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26 April 2023

Biome Technologies plc
("Biome", the "Company" or the "Group")

Final Results 2022

Biome Technologies plc announces its audited Final Results for the year ended 31 December 2022.

Highlights:

Final Results

- Group revenues increased by 7.9%.
- A mixed year for the Bioplastics division with revenues declining by 8.4% in the year. This was caused by a significant reduction in demand from a long established customer for filmic material, which was partly offset by growth with other customers and strengthening in the pipeline of commercial opportunities.
- RF Technologies division revenues increased by 91.6% to £1.8m (2021: £0.9m) (after elimination of intra-group trade) as the division continues to diversify its application base.
- Reported Group loss before interest, depreciation, taxation and amortisation (LBITDA) of £0.4m (2021: LBITDA of £0.6m), better than market expectations, with Group operating loss of £0.7m (2021: loss of £1.1m).
- Group cash position as at 31 December 2022 was £0.8m (31 December 2021: £1.0m) with no bank borrowings.

Paul Mines, Chief Executive Officer said: *"The Group grew less than we had originally anticipated in 2022 due to a sharp decline in demand from one of our long standing customers in the Bioplastics division. The greatly increased revenue from RF Technologies division resulted in improved gross margins and reduced LBITDA and operating loss for the Group. Demand from customers in the Bioplastics division improved in the final quarter of 2022 and this improvement has continued into the first quarter of 2023."*

- Ends -

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About Biome

Biome Technologies plc is an AIM listed, growth-orientated, commercially driven technology group. Our strategy is founded on building market-leading positions based on patented technology and serving international customers in valuable market sectors. We have chosen to do this by developing products in application areas where the value-added pricing can be justified and are not reliant on government legislation. These products are driven by customer requirements and are compatible with existing manufacturing processes. They are market rather than technology-led.

The Group comprises two divisions, Biome Bioplastics Limited ("Bioplastic") and Stanelco RF Technologies Limited ("RF Technologies").

Biome Bioplastics is a leading developer of highly-functional, bio-based and biodegradable plastics. The company's mission is to produce bioplastics that challenge the dominance of oil-based polymers.

Stanelco RF Technologies designs, builds and services advanced radio frequency (RF) systems. Dielectric and induction heating products are at the core of a product offering that ranges from portable sealing devices to large furnaces for the fibre optics markets.

www.biometechnologiesplc.com www.biomebioplastics.com and www.thinkbioplastic.com www.stanelcorftechnologies.com

Chairman's Statement

Business performance

Group revenues grew 7.9% in the year to £6.2m (2021: £5.7m) whilst the loss before interest, taxation, depreciation and amortisation ("LBITDA") improved to £0.4m (2021: £0.6m LBITDA). An increased focus on working capital management, particularly around the size of manufacturing campaigns and timing, ensured that the year-end cash position was better than anticipated at £0.8m (2021: £1.0m).

The Group, however, grew less than we had originally anticipated in 2022, consequently we reduced our expectations during the year for a second year in a row. Following this, the Board decided to adjust its forecasting methodology (particularly for the Bioplastics division) such that new customer prospects are now only included in management's expectations when large scale commercialisation is proven.

We are delighted by the support received in the recent Convertible Loan Note fundraising, including from a number of our major shareholders, and by the support of shareholders as a whole at the General Meeting held on 17 April 2023. The aggregate net proceeds from the Convertible Loan Note issue will be used to support the growth of the Group's Bioplastics and RF Technologies divisions towards a position of Group operating cash flow sustainability over time.

Bioplastics division

The Bioplastics division's revenues for the year to 31 December 2022 were £4.4m (2021: £4.8m) due mainly to a combination of two factors. The first was a large reduction in demand from a long-standing end-customer of Biome's materials which are used in compostable packaging films. This reduction was offset substantially by orders from new end-customers in both North America and Europe, primarily related to materials for compostable packaging films.

An increase in the number of orders for our compostable coffee filtration mesh were received for delivery in the final quarter of the year accompanied by encouraging signs of a sustained commitment for 2023.

Market demand is building strongly for products that are certified for 'home composting', rather than 'industrial composting'. The technical requirements of 'home' vs 'industrial' compostable material require that those designated as 'home' must compost more quickly in temperatures akin to home/garden temperature conditions. The division's scientists have made great strides in delivering this technical performance at a competitive price point and a patent for a new family of materials has been filed. The first products exploiting this technology are expected to enter the market during the course of 2023, following the extensive development and testing required.

A number of important end-customer opportunities of scale are being pursued by the division. These opportunities are at various stages of progress and, whilst encouraging, can be subject to technical, operational and commercial delays until they reach full commercialisation. A selected few of these opportunities have been outlined in previous statements and further details may be found in the Strategic Report. Following the change in our forecasting methodology, as mentioned above, this year, they are not included in management's expectations for the financial outturn for 2023.

Over the last eight years, the Bioplastics division has coordinated significant research and development funding in conjunction with leading universities, in pursuit of bringing new novel and patent protectable, and where possible, bio-based and biodegradable polyesters to market. In November 2022, the division was awarded a further £0.3m in funding from Innovate UK, the UK Government's innovation agency, to support the scale-up of one such polyester polymer ("PBAF"). This work is being carried out in collaboration with Thomas Swan (www.thomasswan.co.uk) and the University of Nottingham, both of whom we have worked with previously. This polyester polymer is based on furan dicarboxylic acid (FDCA), an important new bio-based chemical. The scale-up will allow the performance and production process of this polymer to be evaluated at an industrially relevant scale and will help map out the pathway to full commercialisation.

We believe that the progress described above highlights the growing reputation of the Bioplastics division for innovative materials and demonstrates how it will lead to market success, particularly in North America. Our ability to deliver growth from the North America market was enhanced in 2022 by the relocation of a senior Biome employee, responsible for business development in Canada and the start-up of legal entities and associated back-office services in both the USA and Canada. It is our intention to build on this local presence as growth continues.

RF Technologies division

Revenues in the RF Technologies division in 2022 were £1.8m (2021: £0.9m). The RF Technologies division's efforts to diversify its revenue stream gained traction in 2022. Substantive orders for the medical sector in the UK and for food packaging sector in Continental Europe were delivered during the year. These are important steps for the division as it refines and demonstrates its capability on a wider stage.

The downturn in demand for capital goods in the fibre optic cable manufacturing sector which was first seen during 2019 continued through 2022. Whilst spares and service orders for the fibre optic sector remain robust and provide some indication that current capacity is being well utilised, we are yet to see a pipeline of further large-scale capacity increases emerge from this area of the market.

The diversification strategy has delivered an encouraging pipeline of enquiries for 2023 and beyond. Negotiations to convert a number of these enquiries into contracts continue and these underpin our expectations for 2023.

Covid-19 and economic instability

In the western economies, the direct impacts of the Covid-19 pandemic receded significantly in 2022 and local precautions were largely removed in line with government guidance on these matters.

Supply chain issues remained prevalent for the Bioplastics division and whilst this turbulence is expected to continue through 2023, we are improving our capability to foresee and manage such issues. We have seen and continue to see an increase in input costs, including in relation to raw materials, shipping, energy and staff. 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.

The RF Technologies division continued to experience the disruptions to supply lines that other manufacturers have had to contend with in the period. The widespread long lead times for electronic components did abate in the year but some individual items remained difficult to procure.

Results

The Group's results were in line with the expectations announced in January for the year ended 31 December 2022, although with the level of Group loss being better than market expectations.

Consolidated Group revenue for the year was £6.2m (2021: £5.7m) reflecting the decrease in Bioplastics sales offset by a healthy increase in those from the RF Technologies division. Group gross margins for the year were 37.7% (2021: 33.8%) reflecting an improved mix of sales during the year.

The Group loss before taxation decreased to £0.8m (2021: £1.2m) whilst the non-GAAP measure of LBITDA was better than January's guidance regarding market expectations at £0.4m (2021: £0.6m LBITDA). A Group operating loss of £0.8m for the year was incurred (2021: £1.1m loss).

The Bioplastics division saw a decrease in sales to £4.4m (2021: £4.8m) representing an 8.4% decline and loss before taxation of £0.7m (2021: £0.6m loss). The division recorded a higher LBITDA of £0.4m (2021: £0.2m LBITDA) as sales decreased.

The RF Technologies division's revenues, after elimination of intercompany sales, were up 91.6% to £1.8m (2021: £0.9m) reflecting the recovery in demand for the division's products. Profit before taxation increased to £0.2m (2021: £0.1m loss before taxation). The division reported an EBITDA of £0.2m for the year (2021: £nil) and an operating profit of £0.2m (2021: £0.1m operating loss).

Cash and debt

The Group's cash balances as at 31 December 2022 were £0.8m (31 December 2021: £1.0m) 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 2022 (2021: £nil). Capitalised product development in the Bioplastics division was £0.4m (2021: £0.3m).

On 31 March 2023, the Company announced a proposed issue of Convertible Loan Notes to raise £850,000 (before expenses) which completed on 18 April 2023. The Board had for several months been reviewing potential funding options for the Company to support the medium-term funding needs of the Group and its businesses and concluded that the issue of the Convertible Loan Notes was the best available option in the circumstances. The Board is hopeful that this funding will support the growth of the Group towards a position of operating cash flow sustainability over time.

Following the recent fundraise the Group's gross cash balances as at 18 April 2023 were £1.3m, post receipt of funds from Convertible Loan Notes.

Strategy

The Group's strategy is set out in the strategic report on pages 6 to 14 of the report and accounts for the year ended 31 December 2022.

Economic conditions around the world including higher interest rates and energy costs have led us to anticipate lower growth rates generally than previously. Accordingly, we are altering our medium-term growth aspirations for the Bioplastics division to 25% per annum from 40%. We believe that this is a more realistic target for our business in the current macro-economic circumstances and is consistent with market expectations.

The following actions/undertakings have been specifically set by the Bioplastics division to drive the overall growth target:

1. grow sales to existing customers where we have built substantial positions;
2. successfully introduce the 'home' compostable material to our end-customers;
3. expand the number of end-customers using our filtration mesh material primarily within the beverage industry;
4. convert new customers to the use of our materials in compostable film in the packaging segment; and
5. expand the number of customers using our rigid materials in defined performance applications (e.g. coffee pods, tree shelters).

The RF Technologies division is expanding into new sectors by further exploiting its thermal process solutions knowhow based on induction, dielectric and resistance heating technologies with the objective of growing its sales by more than 25% per annum and with more than 50% of its sales coming from sectors other than its historic core fibre-optic market over the long-term.

Board

As noted in the circular to shareholders dated 31 March 2023, the Board is in discussions with a view to Martin Rushton-Turner joining the Board as a non-executive director following the Company's 2023 annual general meeting.

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, where appropriate, subject to individual Life Cycle Analysis (LCA) that encompass the Group's full supply chain. This allows decision making for Biome and its customers on how to minimise climate impact. In due course, we will look to extend our broader Group reporting beyond Biome's boundary, 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

We believe the Group is positioned well for further growth in the current and for future years.

The Bioplastics division will continue to benefit from the global move to more sustainable materials as it continues to broaden its product and customer portfolio particularly in the area of 'home composting'. The product development and commercial foundations laid previously provide a base from which to accelerate a number of opportunities during 2023 and beyond.

The RF Technologies division has a good pipeline of opportunities for 2023 that are diversified beyond the historical fibre optic focus and we are confident that these will convert to important new orders with deliveries expected during the second half of the year.

As stated in the Company's announcement of 31 March 2023, trading in the first quarter of 2023 was in line with the previous guidance, with some improvement in sales mix, but there is much to do yet to achieve our ambitions for the year. We remain cautious in these difficult economic times and our outlook for the year consequently remains unchanged relative to current market expectations.

John Standen
Chairman

25 April 2023

Strategic Report

Biome Technologies plc aims to be 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 pursue this ambition 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.

Bioplastics division

The Bioplastics division achieved sales revenue of £4.4m (2021: £4.8m), a decrease of 8.4%. This decrease in reported revenues, compared to the performance in 2021, was attributable to lower demand from a long-standing customer as they reduced their inventory holding ahead of an anticipated switch from industrially to home compostable packaging and as other demand factors impacted their own business. Additionally, an expected ramp-up in production at one of our end-customers for filtration mesh was delayed and only commenced in the final quarter of 2022. Whilst the delay was disappointing, the ramp-up in offtake went well and we can confirm that this end-customer has continued to purchase from the division via its distributor, in line with our expectations through the first quarter of 2023.

The industry-wide logistics challenges which were encountered throughout 2021 eased to some extent during 2022 and whilst not back to pre-pandemic levels of performance, lead-times for both sea-freight and road logistics have become more predictable. However, many of the division's customers continued to suffer logistics, macro-economic disruption and labour issues during 2022 as the world adjusted to post-pandemic demand and inflationary pressure.

The division's operating loss for the year was £0.7m (2021: £0.6m loss), with the lower sales volume being offset somewhat by a more profitable mix.

Markets

Plastics and their use or misuse by humanity remains a key environmental topic of focus around the world. 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 consequences 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 often 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 finally spread to soils. This case is driving the growth of the compostable packaging market around the world 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 often facilitated when there is a clear route for food waste and food contaminated packaging to reach appropriate sorting and treatment facilities. This requires appropriate labelling, user education, collection, sorting and treatment capacity. The quality of such disposal supply chains for "Industrially compostable" materials varies considerably by geographic territory and often within countries. There is, in general, a move to improve and scale-up such activities to prevent food waste reaching landfill with its resultant release of methane (a significant Green House Gas).

The consumer desire to change the plastic landscape 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. 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 often highly motivated to treat such waste in their gardens. This adoption by enthusiasts is driving the compostable plastics market towards the production and certification of 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. Home Compostable bioplastics have the added benefit of degrading faster than Industrially Compostable bioplastics in industrial facilities.

Compostable (biodegradable) bioplastics do not provide a panacea for the plastics litter problem. They are not (in general) designed to biodegrade in the open environment such as water courses or soils and so are not the answer to such pollution. However, in certain application areas it makes sense to tailor bioplastic materials for such fates to prevent the accumulation of micro-plastics in the environment. Specific end-uses are in agriculture and forestry where plastic can be compelling for productivity but is often not collected or collectable.

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 division's main market of focus is North America where the scale of adoption of compostable bioplastics has accelerated in recent years. This has been driven by environmental awareness and facilitated by the deployment of end-of-life composting capability. The mid-size food and beverage providers have led the move away from conventional plastics as they seek to differentiate their products from those of the major brands. The division has undertaken manufacturing at two locations in North America for some years and has provided technical support from both local and travelling personnel. In 2022 this market presence has been reinforced by the location of a Business Development Manager in Canada and the establishment of legal entities (Biome Bioplastics Inc.) in both Canada and the USA with supporting back-office capability. It is intended that these changes will provide the division's customers with a more "local" experience and help drive further revenue growth.

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 this 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 in the latter half of this decade 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

A number of important end-customer opportunities of scale are being pursued by the Bioplastics division. These opportunities are at various stages of progress and, whilst encouraging, can be subject to technical, operational and commercial delays until they reach full commercialisation. A selected few of these opportunities have been outlined in Regulatory News Service announcements made by the Company and are updated below. They are not included in management's expectations for the financial outturn of 2023:

Filtration mesh	Rigid parts	Filmic (packaging) materials
<p>Name: Alternate coffee format</p> <p>Market: USA commercial coffee</p> <p>Supply: Materials and manufacturing in USA</p> <p>Comment: Customer paid development; success rests on Biome's Home Compostable technology; launch has been delayed previously</p> <p>Progress Q1 2023: Further samples manufactured in two separate trials, further certification testing required - customer now auditing production site for quality compliance</p>	<p>Name: Second pod opportunity</p> <p>Market: North America consumer pods</p> <p>Supply: Materials (in part) from Asia. Manufacturing in North America</p> <p>Comment: Technical challenges overcome at small scale; larger scale operational testing completed</p> <p>Progress Q1 2023: Commercial discussions continue but without firm commitments to launch timelines</p>	<p>Name: Labels</p> <p>Market: North America, global</p> <p>Supply: Manufacturing envisaged in North America and Europe</p> <p>Comment: Initial technical validation completed; relies on Biome's Home Compostable technology (in part); engagement at brand and converter level</p> <p>Progress Q1 2023: Technical and commercial engagement continues, parties in supply chains becoming more defined</p>
<p>Name: Third pod opportunity</p> <p>Market: North America consumer pods</p> <p>Supply: Materials and manufacturing in USA</p> <p>Comment: Early stage</p> <p>Progress Q1 2023: Engagement increased and early lab-based trials undertaken with good customer interest</p>	<p>Name: Treeguards</p> <p>Market: UK, global</p> <p>Supply: Multi-stage manufacturing process</p> <p>Comment: Main technical challenges overcome; performance in field being validated; operational ramp-up phase</p> <p>Progress Q1 2023: Larger scale production campaign completed, further operability improvements planned</p>	<p>Name: UK packaging</p> <p>Market: North America, Australia fresh food packaging</p> <p>Supply: European supply chain with some materials from Asia</p> <p>Comment: Initial quantities for validation shipped; validation for Australian certification required</p> <p>Progress Q1 2023: Further application testing complete and Australian validation commenced</p>

Technical Development

The Bioplastics division'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 functional and environmental attributes. During 2022, 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 protectors and the improvement of temperature performance for a variety of end-uses. The home compostable work gained traction in the year, an important patent filing was made in this area and deployment of this technology in a variety of customer applications moved into the Initial Manufacturing Phase.

The Bioplastics division also continued its work in utilising advanced Industrial Biotechnology. This research focuses on the transformation of lignocellulose (often sourced from agricultural waste) into bioplastics using microbial and enzymatic routes. These routes are enabled using cutting edge synthetic biology techniques. 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 is better understood. An important 18 month sub-project (supported by Government funding) started in the year with Thomas Swan and the University of Nottingham. This work will explore the production of novel polymers at pilot scale in facilities with the capability to manufacture at commercial scale in due course.

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 traditional core offering has been the supply of fibre optic furnaces. This market has been suppressed since 2018 with little sign of a return to the levels seen previously. The focus for the RF Technologies division since 2018 has been to develop alternative markets for its technology. This has been challenging but we are pleased to report that 2022 saw a strong improvement in both order intake and sales. Significant orders were for food packaging and medical equipment markets as well as a good base level of activity in aerospace and nuclear waste management sectors. Total division revenues in 2022, after the elimination of intercompany sales, were £1.8m (2021: £0.9m) representing an 91.6% improvement. As a consequence of the improved sales the division achieved an operating profit for the period of £0.2m (2021: £0.1m loss).

The business currently focuses on four main revenue streams:

Induction Heating Equipment

The division sells bespoke induction heating equipment into a variety of application areas. These systems are destined mainly for the UK and Continental European market but in recent years some have been shipped to North America. Whilst this has been a small part of the division's sales it is a strategic aim to increase the product offering and expand sales of this type of equipment. Speciality focus areas include medical, food and industrial heating where RF technology can provide both control and efficiency benefits. The division works both with end-customers and "system integrators" providing complete factory solutions.

Optical Fibre Furnace Systems

The RF Technologies division is a world leader in the design and manufacture of induction furnace systems used in the manufacture and processing of silica glass "preforms" to produce optical fibre. Each system is bespoke to customers' exact requirements. There has been a sustained period of overcapacity in the fibre-optic manufacturing industry but investment in maintenance and upgrades of existing equipment is now at normal levels. It is expected that as demand for fibre optic cable grows further furnace systems will be ordered but it is not possible to predict the timing and scale of further orders.

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.

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.

Race to Zero

Biome Technologies is 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 continues in these Statements. Plans have been developed to drive progress towards both 2030 and 2050 targets.

Our Bioplastics division's products are 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.

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
Customers and customer concentration	The Group's ability to generate revenues for a number of its products is reliant on a small number of customers. If one of these customers was to significantly reduce its orders, then this could have a significant impact on the Group's results.	The Group works closely with its customers with the aim of ensuring that its products evolve in line with their requirements. In addition, the Group is continually seeking to add to its customer base and, as its revenues grow, seeks to become less dependent on any single customer.	▼ One of the customers accounting for more than 15% of sales in 2021 had a significant decline in activity. This resulted in an overall reduction in sales in the Bioplastics division. This was offset by increased activity to other end-customers but with increased dependency on our largest customer.
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 several 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>Within the RF Technologies division we are reliant on electronic subsystems that have extended global supply chains. Lead-times increased during 2022 due to semiconductor shortages and various Covid-19 lockdowns in China.</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>The RF Technologies division has adopted an agile design and sourcing strategy to overcome the long lead-times for electronic products.</p>	► Supply chains, overall, became more stable in 2022 and the mitigating steps taken by both divisions were, on the whole, effective.
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</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 which resulted in a patent application being made in early 2022.</p> <p>Our growing knowledge in home compostable technology and know-how is increasingly important as this is a key driver for the compostable materials market.</p>

	ultimately be liable for damages if the breach is proven.		
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 seeks Innovate UK grants to mitigate the cost of earlier stage research that carries the greatest risk.</p> <p>The Group works closely with customers to identify applications that are most likely to progress through to commercialisation. This process involves a multifunctional approach including sales, technical, operational and finance personnel to test commercial and technical viability to the greatest extent possible before investments are made.</p>	<p>► The Group has consistently achieved revenues from new product introductions and continues to focus on market opportunities and customers that value our products and technology.</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	2022 £'m	2021 £'m	Growth
Revenues			
Bioplastics	4.4	4.8	(8.4%)
RF Technologies	1.8	0.9	91.6%
Reported Group revenues	6.2	5.7	7.9%
(L)/EBITDA			
Bioplastics	(0.4)	(0.2)	
RF Technologies	0.2	-	
Central Costs	(0.2)	(0.4)	
Reported (L)/EBITDA	(0.4)	(0.6)	
less depreciation, amortisation and equity share option charges:			
Bioplastics	(0.3)	(0.4)	
RF Technologies	-	(0.1)	
Central Costs	(0.1)	-	
	(0.4)	(0.5)	
(Loss)/Profit from Operations			
Bioplastics	(0.7)	(0.6)	
RF Technologies	0.2	(0.1)	
Central Costs	(0.3)	(0.4)	
Operating Loss	(0.8)	(1.1)	
Net Assets			
Non-current assets	1.3	1.2	
Inventories	0.7	0.9	
Trade and other receivables	0.6	1.4	
Tax receivable	0.1	0.1	
Cash	0.8	1.0	
Trade and other payables	(0.9)	(1.3)	
Long term lease commitments	(0.3)	(0.4)	
Net assets	2.3	2.9	

Revenues

Reported Group revenues for 2022 were £6.2m (2021: £5.7m) reflecting the increased sales in the RF Technologies division partly offset by lower sales of Bioplastics division products. Good order intake in the final quarter of 2022 and first quarter of 2023 for the Bioplastics division and continuing growth in the opportunity pipeline for the RF Technology division indicates that positive momentum will be maintained over the longer-term.

(L)/EBITDA

Reported (Loss) / Earnings Before Interest, Taxation, Depreciation and Amortisation ((L)/EBITDA) for the year was a loss of £0.4m (2021: £0.6m loss). The improved 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 £0.8m compared to an operating loss of £1.1m in the prior year.

Administrative expenses across the Group in 2022 were £3.3m (2021: £3.4m). When the non-cash effects of depreciation, amortisation and equity settled share option charges are removed, the cash administrative expenses in 2022 marginally increased to £3.0m (2021: £2.9m).

Investment in product research and development was £1.0m in the year (2021: £1.0m), which includes the research work in grant backed Industrial Biotechnology, of which £0.4m (2021: £0.3m) was capitalised in the year. Tax R&D claims resulted in a credit being recognised in the year of £131,000 (2021: credit of £29,000) and other income from the Research and Development Expenditure Credit scheme of £6,000 (2021: £50,000).

The Group recorded a loss after tax for the year of £0.7m (2021: £1.1m loss), giving a basic and diluted loss per share of 18p (2021: loss per share of 30p).

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 2022, there was £0.8m of capitalised development costs (2021: £0.7m) within the Group's statement of financial position, of which £0.5m 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

	2022	2021
	£'000	£'000
Loss from operations	(767)	(1,135)
Adjustment for non-cash items	339	489
Movement in working capital	607	69
Cash generated/(utilised) by operations	179	(577)
Investment activities	(392)	(266)
R&D Tax credit	79	239
Interest paid	(35)	(34)
Financing activities	(50)	(44)
Net decrease in cash	(219)	(682)
Opening cash balance	996	1,678
Exchange differences on cash and cash equivalents	2	-
Closing cash balance	779	996

The cash utilised in operations, before working capital movements, was £0.4m (2021: cash utilisation of £0.6m). Working capital movements generated £0.6m cash in the year (2021: £0.1m generation).

Investment in the year in capitalised product development and capex was £0.4m (2021: £0.3m). Financing activities in the year represented repayments of obligations under finance leases and rounded to a net £0.1m (2021: net £nil). R&D tax credits of £0.1m were received during 2022 (2021: £0.2m).

The resultant closing cash position was £0.8m (2021: £1.0m).

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 15 to 18 of the 2022 annual report and accounts.

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 2023 and was based on budgeted trading that took into account contracted orderbook, existing revenue streams from current customers / products, expected revenue based on management's judgement of the likelihood of converting current sales opportunities and the net proceeds from the Convertible Loan Notes announced on 31 March 2023. 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 May 2024 when projected sales revenue was reduced to 87.1% 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 30 April 2024. In this test reducing sales to 85.4% of budgeted level resulted in a zero month-end cash position at 31 March 2024. 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 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 or utilisation of the Group's invoice discounting facility. 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 2022, the Group had a net cash balance of £0.8m and as at 18 April 2023 a balance of £1.3m, post receipt of funds from Convertible Loan Notes. 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.

Consolidated statement of comprehensive income
For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
REVENUE	5	6,188	5,734
Cost of goods sold		(3,857)	(3,794)
GROSS PROFIT		2,331	1,940
Other operating income		211	364
Administrative expenses		(3,309)	(3,439)
LOSS FROM OPERATIONS		(767)	(1,135)
Finance charges		(35)	(34)
LOSS BEFORE TAXATION		(802)	(1,169)
Taxation	8	131	29
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(671)	(1,140)
Basic loss per share - pence		(18)p	(30)p
Diluted loss per share - pence		(18)p	(30)p

Consolidated statement of financial position

as at 31 December 2022

	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
NON-CURRENT ASSETS				
Other intangible assets	841		726	
Property, plant and equipment	498		502	
		1,339		1,228
CURRENT ASSETS				
Inventories	736		920	
Trade and other receivables	605		1,377	
Tax receivable	141		79	
Cash and cash equivalents	779		996	
		2,261		3,372
TOTAL ASSETS		3,600		4,600
CURRENT LIABILITIES				
Trade and other payables	933		1,298	
Lease liabilities	55		40	
		988		1,338
NON-CURRENT LIABILITIES				
Lease liabilities	354		361	
		354		361
TOTAL LIABILITIES		1,342		1,699
NET ASSETS		2,258		2,901
EQUITY				
Share capital		189		189
Share premium account		2,282		2,282
Capital redemption reserve		4		4
Share options reserve		102		487
Translation reserves		(83)		(85)
Treasury shares reserve		(55)		(55)
Retained earnings		(181)		79
TOTAL EQUITY		2,258		2,901

Consolidated statement of changes in equity

as at 31 December 2022

	Share capital	Share premium account	Capital redemption reserve	Share options reserve	Translation reserve	Treasury Shares	Retained earnings	TOTAL EQUITY
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2022	189	2,282	4	487	(85)	(55)	79	2,901
Currency translation movement arising on consolidation	-	-	-	-	2	-	-	2
Other movements	-	-	-	-	-	-	26	26
Lapsed options	-	-	-	(385)	-	-	385	-
Transactions with owners	-	-	-	(385)	2	-	411	28
Loss for the year	-	-	-	-	-	-	(671)	(671)
Total comprehensive loss for the year	-	-	-	-	-	-	(671)	(671)
Balance at 31 December 2022	189	2,282	4	102	(83)	(55)	(181)	2,258
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	-
Lapsed 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

Consolidated statement of cash flows

For the year ended 31 December 2022

	2022	2021
	£'000	£'000
Loss after taxation	(671)	(1,140)
Adjustments for: -		
Taxation	(131)	(29)
Finance charges	35	34
Loss from operations	(767)	(1,135)
Adjustments for: -		
Amortisation and impairment of intangible assets	250	353
Depreciation of property, plant and equipment	89	88
Share based payments - equity settled	-	48
Operating cash flows before movement in working capital	(428)	(646)
Decrease/(increase) in inventories	184	(174)
Decrease in receivables	762	13
(Decrease)/increase in payables	(339)	230
Cash generated from / utilised in operations	179	(577)
Corporate tax received	79	239
Interest paid	(35)	(34)
Net cash inflow / (outflow) from operating activities	223	(372)
Investing activities		
Investment in intangible assets	(365)	(258)
Purchase of property, plant and equipment	(27)	(8)
Net cash used in investing activities	(392)	(266)
Financing activities		
Proceeds from issue of share capital	-	1
Repayment of obligations under leasing activities	(50)	(45)
Net cash used in financing activities	(50)	(44)
Net decrease in cash and cash equivalents	(219)	(682)
Cash and cash equivalents at the beginning of the year	996	1,678
Exchange differences on cash and cash equivalents	2	-
Cash and cash equivalents at the end of the year	779	996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. NON-STATUTORY FINANCIAL STATEMENTS

The financial information set out in this preliminary results announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2022 or 2021 but is derived from those financial statements. Statutory financial statements for 2021 have been delivered to the Registrar of Companies. Those for 2022 will be delivered following the Company's Annual General Meeting on 25 May 2023. The auditors have reported on those accounts: their reports on those financial statements were unqualified and did not contain statements under Section 498 of the Companies Act 2006.

The financial statements, and this preliminary statement, of the Group for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 25 April 2023 and the statement of financial position was signed on behalf of the Board by Paul Mines and Rob Smith.

2. BASIS OF PREPARATION

The Group's financial statements have been prepared in accordance with UK-adopted international accounting standards.

3. BASIS OF CONSOLIDATION

The Group financial statements consolidate the results of the Company and all of its subsidiary undertakings drawn up to 31 December 2022. Subsidiaries are entities over which the Group has control. Control comprises an investor having power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power. At 31 December 2022 the subsidiary undertakings were Biome Bioplastics Limited, Biome Bioplastics Inc. (USA), Biome Bioplastics Inc. (Canada), Stanelco RF Technologies Limited, Aquasol Limited, and InGel Technologies Limited (dormant).

4. 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 15 to 18 of the report and accounts for the year ended 31 December 2023.

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.

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At 31 December 2022, the Group had a net cash balance of £0.8m and as at 18 April 2023 a balance of £1.3m, post receipt of funds from Convertible Loan Notes. 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.

5. SEGMENTAL INFORMATION FOR YEAR ENDED 31 DECEMBER 2021

	2022				2021			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Bioplastics	RF	Central	Total	Bioplastics	RF	Central	Total
Revenue from sales	4,393	1,809	-	6,202	4,797	1,140	-	5,937
Removal of inter-segment sales	-	(14)	-	(14)	-	(203)	-	(203)
Total external sales	4,393	1,795	-	6,188	4,797	937	-	5,734
(Loss)/profit from operations	(734)	176	(209)	(767)	(601)	(59)	(475)	(1,135)
Interest received	-	-	-	-	-	-	-	-
Finance charges	-	-	(35)	(35)	-	-	(34)	(34)
Loss before taxation	(734)	176	(244)	(802)	(601)	(59)	(509)	(1,169)
Taxation	131	-	-	131	29	-	-	29
Loss for the year	(603)	176	(244)	(671)	(572)	(59)	(509)	(1,140)
<i>Reconciliation to Loss Before Interest Tax Depreciation and Amortisation (LBITDA)</i>								
(Loss)/profit from operations	(734)	176	(209)	(767)	(601)	(59)	(475)	(1,135)
Depreciation/amortisation	292	43	4	339	395	41	5	441
Share based payments	-	-	-	-	13	7	28	48
(L)/EBITDA	(442)	219	(205)	(428)	(193)	(11)	(442)	(646)
Other segmental information								
Capital Expenditure								
Property, plant and equipment	15	69	1	85	3	12	1	16
Intangible assets	365	-	-	365	258	-	-	258
Total Capital Expenditure	380	69	1	450	261	12	1	274
Total Assets	2,632	920	48	3,600	3,408	1,156	36	4,600

The Bioplastics division comprises of Biome Bioplastics Limited, Biome Bioplastics Inc. (USA) and Biome Bioplastics Inc. (Canada).

6. ALTERNATIVE PROFIT MEASURE

The Group, and divisions, define loss before interest, taxation, depreciation and amortisation (“LBITDA”) as the operating loss adjusted for share option charges, depreciation, and amortisation. The Group LBITDA is reconciled as follows:

	2022	2021
	£'000	£'000
Loss from operations per consolidated statement of comprehensive income	(767)	(1,135)
Amortisation	250	353
Depreciation	89	88
Share option charges - equity settled	-	48
	(428)	(646)

7. LOSS PER SHARE

The calculation of loss per share is based on the loss attributable to the equity holders of the parent for the year of £671,000 (2021: £1,140,000 loss) and a weighted average of 3,742,655 (2021: 3,742,655) ordinary shares carrying voting rights for basic loss per share and a weighted average of 3,742,655 (2021: 3,742,655) ordinary shares carrying voting rights for diluted loss per share.

8. TAXATION

In the current year, other income includes £6,000 (2021: £50,000) arising from Research and Development Expenditure Credit scheme (RDEC) that is accounted for as a government grant.

The Group has estimated trading losses of £32.9m (2021: £32.0m) available indefinitely for carry forward against future trading profits. The Group had capital losses of £1.5m (2021: £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.