

Registration number: 04358718

Biocleave Limited

Report and Unaudited Financial Statements

for the year ended 30 June 2021

THURSDAY



AB785XWB

A08

30/06/2022

#60

COMPANIES HOUSE

Biocleave Limited

Contents

	Page(s)
Company Information	1
Directors' Report	2 - 3
Statement of Directors' Responsibilities	4
Chartered Accountants' Report	5
Statement of Comprehensive Income	6
Statement of Financial Position	7 - 8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 - 30

Biocleave Limited

Company Information

Directors Mr S G C Sutcliffe
Dr E R Jenkinson
Mrs K E Stanley

Registered office 154ah Brook Drive
Milton Park
Abingdon
Oxon
OX14 4SD

Solicitors Harper James Solicitors
Velocity Tower
1 St Mary's Square
Sheffield
S1 4LP

Bankers HSBC Bank Plc
104 Duke Street
Barrow-in-Furness
Cumbria
LA14 1LR

Accountants BDO LLP
Thames Tower
Station Road
Reading
Berkshire
RG1 1LX

Biocleave Limited

Directors' Report for the Year Ended 30 June 2021

The directors present their annual report and the unaudited financial statements of Biocleave Limited ("the Company") for the year ended 30 June 2021.

Principal activity and future developments

The principal activity of the Company during the year continued to be the development and commercialisation of proteins for the research use only market. The immediate operational focus of the Company is to complete its UK grant projects.

In December 2020, the Company entered into an asset purchase agreement with BCL2020 Ltd, an entity under common control, which resulted in the transfer of certain of the Company's assets, liabilities and employees (under the Transfer of Undertakings (Protection of Employment) Regulations 2006) to BCL2020 Ltd. As a result, the majority of the costs incurred by the Company will be recharged to BCL2020 Ltd moving forward.

Results

The profit for the Company for the year ended 30 June 2021 was £11,735,000 (2020: loss of £820,000).

Dividends

The Directors do not recommend payment of a dividend (2020: £nil).

Going concern

These financial statements have been prepared on a going concern basis, which assumes the Company will have sufficient funds available to continue to trade for the foreseeable future. The Company recorded a profit after taxation for the year of £11,735,000 (2020: loss of £820,000) and had net assets of £36,000 (2020: net liabilities of £11,699,000) at the balance sheet date.

As a reflection of the stage in its evolution, the Company had incurred significant losses and negative cash flows from operations since inception. In June 2019 the decision was taken to cease all operations in the USA and an orderly wind down of the operations was completed in December 2020 following the sale of certain assets and liabilities to a third party at market value. The Company is continuing to operate in the UK but with a new strategy based on the development of research use only (RUO) proteins using existing technologies. In December 2020, an agreement was reached with the holder of the convertible loan note for the loan notes to be terminated. Subsequent to the restructuring, the Company remains the only entity within the Group.

As in previous years, there are no bank facilities in place at the date of approval of the financial statements and the Company is operating within its cash reserves. Management have therefore prepared financial forecasts which estimate the likely cash requirements of the Company over a period including the next 12 months from the date of authorisation of the financial statements. The forecasts indicate that the Company will have sufficient funds to meet its liabilities as they fall due during the forecast period and therefore the Directors have therefore prepared these financial statements on a going concern basis.

Biocleave Limited

Directors' Report for the Year Ended 30 June 2021

Directors' indemnities

Since 15 July 2015, the Company has maintained qualifying third party liability insurance for its Directors and officers against any such liabilities as referred to in Section 234 of the Companies Act 2006.

Directors

The directors, who held office during the year and up to the date of signing of the financial statement unless otherwise stated were as follows:

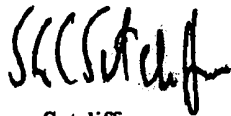
Mr S G C Sutcliffe
Dr E R Jenkinson
Mrs K E Stanley
Mrs T D Crane (Resigned 14 December 2020)

Post balance sheet events

There have been no post balance sheet events that would require adjustment to or disclosure in the financial statements for the year ended 30 June 2021.

In preparing this report, the directors have taken advantage of the small companies' exemptions.

This report was approved by the Board and signed on its behalf by:



Mr Sean Sutcliffe
Director

Date: 27/6/2022

Biocleave Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.


Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 the accounts have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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.

Approved by the Board on 27/6/22 and signed on its behalf by:


.....
Mr Sean Sutcliffe
Director

Date: 27/6/2022

Biocleave Limited

Chartered Accountants' Report to the Board of Directors on the preparation of the Unaudited Financial Statements of Biocleave Limited for the year ended 30 June 2021

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Biocleave Limited for the year ended 30 June 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes from the Company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <https://www.icaew.com/regulation/a-z>.

It is your duty to ensure that Biocleave Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and profit of Biocleave Limited. You consider that Biocleave Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or a review of the financial statements of Biocleave Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.

Use of our report

This report is made solely to the Board of Directors of Biocleave Limited, as a body, in accordance with the terms of our engagement letter dated 21 February 2022. Our work has been undertaken solely to prepare for your approval the financial statements of Biocleave Limited and state those matters that we have agreed to state to the board of directors of Biocleave Limited, as a body, in this report in accordance with ICAEW Technical Release TECH07/16AAF. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Biocleave Limited and its board of directors as a body for our work or for this report.

BDO LLP

BDO LLP
Chartered Accountants
Reading
United Kingdom

Date: 28 June 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Biocleave Limited

Statement of Comprehensive Income for the Year Ended 30 June 2021

	Note	2021 £ 000	2020 £ 000
Revenue		-	-
Cost of sales		<u>(441)</u>	<u>(522)</u>
Gross loss		(441)	(522)
Administrative expenses		(265)	(194)
Other operating income	6	<u>304</u>	<u>172</u>
Operating loss	7	<u>(402)</u>	<u>(544)</u>
Finance income		12,110	1
Finance costs		<u>(70)</u>	<u>(331)</u>
Net finance income/(cost)	10	<u>12,040</u>	<u>(330)</u>
Profit/(loss) on ordinary activities before taxation		11,638	(874)
Income tax credit	11	<u>97</u>	<u>54</u>
Profit/(loss) for the year		<u>11,735</u>	<u>(820)</u>
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u>11,735</u>	<u>(820)</u>

The results stated above are derived from continuing activities.

The notes on pages 11 to 30 form part of these financial statements.

Biocleave Limited

**(Registration number: 04358718)
Statement of Financial Position as at 30 June 2021**

	Note	30 June 2021 £ 000	30 June 2020 £ 000
Assets			
Non-current assets			
Property, plant and equipment	12	-	246
Right of use asset	13	-	924
		<u>-</u>	<u>1,170</u>
Current assets			
Trade and other receivables	14	88	261
Current tax receivable		94	178
Cash and cash equivalents		3	128
		<u>185</u>	<u>567</u>
Total assets		<u>185</u>	<u>1,737</u>
Current liabilities			
Trade and other payables	15	(149)	(320)
Borrowings	16	-	(12,110)
Lease liabilities	13	-	(38)
		<u>(149)</u>	<u>(12,468)</u>
Non-current liabilities			
Trade and other payables	15	-	(95)
Lease liabilities	13	-	(873)
		<u>-</u>	<u>(968)</u>
Total liabilities		<u>(149)</u>	<u>(13,436)</u>
Net assets/(liabilities)		<u>36</u>	<u>(11,699)</u>
Equity			
Share capital	18	14	14
Share premium account	18	119,520	119,520
Accumulated losses		<u>(119,498)</u>	<u>(131,233)</u>
Total equity		<u>36</u>	<u>(11,699)</u>

The notes on pages 11 to 30 form part of these financial statements.

Biocleave Limited

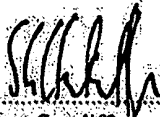
**(Registration number: 04358718)
Statement of Financial Position as at 30 June 2021**

The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf by:



Mr. Sean Sutcliffe
Director

Date: 27/6/2022

The notes on pages 11 to 30 form part of these financial statements.

Biocleave Limited

Statement of Changes in Equity for the Year Ended 30 June 2021

	Share capital £ 000	Share premium account £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 July 2019	14	119,520	(130,260)	(10,726)
Comprehensive loss for the year				
Loss for the year	-	-	(820)	(820)
Total comprehensive loss for the year	-	-	(820)	(820)
Contributions by and distributions to owners				
Share based payment credit	-	-	(153)	(153)
Total contributions by and distributions to owners	-	-	(153)	(153)
At 30 June 2020	14	119,520	(131,233)	(11,699)
	Share capital £ 000	Share premium account £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 July 2020	14	119,520	(131,233)	(11,699)
Comprehensive income for the year				
Profit for the year	-	-	11,735	11,735
Total comprehensive income for the year	-	-	11,735	11,735
At 30 June 2021	14	119,520	(119,498)	36

The notes on pages 11 to 30 form part of these financial statements.

Biocleave Limited

Statement of Cash Flows for the Year Ended 30 June 2021

	Note	2021 £ 000	2020 £ 000
Cash flows from operating activities			
Profit/(loss) for the year		11,735	(820)
<i>Adjustments to cash flows</i>			
Depreciation on property, plant and equipment	7	26	73
Depreciation on right of use assets	7	62	124
Loss/(profit) on disposal of property, plant and equipment	7	202	(42)
Share based payment	7	-	(153)
Finance income	10	(12,110)	(1)
Finance costs	10	70	331
Income tax credit	11	(98)	(54)
		(11,848)	278
<i>Working capital adjustments</i>			
Decrease in trade and other receivables		173	66
Decrease in trade and other payables		(266)	(627)
Cash used in operations		(206)	(1,103)
Income taxes received		182	132
Net cash flows used in operating activities		(24)	(971)
Cash flows used in investing activities			
Interest received		-	1
Acquisitions of property plant and equipment	12	(12)	(10)
Proceeds from asset purchase agreement	20	-	-
Net cash flows used in investing activities		(12)	(9)
Cash flows from financing activities			
Repayment of lease liabilities	13	(39)	(79)
Payment for termination of convertible loan notes	16	(50)	-
Net cash flows used in financing activities		(89)	(79)
Net decrease in cash and cash equivalents		(125)	(1,059)
Cash and cash equivalents at 1 July		128	1,187
Cash and cash equivalents at 30 June		3	128

The notes on pages 11 to 30 form part of these financial statements.

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

1 General information

Biocleave Limited ("the Company") is a private company limited by share capital, incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office is disclosed on page 1. The principal activity of the Company is the development and commercialisation of proteins for the research use only market.

2 Significant accounting policies

Basis of preparation

The principal accounting policies adopted by the Company 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. The financial statements are presented in Pound Sterling which is also the Company's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared on a going concern basis and under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value.

The Company previously prepared its financial statements in accordance with Financial Reporting Standards 101 "Reduced Disclosure Framework". These financial statements are the first the Company has prepared in accordance with International Financial Reporting Standards ("IFRSs"). The Company's deemed transition date to IFRSs is 1 July 2019 and there has been no impact on the Company's results following the transition.

The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statement and their effect are disclosed in note 3 .

Going concern

These financial statements have been prepared on a going concern basis, which assumes the Company will have sufficient funds available to enable them to continue to trade for the foreseeable future. The Company recorded a profit after taxation for the year of £11,735,000 (2020: loss of £820,000) and had net assets of £36,000 (2020: net liabilities of £11,699,000) at the reporting date.

As a reflection of the stage in its evolution, the Company had incurred significant losses and negative cash flows from operations since inception. In June 2019, the decision was taken to cease all operations in the USA and an orderly wind down of the operations in the USA was completed in December 2020 following the sale of certain assets and liabilities to a third party at market value. The Company is continuing to operate in the UK but with a new strategy based on the development of research use only (RUO) proteins using existing technologies.

In December 2020, an agreement was reached with the holder of the convertible loan note for the loan notes to be terminated. Subsequent to the restructuring, the Company remains the only entity within the Group.

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

2 Significant accounting policies (continued)

Going concern (continued)

As in previous years, there are no bank facilities in place at the date of approval of the financial statements and the Company is operating within its cash reserves. Management have therefore prepared financial forecasts which estimate the likely cash requirements of the Company over a period including the next 12 months from the date of authorisation of the financial statements. The forecasts indicate that the Company will have sufficient funds to meet its liabilities as they fall due during the forecast period and therefore the Directors have therefore prepared these financial statements on a going concern basis.

Changes in accounting policy

a) New and amended standards and interpretations adopted by the Company

There were a number of narrow scope amendments to existing standards which were effective from 1 July 2020. None of these had a material impact on the Company:

- IFRS 16 Leases, amendments for COVID-19 related rent concessions;
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Material);
- IFRS 3 Business Combinations ("IFRS 3") (Amendment - Definition of Business);
- IFRS 9 and IFRS 7 Financial Instrument: Disclosures ("IFRS 7") (Amendment - Interest Rate Benchmark Reform); and
- Revised Conceptual Framework for Financial Reporting.

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The most significant of these which are all effective for the period beginning on or after 1 January 2021 are:

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The Company does not expect these or any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

2 Significant accounting policies (continued)

Foreign currency translation

Functional and presentational currency

The Company's functional and presentational currency is Pound Sterling (GBP).

Transactions and balances

Transactions in foreign currencies are recorded at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies reported at exchange rates prevailing at the balance sheet date. Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within other income and administrative expenses respectively. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other administrative expenses.

Other operating income

Other operating income relates to government grants and other miscellaneous income. Grants are recognised at their fair value, in the statement of comprehensive income, in the same period as the related expenditure has been incurred and where there is a reasonable assurance that the grant will be received and that the Company will comply with all conditions attached to the award.

Research and development

Research expenditure is recognised as an expense in administration expenses as incurred. Development costs are assessed to consider if they meet the capitalisation criteria set out by IAS 38. Development costs not meeting the criteria for capitalisation are expensed as incurred.

Pensions

The Company operates defined contribution personal pension schemes for its employees. Contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

Tangible assets

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. All borrowing costs are recognised in net finance costs in the period in which they are incurred.

Depreciation is calculated to write off the cost less the expected residual values over their expected useful economic lives using the straight-line basis as follows:

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

2 Significant accounting policies (continued)

Tangible assets (continued)

	Years
Leasehold improvements	the lease term
Plant and equipment	1-15

Residual values and useful lives are reviewed annually and adjusted if appropriate.

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset. An asset is impaired when its carrying amount exceeds its recoverable amount. To the extent the carrying value exceeds the recoverable amount, the difference is recorded as an expense in the statement of comprehensive income. The recoverable amount used for impairment testing is the higher of the value in use and fair value less costs of disposal. For the purpose of impairment testing, assets are grouped at the lowest level for which there are separately identifiable cash inflows which are largely independent of cash inflows from other assets or groups of assets, determined as a cash generating unit ('CGU').

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

2 Significant accounting policies (continued)

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified on initial recognition as at amortised cost, at fair value through other comprehensive income (OCI), or at fair value through profit or loss. The classification of financial assets on initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. In order for a financial asset to be measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified into the following categories:

Financial assets at amortised cost

The Company measures financial assets at amortised cost when both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains or losses are recognised in the statement of comprehensive income when the asset is derecognised, modified or impaired. The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Financial assets at fair value through other comprehensive income and at fair value through profit or loss

The Company does not hold any financial assets either classified at fair value through other comprehensive income or at fair value through profit or loss.

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

2 Significant accounting policies (continued)

Financial instruments (continued)

Impairment

The Company assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as a financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy) the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income as incurred.

Financial liabilities

Liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Unless otherwise indicated, the carrying amounts of the Company's financial liabilities are a reasonable approximation of their fair values.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method. The effect of discounting on these financial instruments is not considered to be material. Trade payables are not interest bearing.

Borrowings

Borrowings are initially recognised at fair value, being proceeds received less directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost with any transaction costs amortised to the statement of comprehensive income over the period of the borrowings using the effective interest method. Any related interest accruals are included within borrowings. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Convertible loan notes

Convertible loan notes issued by the Company allow the holder the right to exchange all outstanding loan notes, and all accrued interest thereon for a class of equity in the Company. The conversion right arises at the conversion price on the conversion date, either:

- Automatically on the completion of certain future events; or
- At election of a / the noteholder majority, under certain conditions.

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

2 Significant accounting policies (continued)

Convertible loan notes (continued)

The Company assesses whether the transaction price relates to both the underlying financial instrument and the warrants issued representing the same economic arrangement, and therefore fair value of the whole arrangement. The Company subsequently assesses whether the underlying financial instrument (loan notes) and the conversion feature should be classified as a liability or equity instrument. As part of this assessment, the Company considers whether the conversion feature is closely related to the host contract, requiring a separate assessment of the host contract and the conversion feature. It was determined that the conversion feature was not closely related to the host contract, meeting the criteria for recognition as a separate embedded derivative.

Loan note: It was determined that the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle the contractual obligation, meeting the criteria to be recognised as a financial liability.

Conversion feature: It was determined that there are a number of settlement outcomes where the Company is not required to settle the loan notes with a fixed number of its own equity instruments, meeting the criteria to be recognised as a financial liability.

The fair value of the conversion feature was determined and the residual value of the overall transaction price is assigned to the debt host contract liability and subsequently measured at amortised cost. The embedded derivative liability is subsequently measured at fair value at each reporting date and changes are recorded in net finance costs. Transaction costs are apportioned to the debt liability and the embedded derivative. The amounts attributed to the conversion feature are expensed, and the portion of transaction costs that are attributed to the loan are added to the carrying amount of the financial liability and amortised using an effective interest rate.

Current and deferred tax

Current taxation is recognised in the statement of comprehensive income based on the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are recognised when the carrying amount of an asset or liability in the statement of financial position differs from its tax base. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference may be utilised.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the Company to make estimates and judgements that affect the reported amounts.

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The directors have concluded that there are no critical judgements, estimates or assumptions considered to have had a significant effect on the amounts recognised in the financial statements.

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

4 Financial instruments - risk management

The Company is exposed through its operations to the following financial risks:

- Market risk;
- Credit risk; and
- Liquidity risk.

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company finances its operations from shareholder cash and through borrowings. The directors have concluded that interest rate risk is not deemed material to the Company.

Foreign exchange risk

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than its functional currency. The Company's policy is, where possible, to settle liabilities denominated in the functional currency with the cash generated from their own operations in that currency. The Company has bank accounts denominated in both US Dollars (USD) and Euros (EUR) for this purpose.

	Cash and cash equivalents		Borrowings	
	As at June 2021 £ 000	As at June 2020 £ 000	As at June 2021 £ 000	As at June 2020 £ 000
USD	-	20	-	(12,110)
EUR	1	38	-	-
Total	1	58	-	(12,110)

Credit risk

Credit risk arises from other receivables as well as cash and cash equivalents with banks.

Trade and other receivables

The Company does not have trade receivables and does not have any significant credit risk exposure to any single counterparty. No impairment provision on the Company's other receivables has been recognised. No receivables are past due.

Cash and cash equivalents

The credit risk on liquid funds is limited as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

4 Financial instruments - risk management (continued)

Liquidity risk

The Company manages its capital to ensure that it will be able to continue as a going concern, whilst maximising the return to stakeholders. The capital structure of the Company consists of debt, which includes borrowings (see note 16), cash and cash equivalents and equity.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Rolling 6-month cash flow projections are reviewed by senior management on a monthly basis to understand the funding requirement of the business and financing activities are progressed as needed.

At the end of the financial year, these projections indicated that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to further draw down on its agreed overdraft facility.

At 30 June 2021, the Company no longer has leases or borrowings and all the Company's trade and other payables are due to be paid within 3 months.

At 30 June 2020, the Company had trade and other payables, lease liabilities and loans and borrowings as follows:

	<3 months £ 000	3-12 months £ 000	1-2 years £ 000	2-5 years £ 000	2-5 years £ 000	Total £ 000
Trade and other payables	320	-	-	-	-	320
Lease liabilities	-	38	873	-	-	911
Loans and borrowings	-	12,110	-	-	-	12,110
	320	12,148	873	-	-	13,341

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

5 Capital management

The Company monitors capital which comprises all equity (i.e. share capital, share premium and accumulated losses) totalling £36,000 (2020: £11,699,000). The Company's objective when maintaining capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, sell assets to reduce debt or return capital to shareholders.

6 Other operating income

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

	2021	2020
	£ 000	£ 000
Government grants	304	172

This relates to income received from the government during the year with regard to a Bester grant from Innovate UK and a Small Business Research Initiative ("SBRI") grant.

7 Operating loss

Arrived at after charging/(crediting)

	2021	2020
	£ 000	£ 000
Depreciation expense on property, plant and equipment	26	73
Depreciation expense on right-of-use assets	62	124
Research and development costs	437	510
Loss/(profit) on disposal of property, plant and equipment	202	(42)
Foreign exchange loss/(gain)	3	(3)
Release of dilapidation provision	(96)	(3)
Share based payment credit	-	(153)

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

8 Employees

The average number of employees of the Company, including directors, during the year was:

	2021 No.	2020 No.
Administration	1	6
Research	6	14
	<u>7</u>	<u>20</u>

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

	2021 £'000	2020 £'000
Wages and salaries	200	355
Social security costs	24	44
Other pension costs	10	21
Share-based payment credit	-	(153)
	<u>234</u>	<u>267</u>

The Company operates a defined contribution pension scheme for all eligible employees. The pension charge represents the amounts payable to the funds in the year.

Please see note 19 for further details regarding the share-based compensation.

9 Directors' remuneration

	2021 £'000	2020 £'000
Aggregate emoluments	56	75
Company contributions to defined contribution pension scheme	3	3
	<u>59</u>	<u>78</u>

The number of directors accruing pension benefits was 1 (2020: 1). No director exercised options during the year (2020: None).

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

10 Finance income and costs

	2021 £ 000	2020 £ 000
Finance income		
Interest income on bank deposits	-	1
Net gains on write off of convertible loan notes	11,119	-
Foreign exchange gains on convertible loan notes	991	-
Total finance income	<u>12,110</u>	<u>1</u>
Finance costs		
Foreign exchange losses on convertible loan notes	-	(290)
Interest expense on lease liabilities	(20)	(41)
Fee on termination of convertible loan notes	(50)	-
Total finance costs	<u>(70)</u>	<u>(331)</u>
Net finance income/(costs)	<u>12,040</u>	<u>(330)</u>

11 Income tax

	2021 £ 000	2020 £ 000
Tax credited to statement of comprehensive income		
Research and development tax credit	(39)	(54)
Adjustment for under-provision of research and development tax credits in prior periods	<u>(58)</u>	<u>-</u>
	<u>(97)</u>	<u>(54)</u>

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

11 Income tax (continued)

The tax assessed for the year is lower than (2020: higher than) the standard rate of corporation in the UK of 19% (2020: 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit/(loss) before tax	11,638	(874)
Corporation tax at standard rate	2,211	(166)
Fixed asset timing differences	93	(2)
Income not taxable for tax purposes	(2,103)	(30)
Expenses not deductible for tax purposes	29	-
Deferred tax not recognised	731	513
Remeasurement of deferred tax for changes in tax rates	(970)	(328)
Research and development tax credits	(88)	(41)
Total tax credit	(97)	(54)

Factors that may affect future tax charges

Charges substantively enacted as part of the Finance Act 2016 on 15 September 2016, legislated for a reduction of UK corporation tax to 17% effective from 1 April 2020. On 17 March 2020, it was announced that this change was to be reversed and the rate remains at 19% from 1 April 2020. In March 2021, it was announced that the main rate of corporation tax would increase to 25% with effect from 1 April 2023. This increase was substantively enacted on 24 May 2021.

At 30 June 2021 the Company had an unrecognised deferred tax asset of £4,039,625 (2020: £3,309,238) relating to tax losses. The deferred tax asset has not been recognised in these financial statements as its future recoverability is uncertain.

Deferred taxes at the reporting date have been measured and reflected in these financial statements using the substantively enacted tax rate at the year end of 25%, unless the asset/liability is expected to be realised or settled before the rate increase in which case the current prevailing rate of 19% has been used.

There were no other factors that may affect future tax charges.

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

12 Property, plant and equipment

	Leasehold improvements £ 000	Plant and equipment £ 000	Total £ 000
Cost			
At 1 July 2020	265	1,233	1,498
Additions	12	12	12
Disposals	(265)	(1,245)	(1,510)
At 30 June 2021	-	-	-
Depreciation			
At 1 July 2020	69	1,183	1,252
Charge for the year	11	15	26
Disposals	(80)	(1,198)	(1,278)
At 30 June 2021	-	-	-
Carrying amount			
At 30 June 2021	-	-	-
At 30 June 2020	196	50	246

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

13 Leases

During the year, the Company disposed off its leases by assigning all rights and obligations with regard to its lease arrangements to BCL2020 Ltd.

Right of use assets

	Land and Buildings £ 000	Total £ 000
Cost		
At 1 July 2020	1,048	1,048
Disposals	(1,048)	(1,048)
At 30 June 2021	<u>-</u>	<u>-</u>
Depreciation		
At 1 July 2020	124	124
Charge for the year	62	62
Disposals	(186)	(186)
At 30 June 2021	<u>-</u>	<u>-</u>
Net book value		
At 30 June 2021	<u>-</u>	<u>-</u>
At 30 June 2020	<u>924</u>	<u>924</u>

Lease liabilities

	Land and Buildings £ 000	Total £ 000
At the beginning of the year	911	911
Additions	-	-
Interest expense	20	20
Lease payments	(39)	-
Disposals	(892)	(931)
At the end of the year	<u>-</u>	<u>-</u>
	2021	2020
	£ 000	£ 000

Low value lease expense

Plant and machinery	<u>1</u>	<u>1</u>
---------------------	----------	----------

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

14 Trade and other receivables

	2021	2020
	£ 000	£ 000
Receivables from related parties	6	-
Other receivables	48	179
Prepayments	34	82
	88	261

Amounts due from related parties are unsecured, interest free and repayable on demand.

15 Trade and other payables

	2021	2020
	£ 000	£ 000
Due in < 1 year		
Trade payables	23	73
Amounts due to related parties	3	-
Other taxes and social security	2	14
Other creditors and accruals	121	233
	149	320

Amounts owed to related parties are unsecured, interest free and repayable on demand.

	2021	2020
	£ 000	£ 000
Due in > 1 year		
Other creditors and accruals	-	95

16 Borrowings

	2021	2020
	£ 000	£ 000
Current loans and borrowings		
Convertible loan notes	-	12,110

On 10 October 2018, the Company issued convertible loan notes (up to a maximum nominal amount of \$15m) to Cell Energy Limited. On 27 June 2019, Cell Energy Limited transferred its entire holding of the loan notes in the Company to Swire Environmental Services Limited. An amended convertible loan note agreement was signed to this effect. On 21 December 2020, following the asset purchase agreement entered into with BCL2020 Ltd, the amended convertible loan notes were terminated in exchange for a payment of £50,000 to Swire Environmental Services Limited and an option over shares in BCL2020 Ltd. A Deed of Termination was signed to this effect.

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

16 Borrowings (continued)

Analysis of borrowings at 30 June 2020

Borrowings*	Conversion instrument issued	Commencement/ Maturity date	Interest rate	Principal + Interest Outstanding £ 000	Amount due in one year or less £ 000	Amount due in more than one year but not more than five years £ 000
Convertible loan notes	Embedded conversion feature	October 2018 \$15m.	Non-interest bearing	12,110	12,110	-
Existing shareholders.		The longstop maturity date of the loan note is 30 December 2020.				
The funds provided were used to fund the ramp up of operations at CMR.						
Total				12,110	12,110	-
Less: Derivative liabilities and equity conversion feature						
Carrying value at 30 June 2020				12,110	12,110	

*Borrowings were secured against all of the assets of the Company and its subsidiaries, ranking in the order written with the exception of the non-controlling interest which is unsecured.

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

17 Contractual commitments

Leasing commitments

The Company's total commitments under non-cancellable operating leases are as follows:

	2021 £ 000	2020 £ 000
Other operating leases that expire:		
Within one year	1	1
After one year and not later than five years	1	2
	<u>2</u>	<u>3</u>

Capital commitments

The Company has £nil capital commitments at the end of the year (2020: £nil).

18 Share capital

	2021 No. '000	2021 £ 000	2020 No. '000	2020 £ 000
Allotted, called up and fully paid ordinary shares of £0.0001 each	<u>140,000</u>	<u>14</u>	<u>140,000</u>	<u>14</u>

All classes of ordinary shares have a nominal value of £0.0001 each.

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium

Share premium account includes the premium on issue of equity shares, net of any issue costs.

Accumulated losses

The accumulated losses account represent cumulative profits or losses, net of dividends paid and other adjustments.

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

19 Share-based payments

All share options which had previously been granted had to be exercised on completion of the management buyout in October 2019. All options were underwater and none were exercised.

	2021 Weighted average price	2021 Number of options	2020 Weighted average price	2020 Number of options
Outstanding at 1 July	-	-	0.71	112,000
Lapsed/surrendered during the year	-	-	0.74	(112,000)
Exercised during the year	-	-	-	-
Outstanding at 30 June	-	-	0.71	-

In the prior year, the Company had taken various factors into consideration to estimate the effective volatility of share values including historical prices, lack of liquidity for small private development stage companies, the lack of comparable development stage, bio-based specialty chemical companies for comparison. The Company had taken into account the effect of guaranteed preference payments on certain classes of shares when estimating the share value at the grant date, and had made the conservative assumption that an initial public offering occurs, triggering a conversion of all shares to Ordinary shares.

The share-based payment credit in the prior period was £153k.

20 Related party transactions

The Directors of the Company had the following interest in the shares and share options of the Company at the end of the year:

	2021 No	2020 No
Ordinary shares		
Sean Sutcliffe	24,274,359	24,274,359
Elizabeth Jenkinson	52,016,484	52,016,484
Karen Stanley	24,274,359	24,274,359
Tamsin Crane	24,274,359	24,274,359

The Company is related to BCL2020 Ltd by virtue of being under common control. During the year, the Company recharged expenses of £90,345 (2020: £nil) relating to labour and other administrative services to BCL2020 Ltd. In addition, the Company entered into an asset purchase agreement with BCL2020 Ltd and transferred certain assets, liabilities and employees to BCL2020 Ltd for a net sum of £1.

BCL2020 Ltd made charges of £91,312 (2020: £nil) to the Company for the provision of sub-contractor and other administrative services. The net amount owing to the Company at the year end from BCL2020 Ltd was £5,922 (2020: £nil). The net amount owed by the Company at the year end to BCL2020 Ltd was £3,473 (2020: £nil).

Biocleave Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

21 Subsequent events

There have been no post balance sheet events that would require adjustment to or disclosure in the financial statements for the year ended 30 June 2021.