'m	2020 restated £'m	Growth
Revenues			
Bioplastics	4.8	4.9	(3.0%)
RF Technologies	0.9	0.8	23.4%
Reported Group revenues	5.7	5.7	0.5%
(L)/EBITDA			
Bioplastics	(0.2)	(0.1)	
RF Technologies	–	(0.4)	
Central Costs	(0.4)	(0.5)	
Reported (L)/EBITDA	(0.6)	(1.0)	
less depreciation, amortisation and equity share option charges:			
Bioplastics	(0.4)	(0.4)	
RF Technologies	(0.1)	(0.1)	
Central Costs	–	(0.2)	
	(0.5)	(0.6)	
(Loss)/Profit from Operations			
Bioplastics	(0.6)	(0.5)	
RF Technologies	(0.1)	(0.5)	
Central Costs	(0.4)	(0.6)	
Operating Loss	(1.1)	(1.6)	
Net Assets			
Non-current assets	1.2	1.4	
Inventories	0.9	0.8	
Tax receivable	0.1	0.2	
Trade and other receivables	1.4	1.4	
Cash	1.0	1.7	
Trade and other payables	(1.3)	(1.1)	
Long term lease commitments	(0.4)	(0.4)	
Net assets	2.9	4.0	

Revenues

Reported Group revenues were unchanged in the year at £5.7m due to lower sales of Bioplastics products offset by increased revenues from the RF Technology division. Good order intake in the final quarter of 2021 and first quarter of 2022 for the RF Technology division suggests a return to more normal levels of trading, whilst new product introductions and on-boarding of new customers for the Bioplastics division was delayed in 2021, we remain confident over the longer-term prospects for the business.

Strategic report (continued)

(L)/EBITDA

Reported (Loss) / Earnings Before Interest, Taxation, Depreciation and Amortisation ((L)/EBITDA) for the year was a loss of £0.6m (2020: £1.0m loss restated). The decrease in LBITDA is a direct result of the higher revenues in the RF Technologies division.

Operating Profits/(Losses)

The Group recorded an operating loss for the year of £1.1m compared to an operating loss of £1.6m in the prior year.

Administrative costs across the Group in 2020 were £3.4m (2020: £3.6m). When the non-cash effects of depreciation, amortisation and equity settled share option charges are removed, the cash administrative expenses in 2021 were at a similar level as 2020 at £2.9m.

Investment in product research and development was £1.0m in the year (2020: £0.7m), which includes the research work in grant backed Industrial Biotechnology, of which £0.3m (2020: £0.3m) was capitalised in the year. Tax R&D claims resulted in a credit being recognised in the year of £29,000 (2020: credit of £61,000 restated) and other income from the Research and Development Expenditure Credit scheme of £50,000 (2020: £24,000 restated).

The Group recorded a loss after tax for the year of £1.1m (2020: restated loss after tax of £1.6m), giving a basic and diluted loss per share of 30p (2020: restated loss per share of 53p). A prior year adjustment has been made in respect of the timing of the recognition of current tax so that the tax payable or receivable is accrued in the current year as opposed to being recognised in the year that tax is settled. The adjustment in respect of 2020 is to reduce the tax credit from £155,000 to £61,000. The retained losses brought forward from 2019 were reduced by £155,000 in respect of the 2019 tax credit.

Statement of Financial Position

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

As at 31 December 2021, there was £0.7m of capitalised development costs (2020: £0.8m) within the Group's statement of financial position, of which £0.3m relates to Biome Mesh. An assessment is made at least annually which assumes future potential market take up of the products and the margins achievable.

Cashflow

	2021	2020 restated
	£'000	£'000
Loss from operations	(1,135)	(1,639)
Adjustment for non-cash items	489	658
Movement in working capital	69	(74)
Cash utilised by operations	(577)	(1,055)
Investment activities	(266)	(275)
R&D Tax credit	239	-
Interest paid	(34)	(38)
Financing activities	(44)	920
Net decrease in cash	(682)	(448)
Opening cash balance	1,678	2,126
Closing cash balance	996	1,678

The cash utilised in operations, before working capital movements, was £0.6m (2020: restated cash utilisation of £1.0m). Working capital movements generated £0.1m cash in the year (2020: £0.1m utilisation).

Investment in the year in capitalised product development and capex was flat at £0.3m (2020: £0.3m). Financing activities in the year represented exercises of share options, purchase and sale of treasury shares and repayments of obligations under finance leases and rounded to a net £nil, share issues of net £1.0m were the principal financing activities in 2020. R&D tax credits of £0.2m were received during 2021 (2020: £nil), the receipts in 2021 were in respect of the 2019 and 2020 claims.

The resultant closing cash position was £1.0m (2020: £1.7m).

Going Concern

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 14 to 17.

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

The Board was mindful of the guidance surrounding a severe but plausible assessment and, accordingly, considered a number of scenarios in revenue reduction against the original plans. A reverse stress test was constructed to identify at which point the Group might run out of its available cash. The test was designed specifically to understand how far revenue would need to fall short of the base case forecast and does not represent the directors view on current and projected trading. The test was modelled over a 24-month period commencing 1 January 2022 and was based on budgeted trading that took into account contracted orderbook, existing revenue streams from current customers/products and expected revenue based on management's judgement of the likelihood of converting current sales opportunities. The sales revenue in the budgeted model was reduced evenly across the Group to the point where the projected month-end cash was equal to zero at any point during the 24-month cycle. In the model, zero month-end cash was reached in November 2023 when projected sales revenue was reduced to 86.7% of budget. Since the guidance for going concern is usually based on a period of 12-months from the date of signing the accounts a further reverse stress test was conducted over a period to 31 March 2023. In this test reducing sales to 84.0% of budgeted level resulted in a zero month-end cash position at 31 March 2023. For the reverse stress test, the Board specifically excluded any significant upsides to this scenario. This is despite strong incremental demand potential at both existing and new customers either in the Bioplastics or RF Technology divisions. This most severe scenario also excludes any mitigating reduction in the cost base that the Board would clearly undertake in this event. In all scenarios modelled, including the reverse stress test, the Group has sufficient resources to operate and meet its liabilities throughout the going concern review period without the inclusion of the impact of mitigating actions.

At 31 December 2021, the Group had a net cash balance of £1.0m and as at 22 March 2022 a balance of £0.9m. On a revised base case scenario adopted for their assessment, the Board is comfortable that the Group can continue its operations for at least a 12-month period following the approval of these financial statements.

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

By order of the Board.

Paul Mines
Chief Executive Officer

23 March 2022

Directors' Report

The directors present their Annual Report and the audited Financial Statements of Biome Technologies plc for the year ended 31 December 2021.

Principal Activities

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

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

Results and Dividends

The financial results of the Group are set out in the consolidated statement of comprehensive income on page 42. The directors do not recommend payment of a dividend (2020: £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 pages 9 and 10.

Research and Development

The continuous advancement of technology and processes by the Group means costs are incurred each year in research and development. For the year under review development costs amounted to £1.0m (2020: £0.7m), of which £0.3m (2020: £0.3m) was capitalised.

Environment

The Group is committed to the care of the environment, the prevention of pollution and the maintenance of environmental controls as they relate to the business. The Group ensures that all its activities are carried out in line with the applicable environmental legislation. An essential feature of environmental management is a commitment to improving environmental performance and reducing the environmental impacts of travelling, waste generation and disposal. Furthermore, the Group's Bioplastics division is at the forefront of developing bio-degradable plastics capable of replacing oil-based plastics in a wide range of applications. As our customers increasingly adopt our technology the use of polluting, non-degradable plastics is reduced.

Employees

One of the Group's key assets is the technical know-how which is embedded in its employees. People are the key driver of the Group's success through their technical and management capabilities. It is, therefore, essential that the Group attracts well qualified and motivated employees and retains and develops those who are already working for it. The Group consequently tries to provide attractive, competitive remuneration structures and 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 equally in matters relating to their employment, training and career development.

Social Responsibility

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

Going Concern

The Report and Financial Statements have been produced on a going concern basis. The process the directors undertook to establish the going concern basis is set out on page 13 of the strategic report.

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 2021.

	Ordinary shares of 5p each	
	Number	Percentage*
V Pereira	667,356	17.77%
JM Rushton-Turner	406,384	10.82%
Mr Patrick Evershead CBE (and family accounts)	279,445	7.44%
Seguro Nominees Limited	193,634	5.16%

* Percentage of issued share capital carrying voting rights (i.e. excludes treasury shares)

Share Capital and Control

The issued share capital of the Company consists entirely of one class of ordinary shares of 5p each. On 31 December 2021 there were 3,772,640 shares in issue, the company held 16,710 ordinary shares in treasury, which do not carry voting rights. Therefore, the total number of shares carrying voting rights in Biome Technologies plc was 3,755,930. 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 21 April 2021, 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 share plans to 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' Report

Directors and Directors' Interests

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

	Ordinary shares of 5p each			
	2021		2020	
	Shares	Percentage*	Shares	Percentage*
John Standen	70,836	1.89%	70,836	1.91%
Paul Mines	44,025	1.17%	44,025	1.18%
Robert Smith	3,000	0.08%	3,000	0.08%
Simon Herrick (appointed 24 March 2021)	–	–	–	–
Michael Kayser (retired 21 April 2021)	–	–	4,071	0.11%
	117,861	3.14%	121,932	3.28%

* Percentage of issued share capital carrying voting rights (i.e. excludes treasury shares).

Share options granted to directors are set out in the Directors' Remuneration Report on pages 30 to 33. Except as disclosed in that report, there were no other transactions between directors and the Company or its subsidiaries.

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

Liability Insurance for Directors and Officers

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

Board of Directors

The Board of Directors comprises:

John Standen, Non-Executive Chairman

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

Paul Mines, Chief Executive Officer

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

Robert (Rob) Smith, Chief Financial Officer

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

Simon Herrick, Non-Executive Director

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

Corporate Governance

The corporate governance report on pages 18 to 34 forms part of the Directors' report.

Future Developments

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

Auditors

Nexia Smith & Williamson were appointed auditors to the Company in 2021 and have expressed their willingness to continue in office. In accordance with Section 489(4) of the Companies Act 2006 a resolution to reappoint Nexia Smith & Williamson as auditors of the Company will be proposed at the next AGM.

So far as each of the directors at the time the report is approved are aware: a) there is no relevant audit information of which the auditors are unaware and b) that they have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

By Order of the Board

Donna Simpson-Strange

Company Secretary

Corporate Governance Report

The Group is committed to business integrity, high ethical values and professionalism in all its activities. The Board is accountable to the Company's shareholders for good governance and this statement, which forms part of the Directors' report on pages 14 to 17, and the Directors' remuneration report describes how the principles of good governance are applied within the Company.

Environmental, Social and Governance

Reducing Our Impact on the Environment

Biome Technologies plc is committed to developing products that reduce humanity's impact on the environment.

Our Bioplastics division has been at the forefront of developing and delivering compostable materials that replace petrochemical derived plastics. Our passion is for making plastics from sustainably sourced materials that are easily compostable but still deliver the benefits of traditional plastic materials.

Our RF Technologies division delivers in line production heating solutions that have been designed to use less power than competing technologies and by virtue of their use of electricity, are less polluting than gas fired heating systems.

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

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

Race to Zero

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

During the year the following activities were taken to improve our environmental footprint:

- a cross functional team was established to lead our race to zero activities. The team meets at least every two months and has been delegated the responsibility and authority required to achieve our objectives. During the year the team focussed its activities on establishing a base line for measuring progress against and identified metrics to be used for future progress. Initial activity is being focussed on internal energy use, greenhouse gas (GHG) emissions and establishing an appropriate intensity ratio, with an intention to extend this sub-contractors and toll manufacturers in the future.
- Continued to limit both domestic and international travel with usage of video conferencing using Microsoft Teams for both internal and external meetings. It is our intention to permanently reduce our travel frequency from that undertaken in the 2019 base year, through the use of video conferencing, particularly for meetings requiring long-haul flights.

The direct environmental footprint over the last two years is as follows:

Energy use (kwh)	2021	2020	Change
Electricity	87,825	90,808	-3.3%
Fuel oil	2,950	8,570	-65.6%
Road transport ¹	25,964	69,160	-62.5%
Total energy use	116,739	168,538	-30.7%

GHG emissions (kgCO₂e)	2021	2020	Change
Electricity ²	25,645	24,972	2.7%
Fuel oil	791	2,297	-65.6%
Road transport	7,270	19,365	-62.5%
Total gross CO₂e emissions	33,706	46,634	-27.7%

Intensity ratio	2021	2020	Change
Revenue (£m)	5.7	5.7	0.0%
GHG emissions per £m revenue	5,913	8,181	-27.7%
Average number of employees	32	30	6.7%
GHG emissions per employee (kgCO ₂ e/employee)	1,053	1,554	-32.2%

Notes:

- 1 Road transport kwh data is for the tax years ended 5 April. Data collection has improved and in future years data will be co-terminus with the financial year end.
- 2 Electricity emissions increased as a result of a change of electricity generation type by our electricity supplier. Corrective action will be taken in 2022.

Social Responsibility

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

Health and safety

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

Employees

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

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

We aim to develop and empower employees to achieve, and we strive to make our Group a beacon for learning and excellence. During the year a new Human Resources system was introduced to improve our processes for developing staff and we use this system to record appraisals, set objectives, communicate policy and to provide training materials to staff.

Corporate Governance Report (continued)

Equal opportunities

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

Governance Framework

The Directors have chosen to adopt the Quoted Companies Alliance Corporate Governance Code 2018 (QCA Code). Our application of the code was reviewed in detail by the Board during the year and actions were identified to improve our compliance.

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.

Delivering Growth

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 2 to 5. In addition, page 4 of the Chairman's Statement detail the four high level KPIs which the Group provides performance commentary on in the Chairman's statement, The KPI's have been revised and extended to 31 December 2023 to enable the Board to monitor progress in fulfilling its medium-term strategy. The key risks and challenges to the Group and how the Board seeks to address these are detailed in pages 9 to 10 of the Strategic Report.

2. Seek to understand and meet shareholder needs and expectations

The Company recognises the importance of communicating with its shareholders, including its employee shareholders, to ensure that its strategy and performance are understood. This is achieved principally through the Interim Report, the Annual Report, the AGM, and information on the Company's website (www.biometechnologiesplc.com). It is the Group's practice to provide quarterly trading updates to shareholder via The London Stock Exchange's Regulatory News Service and the Executive Director's meet with major shareholders after the quarterly trading updates are released.

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

More details on how we interact with shareholders are provided under the s172 statement, on pages 22 to 24.

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. To encourage an environment where stakeholders can discuss any issues with the Directors, we maintain a policy of confidentiality and therefore refrain from publishing details of issues discussed. Should issues be raised by any of these stakeholders these are discussed and acted upon by the senior management team or by the Board.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The main risks to the Group are disclosed in the Strategic Report on pages 9 to 10. Significant risks are discussed in Board meetings with a risk register set up which is reviewed by senior management. The risk register and the effectiveness of the Company's risk management is also reviewed during the Audit Committee meetings.

Maintain a dynamic management framework

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 25 to 28. The Chief Executive and Chief Financial Officer work full time. The Chairman and the Senior Independent Director contribute approximately 8 days per month and 2 days per month respectively, but this can vary from time to time.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board invites senior managers to attend its Board meetings at various times during the year to provide a different perspective and enable challenging discussions on the progress of the Company.

Certain details of the directors and their relevant experience, skills and personal qualities and capabilities can be found within the Directors' Report on pages 16 to 17. The Company's NOMAD provides regular briefings on matters relating to the Company's listing and the NOMAD attends at least one board meeting per year to provide insights into AIM rules. Further 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 a formal, 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 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 for the Board 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 2021 process was completed in the fourth quarter of 2021 and did not reveal any substantive issues.

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

The Group is committed to business integrity, high ethical values and professionalism in all of its activities. As an essential part of this commitment the Group supports the highest standards in corporate governance. The Corporate Governance Report on pages 18 to 19 details the environmental and social responsibility policies of the Group. The key risks and challenges to the Group are detailed on pages 9 to 10 of the Strategic Report.

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

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

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

Corporate Governance Report (continued)

Build Trust

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

As set out in the following Section 172(1) Statement on the discharge of directors' duties, the Company encourages two-way communication with its shareholders. Regular dialogue is had with the Group's major shareholders as well as the AGM being used for any shareholder to attend and raise questions. A report is given at each Board meeting of correspondence that any Director has had with a shareholder.

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

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

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

In compliance with the Companies Act 2006, the Board are required to act in accordance with a set of general duties. During the year ending 31 December 2021, the Board consider that they have individually and collectively acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole having regard to the six matters listed in section 172 (1) (a) to (f) of the Companies Act 2006. In order to achieve long-term success for the benefit of all shareholders, the Board recognises the importance of building and maintaining relationships with key stakeholders as well as considering the likely consequences of its decisions in the long term.

Duty to Promote the Success of the Company

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

Stakeholder Engagement

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

Stakeholder	How we engage	Key outcomes
<p>Customers</p>	<p>The Board receives feedback from the commercial team members of both divisions with divisional managing directors required to attend board meetings on a regular basis to update to the board on customer development.</p> <p>The CEO briefs the Board each month as to how we are performing with each of our main customers.</p> <p>The Executive Directors, along with senior members of the sales and technical teams will attend meetings with strategic-level influencers within our customers' organisations.</p> <p>We continually seek opportunities to collaborate at a product and technology strategy level with our key clients.</p> <p>We regularly participate in a wide range of trade shows, conferences and symposia. They play an important role in our business development planning. Covid-19 prevented physical attendance at most events this year although many took place online.</p> <p>We undertake joint marketing and promotional activity with selected customers when such activity aligns with the strategy of both organisations. This activity includes joint visits to end customers of our products to help build loyalty to our brands.</p>	<p>A high level of engagement with customers at strategic level.</p> <p>A good understanding of both customer and market trend requirements better informs the development and refinement of our own strategy.</p> <p>A board-level engagement with our customers to help us convey our commitment to understand and meet their business needs.</p> <p>Trade show and conference attendance not only allows us to present a shop window for attracting the widest range, and deepest concentration of potential clients over a short time period, but also enables us to observe in one place the broader market mood and emerging trends. The Board receives a summary report on such events.</p>
<p>Employees</p>	<p>The Executive Directors communicate with employees through both planned and ad hoc communication sessions to update them on the performance of the business and progress on key objectives. Employees are encouraged to ask questions throughout.</p> <p>Covid-19 has posed significant challenges with many employees working from home at various times during the year. We have used a set of formal and informal meetings and communication tools to maintain a collaborative working environment.</p> <p>The Group relies upon highly specialised skill sets that are in short supply. We seek to retain and actively develop employees through appraisals and training. We benchmark remuneration levels against similar roles in our industry sectors.</p>	<p>Wider and deeper communication leads to greater transparency throughout the business and facilitates a more engaged, motivated and effective team.</p> <p>The Group aims to be an attractive place to work by providing a rewarding long-term personal development opportunity environment.</p> <p>A better informed and consulted workforce is more likely to be both better motivated and more effective.</p>

Corporate Governance Report (continued)

Stakeholder	How we engage	Key outcomes
Investors	<p>The CEO and CFO hold investor meetings throughout the year both on request and specifically following the release of the annual, half year and quarterly results. Feedback from these meetings is shared with the Board.</p> <p>Major shareholders are regularly engaged with to hear their views on a range of issues such as strategy, remuneration and corporate governance.</p> <p>Major shareholders are also invited to meet with the Chairman and non-executive director.</p> <p>The Group's Annual Report and Accounts is available to shareholders in both hard copy form and online. All announcements and presentations are available on the Company's website whilst we also engage on social media platforms such as Twitter and LinkedIn.</p> <p>The Company's broker, Allenby Capital, provides briefings to the Board on shareholder opinions and independent feedback from investor meetings. Their views are sought on all market related matters or announcements.</p>	<p>A wide range of communication channels are used to engage with investors during the year.</p> <p>Feedback from investors has informed the Board's discussions and decisions on the Company's strategy.</p> <p>All material information that is worthy of investor announcement is made available simultaneously to both shareholders and potential shareholders.</p> <p>Regular and frequent interaction between the company and our broker ensures we receive regular guidance and remain aligned on our engagement with the investment community.</p> <p>We have presented at Mello Events to allow shareholders physical and online access to the Directors and strategy.</p> <p>Briefing videos are available to investors on the Company website.</p>
Suppliers and Research Partners	<p>Meetings are held with key suppliers on a regular basis. These meetings involve Executive Directors on a regular basis. This ensures a more intimate knowledge of each other's capabilities and objectives and leads to closer alignment of values.</p> <p>Our Group values are flowed down to our supply chain to ensure compliance with social responsibility and good governance policies.</p> <p>Supply contracts of material significance to the Group are subject to internal controls with a summary of the key terms being provided to the Executive Directors for approval.</p> <p>We have a number of long-term collaborations with UK Universities. Meetings are held with the key staff and academics at these Universities on a quarterly basis and any issues resolved.</p> <p>The Group aims to play fair with its suppliers and pay in line with the contractual payment terms.</p>	<p>The Group's supplier base is a key part of the Company's ecosystem and effective relationships with our suppliers are essential to the delivery of Group performance.</p> <p>We engage with our suppliers through our engineering and operations teams and we work closely with key suppliers to ensure we take advantage of innovative technical and commercial solutions in the supply chain in order to secure a competitive advantage.</p> <p>We minimise our exposure to supplier related risks by requiring them to adhere to our Group policies and for them to confirm they are not in conflict with these policies before or during engagement.</p> <p>The Board receives regular updates regarding key supplier performance metrics and any issues under review.</p>

The Board

The Board is comprised of non-executive and executive directors whose skills and experience enhance the management capability of the company. During 2021 two executives, the CEO and CFO, served through the entire year as did the Chairman. In March 2021 Simon Herrick was appointed and in April 2021 Michael Kayser retired as non-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 until his retirement was Michael Kayser at which point Simon Herrick took over that role. The senior independent director 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
John Standen	Chairman	Member	Member	Chairman
Paul Mines	Member	-	-	-
Robert Smith	Member	-	-	-
Simon Herrick (appointed 25 March 2021)	Member	Chairman	Chairman	Member
Michael Kayser (retired 21 April 2021)	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 John Standen, Michael Kayser and Simon Herrick were independent throughout the year. In arriving at this conclusion, the Board considered that John Standen's shareholding and participation in the Long-Term Incentive Plan and Michael Kayser's shareholdings in the Company to be too small to affect their independence.

Simon Herrick took the Chair of the Audit and Remuneration Committees upon Michael Kayser's retirement.

Board Procedures

The Board met formally on 12 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.

Corporate Governance Report (continued)

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 during the year to 31 December 2021. In total there were twelve Board, three Audit, four remuneration and two Nomination committee meetings during 2021

	Board	Audit Committee	Remuneration Committee	Nomination Committee
John Standen	12	3	4	2
Paul Mines	12	–	–	–
Robert Smith	12	–	–	–
Simon Herrick (appointed 25 March 2021)	10	3	3	2
Michael Kayser (retired 21 April 2021)	5	2	2	–

Where a dash (“–”) appears in the table the director listed is not a member of the committee.

The Remuneration Committee

The Remuneration Committee operates under written terms of reference and is comprised of the chairman and the independent non-executive director. Details can be found in the Directors’ Remuneration Report on pages 30 to 33.

Nomination Committee

The Nomination Committee operates under written terms of reference. 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.

During the year the committee oversaw the recruitment of our new non-executive director, Simon Herrick. This process included the identification of a role and person specification, engagement of a specialist recruitment consultant, short listing of candidates and organising interviews with the shortlist for all directors. The committee worked closely with the remuneration committee to ensure that an appropriate salary was offered for this role.

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. Simon Herrick, senior independent non-executive director, chairs the committee. The committee, taken as a whole, is considered to have significant recent and relevant financial experience. The Chief Executive and Chief Financial Officer normally attend meetings by invitation and the committee also meets with the external auditors without management present.

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

The committee's responsibilities include:

- Reviewing the effectiveness of the Group's financial reporting and internal control procedures for the identification, assessment and reporting of risks;
- reviewing with the external auditors the nature and scope of their planned work;
- reviewing the half year and annual financial statements before submission to the board, focusing particularly on:
 - any changes in accounting policies and practices
 - 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 audit, 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 three times during the year and its agenda is linked to events in the Company's financial calendar. The agenda is mostly cyclical such that the committee chairman approves the agenda on behalf of all members.

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

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)

Corporate Governance Report (continued)

- 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 board conducted a review of the Auditors during the year and concluded that after many year's service by Grant Thornton LLP it was appropriate to appoint a new Audit firm in Nexia Smith & Williamson.

The disclosure of the fees payable to Nexia Smith & Williamson during the year is set out in Note 4b to the financial statements. The external auditors and committee chairman have regular dialogue concerning matters of independence and a report is made formally to the committee on this matter at least once a year. The Audit Committee is satisfied with the level of fees, independence, objectivity and effectiveness of Nexia Smith & Williamson. Accordingly, a resolution for the appointment of Nexia Smith & Williamson as auditors of the Company will be proposed at the next AGM.

The Group does not have a dedicated internal audit function. During the year, there were no adverse trends evident from the monitoring of internal controls or unexpected or unacceptable results of a material nature and this when combined with the size and relatively low number of individual transactions of the Company 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 as the Company grows in size and complexity.

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 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 Chief Financial Officer 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 was chaired by Michael Kayser up to his resignation and is now chaired by Simon Herrick, senior independent non-executive director. The Remuneration Committee advises the board on individual director's remuneration packages. The Remuneration Committee met four times during the year to 31 December 2021. The Committee has access to independent advice where it considers it appropriate. The Remuneration Committee considers recommendations from the Chief Executive.

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

Remuneration Policy

The remuneration policy is set by the board. The Remuneration Committee provides advice to the board on the remuneration package of each director. Directors take no part in decisions affecting their own remuneration. The main objectives of the Company's executive remuneration policy are to provide remuneration packages that will attract, retain and motivate individuals of an appropriate calibre and ensure that the interests of the executive directors are aligned with those of the shareholders. The remuneration of executive directors consists of five elements: basic salary, a significant element of performance-related bonus, benefits in kind, share based payments and pension provision. Remuneration details for each director are set out on page 33.

Basic Salary

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

Performance-Related Incentives

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

Share Based Payments

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

Share Options

On 20 December 2017 Biome Technologies plc implemented a long-term incentive plan (the "2017 LTIP"). The plan was intended to align the interests of management with those of the shareholders over the following four years and to the maximum extent possible these have been issued as Enterprise Management Incentive (EMI) Options.

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

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

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

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

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

Directors' contracts and termination notices:

	Date of contract	Termination notice Director	Termination notice Company	Renewable
Non-Executives				
John Standen	23 Feb 2007	None	None	Annually
Simon Herrick	24 Mar 2021	None	None	Annually
Executives				
Paul Mines	16 Apr 2007	4 months	12 months	Normal retirement date
Robert Smith	30 Nov 2020	6 months	6 months	Normal retirement date

Pensions

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

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

Directors' Awards Under the 2017 Long Term Incentive Plan

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

As at 31 December 2021, the following options have been granted under the 2017 LTIP:

	Options vested and available for exercise	Exercise price per share
Paul Mines	148,150	215p
Rob Smith	37,349	390p

The performance conditions attached to the awards are detailed on pages 30 and 31.

As at 31 December 2021, the following options, from the total award above, have vested and become available for exercise under the rules of the scheme:

	Options vested and available for exercise	Exercise price per share
Paul Mines	148,150	215p
Rob Smith	37,349	390p

On 20 December 2017, the company granted an award to the chairman which mirrors the terms of the 2017 LTIP. Under this agreement, subject to the total shareholder return and financial underpin described above, John Standen will be paid a cash sum equal to 5% of the value pool created in excess of the minimum hurdle rate on the same basis that value can be made available under the 2017 LTIP. No pay-out, under this scheme, was made in 2021.

The Company's share price on 31 December 2021 was 310.0p (31 December 2020: 235.0p) and traded during the year at prices between 190.0p and 505.0p (2020: 280.0p and 130.0p).

Share Options Granted to Directors in Lieu of Accrued Bonus

On 30 January 2020 share options were granted to Paul Mines and Declan Brown in lieu of provisionally granted bonuses accrued in 2018. These share options can be exercised at any time until 30 April 2022. The Board resolved that Mr Brown's 18,733 options would not lapse when he left the Group on 30 April 2020 and on 2 June 2021, he exercised his option to acquire these shares. On 23 February 2022 the Board agreed to extend the period that Mr Mines could exercise his option to 30 April 2023.

The number of shares outstanding under this grant as at 31 December 2021 was:

	Number of shares	Exercise Price	Closing Mid-Market Price on Grant Date	Value of Grant £
Paul Mines	26,666	5p	260p	67,998

Directors' Remuneration During the Year

Year ended 31 December 2021

	Base Salary/Fee £	Bonuses £	Car allowance £	Benefits in Kind £	Other £	Total £	Year ended 31 Dec 2020 Total £
Paul Mines ¹	208,000	–	9,600	3,891	18,278	239,769	217,025
Robert Smith ²	150,000	–	9,600	2,562	–	162,162	13,914
Declan Brown ³	–	–	–	–	–	–	52,468
John Standen	61,500	–	–	–	–	61,500	55,350
Simon Herrick ⁴	25,125	–	–	–	–	25,125	–
Michael Kayser ⁵	9,333	–	–	–	–	9,333	25,200
Total	453,958	–	19,200	6,453	18,278	497,889	363,957

1 Other payments of £18,278 relate to remuneration paid in lieu of pension contributions.

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

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

4 Simon Herrick was appointed as a director of the Company on 24 March 2021.

5 Michael Kayser resigned as a director of the Company with effect from 21 April 2021.

The Company made contributions to individual pension schemes as follows:

	Year ended 31 Dec 2021 £	Year ended 31 Dec 2020 £
Robert Smith	15,000	1,308
Declan Brown	–	4,867
Total	15,000	6,175

By Order of the Board

Simon Herrick

Chairman of the Remuneration Committee

23 March 2022

Statement of Directors' Responsibilities

The directors are responsible for preparing the Group Strategic Report, the 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 elected to prepare the group and parent company financial statements in accordance with UK-adopted international accounting standards. 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 of the company and of the group and of the profit or loss of the 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 international accounting standards 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for ensuring that they meet their responsibilities under the AIM Rules.

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

On behalf of the Board

Paul Mines
Chief Executive Officer

Robert Smith
Chief Financial Officer

23 March 2022

Report of the Independent Auditor to the members of Biome Technologies plc



Opinion

We have audited the financial statements of Biome Technologies plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

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 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- 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 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Challenging the assumptions used in the detailed budgets and forecasts prepared by management for the financial years ending 31 December 2022 and 31 December 2023;
- Comparing historical trading performance to forecast trading levels;
- Comparing the forecast results to those actually achieved in the 2022 financial period so far;
- Reviewing bank statements to monitor the cash position of the group post year end, and obtaining an understanding of significant expected cash outflows (such as capital expenditure) in the forthcoming 12-month period;
- Considering the sensitivity of the assumptions and re-assessing headroom after sensitivity including a review of Management's 'reverse stress testing' calculations.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Report of the Independent Auditor to the members of Biome Technologies plc (continued)

Key audit matters

We identified the key audit matters described below as those that were of most significance in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Key audit matter	Description of risk	How the matter was addressed in the audit
The cashflow projections which support going concern for group and parent company investments in subsidiaries	<p>The Group is loss making and has relied on equity fund raising in previous years.</p> <p>Management have prepared a budget and cashflow forecast indicating that in their view the group and parent company can continue to operate as a going concern for at least 12 months from the date the financial statements are approved.</p> <p>Cashflow projections are inherently judgemental and subject to fluctuation with expenditure requirements. As a result, these projections were a key area of audit focus. Furthermore, the parent company has significant balances relating to investments in subsidiaries.</p> <p>The group's assessment of recoverable amount requires significant judgements in particular regarding cash flows, growth rates, discount rates and sensitivity assumptions to derive a value in use.</p>	<p>We challenged the assumptions used in the cash flow forecasts for going concern as disclosed in note 1 of the financial statements and in respect of the impairment reviews as described in note 1 of the financial statements.</p> <p>The main procedures performed on the forecasts and areas we challenged management were:</p> <ul style="list-style-type: none"> • Testing the quality of management forecasting by comparing cash flow forecasts for prior periods to actual outcomes. • Discussion with management over the basis and appropriateness of key assumptions used in the cashflow forecasts. • Verifying the consistency of the forecasts used in the impairment calculations with those used for going concern assessment where appropriate. • Reviewed management's sensitivity calculations to understand the impact of changing key assumptions and the effect on cashflows and value in use. • Reviewed management's 'stress testing of the forecasts' to understand how significant business would have to fall before there were cashflow issues. • Reviewing the disclosures around going concern in the financial statements to ensure they are consistent with the work performed. <p>In performing our procedures, we used our internal valuation specialists to assess the appropriateness of the model, discount rate and other variables applied.</p>

Key audit matter	Description of risk	How the matter was addressed in the audit
Revenue recognition including contract liabilities	Revenue continues to be a key focus for the group to meet market expectations and the two subsidiary companies have differing types of income streams with differing revenue recognition considerations.	<p>As part of our procedures relating to revenue recognition as described in note 1 of the group financial statements we:</p> <ul style="list-style-type: none"> • Reviewed transactions around the year end and traced to supporting documentation to determine if the sale was in the correct period. • Traced a sample of sales from customer order to the nominal ledger ensuring that revenue was correctly recognised and complete. • Traced a sample of entries from the nominal ledger to supporting documentation to ensure that revenue was correctly recognised. • Reviewed the revenue recognition policies disclosed in the financial statements to determine if these policies were in line with IFRS 15 and in line with the accounting treatment adopted.
Capitalisation of development costs and impairment of development costs	The group has significant intangible assets arising from the capitalisation of the costs relating to products in development. For products in development the main risk is assessing the ability to successfully commercialise the product concerned to the extent that future revenues will generate sufficient returns to cover the carrying value of the development costs over its useful economic life. This can be a highly judgemental area.	<p>As part of our procedures regarding the development costs as described in note 7 of the group financial statements, we:</p> <ul style="list-style-type: none"> • Traced a sample of product development costs capitalised in the year to supporting documentation ensuring they were valid capital expenditure and the relevant capitalisation criteria under IAS 38 were met. • Discussed a sample of development products in progress and completed at the year end with management and individuals within the development team to understand the future prospects of the projects and considered whether any impairment was required. This has included a review of product specific forecasts, which has been linked to the going concern review above. • Reviewed the appropriateness of the useful economic life.

Report of the Independent Auditor to the members of Biome Technologies plc (continued)

Our application of materiality

The materiality for the group financial statements as a whole ("group FS materiality") was set at £86,055. This has been determined with reference to the benchmark of the group's revenue, which we consider to be one of the principal considerations for members of the company in assessing the group's performance. Group FS materiality represents 1.5% of the group's revenue as presented on the face of the consolidated statement of comprehensive income.

The materiality for the parent company financial statements as a whole ("parent FS materiality") was set at £55,000. This has been determined with reference to the benchmark of the parent company's net assets as it exists only as a holding company for the group and carries on no trade in its own right. Parent FS materiality represents 1.84% of the parent company's net assets as presented on the face of the parent company statement of financial position.

Performance materiality for the group financial statements was set at £55,903, being 65% of group FS materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds group FS materiality. We judged this level to be appropriate based on our understanding of the group and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements including considering experience from previous audits. It was set at 65% based on our overall expectation of the level of audit differences and the number and significance of areas of judgement in the financial statements.

Performance materiality for the parent company financial statements was set at £35,750, being 65% of parent FS materiality based on our overall expectation of the level of audit differences, and the number of and significance of areas of judgement in the financial statements.

An overview of the scope of the audit

Of the group's six reporting components, we subjected three to audits for group reporting purposes. The remaining three components were determined to be immaterial to the Group.

The components within the scope of our work covered 100% of group revenue, 100% of group profit before tax, and 100% of group net assets.

Other information

The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

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 by exception

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

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

As explained more fully in the directors' responsibilities statement set out on page 34, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the Group's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the entity's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the Group's and Parent Company's industry and regulation.

Report of the Independent Auditor to the members of Biome Technologies plc (continued)

We understand that the Group complies with the framework through:

- Subscribing to relevant updates from external experts and making changes to internal procedures and controls as necessary.
- The Directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Group's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Group:

- The Companies Act 2006 and IFRS in respect of the preparation and presentation of the financial statements.
- REACH legislation governing the use of chemicals.
- FDA and other international regulation in relation to food packing.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- Examined the results of certification in relation to REACH and FDA compliance

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur.

The areas identified in this discussion were:

- Stock and debtors provisions as these are estimates made by Management.
- Estimates made by management regarding the useful economic life of capitalised development costs and associated judgement regarding the viability and long-term recoverability of the carrying value of these projects.
- Manipulation of the financial statements, especially revenue, via fraudulent journal entries or error affecting cut-off around the year end.
- Parent company's status as AIM listed entity which creates an incentive for fraudulent financial reporting to show favourable results to the market.

These areas were communicated to the members of the engagement team not present at the discussion.

The procedures we carried out to gain evidence in the above areas included:

- Challenging management regarding the assumptions used in the estimates and judgements identified above, and comparison to post-year-end data as appropriate.
- Substantive testing on revenue recognition and deferred income ensuring that revenue was recognised appropriately
- Substantive work on other material areas affecting profits.
- Testing journal entries, focusing particularly on postings to unexpected or unusual accounts.

A further description of our responsibilities is available 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 parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Edmonds	4th Floor
Senior Statutory Auditor, for and on behalf of	Cumberland House
Nexia Smith & Williamson	15-17 Cumberland Place
Statutory Auditor	Southampton
Chartered Accountants	SO15 2BG

Date: 23 March 2022

Consolidated statement of comprehensive income

For the Year Ended 31 December 2021

	Note	2021 £000	2020 restated* £000
Revenue	2	5,734	5,705
Cost of goods sold	10	(3,794)	(4,029)
Gross profit		1,940	1,676
Other operating income	3	364	324
Administrative expenses	4, 5	(3,439)	(3,639)
Loss from operations		(1,135)	(1,639)
Investment income		-	2
Finance charges		(34)	(38)
Loss before tax		(1,169)	(1,675)
Taxation	6	29	61
Loss and total comprehensive loss for the year		(1,140)	(1,614)
Basic loss per share – pence		(30)p	(53)p
Diluted loss per share – pence		(30)p	(53)p

* A prior year adjustment has been made in respect of the timing of recognition of tax, see note 6 for details as well as the reclassification of £88,000 of foreign exchange loss to administrative expenses, previously presented below the operating loss, see note 4 for details.

The calculation of loss per share is based on the loss attributable to the equity holders of the parent for the year of £1,140,000 (2020: restated loss of £1,614,000) and a weighted average of 3,742,655 (2020: 3,033,457) ordinary shares carrying voting rights for basic earnings per share and a weighted average of 3,742,655 (2020: 3,033,457) ordinary shares carrying voting rights for diluted earnings per share.

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

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

Consolidated statement of financial position

As at 31 December 2021

	Note	2021 £000	2021 £000	2020 Restated* £000	2020 Restated* £000	1 January 2020 £000	1 January 2020 £000
Non-current assets							
Other intangible assets	7	726		821		883	
Property, plant and equipment	8a	502		574		653	
			1,228		1,395		1,536
Current assets							
Inventories	10	920		746		555	
Trade and other receivables	11a	1,377		1,440		1,885	
Tax receivable	6	79		239		155	
Cash and cash equivalents	22, 23	996		1,678		2,126	
			3,372		4,103		4,721
Total assets			4,600		5,498		6,257
Current liabilities							
Trade and other payables	12a	1,298		1,076		1,381	
Lease liabilities	14	40		38		76	
Total equity			1,338		1,114		1,457
Non-current liabilities							
Lease liabilities	14	361		400		438	
			361		400		438
Total liabilities			1,699		1,514		1,895
Net assets			2,901		3,984		4,362
Equity							
Share capital	15	189		186		140	
Share premium account	16a	2,282		2,200		1,250	
Capital redemption reserve	16a	4		4		4	
Share options reserve	16a, 17	487		617		377	
Translation reserves	16a	(85)		(85)		(85)	
Treasury shares reserve	16a	(55)		-		-	
Retained earnings	16a	79		1,062		2,676	
Total equity			2,901		3,984		4,362

* A prior year adjustment has been made in respect of the timing of recognition of tax and to disclose a tax receivable on the Statement of Financial Position, previously included within trade and other receivables, see note 6 for details.

The financial statements were approved by the Board and authorised for issue on 23 March 2022.

Signed on behalf of the Board of Directors

Paul Mines (Chief Executive)

23 March 2022

Robert Smith (Chief Financial Officer)

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

Company registration No: 01873702 (England and Wales)

Company statement of financial position

As at 31 December 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Non-current assets					
Property, plant and equipment	8b	414		468	
Investments	9	2,743		-	
			3,157		468
Current assets					
Trade and other receivables	11b	97		130	
Amounts owed by subsidiary undertakings	27	-		2,874	
Cash and cash equivalents		949		1,671	
			1,046		4,675
Total assets			4,203		5,143
Current liabilities					
Trade and other payables	12b	387		294	
Amounts due to subsidiary undertakings	27	425		-	
Lease liabilities	14	40		38	
			852		332
Non-current liabilities					
Lease liabilities	14	361		400	
			361		400
Total liabilities			1,213		732
Net assets			2,990		4,411
Equity					
Share capital	15		189		186
Share premium account	16b		2,282		2,200
Capital redemption reserve	16b		4		4
Share options reserve	16b, 17		354		457
Treasury shares reserve	16a		(55)		-
Retained earnings	16b		216		1,564
Total equity			2,990		4,411

For the year ended 31 December 2021, the Company made a loss after taxation of £1,458,000 (2020: £1,339,000).

Signed on behalf of the Board of Directors

Paul Mines (Chief Executive)

23 March 2022

Robert Smith (Chief Financial Officer)

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

Company registration No: 01873702 (England and Wales)

Consolidated statement of changes in equity

As at 31 December 2021

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Share options reserve £000	Translation reserve £000	Treasury Shares £000	Restated* retained earnings £000	Total equity £000
Balance at 1 January 2021	186	2,200	4	617	(85)	-	1,062	3,984
Share options issued in share based payments	-	-	-	48	-	-	-	48
Issue of share capital	3	82	-	-	-	-	-	85
Purchase of own shares	-	-	-	-	-	(122)	-	(122)
Sale of treasury shares	-	-	-	-	-	67	(21)	46
Exercise of share options	-	-	-	(170)	-	-	170	-
Cancellation of expired options	-	-	-	(8)	-	-	8	-
Transactions with owners	3	82	-	(130)	-	(55)	157	57
Loss for the year	-	-	-	-	-	-	(1,140)	(1,140)
Total comprehensive loss for the year	-	-	-	-	-	-	(1,140)	(1,140)
Balance at 31 December 2021	189	2,282	4	487	(85)	(55)	79	2,901
Balance at 1 January 2020	140	1,250	4	377	(85)	-	2,521	4,207
Prior year adjustment	-	-	-	-	-	-	155	155
Restated balance at 1 January 2020	140	1,250	4	377	(85)	-	2,676	4,362
Share options issued in share based payments	-	-	-	240	-	-	-	240
Issue of share capital	46	950	-	-	-	-	-	996
Transactions with owners	46	950	-	240	-	-	-	1,236
Loss for the year	-	-	-	-	-	-	(1,614)	(1,614)
Total comprehensive loss for the year	-	-	-	-	-	-	(1,614)	(1,614)
Balance at 31 December 2020	186	2,200	4	617	(85)	-	1,062	3,984

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

* A prior year adjustment has been made in respect to the timing of recognition of tax (see note 6).

Company statement of changes in equity

As at 31 December 2021

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Share options reserve £000	Treasury Shares £000	Retained earnings £000	Total equity £000
Balance at 1 January 2021	186	2,200	4	457	-	1,564	4,411
Share options issued in share based payments	-	-	-	28	-	-	28
Issue of share capital	3	82	-	-	-	-	85
Purchase of own shares	-	-	-	-	(122)	-	(122)
Sale of treasury shares	-	-	-	-	67	(21)	46
Exercise of share options	-	-	-	(131)	-	131	-
Transactions with owners	3	82	-	(103)	(55)	110	37
Loss for the year	-	-	-	-	-	(1,458)	(1,458)
Total comprehensive loss for the year	-	-	-	-	-	(1,458)	(1,458)
Balance at 31 December 2021	189	2,282	4	354	(55)	216	2,990
Balance at 1 January 2020	140	1,250	4	268	-	2,903	4,565
Share options issued in share based payments	-	-	-	189	-	-	189
Issue of share capital	46	950	-	-	-	-	996
Transactions with owners	46	950	-	189	-	-	1,185
Loss for the year	-	-	-	-	-	(1,339)	(1,339)
Total comprehensive loss for the year	-	-	-	-	-	(1,339)	(1,339)
Balance at 31 December 2020	186	2,200	4	457	-	1,564	4,411

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

Consolidated statement of cash flows

For the year ended 31 December 2021

	2021 £000	2020 restated* £000
Loss after taxation	(1,140)	(1,614)
Adjustments for: -		
Taxation	(29)	(61)
Finance charges	34	38
Investment income	-	(2)
Loss from operations	(1,135)	(1,639)
Adjustments for: -		
Amortisation and impairment of intangible assets	353	320
Depreciation of property, plant and equipment	88	98
Share based payments - equity settled	48	240
Operating cash flows before movement in working capital	(646)	(981)
Increase in inventories	(174)	(191)
Decrease in receivables	13	269
Increase/(decrease) in payables	230	(152)
Cash utilised in operations	(577)	(1,055)
Corporate tax received	239	-
Interest paid	(34)	(38)
Net cash outflow from operating activities	(372)	(1,093)
Investing activities		
Interest received	-	2
Investment in intangible assets	(258)	(258)
Purchase of property, plant and equipment	(8)	(19)
Net cash used in investing activities	(266)	(275)
Financing activities		
Proceeds from issue of share capital	1	1,100
Costs of issue of ordinary share capital	-	(104)
Repayment of obligations under leasing activities	(45)	(76)
Net cash (used in)/generated from financing activities	(44)	920
Net decrease in cash and cash equivalents	(682)	(448)
Cash and cash equivalents at the beginning of the year	1,678	2,126
Cash and cash equivalents at the end of the year	996	1,678

* A prior year adjustment has been made in respect of the timing of recognition of tax (see note 6) and classification of foreign exchange losses included in administrative expenses that were previously separately disclosed (see note 4).

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

Company statement of cash flows

For the year ended 31 December 2021

	2021	2020
	£000	restated* £000
Loss after taxation	(1,458)	(1,339)
Adjustments for: -		
Finance charges	34	38
Investment income	-	(219)
Loss from operations	(1,424)	(1,520)
Adjustments for: -		
Depreciation of property, plant and equipment	67	70
Net movement in provision for impairment of investment and loan in subsidiary	-	70
Share based payments – equity settled	28	189
Operating cash flows before movement in working capital	(1,329)	(1,191)
Decrease in receivables	164	56
Increase/(decrease) in payables	518	(164)
Cash utilised in operations	(647)	(1,299)
Interest paid	(34)	(36)
Net cash outflow from operating activities	(681)	(1,335)
Investing activities		
Interest received	-	2
Purchase of property, plant and equipment	(5)	(19)
Net cash used in investing activities	(5)	(17)
Financing activities		
Proceeds from issue of share capital	1	1,100
Costs of issue of ordinary share capital	-	(104)
Repayment of obligations under leasing activities	(37)	(76)
Net cash (used in)/generated from financing activities	(36)	920
Net decrease in cash and cash equivalents	(722)	(432)
Cash and cash equivalents at the beginning of the year	1,671	2,103
Cash and cash equivalents at the end of the year	949	1,671

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

* A prior year adjustment has been made in respect of foreign exchange losses included in administrative expenses that were previously separately disclosed, see note 4.

Notes

(forming part of the financial statements)

1. Principal Accounting Policies

Basis of Preparation

Biome Technologies plc is a public limited company, limited by shares, incorporated in England and Wales. The address of the registered office is Starpol Technology Centre, North Road, Marchwood, Southampton SO40 4BL.

The consolidated and company financial statements have been prepared in accordance with UK-adopted international accounting standards.

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.

Going Concern

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 14 to 17.

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

The Board was mindful of the guidance surrounding a severe but plausible assessment and, accordingly, considered a number of scenarios in revenue reduction against the original plans. A reverse stress test was constructed to identify at which point the Group might run out of its available cash. The test was designed specifically to understand how far revenue would need to fall short of the base case forecast and does not represent the directors view on current and projected trading. The test was modelled over a 24-month period commencing 1 January 2022 and was based on budgeted trading that took into account contracted orderbook, existing revenue streams from current customers/products and expected revenue based on management's judgement of the likelihood of converting current sales opportunities. The sales revenue in the budgeted model was reduced evenly across the Group to the point where the projected month-end cash was equal to zero at any point during the 24-month cycle. In the model, zero month-end cash was reached in November 2023 when projected sales revenue was reduced to 86.7% of budget. Since the guidance for going concern is usually based on a period of 12-months from the date of signing the accounts a further reverse stress test was conducted over a period to 31 March 2023. In this test reducing sales to 84.0% of budgeted level resulted in a zero month-end cash position at 31 March 2023. For the reverse stress test, the Board specifically excluded any significant upsides to this scenario. This is despite strong incremental demand potential at both existing and new customers either in the Bioplastics or RF Technology divisions. This most severe scenario also excludes any mitigating reduction in the cost base that the Board would clearly undertake in this event. In all scenarios modelled, including the reverse stress test, the Group has sufficient resources to operate and meet its liabilities throughout the going concern review period without the inclusion of the impact of mitigating actions.

At 31 December 2021, the Group had a net cash balance of £1.0m and as at 22 March 2022 a balance of £0.9m. On a revised base case scenario adopted for their assessment, the Board is comfortable that the Group can continue its operations for at least a 12-month period following the approval of these financial statements.

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

Notes (continued)

(forming part of the financial statements)

1. Principal Accounting Policies *continued*

Adoption of New and Revised Standards

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

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

Basis of Consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 31 December each year. Control is achieved where the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration the existence and effect of potential voting rights that currently are exercisable or convertible.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

At 31 December 2021 the subsidiary undertakings were Stanelco RF Technologies Limited, InGel Technologies Limited, Biome Bioplastics Limited (formerly Adept Polymers Limited), Biome Bioplastics Inc and Aquasol Limited. Details of the composition of the group are included in note 9 to these financial statements.

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 from publishing its individual income statement, statement of other comprehensive income and related notes.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's net assets.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less the net recognised amount of the identifiable assets acquired, and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

1. Principal Accounting Policies *continued*

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Revenue recognition

Revenue is measured at the transaction price received or receivable allocated to the performance obligation satisfied and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. As the expected period between transfer of a promised good or service and payment from the customer is one year or less then no adjustment for a financing component has been made.

Revenue arises mainly from the sale of biodegradable plastic resins, films and mesh goods and associated services within the Bioplastics division, and the sale of equipment systems, spares and service work related to innovative solutions for thermal process applications within the RF Technologies division.

Revenues for the Group are derived from several different income streams. Broadly these can be categorised as: -

- Sales of Goods
 - Sales of standard product
 - Sales of custom product that may entail design engineering
- Sales of services
 - Within the Bioplastics division, typically related to the development of materials and/or processes specific to customer requirements
 - Within the RF Technology division, typically related to commissioning of equipment at customers facilities and maintaining and servicing of equipment previously sold to customers
- Commissions where a subsidiary acts as an agent for third party equipment manufacturers

To determine whether to recognise revenue, the Group follows the five-step process identified in IFRS 15:

- 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

In determining the appropriate method of recognising revenue, management is required to make judgements as to whether performance obligations are satisfied over a period of time or at a point in time. For performance obligations that are satisfied over a period of time, judgements are made as to whether the output method or the input method is more appropriate to measure progress towards complete satisfaction of the performance obligation. If performance obligations are not satisfied over time, the Group recognises revenue at a point in time.

Notes (continued)

(forming part of the financial statements)

1. Principal Accounting Policies *continued*

Revenue is recognised either at a point in time when control passes to the customer or over time as the Group satisfies performance obligations by transferring the promised good or services and depending on the nature of the goods or service being provided.

In certain circumstances, Group companies supply goods to customers on a bill-and-hold basis. This arises where the customer has requested that the selling entity store the goods on behalf of the customer pending their readiness to receive the goods or where goods are supplied on ExWorks Incoterms and the selling entity is holding the goods, awaiting the customer to arrange collection. In these circumstances, control and the risks and benefits of ownership, along with title to the goods transfer to the customer even though physical possession remains with the Group company.

The Group policy is to recognise revenue on bill-and hold-arrangements when all of the following criteria are met:

- the reason for bill-and-hold is substantive;
- the product is separately identifiable as belonging to the customer;
- the product is ready for physical transfer to the customer; and
- the Group company does not have the ability to use or direct the product to a different customer.

The nature of our revenue is disclosed as follows:

Sale of goods

Revenues from the sales of biodegradable plastic resins within the Bioplastics division and sales of spares within the RF Technologies division are recognised at a point in time when control passes to the customer. Revenues from equipment sales are assessed on a contract-by-contract basis to assess whether revenue is recognised at a point in time or over time. When concluding that the contract allows revenue over time an assessment is made as to whether the Group could enforce payment recognising the work completed at any given point should the contract be terminated. Typically, performance obligations are established on the completion of contractual "milestones" defined within contracts with customers. Therefore, the output method is adopted.

Rendering of services

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

The Bioplastics division carry out paid development work for customers. Revenues associated with this activity are recognised at a point in time when the service or maintenance work has been completed or on the completion of separable, distinct phases of a project; these phases or milestones are identified in the contracts and values ascribed to them within the contract.

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 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 2021 is entirely based upon information provided by the third party and no estimates were required.

1. Principal Accounting Policies *continued*

Other income

Grants

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

Coronavirus Job Retention Scheme (furlough)

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

Costs incurred to obtain or fulfil a contract

Costs incurred to obtain or fulfil a contract which do not qualify for recognition as other types of assets are recognised separately and amortised over the expected term of the related contract. Where the expected term is one year or less then costs incurred to obtain a contract are written off as incurred.

Foreign Currencies

Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. Where consideration is received in advance of revenue being recognised the date of the transaction reflects the date the consideration is received. At each year end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the year-end date. Exchange gains and losses on short-term foreign currency borrowings and deposits are included within administration expenses. Exchange differences on all other transactions are taken to operating profit.

Segment reporting

The Group is managed through two operating divisions, Bioplastics and RF Technologies supported by a separately managed Central Costs division. These reportable segments are the three strategic divisions for which monthly financial information is provided to the Board and senior management. The chief operating decision makers for each division are the executive directors and the divisional managing directors who assess performance of the segments using the following key performances indicators: revenues, operating profit and Earnings Before Interest, Taxation, Depreciation and Amortisation. The details provided to the Board with respect to assets and liabilities are measured in a way consistent with the financial statements.

The Bioplastics division comprises of Biome Bioplastics Limited and a newly registered entity in Delaware, USA, Biome Bioplastics Inc, that it is intended to carry out the division's trading in the United States. The division supplies a range of biodegradable resins, films and non-woven meshes that replace existing non-biodegradable materials in a wide variety of applications.

The RF Technologies division comprises of Stanelco RF Technologies Limited. RF technologies we create innovative solutions for thermal process applications for industrial applications.

The Central Costs division comprises of senior management, corporate and administration functions.

Aquasol Limited and InGel Technologies are non-trading/dormant entities.

Certain expenses incurred by the Central Costs division are allocated, to the operating divisions. These costs include insurance, accounting, administration, facilities, and executive management activities attributable to the operating divisions. These allocations have been made on a consistent basis to 2020.

Notes (continued)

(forming part of the financial statements)

1. Principal Accounting Policies *continued*

Share-Based Payment

Equity and cash settled share-based payment

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

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

Employee Benefit Trust

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

The EBT was terminated on 16 December 2021 with the remaining assets of the trust being used to satisfy the final fees of the trust managers.

Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

1. Principal Accounting Policies *continued*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle on a net basis.

Property, Plant and Equipment

Depreciation

Property, plant and equipment are stated at cost or valuation, net of depreciation and any provision for impairment. 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 10 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.

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. Enhancements to developments that have previously been capitalised and where amortisation has already commenced are capitalised and the amortisation of the enhancement commences contemporaneously.

Notes (continued)

(forming part of the financial statements)

1. Principal Accounting Policies *continued*

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

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 assets 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.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

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. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Interest

Interest received

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.

Interest paid

Interest paid relates to IFRS 16 discounting as explained in the leased asset accounting policy below.

Dividends

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

Leased Assets

The Group as a lessee

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

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

1. Principal Accounting Policies *continued*

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

On the statement of financial position, right-of-use assets have been included in property and the lease liabilities have been separately identified and split between short-term (less than one year) and long-term (greater than one year) liabilities.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets

Financial assets held by the group comprise cash and receivables. Financial assets are assigned to a category by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date. The Group has adopted the simplified model for trade receivables allowable under IFRS 9 "Financial Instruments".

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

Financial assets are measured at amortised cost when both of the following conditions are met:

- the financial asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount owing.

Notes (continued)

(forming part of the financial statements)

1. Principal Accounting Policies *continued*

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 cash collection history, as well as a review of lifetime expected credit losses that are estimated based on historical loss rates for the relevant country where the customer is domiciled, adjusted where evidence is available that different rates are likely to apply in the future. This is based on changes to the expected insolvency rates in the relevant countries.

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

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

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.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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 or lapse;
- "Translation reserve" represents the differences arising from translation of investments in overseas subsidiaries;

1. Principal Accounting Policies *continued*

- “Treasury Shares Reserve” represents the amount arising on the purchase of the Company’s own shares less sales of those shares, gains/losses on the sale of treasury shares are transferred to or Retained Losses as appropriate; and
- “Retained earnings” represents accumulative retained profits and losses after taxation.

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.

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.

Critical Accounting Judgements

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the year-end date and the reported amounts of revenues and expenses during the reporting period.

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. At the year end the balance of capitalised development costs, after amortisation, totalled £726,000 (2020: £821,000).

Going concern

As set out above, the board conducted a review of potential trading scenarios, which incorporated sensitivities and risk analysis, the Directors believe that the Group has sufficient resources and working capital to meet their present and foreseeable obligations for a period of at least 12 months from the approval of these financial statements. Therefore, these accounts have been produced on a going concern basis.

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.

During 2021 the Company evaluated the long-term nature of receivable debts for both Stanelco RF Technologies Limited and Biome Bioplastics Limited and concluded that these were permanent investments in those companies and therefore reclassified the balance of those debts and associated provisions as equity investments (following a debt for equity swap). Having transferred reclassified the debts to equity the current net carrying value of investments in the Company is £2,743,000 (2020: £nil).

Notes (continued)

(forming part of the financial statements)

1. Principal Accounting Policies continued

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 product families and developed technologies. These forecasts were prepared with the reference to ongoing business levels, the commercialisation, and increased volume, from the existing trials and launches within the Bioplastics division.

An assessment is made of the addressable market and the Bioplastics division's likely share of these markets over the following five years. The potential profit margin is then discounted back using a 12.5% discount factor to test that the discounted cash flow of potential profit margin exceeds the capitalised carrying value of the development product. If the discounted cash flow of potential profit margin does not exceed the capitalised carrying value, then the difference is written off to administrative expenses. The current carrying value of intangible assets in the Group is £726,000 (2020: £821,000). The useful economic life of intangible assets is estimated at five years and amortised to zero over this period.

Allowance for doubtful debts

The management of the Group make an assessment on the recoverability of trade debt receivables based on the payment terms, age of the debt and discussions with the debtor. At 31 December 2021 the allowance for doubtful debts was £255,000 (2020: £256,000).

Inventory

A review is made of slow-moving inventories and a provision is made based on the potential use of slow-moving inventories within the existing product range going forward. Estimates and judgements are made in order to assess likely future sales and margins on these products. These estimates include consideration of the impact on supplies, logistics and customer take up due to the ongoing effects of the Covid-19 pandemic. As at 31 December 2021, the net value of inventory was £920,000 (2020: £746,000). Details of inventory values are set out in Note 10 of these accounts.

2. Segmental Information

a. By Business Activity for the Year Ended 31 December 2021

	2021				2020 restated			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Bioplastics	RF	Central	Total	Bioplastics	RF	Central	Total
Revenue from sales	4,797	1,140	-	5,937	4,946	804	-	5,750
Removal of inter-segment sales	-	(203)	-	(203)	-	(45)	-	(45)
Total external sales	4,797	937	-	5,734	4,946	759	-	5,705
(Loss)/profit from operations	(601)	(59)	(475)	(1,135)	(544)	(461)	(634)	(1,639)
Interest received	-	-	-	-	-	-	2	2
Finance charges	-	-	(34)	(34)	-	-	(38)	(38)
Loss before taxation	(601)	(59)	(509)	(1,169)	(544)	(461)	(670)	(1,675)
Taxation	29	-	-	29	61	-	-	61
Loss for the year	(572)	(59)	(509)	(1,140)	(483)	(461)	(670)	(1,614)
<i>Reconciliation to Loss Before Interest Tax Depreciation and Amortisation (LBITDA)</i>								
(Loss)/profit from operations	(601)	(59)	(475)	(1,135)	(544)	(461)	(634)	(1,639)
Depreciation/amortisation	(395)	(41)	(5)	(441)	(364)	(50)	(4)	(418)
Share based payments	(13)	(7)	(28)	(48)	(35)	(16)	(189)	(240)
LBITDA	(193)	(11)	(442)	(646)	(145)	(395)	(441)	(981)
Other segmental information								
Capital Expenditure								
Property, plant and equipment								
	3	12	1	16	9	9	1	19
Intangible assets								
	258	-	-	258	258	-	-	258
Total Capital Expenditure	261	12	1	274	267	9	1	277
Total Assets	3,408	1,156	36	4,600	3,971	1,414	113	5,498

Notes (continued)

(forming part of the financial statements)

2. Segmental Information continued

b. By Geographical Region for the Year Ended 31 December 2021

	2021			2020		
	Revenue £'000	Total assets £'000	Capital additions £'000	Revenue £'000	Total assets £'000	Capital additions £'000
UK	986	4,600	274	490	5,498	277
Europe	167	-	-	517	-	-
Canada	1,845	-	-	1,882	-	-
USA	2,613	-	-	2,703	-	-
Latin America	-	-	-	5	-	-
Asia	123	-	-	107	-	-
Rest of World	-	-	-	1	-	-
	5,734	4,600	274	5,705	5,498	277

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

The Group had two customers (2020: two customers) who accounted for more than 10% of Group revenues, both in the Bioplastics division with revenues of £4.2m (2020: £4.5m).

3. Revenue

	2021 £000	2020 £000
Sales of goods	5,430	5,456
Sales of services	295	242
Commissions	9	7
	5,734	5,705

The Groups revenue disaggregated by pattern of revenue is as follows

		2021 £000	2020 £000
Point in time	Sales of goods	4,999	5,273
	Sales of services	290	242
	Commissions	9	7
		5,298	5,522
Over time	Sales of goods	436	183
		5,734	5,705

At 31 December 2021, there were no contracts where there were performance obligations of greater than one year (2020: none).

3. Revenue continued

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

	2021 £000	Restated* 2020 £000
Grant income in respects of research and development	306	190
Payments received under the UK Job Retention Scheme (Furlough)	8	96
Receipts for research and development expenditure credits	50	24
Net proceeds from the sale of fixed assets	–	14
	364	324

A prior year adjustment has been made in respect of receipts under research and development expenditure previously included as tax, see note 6.

4. Administrative Expenses

a. Administrative Expenses Include:

	2021 £000	2020 £000
Depreciation, amortisation and impairment:		
Other intangible assets, owned	353	320
Property, plant and equipment, owned	88	98
Hire of plant and machinery	4	3
Short term leases	10	14
Share option charges - equity settled	48	240
Foreign exchange losses	23	88
Bad debt provision	–	252

b. Auditors' Remuneration

	2021 Nexia Smith & Williamson Audit Limited £000	2020 Grant Thornton UK LLP £000
Fees payable to the company's auditor for the audit of the company's annual accounts	31	42
Additional fee for 2019 year end audit not provided in the accounts for that year	–	2
Fees payable to the company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	27	26
Audit related assurance services	–	11
Tax compliance services	–	11
Total charged to the consolidated statement of comprehensive income	58	92

Notes (continued)

(forming part of the financial statements)

4. Administrative Expenses *continued*

c. Reconciliation to Performance Measures-EBITDA

	2021	2020
	£000	restated* £000
Loss from operations per consolidated statement of comprehensive income	(1,135)	(1,639)
Amortisation	353	320
Depreciation	88	98
Share option charges - equity settled	48	240
	(646)	(981)

* A prior year adjustment has been made in respect of the timing of recognition of tax, see note 6 for details, furthermore, foreign exchange losses of £88,000 in 2020 comparatives has been reclassified as an administrative expense.

5. Directors and Employees

	Group		Company	
	2021	2020	2021	2020
	Number	Number	Number	Number
Management	8	7	5	5
Administration	3	3	2	2
Sales	3	5	-	-
Manufacturing, engineering and technical	15	16	-	-
Total current tax	29	31	7	7
	£000	£000	£000	£000
Staff costs:				
Wages and salaries	1,579	1,535	673	499
Social security costs	183	170	82	60
Pension costs - personal pension contributions	85	78	23	12
	1,847	1,783	778	571
Directors remuneration:				
Short term employment benefits	498	405	498	405
Post employment benefits	15	6	15	6
	513	411	513	411

6. Taxation

	Group	
	2021	2020
	£000	restated* £000
Current Income tax		
Current in credit/charge	-	-
Adjustment in respect of prior periods:	-	-
Total current income tax (see below)	-	-
UK Corporation tax	(29)	(61)
Overseas corporation tax	-	-
Total consolidated corporation tax credit	(29)	(61)

Factors affecting the total tax charge for year

	Group	
	2021	2020
	£000	restated* £000
Loss on ordinary activities before taxation	(1,169)	(1,675)
Tax thereon at UK statutory income tax rate 19% (2020: 19%)	(222)	(318)
Effect of:		
Additional deduction for research and development expenditure	(67)	(64)
Unrealised tax losses and other deductions arising	316	376
Utilisation of tax losses	-	(52)
Utilisation of R&D tax credits	(29)	-
Expenses not deductible for tax purposes	28	63
Other short-term timing differences	(55)	(66)
	193	257
Total UK corporation tax	(29)	(61)
Overseas corporation tax	-	-
Tax credit for the year	(29)	(61)

*A prior year adjustment has been made in respect of the timing of the recognition of current tax so that the tax payable or receivable is accrued in the current year as opposed to being recognised in the year that tax is settled. The adjustment in respect of 2020 is to reduce the tax credit from £155,000 to £61,000. The retained losses brought forward from 2019 were reduced by £155,000 in respect of the 2019 tax credit. The Consolidated Statement of Financial Position has been adjusted to include an additional £84,000 tax receivable in respect of 2020.

In the current year other income includes £50,000 (2020: £24,000 restated) arising from Research and Development Expenditure Credit scheme (RDEC) that is accounted for as a government grant (see note 3).

The Group has estimated trading losses of £32.0m (2020: £31.2m) available indefinitely for carry forward against future trading profits. The Company has estimated trading losses of £21.5m (2020: £20.2m) available indefinitely for carry forward against future trading profits. The Group had capital losses of £1.5m (2020: £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.

Notes (continued)

For the Year Ended 31 December 2021

7. Goodwill and Other Intangible Assets

Group	Goodwill relating to Aquasol £000	Other intangible assets £000	Total £000
Cost			
At 1 January 2020	1,991	5,052	7,043
Additions	–	258	258
At 1 January 2021	1,991	5,310	7,301
Additions	–	258	258
At 31 December 2021	1,991	5,568	7,559
Accumulated amortisation and impairment:			
At 1 January 2020	1,991	4,169	6,160
Provided in the year – charge for the year	–	320	320
At 1 January 2021	1,991	4,489	6,480
Provided in the year – charge for the year	–	353	353
At 31 December 2021	1,991	4,842	6,833
Net book value:			
At 31 December 2021	–	726	726
At 31 December 2020	–	821	821

Other Intangible Assets comprise £726,000 (2020: £821,000) of capitalised development costs. The remaining amortisation period on the £726,000 of other intangible assets as at 31 December 2021 is a weighted average of 3.1 years (2020: 3.4 years).

All of the £726,000 (2020: £821,000) of capitalised development costs relates to the Bioplastics division.

8. Property, Plant and Equipment

a. Group

	Land, buildings and leasehold improvements	Motor vehicles £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost					
At 1 January 2020	693	25	767	239	1,724
Additions	5	–	14	–	19
Disposals	(24)	(11)	–	(6)	(41)
At 1 January 2021	674	14	781	233	1,702
Additions	–	9	7	–	16
Disposals	–	(14)	–	–	(14)
At 31 December 2021	674	9	788	233	1,704
Depreciation					
At 1 January 2020	211	12	632	216	1,071
Charge for year	50	11	31	6	98
Disposals	(24)	(11)	–	(6)	(41)
At 1 January 2021	237	12	663	216	1,128
Charge for year	50	8	25	5	88
Disposals	–	(14)	–	–	(14)
At 31 December 2021	287	6	688	221	1,202
Net book value:					
At 31 December 2021	387	3	100	12	502
Net book value: At 31 December 2020"	437	2	118	17	574

Notes (continued)

For the Year Ended 31 December 2021

8. Property, Plant and Equipment continued

b. Company

	Land, buildings and leasehold improvements	Motor vehicles £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost					
At 1 January 2020	518	25	67	8	618
Additions	5	–	14	–	19
Disposals	(24)	(11)	–	–	(35)
At 1 January 2021	499	14	81	8	602
Additions	–	9	4	–	13
Disposals	–	(14)	–	–	(14)
At 31 December 2021	499	9	85	8	601
Depreciation					
At 1 January 2020	35	12	49	3	99
Charge for year	50	11	8	1	70
Disposals	(24)	(11)	–	–	(35)
At 1 January 2021	61	12	57	4	134
Charge for year	50	8	8	1	67
Disposals	–	(14)	–	–	(14)
At 31 December 2021	111	6	65	5	187
Net book value:					
At 31 December 2021	388	3	20	3	414
Net book value:					
At 31 December 2020	438	2	24	4	468

9. Investments

Total
£000

Investments Company

Cost

At 31 December 2020	2,750
Intercompany loans capitalised	2,743
At 31 December 2021	5,493

Diminution in value:

At 31 December 2020	2,750
At 31 December 2021	2,750

Net book value

At 31 December 2021	2,743
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At 31 December 2020	–
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During the year ended 31 December 2021 the Company converted intercompany receivables, net of provisions, due from Stanelco RF Technologies Limited and Biome Bioplastics Limited into equity investments in the share capital of those companies to recognise the permanent nature of the investments. The net value of the transaction was £2,764,000.

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	3 Ordinary £1 shares	100.0%
InGel Technologies Limited	England and Wales	9,500 Ordinary "A" 1p shares	93.7%
Biome Bioplastics Limited	England and Wales	3 Ordinary £1 shares	100.0%
Aquasol Limited	England and Wales	29,000 Ordinary £1 shares	100.0%
Biome Bioplastics Inc.	Delaware, USA	1,500 Ordinary \$0.01 shares	100.0%

The registered address of each of the subsidiaries registered in England and Wales, listed above, is Starpol Technology Centre, North Road, Marchwood, Southampton, SO40 4BL, Biome Bioplastics Inc is 16192 Coastal Highway, Lewes, County of Sussex, Delaware, USA.

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. Biome Bioplastic Inc. is a newly formed subsidiary and it is the intention to use this company to trade in bioplastic products in the United States market.

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).

Notes (continued)

For the Year Ended 31 December 2021

10. Inventories

	Group		Company	
	2021 £000	2021 £000	2020 £000	2020 £000
Raw materials and consumables	567	39	-	-
Work in progress	42	-	-	-
Finished good and goods for resale	311	707	-	-
Total	920	746	-	-

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 £3,794,000 (2020: £ 4,029,000). The change in profile of inventory reflects the increased lead-times from suppliers and timing of sales revenue in the Bioplastics division and the increase in revenue in the RF Technologies division and work in progress required to fulfil contracted sales during the first half of 2022.

11. Trade and Other Receivables

a. Group

	2020 £000	2020 £000
Trade receivables	1,210	1,280
Other receivables	84	82
Prepayments and accrued income	83	78
Total	1,377	1,440

An allowance has been made for estimated irrecoverable amounts from the sale of goods and services of £1,000 (2020: £4,000). These amounts were calculated, after making specific impairments, by reference to an expected loss model and with regard to past default experience. No specific impairments were made during the year (2020: £252,000) and payment of £1,000 was received for a receivable that had previously been impaired. 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 62 days (2020: 69 days).

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

	2021 £000	2020 £000
60–90 days past due	6	54
90–120 days past due	-	252
120+ days past due	-	259
Total	6	565

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 more than the allowance for doubtful debts.

11. Trade and Other Receivables continued

Ageing of impaired receivables is as follows:

	2021 £000	2020 £000
120+ days past due	255	256
Total	255	256

b. Company

	2021 £000	2020 £000
Trade receivables	–	48
Other receivables	38	31
Prepayments and accrued income	59	51
Total	97	130

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

12. Trade and Other Payables

a. Group

	2021 £000	2020 £000
Trade payables	762	520
Other taxation and social security costs	19	55
Other payables	102	67
Accruals and deferred income	415	434
Total	1,298	1,076

Included in accruals and deferred income were contract liabilities at the 31 December 2021 of £141,000 (2020: £6,000). Revenue recognised during the year from contract liabilities brought forward was £6,000.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases during the year was 43 days (2020: 19 days). For all suppliers, no interest is charged if the trade payable exceeds the credit period. The carrying amount of all trade and other payables is a reasonable approximation of fair value.

b. Company

	2021 £000	2020 £000
Trade payables	188	94
Other taxation and social security costs	56	55
Other payables	44	40
Accruals and deferred income	99	105
Total	387	294

Notes (continued)

For the Year Ended 31 December 2021

12. Trade and Other Payables *continued*

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

The carrying amount of all trade and other payables is a reasonable approximation of fair value. Details of the intragroup payables can be found in Note 27.

13. Financial Instruments

The Group's financial instruments comprise cash and cash equivalents and items such as trade payables and trade receivables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and foreign exchange risk. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

See note 22 for further details on risk management.

Categories of Financial Instruments

	Group		Group	
	2021	2020	2021	2020
	£000	£000	£000	£000
Financial assets				
Cash	996	1,678	949	1,678
Loans and receivables	1,373	1,601	38	2,946
Financial liabilities recorded at amortised cost				
Trade and other payables	1,298	1,076	812	294
Lease liabilities	401	438	401	438
Net foreign currency monetary assets				
Euros	38	2	–	1
US Dollars	910	541	910	541

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

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

13. Financial Instruments continued

Maturity of financial liabilities

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

Group 2021	0-60 days £000	61 days – 6 months £000	7 months – 1 year £000	13 months – 2 years £000	2-5 years £000	5-10 years £000	Total £000
Trade and other payables	1,298	–	–	–	–	–	1,298
Lease liabilities	14	23	35	70	215	183	540
Total	1,312	23	35	70	215	183	1,838

Group 2020	0-60 days £000	61 days – 6 months £000	7 months – 1 year £000	13 months – 2 years £000	2-5 years £000	5-10 years £000	Total £000
Trade and other payables	1,076	–	–	–	–	–	1,076
Lease liabilities	7	13	18	39	141	220	438
Total	1,083	13	18	39	141	220	1,514

Company 2021	0-60 days £000	61 days – 6 months £000	7 months – 1 year £000	13 months – 2 years £000	2-5 years £000	5-10 years £000	Total £000
Trade and other payables	812	–	–	–	–	–	812
Lease liabilities	14	23	35	70	215	183	540
Total	826	23	35	70	215	183	1,352

Company 2020	0-60 days £000	61 days – 6 months £000	7 months – 1 year £000	13 months – 2 years £000	2-5 years £000	5-10 years £000	Total £000
Trade and other payables	294	–	–	–	–	–	294
Lease liabilities	7	13	18	39	141	220	438
Total	301	13	18	39	141	220	732

14. Obligations Under Leases

The Group leases its main building with the current lease coming into effect on 12 October 2019 which is treated as a right of use asset in accordance with the provisions of IFRS 16. The lease for the building has been reflected on the statement of financial position under property, plant and equipment as a right-of-use asset as follows:

	Opening Book Value £000	Additions £000	Depreciation Charge £000	Closing book value £000
Premises	433	–	(49)	384
Motor vehicles	2	9	(8)	3
Total	435	9	(57)	387

Notes (continued)

For the Year Ended 31 December 2021

14. Obligations Under Leases continued

Lease liabilities, which represent the Group's only liabilities arising from financing activities, are presented in the statement of financial position as follows:

	Group £000	
Lease liability as at 1 January 2021	438	
New leases entered into during the year	8	
Interest charged during the year	34	
Payments made during the year	(79)	
Lease liability as at 31 December 2021	401	
	2021	2020
	£000	£000
Lease liability payable in less than a year	40	38
Lease liability payable in more than one year	361	400
Total	401	438

15. Share Capital

Total Shares	2021		2020	
	Shares	£'000	Shares	£'000
Allotted, issued and fully paid: Ordinary shares of 5p each				
At 1 January	3,715,192	186	2,798,525	140
Issued in the year	57,448	3	916,667	46
	3,772,640	189	3,715,192	186
Total Shares				
	Shares	£'000	Shares	£'000
At 1 January	–	–	–	–
Purchased in the year	37,053	2	–	–
Sold in the year	(20,343)	(1)	–	–
Shares held in treasury	16,710	1	–	–
Shares carrying voting rights	3,755,930	188	3,715,192	186

Shares held in treasury do not carry rights to participation in assets, dividends or voting. All other shares carry equal participation in assets, rights to a dividend and voting power.

On 30 March 2021, Biome received exercise notices from two individuals in respect of a total of 56,571 options over Ordinary Shares granted under the Company's 2017 Long Term Incentive Plan. Following this share option exercise, on 1 April 2021, in order to (i) minimise the dilution to shareholders resulting from the issue of new Ordinary Shares pursuant to the option exercise; and (ii) to facilitate the cashless exercise of these options, certain of the new Ordinary Shares issued to the option holders were contemporaneously bought back into or transferred out of treasury by the Company on the same date.

Alternative performance measures glossary

15. Share Capital *continued*

Treasury share movements in the year ended 31 December are summarised as follows:

	2021 £000	2020 £000
Number of shares purchased in the year	37,053	-
Percentage of issued share capital purchased in the year	1.0%	-
Nominal value of shares purchased £'000s	2	-
Aggregate consideration paid for treasury shares £'000s	122	-
Maximum number of shares held during the year	25,224	-
Percentage of issued share capital of maximum number of shares held in the year	0.7%	-
Nominal value of maximum number of shares held in treasury £'000s	1	-
Number of shares sold from treasury	20,343	-
Percentage of issued share capital of shares sold from treasury	0.5%	-
Nominal value of shares sold from treasury £'000s	1	-
Aggregate consideration received for shares sold from treasury	46	-

All shares purchased were in relation to the cashless exercise of share options as set out above.

Details of the issue and transfers of Ordinary Shares into or out of treasury are as follows:

1. The Company issued and allotted 38,715 new Ordinary Shares to one individual in relation to the exercise of share options. 25,224 of these Ordinary Shares were immediately purchased into treasury by the Company at a price of 330p (being the closing mid-market price on the last practicable date prior to the purchase) to enable cashless exercise to occur.
2. The Company then transferred 18,156 Ordinary Shares from treasury to a second individual in relation to the exercise of share options. 11,829 of these Ordinary Shares were immediately purchased into treasury by the Company at a price of 330p (being the closing mid-market price on the last practicable date prior to the purchase) to enable cashless exercise to occur.

On 9 April 2021, 2,187 ordinary shares of 5p each in the Company ("Ordinary Shares") were transferred out of treasury to an employee. This transfer occurred at a deemed price of 360p per Ordinary Share, being the closing mid-market price on 8 April 2021, and has taken place as part payment of a bonus in recognition of the successful growth of Biome Bioplastics in 2020.

Notes (continued)

For the Year Ended 31 December 2021

16. Reserves and Accumulated Profits

a. Group

	Share premium account £000	Capital redemption reserve £000	Share option reserve £000	Translation reserve £000	Treasury reserve £000	Restated Profit & Loss reserve £000
Opening balance as at 1 January 2021	2,200	4	617	(85)	-	1,062
Loss for the year	-	-	-	-	-	(1,140)
Issue of share capital	82	-	-	-	-	-
Purchase of own shares	-	-	-	-	(122)	-
Sale of treasury shares	-	-	-	-	67	(21)
Share options movement for the year	-	-	(130)	-	-	178
Balance at 31 December 2021	2,282	4	487	(85)	(55)	79

	Share premium account £000	Capital redemption reserve £000	Share option reserve £000	Translation reserve £000	Treasury reserve £000	Restated Profit & Loss reserve £000
Opening balance as at 1 January 2020	1,250	4	377	(85)	-	2,521
Prior year adjustment	-	-	-	-	-	155
Restated balance as at 1 January 2020	1,250	4	377	(85)	-	2,676
Loss for the year	-	-	-	-	-	(1,614)
Issue of share capital	950	-	-	-	-	-
Share options movement for the year	-	-	240	-	-	-
Balance at 31 December 2020	2,200	4	617	(85)	-	1,062

b. Company

	Share premium account £000	Capital redemption reserve £000	Share option reserve £000	Treasury reserve £000	Profit & Loss reserve £000
Opening balance as at 1 January 2021	2,200	4	457	-	1,564
Loss for the year	-	-	-	-	(1,458)
Issue of share capital	82	-	-	-	-
Purchase of own shares	-	-	-	(122)	-
Sale of treasury shares	-	-	-	67	(21)
Share options movement for the year	-	-	(103)	-	131
Balance at 31 December 2021	2,282	4	354	(55)	216

16. Reserves and Accumulated Profits *continued*

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

17. Share Option Reserve

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Opening balance	617	377	457	268
Income and expenditure charge for the year in respect of the fair value of share based payments under share option awards	48	240	28	189
Share options exercised	(170)	-	(131)	-
Expired and cancelled share options taken directly to reserves	(8)	-	-	-
Closing balance	487	617	354	457

Under International Financial Reporting Standard number 2, Share Based Payments (IFRS 2), the fair value of share-based payments is expensed in profit or loss throughout their vesting period.

Share option award scheme

On 20 December 2017 the Company granted share options under a new Long Term Incentive Plan (2017 LTIP) which replaced the expired 2014 EMI share option scheme and further grants was made on 17 February 2020 and 28 May 2021. 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 vesting commencing on 10 December 2018 and every six months thereafter. Vested shares must be exercised within five years from the date of grant. Performance conditions restrict the number of shares exercisable, further details can be found in the Director's remuneration report on page 30 of this Report.

Notes (continued)

For the Year Ended 31 December 2021

17. Share Option Reserve *continued*

	Shares issued in lieu of bonus		2017 Long Term Incentive Plan	
	2021	2020	2021	2020
	Number of ordinary shares of £0.05	Number of ordinary shares of £0.05	Number of ordinary shares of £0.05	Number of ordinary shares of £0.05
Balance outstanding at 1 January	45,399	–	341,930	306,176
Granted	–	45,399	37,349	83,739
Exercised	(18,733)	–	(56,871)	–
Lapsed	–	–	(3,787)	(47,985)
Balance outstanding at 31 December	26,666	45,399	318,621	341,930
Exercise prices of options outstanding at the period end in the range	5p	5p	215p – 270p	215p – 270p
Weighted average exercise price of options outstanding at the year end	5p	5p	250p	228p
Weighted average contractual life in months of options outstanding at the year end	4	16	23	23
Exercisable at the year end	26,666	45,399	318,621	171,453
Weighted average exercise price of options currently exercisable at the year end	5p	5p	250p	215p

Weighted average exercise prices of options granted and lapsed during the year were:

	2021	2020	2021	2020
	pence	pence	pence	pence
Options granted	–	5p	390p	270p
Options exercised	5p	–	215p	–
Options lapsed	–	–	215p	215p

Outstanding share options by exercise price ranges

	2021		2020	
	Number of ordinary shares of		Number of ordinary shares of	
	Total	Exercisable	Total	Exercisable
2017 Long Term Incentive Plan - 0p - 12,000p	318,591	318,621	341,930	171,453
Share option granted in Lieu of bonus	26,666	45,399	26,666	45,399
Total	345,257	364,020	368,596	216,852

17. Share Option Reserve *continued*

Share Options Granted In lieu of bonus

On 30 January 2020 share options were granted to Paul Mines and Declan Brown in lieu of provisionally granted bonuses accrued in 2018. These share options can be exercised at any time until 30 April 2022. On 2 June 2021 Mr Brown exercised his option over 18,733 shares granted in lieu of bonus.

During the year, the Group introduced an incentive scheme for five employees. Under this scheme shares would have been issued, in lieu of a cash bonus, on the attainment of Bioplastics division sales and Group EBITDA performance targets. The shares would have been granted in April 2022, at market price, based on a percentage the employee's salary and the amount the performance targets were exceeded. A cap on the value of share was set at 20% of the employee's salary. The performance conditions were not met therefore no bonus has been accrued. As the grant of shares was conditional on performance conditions and not market conditions no charge under IFRS 2 has been recorded.

18. Company Profit and Loss Account

	2021 £000	2020 £000
Opening balance	1,564	2,903
Loss on sales of treasury shares	(21)	-
Transfer from Share Option Reserve in respect of exercised share options	131	-
Retained loss for the year	(1,458)	(1,339)
Closing balance	216	1,564

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 £1,458,000 (2020: retained loss £1,339,000).

19. Capital Commitments

The Group had no capital commitments at 31 December 2021 and 31 December 2020.

20. Short term and low value leases

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

	2021 £000	2020 £000
Within one year	2	1
In the second to fifth years inclusive	1	-
Total	3	1

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

On 1 January 2019 the Group adopted IFRS 16, the new reporting standard for leases. The standard allows an exemption for short-term and low value leases which are defined as those of a duration of less than one year and those leases of low value. The Group has therefore taken the exemption allowed under IFRS 16 for short term leases and those of low value and does not recognise the above leases on the statement of financial position as at 31 December 2021.

Notes (continued)

For the Year Ended 31 December 2021

21. Pension Commitments

The Group makes contributions to personal pension plans schemes based on contractual terms. The contribution charge for the year was £85,000 (2020: £79,000).

22. Financial Instruments and Risk Management

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

Foreign currency exchange rate risk

The international nature of the Group's operations expose it to foreign currency exchange rate risk.

Within the Group, the Bioplastics division's sales are predominantly priced in USD and cost of sales are predominantly in USD and EUR creating an exchange rate risk. The RF Technologies division's sales are predominantly quoted in GBP. The bespoke nature of most of the RF Technologies division's sales allow for adverse and beneficial exchange rate movements to be reflected in the quoted price. The Group does not enter into forward foreign currency contracts.

The total foreign exchange loss recognised for the year in 2021 was £23,000 (2020: loss £88,000), 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, other than leases for right of use assets (see note 14). 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 £12,000 effect on interest income during 2021 (2020: £16,000). 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 2021 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.

22. Financial Instruments and Risk Management continued

Group

Interest rate	Fixed £000	Floating £000	Zero £000	Total £000
Financial assets				
Cash and cash equivalents	-	996	-	996
Trade and other receivables	-	-	1,373	1,373
Total	-	996	1,373	2,369
Financial liabilities				
Trade and other payables	-	-	1,298	1,298
Lease finance	401	-	-	401
Total	401	-	1,298	1,699

Company

Interest rate	Fixed £000	Floating £000	Zero £000	Total £000
Financial assets				
Cash and cash equivalents	-	949	-	949
Trade and other receivables	-	-	38	38
Total	-	949	38	987
Financial liabilities				
Trade and other payables	-	-	812	812
Lease finance	401	-	-	401
Total	401	-	812	1,213

Liquidity risk

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

Credit risk

The Group and Company's principal financial assets are cash and trade receivables. The Group's credit risk is primarily attributable to its trade receivables. The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board. Trade receivables are considered in default and subject to additional credit control procedures when they are more than 30 days past due in line with industry practice. Trade receivables are only written off when there is no reasonable expectation of recovery due to insolvency of the debtor.

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 cash collection history, as well as a review of lifetime expected credit losses that are estimated based on historical loss rates for the relevant country where the customer is domiciled, adjusted where evidence is available that different rates are likely to apply in the future. This is based on changes to the expected insolvency rates in the relevant countries.

The carrying amount of financial assets represents the maximum credit exposure.

Notes (continued)

For the Year Ended 31 December 2021

22. Financial Instruments and Risk Management *continued*

In addition, from time-to-time, the Company has intercompany balances owed by its subsidiaries. The Company continually monitors its subsidiaries performance to assess the recoverability of these intercompany balances. On 10 September 2021, the long-term debts owed by Biome Bioplastics Limited (£12,986,000) and Stanelco RF Technologies Limited (£3,219,000) to Biome Technologies plc were converted, net of inter-group provisions, into equity investments to more accurately reflect the underlying nature of those balances. Simultaneously, the intergroup provisions for these receivables were released and reclassified as impairment provisions held against these investments in subsidiaries (see note 9).

23. Capital Management Policies and Procedures

The Group manages its Equity as capital. The Group has no external debt finance, other than leases (see note 14) and hence gearing is not measured.

The Group manages its capital to ensure the entities in the Group is able to continue as going concern 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.

	2021 £000	2020 £000
Total equity	2,901	3,984
Cash and cash equivalents	996	1,678

24. Contracts in Which Directors Have an Interest

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

25. Contingent Liabilities

There are no contingent liabilities.

26. Control

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

27. Related Party Transactions

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

	Amounts owed by related parties		Amounts owed to related parties	
	2021 £000	2020 £000	2021 £000	2020 £000
Biome Bioplastics Limited	–	1,291	339	–
InGel Technologies Limited	–	–	–	–
Stanelco RF Technologies Limited	–	1,583	86	–
Closing balance	–	2,874	425	–

27. Related Party Transactions continued

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

	2021 £000	2020 £000
Biome Bioplastics Limited	–	11,717
InGel Technologies Limited	39	39
Stanelco RF Technologies Limited	–	1,745
Total	39	13,501
Intergroup provisions		
	2021 £000	2020 £000
Balance at the beginning of the year	13,501	13,501
Provision released on debt conversion to equity	(13,462)	–
Total	39	13,501

The balances are held at amortised cost. The net balances have been calculated using the expected credit loss model under IFRS 9 (Financial Instruments).

On 10 September 2021, the long-term debts owed by Biome Bioplastics Limited (£12,986,000) and Stanelco RF Technologies Limited (£3,219,000) to Biome Technologies plc were converted, net of provisions, into equity investments to reflect the underlying nature of those balances more accurately.

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

During the year ended 31 December 2021 Biome Bioplastics Limited purchased equipment from Stanelco RF Technologies Limited for £203,000 (2020: £45,000).



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