

NEXEON LIMITED

FINANCIAL STATEMENTS

INFORMATION FOR FILING WITH THE REGISTRAR

FOR THE YEAR ENDED 31 DECEMBER 2021

NEXEON LIMITED
REGISTERED NUMBER: 05717554

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	4	730	1,013
Tangible assets	5	1,547	1,974
		<u>2,277</u>	<u>2,987</u>
Current assets			
Debtors: amounts falling due within one year	7	2,823	2,585
Cash at bank and in hand	8	3,838	7,669
		<u>6,661</u>	<u>10,254</u>
Creditors: amounts falling due within one year	9	(2,426)	(1,062)
Net current assets		<u>4,235</u>	<u>9,192</u>
Total assets less current liabilities		<u>6,512</u>	<u>12,179</u>
Provisions for liabilities			
Other provisions	10	(1,276)	(1,300)
		<u>(1,276)</u>	<u>(1,300)</u>
Net assets		<u>5,236</u>	<u>10,879</u>
Capital and reserves			
Called up share capital	11	14	13
Share premium account		31,160	31,160
Foreign exchange reserve		(34)	(8)
Profit and loss account		(25,904)	(20,286)
Equity attributable to owners of the parent Company		<u>5,236</u>	<u>10,879</u>
		<u>5,236</u>	<u>10,879</u>

NEXEON LIMITED
REGISTERED NUMBER: 05717554

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

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

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

The Company has opted not to file the consolidated statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

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

D Lamb

Director

Date: 31 March 2022

The notes on pages 7 to 21 form part of these financial statements.

NEXEON LIMITED
REGISTERED NUMBER: 05717554

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	4	730	1,013
Tangible assets	5	972	953
Investments	6	191	191
		<u>1,893</u>	<u>2,157</u>
Current assets			
Debtors: amounts falling due after more than one year	7	568	1,485
Debtors: amounts falling due within one year	7	2,579	2,344
Cash at bank and in hand	8	3,759	7,591
		<u>6,906</u>	<u>11,420</u>
Creditors: amounts falling due within one year	9	(2,490)	(1,627)
		<u>4,416</u>	<u>9,793</u>
Net current assets			
		<u>6,309</u>	<u>11,950</u>
Total assets less current liabilities			
Provisions for liabilities			
Other provisions	10	(994)	(989)
		<u>(994)</u>	<u>(989)</u>
Net assets			
		<u><u>5,315</u></u>	<u><u>10,961</u></u>
Capital and reserves			
Called up share capital	11	14	13
Share premium account		31,160	31,160
Profit and loss account		(25,859)	(20,212)
		<u><u>5,315</u></u>	<u><u>10,961</u></u>

NEXEON LIMITED
REGISTERED NUMBER: 05717554

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

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

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D Lamb
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NEXEON LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £000	Share premium account £000	Foreign exchange reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2021	13	31,160	(8)	(20,286)	10,879
Loss for the year	-	-	-	(9,233)	(9,233)
Share based payment charge	-	-	-	3,615	3,615
Foreign exchange reserve movement	-	-	(26)	-	(26)
Shares issued during the year	1	-	-	-	1
At 31 December 2021	14	31,160	(34)	(25,904)	5,236

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £000	Share premium account £000	Foreign exchange reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2020	13	31,160	13	(14,389)	16,797
Loss for the year	-	-	-	(12,173)	(12,173)
Share based payment charge	-	-	-	6,276	6,276
Foreign exchange reserve movement	-	-	(21)	-	(21)
At 31 December 2020	13	31,160	(8)	(20,286)	10,879

The notes on pages 7 to 21 form part of these financial statements.

NEXEON LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2021	13	31,160	(20,212)	10,961
Loss for the year	-	-	(9,262)	(9,262)
Share based payment charge	-	-	3,615	3,615
Shares issued during the year	1	-	-	1
At 31 December 2021	14	31,160	(25,859)	5,315

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2020	13	31,160	(14,356)	16,817
Loss for the year	-	-	(12,132)	(12,132)
Share based payment charge	-	-	6,276	6,276
At 31 December 2020	13	31,160	(20,212)	10,961

The notes on pages 7 to 21 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. General information

Nexeon Limited is a limited liability company incorporated in England. The registered office is 136 Eastern Avenue, Milton Park, Abingdon, OX14 4SB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2015.

2.3 Going concern

The directors have reviewed the Group's current and expected liabilities and cash flow outflows arising from its activities and are confident that the Group will have sufficient resources to meet its liabilities as they fall due. At the balance sheet date the Group had cash at bank and in hand of £3,838,000 (2020: £7,669,000). Post year end the company issued Ordinary shares for a total consideration of £59,546,180. The Directors' consider this to be sufficient to fund the Group's operations for at least twelve months from the date of approval of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP, rounded to the nearest pound.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only. Therefore, all research and development expenditures are recognised as an expense when it is incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.8 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated statement of comprehensive income in the same period as the related expenditure.

2.9 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.10 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.12 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.13 Intangible fixed assets and amortisation

Costs associated with the application and registration of internally generated trademarks, patents and know-how are written off to the profit and loss account as incurred. Acquired trademarks, patents and know-how are capitalised as intangible fixed assets. Intangible fixed assets are held at cost less accumulated amortisation.

Amortisation of acquired and in-licensed patent rights is calculated to write off the cost of the intangible fixed assets over their expected useful life at 10% per annum on a straight line basis. Amortisation and in-licensed know-how is calculated to write off the cost of the intangible fixed assets over their expected useful life at 33.3% per annum on a straight line basis. Where further development work is required prior to commercialisation, amortisation begins when commercial exploitation commences.

2.14 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.15 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.15 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold property	- Straight line over the life of the lease
Plant and machinery	- 10-33% straight line
Fixtures and fittings	- 33.3% straight line
Computer equipment	- 33.3% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.17 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.18 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.19 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.21 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

3. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2021 No.	Group 2020 No.	Company 2021 No.	Company 2020 No.
	<u>53</u>	<u>50</u>	<u>46</u>	<u>43</u>
Employees				

4. Intangible assets

Group and Company

	Patents £000
Cost	
At 1 January 2021	1,365
At 31 December 2021	<u>1,365</u>
Amortisation	
At 1 January 2021	352
Charge for the year	283
At 31 December 2021	<u>635</u>
Net book value	
At 31 December 2021	<u>730</u>
At 31 December 2020	<u>1,013</u>

All of the Group's intangible fixed assets are held in the Parent company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

5. Tangible fixed assets

Group

	Long-term leasehold property £000	Plant and machinery £000	Fixtures and fittings £000	Office equipment £000	Computer equipment £000
Cost or valuation					
At 1 January 2021	889	9,595	1,169	401	35
Additions	-	570	-	16	4
Disposals	-	(407)	-	-	-
Exchange adjustments	(94)	(202)	(42)	(2)	(4)
At 31 December 2021	795	9,556	1,127	415	35
Depreciation					
At 1 January 2021	697	8,111	922	365	21
Charge for the year on owned assets	131	651	65	20	1
Disposals	-	(347)	-	-	-
Exchange adjustments	(80)	(132)	(40)	(1)	(3)
At 31 December 2021	748	8,283	947	384	19
Net book value					
At 31 December 2021	47	1,273	180	31	16
At 31 December 2020	193	1,484	247	36	14

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

5. Tangible fixed assets (continued)

	Total
	£000
Cost or valuation	
At 1 January 2021	12,089
Additions	590
Disposals	(407)
Exchange adjustments	(344)
	<hr/>
At 31 December 2021	11,928
	<hr/>
Depreciation	
At 1 January 2021	10,116
Charge for the year on owned assets	868
Disposals	(347)
Exchange adjustments	(256)
	<hr/>
At 31 December 2021	10,381
	<hr/>
Net book value	
At 31 December 2021	<u>1,547</u>
At 31 December 2020	<u><u>1,974</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

5. Tangible fixed assets (continued)

Company

	Plant and machinery £000	Fixtures and fittings £000	Office equipment £000	Total £000
Cost or valuation				
At 1 January 2021	7,673	767	377	8,817
Additions	557	-	16	573
Disposals	(407)	-	-	(407)
At 31 December 2021	7,823	767	393	8,983
Depreciation				
At 1 January 2021	6,971	541	351	7,863
Charge for the year on owned assets	418	59	18	495
Disposals	(347)	-	-	(347)
At 31 December 2021	7,042	600	369	8,011
Net book value				
At 31 December 2021	781	167	24	972
At 31 December 2020	701	226	26	953

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

6. Fixed asset investments

Company

**Investments in
subsidiary
companies
£000**

Cost or valuation

At 1 January 2021

191

At 31 December 2021

191

Net book value

At 31 December 2021

191

At 31 December 2020

191

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Nexeon Japan KK	GIP 4th floor 1-18-2 Hakusan Midori-Ku Yokohama-City Kanagawa 226-0006 Japan	Ordinary	100%

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Debtors

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>568</u>	<u>1,485</u>
	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade debtors	223	57	223	57
Other debtors including grants	394	898	391	898
Prepayments and accrued income	801	503	560	262
Tax recoverable	1,405	1,127	1,405	1,127
	<u>2,823</u>	<u>2,585</u>	<u>2,579</u>	<u>2,344</u>

Amounts owed by group undertakings accrue interest at a annual interest rate of 1.5%. The full balance is repayable by 30th April 2025.

During the year ended 31 December 2020, the Company entered into a new loan agreement with their subsidiary for £1,485,000. This amount is repayable within 5 years.

8. Cash and cash equivalents

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Cash at bank and in hand	<u>3,838</u>	<u>7,669</u>	<u>3,759</u>	<u>7,591</u>

9. Creditors: Amounts falling due within one year

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade creditors	522	231	522	231
Amounts owed to group undertakings	-	-	108	634
Corporation tax	-	21	-	-
Other taxation and social security	121	106	98	82
Other creditors	680	285	671	272
Accruals and deferred income	1,103	419	1,091	408
	<u>2,426</u>	<u>1,062</u>	<u>2,490</u>	<u>1,627</u>

Amounts owed to group undertakings are non-interest bearing and repayable on demand.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

10. Provisions

Group

	Dilapidation provision £000	Total £000
At 1 January 2021	1,300	1,300
Charged to profit or loss	(24)	(24)
At 31 December 2021	<u>1,276</u>	<u>1,276</u>

Company

	Dilapidation provision £000	Total £000
At 1 January 2021	989	989
Charged to profit or loss	5	5
At 31 December 2021	<u>994</u>	<u>994</u>

The dilapidation provision relates to an estimate of costs for restoration, repair and redecoration of the Group's leased premises at the termination of the leases in accordance with the terms of the lease agreements.

11. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
1,374,357 (2020 - 1,314,900) Ordinary shares of £0.01 each	<u>14</u>	<u>13</u>

62,866 Ordinary shares with nominal value of £0.01 each were issued in the year for a total consideration of £629.

On 23 March 2021, the Company repurchased 2,783 Ordinary shares out of share capital for a total of £27.83. These shares were subsequently cancelled.

On 22 December 2021, the Company repurchased 626 Ordinary shares out of share capital for a total of £6.26. These shares were subsequently cancelled.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

12. Share based payments

The Company operates both an EMI and non-EMI share option scheme and incentive shares. A charge of £3,615,000 (2020: £6,276,000) has been recognised within the profit and loss account for the year ended 31 December 2021.

All of the share options in issue have an exercise price of £0.01. Some of the options in issue are only exercisable upon an exit event defined as; a sale, an asset sale or initial public offering and are subject to performance conditions. The remaining share options vest over various tranches and have been expensed over each vesting period of the tranche. The options lapse 10 years after issue, unless extended at the discretion of the board.

The Company has taken the transition exemptions under FRS102 S.35.10 (b) and has not accounted for any options granted before transition date. Therefore there are 44,210 share options outstanding as at the 31 December 2021 issued pre-transition that are not accounted for within the share-based payment charge. A prior year restatement has been made to disclose these figures within the numbers outstanding at the beginning of the year.

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Outstanding at the beginning of the year	0.01	184,018	0.01	106,175
Granted during the year	0.01	25,877	0.01	139,808
Forfeited during the year	0.01	(3,409)	0.01	(91,808)
Exercised during the year	0.01	-	0.01	29,843
Expired during the year	0.01	-	0.01	-
Outstanding at the end of the year	0.01	206,486	0.01	184,018

The fair value of 26,925 share options in issue during the prior year were issued after transition to FRS102 and recognised as an expense over the four year vesting period. The fair value was estimated using a pricing model which takes into account the conditions which exercise of the options would be permitted, plus the following parameters:

	2021 Black-scholes	2020 Black-scholes
Option pricing model used	Black-scholes	Black-scholes
Weighted average share price (£)	85	85
Exercise price (pence)	1	1
Weighted average contractual life (years)	5	5
Expected volatility	25%	25%
Risk-free interest rate	0.01%	0.01%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. Contingent liabilities

The Group has entered into a bonus agreement with three of the directors. Under the terms of the scheme a bonus will be payable to these directors when an exit event occurs; defined as either the occurrence of a sale, an asset sale or an initial public offering. However, the bonus is only payable if the option gain is nil.

In addition, the scheme will be extinguished if the Group secures cumulative funding of £25,000,000 or greater. Given that the liability crystallising or not is dependent on several outcomes that is not in the control of the Group, no provision for the liability has been recognised as at 31 December 2021.

Post year end, the Group secured total funding of £59,546,180 (see Note 21). Therefore, the bonus scheme was extinguished.

14. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £221,754 (2020: £143,046). Contributions totaling £15,198 (2020: £13,115) were payable to the fund at the balance sheet date and are included in creditors.

15. Related party transactions

During the year, the Company made purchases and paid licence fees of £554,000 and £1,214,000 respectively (2020: £Nil) from Wacker Chemie AG a company related to a shareholder of the parent Company. As at 31 December 2021 £31,951 (2020: £Nil) was due to Wacker Chemie AG.

16. Post balance sheet events

On 25 January 2022, the parent Company issued Ordinary shares for a total consideration of £59,546,180. This increased cash and cash equivalents and equity by £59,546,180. This resulted in the extinguishment of the bonus scheme in place. See note 16 for further details.

17. Controlling party

In the opinion of the directors no one party is considered to be the ultimate controlling party of the Company.

18. Auditor's information

The auditor's report on the financial statements for the year ended 31 December 2021 was unqualified.

The audit report was signed on 31 March 2022 by James Pitt BA BPF FCA (Senior statutory auditor) on behalf of James Cowper Kreston.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.