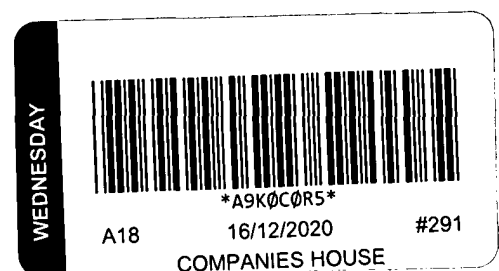


FiberLean Technologies Limited

**Annual Report and Financial Statements
Year Ended 31 December 2019**

Registration number: 10021333



FiberLean Technologies Limited

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FiberLean Technologies Limited

Company Information

Directors	Dr T Gliese Dr T F Staehrfeldt Mr O J M P Ghysens Mr O P Pirotte
Registered office	Par Moor Centre Par Moor Road Par Cornwall PL24 2SQ
Auditors	PKF Francis Clark Statutory Auditor Lowin House Tregolls Road Truro Cornwall TR1 2NA

FiberLean Technologies Limited

Strategic Report

Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Principal activity

The principal activity of the company is the research and development of the product Micro-Fibrillated Cellulose.

Fair review of the business

The board of FiberLean Technologies Limited is ultimately responsible to its shareholders. Performance is regularly monitored and reported to shareholders on a monthly basis.

The company's primary purpose is the research and development of micro-fibrillated cellulose ("MFC"). The nature of its current activities and stage of the business means its primary performance measures is not focussed on immediate profit or loss values. Whilst annual losses have increased between 2018 and 2019, this must be seen in context of the significant advancement made towards mass commercialisation of MFC and ultimate long-term shareholder value.

An additional £11.4 million of shareholder loan capital was injected into the company during 2019, reflecting the continued shareholder support and confidence in the business to deliver its aims. The need for further capital is essential until the company is profitable enough to generate its own capital.

Close to plan, a total of £3.4 million was spent on a range of exciting capital expenditure programmes during the year.

Principal risks and uncertainties

The company is currently reliant upon parent company capital and support to continue its activities. The main operational risks to which the organisation is exposed are centred around the potential of FiberLean MFC applications and ultimate market demand. Further discoveries in other material technologies may lead to the development of substitute materials that compete or limit the market for FiberLean MFC.

The existence and success in obtaining a range of core product patents covering FiberLean does not necessarily guarantee the value of them will be maintained. Protecting intellectual property in some parts of the world can be challenging. Other companies may threaten advancement by attempting legal challenges.

The company is mindful of its micro and macro environment. There are notable potential and economic and political factors following Brexit and the Coronavirus outbreak that could impact operations, costs and revenues for the coming year.

Whilst the cellulosic materials may be sustainable and relatively abundant, the ability to continue trialling and ultimately producing MFC is dependent on several key factors. This includes a readily affordable supply of the right mix of all materials to the plant, energy, specialist plant and labour.

As is the case with other companies, FiberLean is concerned about the growing threats from possible cyber-attacks and has developed plans to address these risks early in 2020.

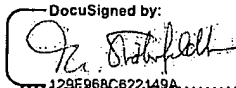
FiberLean Technologies Limited

Strategic Report

Year Ended 31 December 2019

14/12/2020

Approved by the Board on and signed on its behalf by:

DocuSigned by:


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Dr T F Staehrfeldt
Director

FiberLean Technologies Limited

Directors' Report

Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors of the company

The directors who held office during the year were as follows:

Dr T Gliese

Mr O Hautin (resigned 23 July 2020)

Dr T F Staehrfeldt

Mr T Materne (resigned 31 December 2019)

The following directors were appointed after the year end:

Mr O J M P Ghysens (appointed 1 January 2020)

Mr O P Pirotte (appointed 23 July 2020)

Objectives and policies

FiberLean Technologies Limited has a risk management process actively overseen and regularly reviewed by the board. This involves identifying every type of risk that the company faces, weighing up the impact against the likelihood of occurrence and then implementing risk mitigation or management strategies.

FiberLean Technologies Limited

Directors' Report

Year Ended 31 December 2019

Price risk, credit risk, liquidity risk and cash flow risk

Cash flow risk

The company sets realistic budgets with consideration of all associated cash flow timings. The current and future cash positions are actively monitored in order to identify and alert senior management to any risks. Realistic payment terms are agreed with suppliers.

Price risk

Despite a recent shock to the economic environment, the company considers demand for FiberLean to remain strong.

Credit risk

Credit risk is the exposure generated by the potential default of third parties in fulfilling their obligations. Credit risk is considered low, principal trading is not with third parties.

Currency risk

The company faces currency risk on its currency transaction flows with its suppliers. It mitigates the risk by offsetting balances and natural hedging where possible. Contracts in less stable currencies are avoided where possible.

Material supply risks

Supply price risk is partially mitigated by customers either supplying raw materials or clear agreements that ensure the key variable costs are covered. Where appropriate the company will seek to adopt trading models that minimise exposure to extreme price fluctuations and adopt strategies such as hedging when operating in hyperinflationary environments.

Where possible FiberLean will enter into contracts that give certainty over price. For example, some key contracts limit price rises to prevailing rates of inflation.

FiberLean Technologies Limited

Directors' Report

Year Ended 31 December 2019

Going concern

The directors acknowledge the company's net current liability position at 31 December 2019 of £626,957 (2018: £826,997) and its loss after tax for the year then ended of £11,451,845 (2018: £10,462,554). This position is due, in part, to there being significant amounts owing to associates at the balance sheet date and is not an unusual position for the company to be in given its high cost, low income model.

Impact of Coronavirus

The Coronavirus pandemic did not affect the company's 2019 year but has impacted planned activities during 2020. Technical support for customer trials has been limited by various travel restrictions and some customer plants have had temporary shut downs.

Given the reduction in operational activities, the company temporarily furloughed some of its workforce and accessed financial support from the UK government's Coronavirus Job Retention Scheme. As operating costs have been lower and shareholder support continued, no permanent redundancies or other drastic mitigation measures had been made at the time of signing the accounts.

The situation is still developing however and so the full financial impact of the pandemic, including any potential impairments to the company's intangible assets, cannot yet be completely quantified. As outlined in note 24 to the financial statements, the directors are confident that the pandemic is a non-adjusting post balance sheet event and so any adjustments required will be evaluated in the next accounting period.

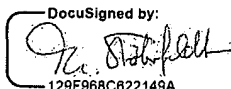
Regardless of the impacts of the pandemic, as the directors expect financial support to continue being provided from the shareholders for a period of at least twelve months from the date of approving the accounts, the accounts have been prepared on the going concern basis.

Disclosure of information to the auditors

Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

14/12/2020

Approved by the Board on and signed on its behalf by:

DocuSigned by:

.....129F868C6221A8A.....
Dr T F Staehrfeldt
Director

FiberLean Technologies Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FiberLean Technologies Limited

Independent Auditor's Report to the Members of FiberLean Technologies Limited

Opinion

We have audited the financial statements of FiberLean Technologies Limited (the 'company') for the year ended 31 December 2019, which comprise the Profit and Loss Account and Statement of Retained Earnings, Balance Sheet, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

FiberLean Technologies Limited

Independent Auditor's Report to the Members of FiberLean Technologies Limited

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Statement of Directors' Responsibilities set out on page 7, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

FiberLean Technologies Limited

Independent Auditor's Report to the Members of FiberLean Technologies Limited

Use of our report

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



Katie Skea (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

Lowin House
Tregolls Road
Truro
Cornwall
TR1 2NA

Date: 14/12/2020

FiberLean Technologies Limited

Statement of Income and Retained Earnings

Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	3	1,572,929	1,180,805
Other operating income	4	116,685	212,723
Raw materials and consumables used		(807,131)	(652,681)
Employee benefits expense		(3,752,027)	(3,875,952)
Depreciation and amortisation expense		(3,497,770)	(3,291,792)
Other expenses		<u>(3,943,104)</u>	<u>(3,378,483)</u>
Operating loss	5	<u>(10,310,418)</u>	<u>(9,805,380)</u>
Other interest receivable and similar income	8	8	-
Interest payable and similar charges	9	<u>(1,010,933)</u>	<u>(631,984)</u>
		<u>(1,010,925)</u>	<u>(631,984)</u>
Loss before tax		(11,321,343)	(10,437,364)
Taxation	10	<u>(130,502)</u>	<u>(25,190)</u>
Loss for the year		(11,451,845)	(10,462,554)
Retained earnings brought forward		<u>(25,326,089)</u>	<u>(14,863,535)</u>
Retained earnings carried forward		<u><u>(36,777,934)</u></u>	<u><u>(25,326,089)</u></u>

FiberLean Technologies Limited

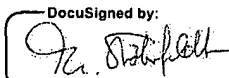
Balance Sheet

31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	11	34,220,839	34,468,429
Tangible assets	12	4,756,323	4,606,399
Investments	13	5,039	39
		<u>38,982,201</u>	<u>39,074,867</u>
Current assets			
Stocks	14	295,493	347,477
Debtors	15	2,228,792	1,318,507
Cash at bank and in hand		1,282,689	346,277
		<u>3,806,974</u>	<u>2,012,261</u>
Creditors: Amounts falling due within one year	17	<u>(4,433,931)</u>	<u>(2,839,258)</u>
Net current liabilities		<u>(626,957)</u>	<u>(826,997)</u>
Total assets less current liabilities		38,355,244	38,247,870
Creditors: Amounts falling due after more than one year	17	(35,412,246)	(23,983,529)
Provisions for liabilities	20	<u>(328,830)</u>	<u>(198,328)</u>
Net assets		<u>2,614,168</u>	<u>14,066,013</u>
Capital and reserves			
Called up share capital	22	39,392,102	39,392,102
Profit and loss account		<u>(36,777,934)</u>	<u>(25,326,089)</u>
Total equity		<u>2,614,168</u>	<u>14,066,013</u>

14/12/2020

Approved and authorised by the Board on and signed on its behalf by:

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Dr T F Staehrfeldt
 Director

Company Registration Number: 10021333

FiberLean Technologies Limited

Statement of Cash Flows

Year Ended 31 December 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Loss for the year		(11,451,845)	(10,462,554)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	3,497,770	3,291,792
Loss on disposal of tangible assets		-	25,844
Loss on disposal of intangible assets		49,428	15,930
Finance income	8	(8)	-
Finance costs	9	1,010,933	631,984
Corporation tax	10	130,502	25,190
		<u>(6,763,220)</u>	<u>(6,471,814)</u>
Working capital adjustments			
Decrease/(increase) in stocks	14	51,984	(166,935)
Increase in trade debtors	15	(910,285)	(740,931)
Increase in trade creditors	17	1,564,161	601,433
Increase in deferred income, including government grants		59,229	142,303
		<u>(5,998,131)</u>	<u>(6,635,944)</u>
Cash flows from investing activities			
Interest received		8	-
Acquisition of subsidiaries	13	(5,000)	(39)
Acquisitions of tangible assets		(767,918)	(559,411)
Proceeds from sale of tangible assets		-	1,887
Acquisition of intangible assets	11	(2,681,614)	(2,573,360)
		<u>(3,454,524)</u>	<u>(3,130,923)</u>
Cash flows from financing activities			
Interest paid		(1,010,933)	(631,984)
Proceeds from borrowing draw downs		11,400,000	10,400,000
		<u>10,389,067</u>	<u>9,768,016</u>
Net cash flows from financing activities			
Net increase in cash and cash equivalents		936,412	1,149
Cash and cash equivalents at 1 January		346,277	345,128
Cash and cash equivalents at 31 December	16	<u>1,282,689</u>	<u>346,277</u>

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Par Moor Centre

Par Moor Road

Par

Cornwall

PL24 2SQ

United Kingdom

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except as disclosed in the accounting policies where certain items are shown at fair value.

The presentation currency is £ sterling.

Summary of disclosure exemptions

The financial statements contain information about FiberLean Technologies Limited as an individual company and do not contain consolidated financial information as the parent of a group. Consolidated financial information is not included due to the subsidiaries being dormant and their financial information being immaterial to the consolidated accounts..

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

Going concern

The directors acknowledge the company's net current liability position at 31 December 2019 of £626,957 (2018: £826,997) and its loss after tax for the year then ended of £11,451,845 (2018: £10,462,554). This position is due, in part, to there being significant amounts owing to associates at the balance sheet date and is not an unusual position for the company to be in given its high cost, low income model.

Impact of Coronavirus

The Coronavirus pandemic did not affect the company's 2019 year but has impacted planned activities during 2020. Technical support for customer trials has been limited by various travel restrictions and some customer plants have had temporary shut downs.

Given the reduction in operational activities, the company temporarily furloughed some of its workforce and accessed financial support from the UK government's Coronavirus Job Retention Scheme. As operating costs have been lower and shareholder support continued, no permanent redundancies or other drastic mitigation measures had been made at the time of signing the accounts.

The situation is still developing however and so the full financial impact of the pandemic, including any potential impairments to the company's intangible assets, cannot yet be completely quantified. As outlined in note 24 to the financial statements, the directors are confident that the pandemic is a non-adjusting post balance sheet event and so any adjustments required will be evaluated in the next accounting period.

Regardless of the impacts of the pandemic, as the directors expect financial support to continue being provided from the shareholders for a period of at least twelve months from the date of approving the accounts, the accounts have been prepared on the going concern basis.

Judgements and key sources of estimation uncertainty

Impairment of intangible assets

Significant intangible assets are included on the balance sheet of £34,220,839 which mainly relate to development costs incurred from development and trialling of the MFC product. In assessing whether this asset is recoverable, management have considered the "recoverable amount" of this product and compared this against its carrying value. In making these assessments, management referred to a recent valuation performed by an independent third party as well as commercially reviewing the development state of the product and its sale to potential customers. Having considered this report and other sources of information, the directors have satisfied themselves that the carrying value of the intangible is recoverable.

Revenue recognition

Turnover arises from the recharge of engineering services performed and is recognised on an accruals basis. Turnover is shown net of value added tax, returns, rebates and discounts.

Government grants

Grants relating to the expenditure on tangible fixed assets are credited to deferred income and released to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The amount shown in the balance sheet in respect of grants consists of total grants receivable to date, less the amounts credited to the profit and loss account. Grants of revenue nature are credited entirely to the profit and loss account so as to match them with the expenditure to which they relate.

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Deferred tax is recognised on all timing differences at the balance sheet date unless indicated below. Timing differences are differences between taxable profits and the results as stated in the profit and loss account and other comprehensive income. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold improvements	4% straight line
Furniture, fixtures and fittings and computer equipment	25% straight line
Plant and machinery	10% straight line
Assets under construction	Not depreciated

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

Intangible assets

Trademarks, patents and licences

Separately acquired patents are shown at historical cost.

The cost of patents includes directly attributable incremental costs incurred in their acquisition.

Development costs

Research expenditure is written off as incurred. Product development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the company is expected to benefit as outlined below. Provision is made for any impairment.

Development costs transferred to the company upon start up are included at fair value, determined by the directors through independent, third party valuations. Subsequent additions to development costs are shown at cost.

Amortisation of development costs will commence when the products to which they relate have achieved commercial viability.

Software

Software is stated in the statement of financial position at historical cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

The cost of software includes attributable incremental costs incurred in their acquisition.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Trademarks, patents and licenses	Over the period of the patent life
Development costs	5 -14 years straight line
Software	4 years straight line

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Classification

The company holds the following financial instruments:

- Short term trade and other debtors and creditors;
- Bank loans; and
- Cash and bank balances.

All financial instruments are classified as basic.

Recognition and measurement

The company has chosen to apply the recognition and measurement principles in FRS102.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Except for bank loans, such instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments.

Bank loans are initially measured at transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method.

3 Revenue

The analysis of the company's turnover for the year by market is as follows:

	2019 £	2018 £
UK	64,180	-
Europe	501,929	352,648
Rest of world	1,006,820	828,157
	<u>1,572,929</u>	<u>1,180,805</u>

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2019 £	2018 £
Government grants	<u>116,685</u>	<u>212,723</u>

5 Operating loss

Arrived at after charging/(crediting)

	2019 £	2018 £
Depreciation expense	617,994	571,040
Amortisation expense	2,879,776	2,720,752
Research cost	331,859	169,147
Foreign exchange losses	7,880	85,307
Loss on disposal of intangible assets	49,428	15,930
Loss on disposal of property, plant and equipment	<u>-</u>	<u>25,844</u>

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £	2018 £
Wages and salaries	3,202,491	3,369,968
Social security costs	182,822	162,618
Pension costs, defined contribution scheme	272,386	206,092
Other employee expense	<u>94,328</u>	<u>137,274</u>
	<u>3,752,027</u>	<u>3,875,952</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Production	57	49
Administration and support	<u>3</u>	<u>3</u>
	<u>60</u>	<u>52</u>

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

7 Auditor's remuneration

	2019 £	2018 £
Audit of the financial statements	<u>9,550</u>	<u>9,270</u>

8 Other interest receivable and similar income

	2019 £	2018 £
Other finance income	<u>8</u>	<u>-</u>

9 Interest payable and similar expenses

	2019 £	2018 £
Interest expense on other finance liabilities	<u>1,010,933</u>	<u>631,984</u>

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

10 Taxation

Tax charged/(credited) in the profit and loss account

	2019 £	2018 £
Deferred taxation		
Arising from origination and reversal of timing differences	<u>130,502</u>	<u>25,190</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Loss before tax	<u>(11,321,343)</u>	<u>(10,437,364)</u>
Corporation tax at standard rate	(2,151,055)	(1,983,099)
Effect of revenues exempt from taxation	(2)	-
Effect of expense not deductible in determining taxable profit (tax loss)	10,907	6,138
Deferred tax credit relating to changes in tax rates or laws	(15,354)	(41,000)
Decrease from effect of tax incentives	(22,170)	-
Tax increase from effect of unrelieved tax losses carried forward	1,154,088	1,021,575
Tax increase arising from group relief	<u>1,154,088</u>	<u>1,021,576</u>
Total tax charge	<u>130,502</u>	<u>25,190</u>

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

Deferred tax

Deferred tax assets and liabilities

	Liability £
2019	
Difference between accumulated depreciation and capital allowances	<u>328,830</u>
2018	
Difference between accumulated depreciation and capital allowances	<u>198,328</u>

There are £19,841,841 of unused tax losses (2018 - £13,767,695) for which no deferred tax asset is recognised in the Balance Sheet.

11 Intangible assets

	Trademarks, patents and licenses £	Development costs £	Software £	Total £
Cost or valuation				
At 1 January 2019	1,369,597	37,428,205	966,281	39,764,083
Additions acquired separately	811,815	1,613,159	256,640	2,681,614
Disposals	<u>(12,325)</u>	<u>-</u>	<u>(37,103)</u>	<u>(49,428)</u>
At 31 December 2019	<u>2,169,087</u>	<u>39,041,364</u>	<u>1,185,818</u>	<u>42,396,269</u>
Amortisation				
At 1 January 2019	38,458	5,043,890	213,306	5,295,654
Amortisation charge	<u>57,766</u>	<u>2,586,384</u>	<u>235,626</u>	<u>2,879,776</u>
At 31 December 2019	<u>96,224</u>	<u>7,630,274</u>	<u>448,932</u>	<u>8,175,430</u>
Carrying amount				
At 31 December 2019	<u>2,072,863</u>	<u>31,411,090</u>	<u>736,886</u>	<u>34,220,839</u>
At 31 December 2018	<u>1,331,139</u>	<u>32,384,315</u>	<u>752,975</u>	<u>34,468,429</u>

The aggregate amount of research and development expenditure recognised as an expense during the period is £331,859 (2018 - £169,147).

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

12 Tangible assets

	Leasehold improvements £	Furniture, fixtures, fittings and computer equipment £	Assets under construction £	Plant and machinery £	Total £
Cost or valuation					
At 1 January 2019	381,596	167,086	-	5,406,410	5,955,092
Additions	<u>55,991</u>	<u>52,002</u>	<u>504,444</u>	<u>155,481</u>	<u>767,918</u>
At 31 December 2019	<u>437,587</u>	<u>219,088</u>	<u>504,444</u>	<u>5,561,891</u>	<u>6,723,010</u>
Depreciation					
At 1 January 2019	5,820	67,545	-	1,275,328	1,348,693
Charge for the year	<u>16,800</u>	<u>50,016</u>	<u>-</u>	<u>551,178</u>	<u>617,994</u>
At 31 December 2019	<u>22,620</u>	<u>117,561</u>	<u>-</u>	<u>1,826,506</u>	<u>1,966,687</u>
Carrying amount					
At 31 December 2019	<u>414,967</u>	<u>101,527</u>	<u>504,444</u>	<u>3,735,385</u>	<u>4,756,323</u>
At 31 December 2018	<u>375,776</u>	<u>99,541</u>	<u>-</u>	<u>4,131,082</u>	<u>4,606,399</u>

13 Investments in subsidiaries, joint ventures and associates

	2019 £	2018 £
Investments in subsidiaries	<u>5,039</u>	<u>39</u>
Subsidiaries		
£		
Cost or valuation		
At 1 January 2019		39
Additions		<u>5,000</u>
At 31 December 2019		<u>5,039</u>
Provision		
Carrying amount		
At 31 December 2019		<u>5,039</u>
At 31 December 2018		<u>39</u>

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2019	2018
Subsidiary undertakings				
FiberLean Technologies NA Inc.	850 New Burton Road Suite 201 Dover, Delaware 19904 United States of America	Ordinary shares	100%	100%
FiberLean Tecnologia E Solucoes Eireli	R Tupis, 221 Pauliceia Piracicaba SP CEP 13424-302 Brazil	Ordinary shares	100%	0%

The principal activity of FiberLean Technologies NA Inc. is once established, an engineering related scientific and technical consulting activities and other research and experimental development on natural sciences and engineering.

The principal activity of FiberLean Tecnologia E Solucoes Eireli is once established, an engineering related scientific and technical consulting activities and other research and experimental development on natural sciences and engineering.

The company is not producing consolidated accounts due to both the subsidiaries being dormant and there financial information being immaterial to the consolidated figures.

14 Stocks

	2019 £	2018 £
Raw materials and consumables	245,675	318,132
Finished goods and goods for resale	49,818	29,345
	<u>295,493</u>	<u>347,477</u>

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

15 Debtors

	Note	2019 £	2018 £
Trade debtors		21,856	-
Amounts owed by associates	26	1,767,605	751,345
Other debtors		151,250	85,896
Prepayments		128,081	126,240
Accrued income		160,000	355,026
		<u>2,228,792</u>	<u>1,318,507</u>

16 Cash and cash equivalents

	2019 £	2018 £
Cash at bank	<u>1,282,689</u>	<u>346,277</u>

17 Creditors

	Note	2019 £	2018 £
Due within one year			
Trade creditors		274,060	391,128
Amounts owed to associates	26	1,834,846	839,742
Accrued expenses		2,278,099	1,591,974
Deferred income		46,926	16,414
		<u>4,433,931</u>	<u>2,839,258</u>
Due after one year			
Loans and borrowings	18	35,257,640	23,857,640
Deferred income		154,606	125,889
		<u>35,412,246</u>	<u>23,983,529</u>

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

18 Loans and borrowings

	2019 £	2018 £
Non-current loans and borrowings		
Other borrowings	<u>35,257,640</u>	<u>23,857,640</u>

Other borrowings

Loans from joint venturers is denominated in Sterling with a nominal interest rate of LIBOR + 2.5%, and the final instalment is due on 14 January 2025. The carrying amount at year end is £35,257,640 (2018 - £23,857,640).

Included in the loans and borrowings are the following amounts due after more than five years:

	2019 £	2018 £
After more than five years not by instalments	<u>11,400,000</u>	<u>10,400,000</u>

19 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2019 £	2018 £
Not later than one year	13,780	13,780
Later than one year and not later than five years	<u>34,004</u>	<u>47,784</u>
	<u>47,784</u>	<u>61,564</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £13,780 (2018 - £9,473).

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

20 Deferred tax and other provisions

	Deferred tax £	Total £
At 1 January 2019	198,328	198,328
Increase (decrease) in existing provisions	<u>130,502</u>	<u>130,502</u>
At 31 December 2019	<u><u>328,830</u></u>	<u><u>328,830</u></u>

21 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £272,386 (2018 - £206,092).

22 Share capital

Allotted, called up and fully paid shares

	No.	2019 £	No.	2018 £
Ordinary A shares of £1 each	19,696,051	19,696,051	19,696,051	19,696,051
Ordinary B shares of £1 each	<u>19,696,051</u>	<u>19,696,051</u>	<u>19,696,051</u>	<u>19,696,051</u>
	<u><u>39,392,102</u></u>	<u><u>39,392,102</u></u>	<u><u>39,392,102</u></u>	<u><u>39,392,102</u></u>

23 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £455,847 (2018 - £79,973).

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

24 Non adjusting events after the financial period

In accordance with FRS 102 and guidance released by the ICAEW, the emergence of the Coronavirus is deemed to be a non-adjusting post balance sheet event because the significant development and spread of the virus in the United Kingdom did not take place until after December 2019.

Specifically, although cases were reported to the World Health Organisation on 31 December 2019, its announcement of Coronavirus as a global pandemic was not made until 11 March 2020. The impact of Coronavirus on the going concern assessment of the company is outlined in note 2 to the financial statements and any impairments to the company's intangible assets will be evaluated in the next accounting period.

Given the continuing uncertainty of the virus impacts at the time of signing the financial statements, management are unable to quantify the financial impact that this event has caused.

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2019

25 Net debt

	At 1 Jan 2019	Cash flow	Other non cash changes	At 31 Dec 2019
	£	£	£	£
Cash at bank and on hand	346,277	936,412	-	1,282,689
Bank overdrafts	-	-	-	-
Cash and cash equivalents	346,277	936,412	-	1,282,689
Debt due within one year	-	-	-	-
Debt due after one year	(23,857,640)	(11,400,000)	-	(35,257,640)
Net debt	<u>(23,511,363)</u>	<u>(10,463,588)</u>	<u>-</u>	<u>(33,974,951)</u>

26 Related party transactions

Summary of transactions with joint ventures

Imerys Minerals Limited and Omya Holdings AG are related parties of the company by virtue of each being 50% joint venture share holders.

During the period the company made sales to joint venture parties of £1,507,851 (2018: £1,180,806) and made purchases/ received services from these companies of £6,466,311 (2018: £4,810,911). In addition, loans of £11,400,000 (2018: £10,400,000) were received from the joint venture parties which incurred interest at a rate of LIBOR +2.5% which created interest charges of £1,010,933 (2018: £631,984). At the period end date, a net £36,640,478 (2018: £23,946,567) was due to these companies.

This debt is unsecured.

27 Parent and ultimate parent undertaking

The company's immediate parent is Imerys Minerals Limited and Omya Holdings AG, incorporated in England and Wales and Switzerland respectively.

The ultimate parent is Imerys SA and Omya Holdings AG. FiberLean Technologies Limited is a joint venture between Imerys Minerals Limited and Omya Holdings AG, incorporated in France and Switzerland respectively.