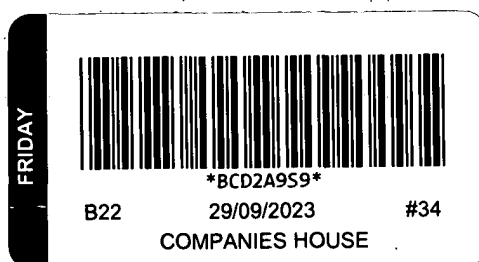


FiberLean Technologies Limited

**Annual Report and Financial Statements
Year Ended 31 December 2022**

Registration number: 10021333



FiberLean Technologies Limited

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FiberLean Technologies Limited

Company Information

Directors

Mr E de Landerset

Mr D R Skuse

Mr S J Clague

Registered office

Par Moor Centre

Par Moor Road

Par

Cornwall

England

PL24 2SQ

Independent

Auditors

PricewaterhouseCoopers LLP

Statutory Auditor

2 Glass Wharf

Temple Quay

Bristol

BS2 0FR

FiberLean Technologies Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Principal activities

The principal activity of the company is the research and development as well as commercialisation of the product Micro-Fibrillated Cellulose and its application in various end user industries with a focus on the paper and packaging industry.

Results and dividends

The loss for the financial year amounted to £22,742,523 (2021: Loss £11,994,891)

During the year no dividend was paid (2021: £Nil). The directors do not recommend the payment of a final dividend (2021: £Nil)

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 nature of its current activities and stage of the business means its performance is expected to be measured over a period of years due to a lengthy qualification process of the customers and the extensive time to build and operate the plants that will generate long term value. For this reason, the Company has again reported losses in 2022.

A total of £1.31 million was spent on a range of capital expenditure programmes during the year with a further £1.7m invested in research and development as the Company continues to achieve advancements towards mass commercialisation of MFC across a range of applications and ultimate long term shareholder value.

Further loans of £14.5 million were injected into the Company during 2022 by its parent company. These are in addition to the £10m received in 2021 and reflect the shareholder support and confidence in the business to deliver its aims. The Directors have been informed that the ultimate parent company, Wilh. Werhahn KG, has decided that the upcoming phase of capital-intensive growth will require the involvement of a majority shareholder or potential sale of the whole Company. The process to find a majority shareholder or potential sale of the whole Company has been initiated but has not yet been completed at the date of approval of these financial statements.

FiberLean Technologies Limited

Strategic Report for the Year Ended 31 December 2022

Principal risks and uncertainties

The Company is currently reliant upon capital from a parent company to continue its activities. The main operational risks to which the organisation is exposed are centred around the potential of FiberLean MFC ("FiberLean") 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.


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 economic and political factors following Brexit, the Coronavirus outbreak and the war in the Ukraine that could still 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 FiberLean 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.

The Company is concerned about rapid changing and new potential threats. Mindful of the marked increase threat of cyberattacks in 2020, defences were improved in 2021 and remain under constant review, however methods used by potential attackers are likely to become even more sophisticated.

Approved by the Board on 25.09.2023 and signed on its behalf by:

DocuSigned by:

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Mr S J Clague
Director

FiberLean Technologies Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Directors of the company

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

Mr E de Landerset

Mr D R Skuse

Mr D T Ingle (resigned 3 November 2022)

Mr S J Clague (appointed 3 November 2022)

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.

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. As set out in the going concern paragraph below, the owners of the company will need to provide the necessary funding in the medium-term to support the planned long-term development of the Company.

Price risk

Bearing in mind the strength of the product offering and the response of the market, the Company considers demand for FiberLean to remain strong so that price risk is not considered probable.

Credit risk

Credit risk is the exposure generated by the potential default of third parties in fulfilling their obligations. Credit risk is considered low as the financial exposure under each contract is effectively managed with proactive risk assessment and suitable ongoing credit control.

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 the Company 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 for the Year Ended 31 December 2022

Going concern

The directors acknowledge the Company's net current liabilities position at 31 December 2022 of £29,019,212 (2021: £8,278,073) and its loss after tax for the year then ended of £22,742,523 (2021: £11,994,891). A further £14.5m of loans from the group undertaking that provided £10m in the prior year is included in current liabilities and accounts for the majority of the movement in the net current liability position. The Company is in a net liabilities position at 31 December 2022 of £3,611,577 (2021: net assets £19,130,945), the movement reflecting the loss after tax.

Well-developed plans have been made to move the Company to profitable cash generation. The demands for the underlying developed assets remain strong and the environmental factors generally favourable over the long term

The Company is currently reliant upon a parent company, Werhahn Industrieholding SE, to continue to fund its activities. The Directors have been informed that the ultimate parent company, Wilh. Werhahn KG, has decided that the upcoming phase of capital-intensive growth will require the involvement of a new majority shareholder or the potential sale of the whole company. The parent company, Werhahn Industrieholding SE, has provided a letter of support for at least 12 months from the date of signing the financial statements, however, this financing commitment is subject to a clause that states that the letter of support automatically expires when the company ceases to be a wholly owned subsidiary of this parent company. The process to find a majority shareholder or sell the whole company has been initiated but has not yet been completed at the date of approval of these financial statements, however the Directors acknowledge that this could happen within the going concern period. The current directors of the company do not have access to the future plans, strategy or financing for the company in order to assess whether the company would be able to continue as a going concern should the company be wholly sold or partly sold to a new majority shareholder in the going concern period.

Based on the information available, the Directors expect that the necessary financing of the further growth of the Company will be available in order to enable the Company to continue as a going concern for at least 12 months from the date of approval of these financial statements.

Consequently, the Directors consider it is appropriate to adopt the going concern basis in preparing the financial statements but based on what is described in the preceding paragraphs, and in particular, the clause within the letter of support that states it automatically expires when the company ceases to be a wholly owned subsidiary of the parent company. In addition, the Directors do not have access to the future plans, strategy or financing for the company in order to assess whether the company would be able to continue as a going concern should the company be wholly sold or partly sold to a new majority shareholder. As a result, they have concluded these conditions represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern should the assumptions referred to above prove not to be correct.

Impact of Coronavirus

The business plans and financing support are considered sufficient to accommodate further pandemic disruption through to 2023/24.

Prior Year Adjustment

During the year there was a change in policy of how Intangible Assets were recorded following the Company's acquisition by Wilh. Werhahn KG in 2021. Prior to the change, where identifiable expenditure for a project was capitalised as an intangible asset this included that created by the company's own resources including personnel. Such costs are now written off. Due to this change, a

FiberLean Technologies Limited

Directors' Report for the Year Ended 31 December 2022

prior year adjustment has been made for 2021 restating the Statement of Income and Expenditure and Balance Sheet.

This has increased brought forward losses by £8,156,915 and decreased intangible assets by the same value. The 2021 profit and loss account has been restated to recognise development costs in profit and loss and reverse the associated amortisation on these costs. This adjustment has increased the 2021 loss by £971,365.


Post Balance Sheet Events

The Directors have been informed, that the ultimate parent company Wilh. Werhahn KG has decided, that the upcoming phase of capital-intensive growth phase will require the involvement of a strategic partner. The process to find a strategic partner has been initiated but has not yet been completed at the date of approval of these financial statements.

Disclosure of information to the auditors

Each director has taken 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.

Approved by the Board on 25.09.2023 and signed on its behalf by:

DocuSigned by:

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Mr S J Clague
Director

FiberLean Technologies Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).


Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Approved by the Board on 25.09.2023 and signed on its behalf by:

DocuSigned by:

3570DFCD4D2E476...
Mr S J Clague
Director

Independent auditors' report to the members of FiberLean Technologies Limited

Report on the audit of the financial statements

Opinion

In our opinion, FiberLean Technologies Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2022; the Statement of Income and Expenditure and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard; and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The Company is currently reliant upon a parent company, Werhahn Industrieholding SE, to continue to fund its activities. The Directors have been informed that the ultimate parent company, Wilh. Werhahn KG, has decided that the upcoming phase of capital-intensive growth will require the involvement of a new majority shareholder or the potential sale of the whole company. The parent company, Werhahn Industrieholding SE, has provided a letter of support for at least 12 months from the date of signing the financial statements, however, the financing commitment of this parent company is subject to a clause that states the letter of support automatically expires when the company ceases to be an indirectly wholly owned subsidiary of this parent company. The process to find a majority shareholder or sell the whole company has been initiated but has not yet been completed at the date of approval of these financial statements, however the directors acknowledge that this could happen within the going concern period. The current directors of the company do not have access to the future plans, strategy or financing for the company in order to assess whether the company would be able to continue as a going concern should the company be wholly sold or partly sold to a new majority shareholder in the going concern period. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast

FiberLean Technologies Limited

Independent auditors' report to the members of FiberLean Technologies Limited

significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

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 year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

FiberLean Technologies Limited

Independent auditors' report to the members of FiberLean Technologies Limited

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.

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to minimising losses made during the year to enhance the performance to stakeholders and the manipulation of the significant estimate relating to the valuation of intangible assets. Audit procedures performed by the engagement team included:

- testing journals to identify any entries which credited revenue or expenses and debited any unusual items;
- obtaining an understanding of the legal and regulatory frameworks applicable to the Company;
- obtaining the Company's assessment of the key fraud risks and the controls and procedures that are in operation to prevent and detect fraud; and
- challenging assumptions and judgements made by management in their significant accounting estimates used for the carrying value of the intangible assets.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

FiberLean Technologies Limited

Independent auditors' report to the members of FiberLean Technologies Limited

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Stephen Patey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
29/09/2023

FiberLean Technologies Limited

Statement of Income and Expenditure

Year Ended 31 December 2022

		(As restated)	
	Note	2022 £	2021 £
Turnover	3	581,617	736,545
Other operating income	4	287	184,452
Raw materials and consumables used		(1,355,022)	(535,295)
Staff costs		(3,887,647)	(3,316,147)
Depreciation and amounts written off tangible and intangible fixed assets		(3,282,278)	(3,126,522)
Other operating expenses		(14,375,776)	(6,064,281)
Other losses	5	-	(1)
Operating loss	6	(22,318,819)	(12,121,249)
Other interest receivable and similar income	10	12,516	4,686
Interest payable and similar expenses	11	(436,220)	(259,926)
		(423,704)	(255,240)
Loss before taxation		(22,742,523)	(12,376,489)
Tax on loss	12	-	381,598
Loss for the financial year		(22,742,523)	(11,994,891)

The notes on pages 15 to 28 form an integral part of these financial statements.

FiberLean Technologies Limited

Balance Sheet

31 December 2022

		(As restated)	
	Note	2022 £	2021 £
Fixed assets			
Intangible assets	13	20,053,705	22,523,419
Tangible assets	14	5,700,037	5,188,391
		<u>25,753,742</u>	<u>27,711,810</u>
Current assets			
Stocks	15	440,966	366,129
Debtors	16	2,186,948	1,330,966
Cash at bank and in hand	17	2,288,992	2,892,673
		<u>4,916,906</u>	<u>4,589,768</u>
Creditors: Amounts falling due within one year	18	<u>(33,936,118)</u>	<u>(12,867,841)</u>
Net current liabilities		<u>(29,019,212)</u>	<u>(8,278,073)</u>
Total assets less current liabilities		<u>(3,265,470)</u>	<u>19,433,737</u>
Creditors: Amounts falling due after more than one year	18	<u>(346,107)</u>	<u>(302,792)</u>
Net (liabilities)/assets		<u>(3,611,577)</u>	<u>19,130,945</u>
Capital and reserves			
Called up share capital	20	86,999,742	86,999,742
Profit and loss account		<u>(90,611,319)</u>	<u>(67,868,797)</u>
Total Shareholders' (deficit)/funds		<u>(3,611,577)</u>	<u>19,130,945</u>

The financial statements on pages 12 to 28 were approved by the Board of Directors on 25.09.2023 and signed on its behalf by:

DocuSigned by:



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Mr S J Clague

Director

Company Registration Number: 10021333

The notes on pages 15 to 28 form an integral part of these financial statements.

FiberLean Technologies Limited

Statement of Changes in Equity

Year Ended 31 December 2022

	Share capital £	Profit and loss account £	Total £
At 1 January 2022	86,999,742	(67,868,797)	19,130,945
Loss for the year	-	(22,742,523)	(22,742,523)
At 31 December 2022	86,999,742	(90,611,319)	(3,611,577)

	Share capital £	Profit and loss account £	Total £
At 1 January 2021	39,392,102	(47,716,991)	(8,324,889)
Prior Year Adjustment	-	(8,156,915)	(8,156,915)
At 1 January 2021 (As restated)	39,392,102	(55,873,906)	(16,481,804)
Loss for the year	-	(11,994,891)	(11,994,891)
New share capital subscribed	47,607,640	-	47,607,640
At 31 December 2021	86,999,742	(67,868,797)	19,130,945

The notes on pages 15 to 28 form an integral part of these financial statements.

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2022

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

England

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', from which there were no material departures.

Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 2006. The historical cost convention has been used except as disclosed in the accounting policies where certain items are shown at fair value.

The directors acknowledge the Company's net current liabilities position at 31 December 2022 of £29,019,212 (2021: £8,278,073) and its loss after tax for the year then ended of £22,742,523 (2021: £11,994,891). A further £14.5m of loans from the group undertaking that provided £10m in the prior year is included in current liabilities and accounts for the majority of the movement in the net current liability position. The Company is in a net liabilities position at 31 December 2022 of £3,611,577 (2021: net assets £19,130,945), the movement reflecting the loss after tax.

Well-developed plans have been made to move the Company to profitable cash generation. The demands for the underlying developed assets remain strong and the environmental factors generally favourable over the long term.

The Company is currently reliant upon a parent company, Werhahn Industrieholding SE, to continue to fund its activities. The Directors have been informed that the ultimate parent company, Wilh. Werhahn KG, has decided that the upcoming phase of capital-intensive growth will require the involvement of a new majority shareholder or the potential sale of the whole company. The parent company, Werhahn Industrieholding SE, has provided a letter of support for at least 12 months from the date of signing the financial statements, however, this financing commitment is subject to a clause that states that the letter of support automatically expires when the company ceases to be a wholly owned subsidiary of this parent company. The process to find a majority shareholder or sell the whole company has been initiated but has not yet been completed at the date of approval of these financial statements, however the Directors acknowledge that this could happen within the going concern period. The current directors

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2022

Basis of preparation continued

of the company do not have access to the future plans, strategy or financing for the company in order to assess whether the company would be able to continue as a going concern should the company be wholly sold or partly sold to a new majority shareholder in the going concern period.

Based on the information available, the Directors expect that the necessary financing of the further growth of the Company will be available in order to enable the Company to continue as a going concern for at least 12 months from the date of approval of these financial statements.

Consequently, the Directors consider it is appropriate to adopt the going concern basis in preparing the financial statements but based on what is described in the preceding paragraphs, and in particular, the clause within the letter of support that states it automatically expires when the company ceases to be a wholly owned subsidiary of the parent company. In addition, the Directors do not have access to the future plans, strategy or financing for the company in order to assess whether the company would be able to continue as a going concern should the company be wholly sold or partly sold to a new majority shareholder. As a result, they have concluded these conditions represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern should the assumptions referred to above prove not to be correct.

The presentation currency is £ sterling.

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows.

This information is included in the consolidated financial statements of Wilh. Werhahn KG. as at 31 December 2022 and these financial statements are available from Königstraße 1, 41460 Neuss, Germany.

Prior Year Adjustment

During the year there was a change in policy of how Intangible Assets were recorded following the Company's acquisition by Wilh. Werhahn KG in 2021. Prior the change, where identifiable expenditure for a project was capitalised as an intangible asset this included that created by the company's own resources including personnel. Such costs are now written off. Due to this change, a prior year adjustment has been made for 2021 restating the Statement of Income and Expenditure and Balance Sheet.

This has increased brought forward losses by £8,156,915 and decreased intangible assets by the same value. The 2021 profit and loss account has been restated to recognise development costs in profit and loss and reverse the associated amortisation on these costs. This adjustment has increased the 2021 loss by £971,365.

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2022

Key judgements and key sources of estimation uncertainty

Impairment of intangible assets

Significant intangible assets are included on the balance sheet of £20,053,705 (2021: £22,523,419) which mainly relate to development costs incurred from development and trialling of the MFC product up to 30 April 2016 when they were acquired under two Asset Purchase Agreements from Omya Holdings AG and Imerys Minerals Ltd. 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

Service turnover arises from the recharge of engineering and trial services performed. It also includes licence fee income being the fixed price per tonne of FiberLean produced by the end user. Goods turnover arises upon the dispatch of goods to customers. All turnover 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 a revenue nature are credited entirely to the profit and loss account so as to match them with the expenditure to which they relate.

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 rate on the date when the fair value is re-measured.

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.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised on all timing differences at the balance sheet date. 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.

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2022

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

Intangible assets

Trademarks, patents and licences

Separately acquired patents are written off as incurred.

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 and where the project was not created by the Company's own resources including personnel. 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.

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

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
Development costs	5 -14 years straight line

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2022

Development costs continued

During the year there was a change in policy of how Intangible Assets were recorded following the Company's acquisition by Wilh. Werhahn KG in 2021. Prior the change, where identifiable expenditure for a project was capitalised as an intangible asset this included that created by the company's own resources including personnel. Such costs are now written off. Due to this change, a prior year adjustment has been made for 2021 restating the Statement of Income and Expenditure and Balance Sheet.

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.

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;
- Other loans; and
- Cash and bank balances.

All financial instruments are classified as basic.

Recognition and measurement

The Company has chosen to apply sections 11 and 12 in respect of 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 other 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.

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2022

Recognition and measurement continued

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

3. Turnover

The analysis of the company's Turnover for the year from continuing operations is as follows:

	2022 £	2021 £
Sale of goods	241,606	142,372
Rendering of services	340,011	594,173
	<u>581,617</u>	<u>736,545</u>

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

	2022 £	2021 £
UK	329,827	-
Europe	168,960	532,986
Rest of world	82,830	203,559
	<u>581,617</u>	<u>736,545</u>

4 Other operating income

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

	2022 £	2021 £
Government grants	78	84,653
Miscellaneous other operating income	209	99,799
	<u>287</u>	<u>184,452</u>

5. Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2022 £	2021 £
Loss from disposals of investments	-	(1)

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2022

6 Operating loss

Arrived at after charging:

	2022	(As restated) 2021
	£	£
Depreciation expense	777,015	703,609
Amortisation expense	2,505,263	2,422,913
Research cost	1,701,152	2,151,998
Foreign exchange losses	89,473	44,511
Loss on disposal of property, plant and equipment	2,782	-

7 Staff costs

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

	2022	2021
	£	£
Wages and salaries	3,087,885	2,693,010
Social security costs	306,975	206,180
Pension costs, defined contribution scheme	422,906	305,244
Other employee expense	69,881	111,713
	<u>3,887,647</u>	<u>3,316,147</u>

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

	2022 No.	2021 No.
Production	56	53
Administration and support	11	7
	<u>67</u>	<u>60</u>

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2022

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £	2021 £
Remuneration	212,356	229,806
Contributions paid to money purchase schemes	18,778	16,142
	<u>231,134</u>	<u>245,948</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2022 No.	2021 No.
Accruing benefits under defined benefit pension scheme	<u>1</u>	<u>1</u>

In respect of the highest paid director:

	2022 £	2021 £
Remuneration	<u>214,889</u>	<u>245,948</u>

9 Auditors' remuneration

	2022 £	2021 £
Audit of the financial statements	<u>105,496</u>	<u>105,033</u>

10 Other interest receivable and similar income

	2022 £	2021 £
Other finance income	<u>12,516</u>	<u>4,686</u>

11 Interest payable and similar expenses

	2022 £	2021 £
Interest expense on other finance liabilities	432,264	259,842
Other finance costs	3,956	84
	<u>436,220</u>	<u>259,926</u>

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2022

12 Tax on loss

Tax credited in the profit and loss account

	2022 £	2021 £
Deferred taxation		
Arising from origination and reversal of timing differences	-	(381,598)

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	(As restated)	
	2022 £	2021 £
Loss before tax	(22,742,523)	(12,376,489)
Corporation tax at standard rate	(4,321,079)	(2,351,533)
Expenses not deductible for tax purposes	6,650	3,144
Movement in deferred tax not recognised	4,309,480	1,869,946
Increase in UK and foreign current tax from adjustment for prior periods	-	5,446
Group relief surrendered	24,700	21,419
R&D expenditure credits	2,118	-
Fixed asset (loss)/gain on disposal	(21,869)	69,980
Total tax credit	-	(381,598)

Deferred tax

There are £65,880,173 of unused tax losses (2021 - £39,615,709) for which no deferred tax asset is recognised in the balance sheet.

An asset has not been recognised in respect of deferred tax as the company does not deem it probable that sufficient future taxable profit will be available in the near future against which unused tax losses or credits can be recovered or utilised.

The tax rate for the current year is the same as for the prior year. Changes to the UK Corporation tax rates were proposed in the Finance Bill 2021. These included maintaining the main rate at 19% from 1 April 2020 until March 2023 and increasing the main rate to 25% from 1 April 2023. Deferred taxes at the balance sheet date have been measured using these substantially enacted tax rates and reflected in these financial statements.

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2022

13 Intangible assets

	Trademarks, patents and licenses £	Development costs £	Software £	Total £
Cost or valuation				
At 1 January 2022	3,779,398	40,934,868	1,365,489	46,079,755
Prior Year Adjustment	(3,779,398)	(5,914,399)	(1,365,489)	(11,059,286)
At 1 January 2022 (as restated)	-	35,020,469	-	35,020,469
Additions acquired separately	-	35,549	-	35,549
At 31 December 2022	-	35,056,018	-	35,056,018
Accumulated amortisation				
At 1 January 2022	307,784	13,112,804	1,007,467	14,428,055
Prior Year Adjustment	(307,784)	(615,754)	(1,007,467)	(1,931,005)
At 1 January 2022 (as restated)	-	12,497,050	-	12,497,050
Charge for the year	-	2,505,263	-	2,505,263
At 31 December 2022	-	15,002,313	-	15,002,313
Carrying amount				
At 31 December 2022	-	20,053,705	-	20,053,705
At 31 December 2021	-	22,523,419	-	22,523,419

The aggregate amount of research and development expenditure recognised as an expense during the year is £1,701,152 (2021 - £2,151,998).

During the year there was a change in policy of how Intangible Assets were recorded following the Company's acquisition by Wilh. Werhahn KG in 2021. Prior the change, where identifiable expenditure for a project was capitalised as an intangible asset this included that created by the company's own resources including personnel. Such costs are now written off. Due to this change, a prior year adjustment has been made for 2021 restating the Statement of Income and Expenditure and intangible assets as above.

This has increased brought forward losses by £8,156,915 and decreased intangible assets by the same value.

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2022

14 Tangible assets

	Leasehold improvements £	Furniture, fixtures, fittings and computer equipment £	Assets under construction £	Plant and machinery £	Total £
Cost or valuation					
At 1 January 2022	987,472	303,895	732,292	6,469,257	8,492,916
Additions	68,755	76,416	335,973	830,513	1,311,657
Disposals	-	(15,209)	-	(25,457)	(40,666)
At 31 December 2022	1,056,227	365,102	1,068,265	7,274,313	9,763,907
Accumulated Depreciation					
At 1 January 2022	77,670	211,200	-	3,015,655	3,304,525
Charge for the year	41,904	61,299	-	673,812	777,015
Eliminated on disposal	-	(14,362)	-	(3,308)	(17,670)
At 31 December 2022	119,574	258,137	-	3,686,159	4,063,870
Carrying amount					
At 31 December 2022	936,653	106,965	1,068,265	3,588,154	5,700,037
At 31 December 2021	909,802	92,695	732,292	3,453,602	5,188,391

15 Stocks

	2022 £	2021 £
Raw materials and consumables	316,829	354,282
Finished goods and goods for resale	124,137	11,847
	440,966	366,129

16 Debtors

	2022 £	2021 £
Trade debtors	382,596	312,060
Amounts owed by group undertakings	735,218	385,348
Other debtors	485,867	114,979
Prepayments	275,068	275,929
Accrued income	308,199	242,650
	2,186,948	1,330,966

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2022

16 Debtors continued

Included within 'Amounts owed by group undertakings' are short term loans, £722,703 on which interest is payable at 2.50% above the Bank of England base rate. The loans are unsecured, without any guarantee and repayable on demand.

17 Cash at bank and in hand

	2022 £	2021 £
Cash in transit	64,512	-
Cash at bank	2,224,480	2,892,673
	<u>2,288,992</u>	<u>2,892,673</u>

18 Creditors

	2022 £	2021 £
Amounts falling due within one year		
Trade creditors	272,550	353,089
Amounts owed to group undertakings	31,982,319	11,304,894
Taxation and social security	53,141	61,302
Outstanding defined contribution pension costs	14,911	-
Other creditors	751	-
Accruals	1,500,176	1,105,591
Deferred income	112,270	42,965
	<u>33,936,118</u>	<u>12,867,841</u>
Amounts falling due after more than one year		
Deferred income	<u>346,107</u>	<u>302,792</u>

Included within 'Amounts owed to group undertakings' are short term loans of £24,500,000 (2021 - £10,000,000). £11,000,000 on which interest was payable at 3.40% was repaid on 14 March 2023. £13,500,000 on which interest is payable at 4.25% was repaid on 22 June 2023. Both loans are with Werhahn Industrieholding SE, part of the Werhahn group.

Remaining amounts owed to group undertakings are interest-free, unsecured, without any guarantee and repayable on demand.

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2022

19 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2022 £	2021 £
Not later than one year	6,602	4,552
Later than one year and not later than five years	11,322	-
	<u>17,924</u>	<u>4,552</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £5,122 (2021 - £2,161).

20 Called up share capital

Allotted, called up and fully paid shares

	No.	2022 £	No.	2021 £
Ordinary A shares of £1 each	19,696,051	19,696,051	19,696,051	19,696,051
Ordinary B shares of £1 each	19,696,051	19,696,051	19,696,051	19,696,051
Preferred A Shares of £1 each	23,803,820	23,803,820	23,803,820	23,803,820
Preferred B Shares of £1 each	23,803,820	23,803,820	23,803,820	23,803,820
	<u>86,999,742</u>	<u>86,999,742</u>	<u>86,999,742</u>	<u>86,999,742</u>

21 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £162,289 (2021 - £160,480).

22 Parent and ultimate parent undertaking

The company's immediate parent is FiberLean Technologies GmbH, incorporated in Germany.

The ultimate parent is Wilh. Werhahn KG, incorporated in Germany.

The parent undertaking of the smallest and largest group which includes the company and for which group accounts are prepared is Wilh. Werhahn KG. Copies of the group financial statements are available from Königstraße 1, 41460 Neuss, Germany.

FiberLean Technologies Limited

Notes to the Financial Statements

Year Ended 31 December 2022

23 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 £422,906 (2021 - £305,244).

Contributions totalling £14,911 (2021 - £Nil) were payable to the scheme at the end of the year and are included in creditors.

24 Related party transactions

Summary of transactions with all joint ventures

Imerys Minerals Limited and Omya International AG were related parties of the company by virtue of each being 50% joint venture share holders. This ceased on 15 March 2021 when one hundred percent of FiberLean Technologies Limited shares were acquired by Sechste Werhahn Projekte GmbH. Having purchased the company, Sechste Werhahn Projekte GmbH formally registered a change of name to FiberLean Technologies GmbH.

During the year the company made sales to joint venture parties of £Nil (2021: £103,252) and made purchases/received services from these companies of £Nil (2021: £195,755). In addition, loans of £Nil (2021: £1,650,000) were received from the joint venture parties which incurred interest at a rate of SONIA +2.5% which created interest charges of £Nil (2021: £181,756). At the year end date, a net £Nil (2020: £Nil) was due to these companies.