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# Annual Report & Accounts 2016





## About Filta

Filta Group Holdings plc is a multi-service B2B provider to commercial kitchens, primarily operating in the UK and US.

The Company has over 180 Franchise Owners, and teams of corporate vans, providing services to over 5,000 restaurants and other commercial kitchens every week.

Filta has an impressive underlying blue chip customer base, a high level of recurring revenue and a strong dividend commitment.



Further information and investor updates  
can be found on our website at  
[www.FiltaPlc.com](http://www.FiltaPlc.com)

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# Highlights

## Operational Highlights

Group revenue up 27% to £10.1m

Fryer Management revenue, primarily recurring in nature, grew £1.7m or 38%

Underlying operating profit increased to £1.15m, a 4% increase over prior year<sup>1</sup>

Deferred income balance grew by £1.0m to £2.7m

£4.4m of cash on hand to fund strategic growth initiatives

## Financial Highlights

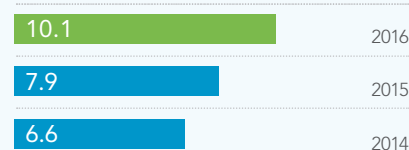
### Revenue

£10.1m +27%

2015 £7.9m

### Revenue

£m



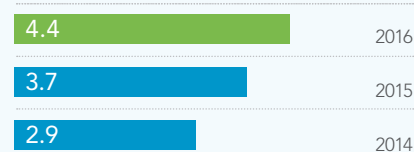
### Gross Profit

£4.4m +19%

2015 £3.7m

### Gross profit

£m



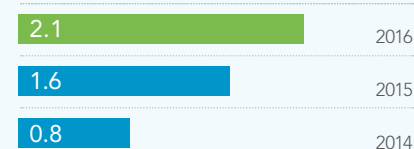
### Adjusted Underlying Profit\*

£2.1m +31%

2015 £1.6m

### Adjusted Underlying Profit\*

£m



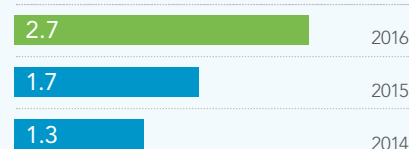
### Deferred Income Balance

£2.7m +58%

2015 £1.7m

### Deferred Income Balance

£m



<sup>1</sup>Adjusted Underlying Profit excludes special bonuses paid prior to IPO and AIM admission costs and is adjusted to include change in deferred revenue.

# Chairman's Statement

## £10.1m

**Group Revenue** +27%  
2015: £7.9m

## £1.1m

**Group Underlying Operating Profit<sup>1</sup>** +4%  
2015: £1.1m

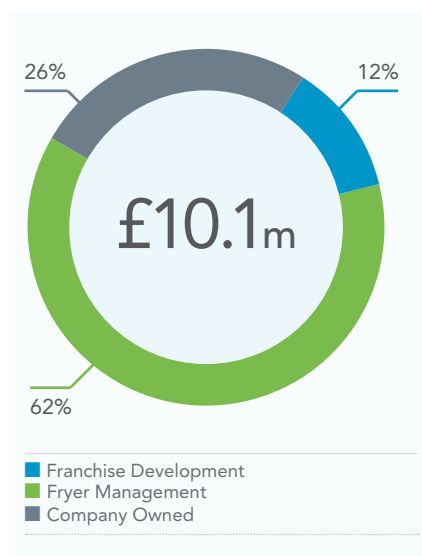
## (1.51)p

**Basic and Fully Diluted Earnings Per Share**  
2015: 1.39p

## 5.05p

**Underlying Earnings Per Share<sup>1</sup>**  
2015: 5.08p

### Full Year 2016 Operating Revenue



### Introduction

I am delighted to be able to report in this, our first Annual Report and Accounts since our admission to AIM in November last year, that we have experienced continued strong trading in our cornerstone fryer management business and seen good progress with our newer service offerings.

After 13 years of developing the businesses in both the USA and the UK, the time was right to put in place the corporate structure and funding to enable the Group to pursue its growth ambitions over the coming years. Accordingly, we consolidated the businesses under common ownership and raised £4.3 million by way of a placing of new shares, which, after repayment of Director's Loan's, provided £3.7 million for investment in new products and additional staff and for expansion into new geographies.

### Results

Underlying Operating Profit<sup>1</sup> for the year ended 31 December 2016 was £1,147,123 (2015: £1,105,991). There were non-recurring costs, being special bonuses paid to shareholder-directors prior to admission to AIM of £679,936 (2015 – £656,000) and AIM admission costs of £580,603 (2015: Nil), which, together with finance costs of £104,828 (2015: £73,721) resulted in a reported loss before tax of £218,244 (2015: profit £376,270) and a loss after tax of £342,581 (2015: profit £302,210) on revenue of £10,075,239 (2015 – £7,925,272).

The underlying operating profit includes £521,213 (2015 – £412,219) which was released from deferred income, having been accrued in previous years. However, we also generated revenue of £1,483,120 (2015 – £864,603) which has been added to deferred income and will be released to profit in future years. The Board believes that, in addition to the underlying profit, the resulting increase in the deferred income of £961,907 (2015 – £452,304) represents an important indicator of performance. In particular, it provides visibility of future reportable profits and is reflected by cash flow generation, as is evidenced by the cash generated from operations before non-recurring items (Note 25) of £1,300,296 (2015 – £1,221,913) in the year. The total amount standing to the credit of the deferred income account at the year-end was £2,711,358 (2015 – £1,749,451).

After investment in property, the payments to shareholder-directors referred to above, finance costs and the receipt of the listing proceeds of £3,717,946, net of costs, the cash balance at 31 December 2016 was £4,392,350 (2015: £978,939).

A strong franchise development performance has seen us increase our Franchise Owner base from 167 to 182 and the number of MFUs (mobile filtration units) from 300 to 339, further strengthening our platform for growth in future years. Additionally, we continued to see good growth in both our company owned operations, Fita-Seal and Fita Refrigeration,

<sup>1</sup> Underlying Profit excludes amounts relating to the costs of the Initial Public Offering and Pre-IPO shareholder bonuses.

experiencing 14% and 30% revenue improvement, respectively.

### Strategy and Development

The Fryer Management Services division is the cornerstone of our business and we continue to seek to grow this area both by securing new franchisees and by increasing the numbers of customers serviced by our franchisees through higher penetration of the NCAs (National and Centralized Accounts) market.

In addition, we are increasing the range of services that our franchisees are able to offer customers, including, particularly, FiltaBio and FiltaCool. In the last six months we have launched FiltaDrain, a weekly-applied drain cleaning service, through Franchise Owners in the USA and directly through Company-owned operations in the UK.

In December 2016, we formed a company in Canada to develop a similar offering to that being provided in the USA. We are now actively seeking suitable Franchise Owners and plan to launch the first operation during the first half of 2017, with others to follow later in the year.

### Dividends

At 31 December 2016, the distributable reserves account was in deficit and we were unable to propose a dividend in respect of 2016. However, we announced in January 2017 that we had cancelled our share premium

account and utilised the balance to eliminate the deficit on the distributable reserves account, enabling dividends to become payable.

Accordingly, notwithstanding that the Company had been a quoted company for only two months of last year, the Board intends to pay a first interim dividend for 2017, in lieu of a dividend for 2016, during the first half of this year.

A second interim dividend will be paid following the publication of the interim accounts and it is intended that this will represent approximately one third of the total dividend expected to be paid or recommended in respect of 2017.

### Current trading and outlook

Whilst there is some economic and political uncertainty in both of our principal operating regions, our business has not been greatly affected by the uncertainties and we believe that this is likely to remain the case.

Our growth has been driven by a significant level of repeat income from Fryer Management. In addition, during the last 12 months, we secured 23 new franchises and commissioned 39 new MFUs, all of which will enhance our royalties in the current and future years. We have already secured 6 new franchisees this year and are confident interest from new applicants so to join our business remains strong.

At the start of this year Fita-Seal experienced a significant pickup in activity over the start of last year and we expect to see this business continue to grow through the current year. Its revenues are substantially improved over the same period last year. In addition, whilst our FiltaDrain business is still young, the take-up by both franchisees and customers has been very encouraging, causing us to believe that this is a business with good potential.

We have had a positive start to the year and your Board is confident of another year of strong growth.

### Management, staff and Franchise Owners

The Group would not be able to achieve its success without the considerable efforts of our management and staff and I thank them for their hard work and commitment both in the last year and in the years leading to the admission to AIM.

I also take this opportunity to recognize the importance of our Franchise Owners, whose own performance and client commitment is critical to our success and reputation.

Finally, our Business Model and Strategy is contained on pages 7 to 12. It was approved by the Board on 31 March 2017.

### Tim Worledge

Chairman

31 March 2017



Caption: Donec auctor leo ac





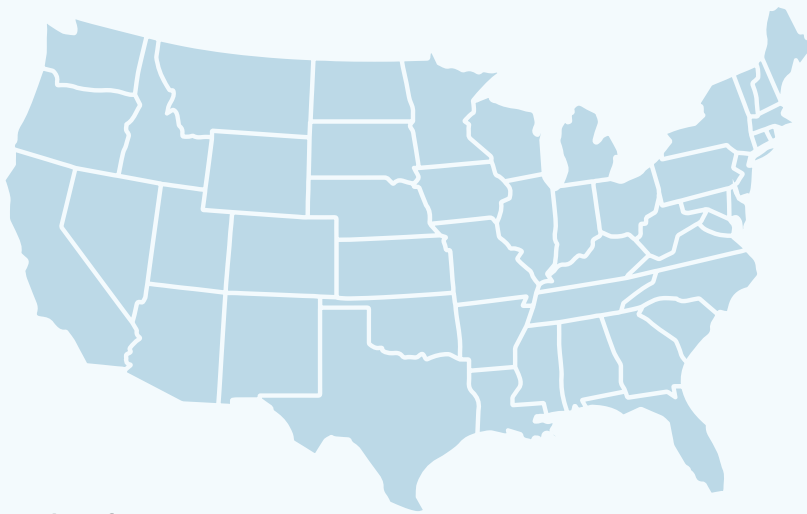
# Strategy and Operations

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## Major Markets

Filta operates principally in the USA and the UK, providing a range of commercial kitchen related services through franchise networks and Company-owned operations.

### USA



#### Number of vans

## 300 Franchise Operated

### UK



#### Number of vans

## 41 Franchise Operated 21 Company Owned

#### Business growth drivers:

- New Franchise Sales (new territories)
- Existing Franchise Owners growth
- National Accounts
- New services and products offered through Franchise Network

#### Corporate HQ in Orlando, Florida, USA

- Principally a franchise network business
  - Franchisees mostly multi-unit operators
  - Exclusive rights to defined area
- All services provided through Filta Franchise Network
  - Fryer management is principal service
  - Ancillary services include FiltaBio waste oil collection, FiltaGold new oil supply and FiltaDrain kitchen drain solution
- Revenues generated mainly from franchise sales, franchise services, oil resales

#### Business growth drivers:

- Expansion of existing Company-owned services
- Development of additional related services
- Increased focus on national accounts

#### Corporate HQ in Rugby, England

- Franchise network business and company-owned operations
- Franchise network business:
  - Franchisees mostly single unit operators
  - Services are solely fryer management
- Company-owned Operations:
  - Fita-Seal, replacement of refrigeration seals
  - Filta Refrigeration, installation, repair and maintenance of refrigeration and aircon units
  - FiltaDrain, kitchen drain solution
- Revenues derived principally from FiltaFry, Fita-Seal and Filta Refrigeration.

## Services

One customer – multi-services

### Fryer Management – The FiltaFry Service

FiltaFry, our unique Fryer Management service, is the cornerstone of the Group's activities and service offering in both the USA and the UK. It provides an effective, hygienic and economic service for commercial kitchens, cleaning fryers, reducing cooking oil costs and disposing of waste cooking oil.

- FiltaFry provides a total fryer management service, including the on-site micro-filtration, removal and replacement of cooking oil.
- 5,000+ restaurant and food service customers receive FiltaFry services on a weekly basis.
- Franchisees operate a total of 341 MFUs (Mobile Filtration Unit) of which 300 are in the USA and 41 in the UK.

### Fita-Seal

Fita-Seal operates in the UK and is a patented system for replacing damaged or perished refrigerator and freezer door seals on-site in a cost and time effective manner. Specifically, the system allows engineers, using patented on board equipment and materials to replace a seal in one visit, producing cost and time savings for its clients, who would otherwise experience ordering and fitting delays following an initial engineer's visit. The benefit of this service, apart from avoiding the disruption that multiple engineer visits causes, is the energy cost saving and avoidance of longer-running food hygiene risks.

### Filta Refrigeration

Filta's experience in the refrigeration business led to the maintenance and installation services for commercial refrigeration units. There is a need for

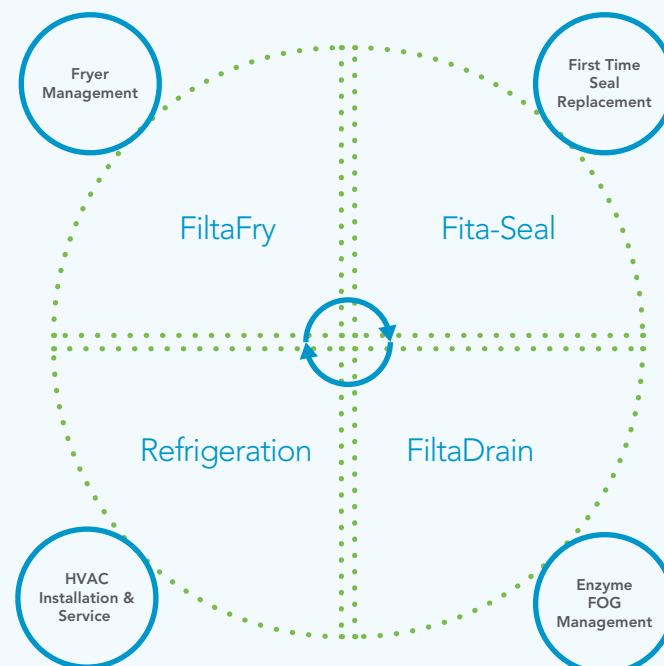
refrigeration units to be serviced regularly and, when breakdown occurs, the customer needs it to be repaired quickly. Thus, where a good customer relationship has already been established, that same customer is often inclined to use the same provider for related services if they are available.

### FiltaDrain

FiltaDrain is a "fats, oil and grease" (FOG) management system. It is an eco-friendly, enzyme based, chemical solution which is used to prevent the build-up of grease in drains.

In the UK, this solution is delivered through automated drip systems that are serviced every 3 months by the Fita-Seal engineers as a Company-provided service.

In the US, it is currently sold by the Franchise Owners as a spray service on a pay-per-use basis.





## The Franchise Model

Our Fryer Management service is provided through a network of Franchise Owners, who operate under 10 year franchise licences in the US and under 5 year franchise licences in the UK.

Filta, as the Franchisor, owns the intellectual property ("IP") comprised in the equipment and systems and, through its Franchise Model, allows its Franchise Owners to make use of that IP and of the FiltaFry name in providing the Fryer Management Service to its customers.

There are two key components to the creation of a successful franchise:

- The quality of the franchisee and
- The provision by the franchisor of constant advice and support to the franchisee as he first establishes and then develops the business

Filta takes a great deal of time in selecting its franchisees, who undergo an extensive interviewing and assessment process before being awarded a franchise. Care is taken to establish that the applicant has the necessary funds, drive and enthusiasm to run and build the business.



## Business Model

There are three key components of revenue generation in the Group and each of these is important, not just to revenues, but in providing the platform for growth in the future.

### 1 – Franchise Development



- New Franchise Owners and territories
- Territory Fee and Opening Package Fee paid by franchisee
- 10 Year Franchise Agreements (5yr UK) with annual royalties
- **Key objective is continuing improvement of our Franchise Owner quality to provide a platform for growth as they add units, take on new territories and enhance our brand and reputation**

### 2 – Fryer Management Services



- All services are provided by or through Franchise Owners
- Franchisees pay a fixed royalty per MFU
- All products are provided by Filta, generating additional margin
- Franchise Owners' customer growth drives additional Filta revenues at little or no resource cost to Filta, providing increasing revenue visibility (2016 – repeat revenues at 90%+)
- **Key objective is growth of franchisees' revenue, driving predictable Group revenues at increasing marginal profit**

### 3 – Company Owned Operations (UK Only at this stage)



- Fita-Seal provides an essential service to customers and has a high level of visibility
- Filta Refrigeration fills a gap in the market with an additional service to Fita-Seal and other customers
- FiltaDrain provides a service under contract to commercial kitchens, often already FiltaFry customers
- **Key objective is to build repeat revenues, providing high revenue visibility maintenance contract customers**

#### Repeat Revenues Underpinned by Growing Royalty Income

Most the Group's revenues (62%) are earned by way of royalties and other income from an existing customer base which requires continuing and regular service. It provides strong cash flow and, together with a large deferred revenue position, provides good revenue visibility into future years.

#### Blue Chip Client Base

The Group has a broad client base in both the USA and the UK with clients ranging from small single outlet enterprises to a large number of blue chip clients with multi-outlets and national coverage including major supermarket groups, national pub chains and restaurant chains. The high quality and breadth of the client base helps to mitigate the risks of exposure to any single business or organisation.

## Our Market

### Target Markets

Filta's products and services are suitable for catering establishments throughout the UK and US. We have identified a number of commercial business sectors and public organisations which we believe to represent our principal target markets:

Sector	No. of Establishments			Fryers	Fridges, Seals & Drains
	UK	US			
<b>Restaurants</b>	72,000	630,000	Core to Filta's business in both the US and UK.	Some	All
<b>Supermarkets</b>	8,000	37,000	Multi-unit organisations and therefore potentially attractive customers	Some	All
<b>Universities &amp; Colleges</b>	106	2,000	Most have fryers, all have many seals and refrigeration units. Mostly accessed through Contract Caterers.	Most	All
<b>Sports Stadiums</b>	50	1,000	Only stadiums with over 5,000 capacity. Filta services over 275 US stadiums.	All	All
<b>Hospitals</b>		5,600	Mostly accessed through Contract Caterers.	Some	All
<b>Casinos</b>		500	Casinos can have many restaurants and most provide fried food.	All	All
<b>Contract Caterers</b>		50,000	Whether outside contract or provision of on-site staff, provide valuable access to many sectors.	Some	All

### Fryer Management

The target market for Fryer Management is any commercial kitchen with two or more deep fryers. There are around 258,000 eating out venues in the UK alone (source: Horizon FS Ltd), of which Management estimates that a total of 80,000 sites would benefit from the FiltaFry service.

The US market is over 8x the size of the UK, reflecting both population (roughly 5x the size of the UK) and higher consumption of fried food. US restaurant sales alone are estimated at \$783bn in 2016, having grown in each of the last 7 years. Data from the USDA (United States Department of Agriculture) shows food consumption out of home within the US - the two largest segments of which are Full Service and Fast Food restaurants - is near equal to US food consumption in home. Management estimates that over 650,000 target foodservice businesses in the US would benefit from the FiltaFry service.

Filta's current Fryer management Services client base represents market penetration of under 1% in the US and 2% in the UK.

### Fita-Seal

Fita-Seal has the same target customer base as Filta's fryer management business, being commercial kitchen operators. Management has a key target customer list for Fita-Seal, to many of which it already provides services. Management estimates that this target customer list alone has over 400,000 seals that require regular replacement. Based on the Company's current service rate, Fita-Seal is achieving only 4% penetration of this list and around 1% of the UK market.

### Filta Refrigeration

Filta Refrigeration is a traditional Heating & Ventilating Contractors Association (HVCA) installation and repair company. The refrigeration industry has two attractive niches which are targeted by Filta:

- Air conditioning; and
- Commercial refrigeration.

Each market is estimated by management to be worth c£0.7bn and so represents a total target market of £1.4bn. Although this business is still being developed, we believe that it has the potential to be a long-term generator of repeat revenues, principally from annual maintenance and repair contracts.

### FiltaDrain

FiltaDrain is the newest addition to our stable of commercial kitchen services and, although still in its infancy, we believe that it has the potential, also, to develop into a long-term generator of repeat revenues as a Company-owned business in the UK and to provide meaningful incremental income for our franchisees and ourselves in the USA.

## Strategy

Our objective is to deliver sustainable, predictable and profitable growth founded upon the following strategic operational pillars:

1.

Recruit the best Franchise Owners possible

2.

Drive and support the growth of the Franchise Owners

3.

Grow key and national accounts

4.

Increase our range of products and services

5.

Attract and develop the best people

6.

Increase the use of technology to improve our offering



# Chief Executive's Operating Review

November last year saw our successful admission to AIM and I am very pleased to report that the Group delivered record results with underlying operating profit of £1.15m, an increase of 4% over the previous year. Our business model is such that we start each year with higher revenue visibility than the prior year, and 2016 was no exception.

The **Fryer Management** segment, our principal activity, exhibited 38% revenue growth. This was supported by both organic and new franchise development which, in turn, enlarges the platform for further growth in Fryer Management Services revenue. We also experienced 23% revenue growth in our **Company Owned Operations**, Fita-Seal and Filta Refrigeration.

## Franchise Development

2016 was a strong year with a combined 36 new franchise and territory sales which contributed £1.2m revenue in the year and added £1.0m to the Deferred Revenue account.

Leads continued to come from the traditional franchise portal sites but we have also begun to deal with business brokers, who are, increasingly, being used by aspiring franchisees to help them find the best franchise to purchase. We contracted with a network of business brokers in 2016 and have found that their leads were high quality, accounting for 22% of Filta's franchise sales. We believe that this can be an important avenue for new business in the coming years as brokers can help drive both the quality and quantity of candidates that come to us.

2016 was also a good year for franchise resales with 9 Filta Franchise Owners selling their businesses, many for record values. Filta is entitled to a fee from the vendor on any resale and resales also provide an opportunity to strengthen the franchise network and, with the higher quality of candidates being generated by the business broker network, we are encouraged by the potential for the future.

## Fryer Management Services

Our Franchise Network is the showpiece of our business – our success reflects its success. We are committed to providing the franchisees with the necessary support to give them the best chance of success. Our Annual Franchise Conference in Orlando, Florida is the centrepiece event for Franchise Owners, with 100 attendees in 2016. Our team put together a spectacular event with three days of speakers, events, awards, round-table discussions and dinners, which has the four-fold objective of providing a forum for our Franchise Owners to meet and discuss experiences with each other, receiving feed-back from Owners, provide training updates and performance incentives by way of performance awards.

One of our strategic objectives is to encourage multi-unit franchisees, which helps to allay financial risk and to provide Owners with higher investment returns. At our 2016 conference, we recognized one Franchise Owner who had achieved \$1m in revenue for the previous year. In 2017, we acknowledged four Franchise Owners who had over \$1m of revenue in 2016.

Our US Franchise Network generated \$29m in revenues from their customers in 2016 (2015 – \$22m), a 32% rise. Network revenue represents the best indicator of the Filta brands growing strength in the market.

In supporting our Franchise Owners, we endeavour to lower as many barriers to growth as possible for them with programs such as:

- **Inside Sales** – our Inside Sales Team, rightly referred to as the “growth engine room”, has daily contact with Franchise Owners and helps them win new customers and upsell new products to existing customers. The team excelled again in 2016.
- **National Accounts** – we continue to grow our National Account customer base with contracts being signed with five new accounts including two contract caterers, a national hotel chain, a national restaurant chain and a chain of convenience stores.

- **Waste oil – 6K** – as the volumes of waste cooking oil collected by our network continues to grow, we have put in place a program of upgrading the facilities of Franchise Owners to allow them to increase their storage capacities to 6,000 gallons (22 metric tonnes) of waste oil at one time. This improves the economics for Filta by reducing the collection costs as well as improving the revenue potential because we are able to sell larger loads at better prices. In the last 18 months, we have upgraded 29 facilities in the US to this 6k capacity, putting in place the building blocks for future growth.

- **Tech recruitment** – with 341 trucks on the road at year end and growing quickly, hiring and keeping good Technicians is the lifeblood of our Franchisees' businesses. To help our franchisees in managing this resource, Filta recruited a full-time recruiter in 2016 based in the Orlando Corporate Office, who is dedicated to finding the best Technicians for our Franchise Owners. Since her appointment in April 2016, she has placed over 100 Technicians for our Franchise Owners.

In the US, we have been trialling the FiltaDrain drain dosing service to existing customers through 15 Franchise Owners. It was officially launched at the 2017 Franchise Conference and will add further repeat revenues for Franchise Owners and Filta in the coming years.

## Company Owned Operations

Our Company Owned operations, Fita-Seal and Filta Refrigeration, operating exclusively in the U.K., both experienced double digit growth rates. Each of them achieved sufficient market penetration to encourage us to believe that these businesses can make significant contributions in the future.

In seeking to develop sales and to grow our customer base, the focus has been on securing more key accounts which will both provide higher revenues and also increase the cross-selling opportunities.



## Fita-Seal

The number of seals fitted grew by 12% while we realized a 14% increase in revenue. Additionally, as seal volumes grow we see increased efficiency of our vans, which is a positive contributor to gross margin. We expect to see this continue into 2017.

Some key contracts signed towards the end of 2016 should drive further growth into next year.

## Filta Refrigeration

Filta Refrigeration has enjoyed continuous, steady growth since it was first established in 2013, earning the loyalty and respect of an impressive blue chip client base. The company's success in the market is attributable to several important competitive advantages including, quality reactive repairs and PPM strategies, enhanced by prestigious cold room and air-conditioning installations.

Revenue increased by 30% to £1.6m in 2016, with a mix of 68% maintenance contracts and 32% installation.

## International

### FiltaFry

We have three good FiltaFry partners in Benelux, Germany and South Africa, which started in 2013, 2014 and 2015 respectively. These Master License Holders either sub-franchise (Benelux and Germany) or run FiltaFry as company owned operations (South Africa).

Whilst Filta generated some fees for the sale of the territories, the ongoing royalties take time to develop. We have not budgeted for significant near-term growth in this area.

## Fita-Seal

With the steady growth of Fita-Seal in the UK, and the international patent applications, the Master License Holders in Germany and South Africa purchased the rights to run Fita-Seal in their markets in 2016. They will commence operations of these businesses in 2017. There were some small up-front fees for the equipment and territories but the real value is in the long-term royalty stream of 5% of revenue being paid to Filta, we anticipate that these markets may take some time to develop.

Fita-Seal is not being sub-franchised in these markets. The Master License Holders will run Fita-Seal as company-owned operations, like the UK.

## People

We are fortunate to have a very committed work force, many of whom have worked for the Group for well over 10 years. They have been a key component to our success in that period both through their hard work and dedication to the brand and by the strong relationships they've developed with customers and franchise owners alike.

There was a key hire in 2016, Brian Hogan CFO, who has fitted in well and enabled us to take the next steps in driving the development of the business. Brian was hired in March and is based out of the Orlando office. He is responsible for all financial planning and reporting. Further details about him are contained in the summary of directors on page 24.

## Market Conditions

Despite the various economic and political uncertainties that persisted in both the US and the UK through much of 2016, we experienced a steady level of enquiries from potential Franchise Owners, with many good quality candidates coming forward. We see no reason for this to change, particularly in view of the likely encouragements to business under the new administration in the US.

The market for all Filta's services, in both the UK and US, remained constant through the year and we believe that with the ever-increasing health and safety and food hygiene requirements, the demand for our services is unlikely to become any less.

## Current Trading & Outlook

We have had a good start to 2017.

- Franchise Development remains strong in the US.
- We established Filta Canada and attended the Toronto Franchise Show as a first step to launching in Canada during 2017.
- The year commenced with significantly higher revenue visibility on the Fryer Management side.
- We have signed and started a Fita-Seal contract with a major national U.K. pub chain with over 1,700 sites.



**Jason Sayers**

Chief Executive Officer

31 March 2017

## Operational Performance & KPIs

The key performance indicators for our Fryer Management Services are:-

- The number of new franchisees and territories that we are able to add each year
- The number of operating MFU's in the Group

and for our Company-owned services:

- The number of seals that we fit each year
- The value of Filta Refrigeration work performed

Our performance against each of these indicators is summarized in the charts:

# 23

### Franchise Sales

# 341

### MFUs at y/e

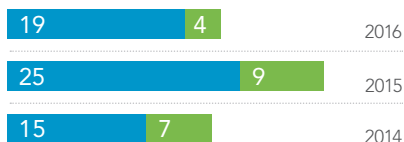
# 21k

### Seals Replaced

## 1 – Franchise Development

### Franchise Sales

■ US ■ UK

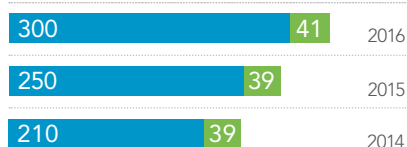


We will seek modest growth in the numbers of franchisees, ensuring that we preserve the quality of our network, and augment this with the sale of additional territories to existing franchisees

## 2 – Fryer Management

### MFU's at the year end

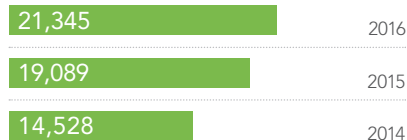
■ US ■ UK



Each additional MFU has a direct impact on revenues as it increases the earning capacity of franchisees. New MFU's are commissioned both when a new franchisee is recruited and to enable the expansion of existing franchises.

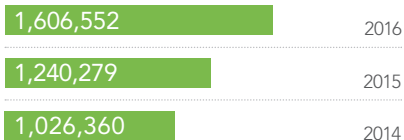
## 3 – Company Owned Operations

### Seals Replaced



The number of seal repairs should increase as we secure additional customers as, typically, the number of times that a refrigerator seal requires replacement is fairly constant from year to year.

### Value of Filta Refrigeration work



Filta Refrigeration work is a combination of contracted service and maintenance work, and bespoke installations performed for customers.

# Chief Financial Officer's Review

Our recurring revenue business model delivered robust growth in 2016 driven by increased revenues in our fryer management and company owned segments. Additionally, our underlying operating profit grew 4% to £1.15m, up from £1.11m in 2015 as displayed below. This, in addition to a £1.0m increase in our deferred income account, reflects strong new and organic franchise growth.

## Revenue

Group revenue for the financial year grew 27% to £10.1m (2015: £7.9m).

Revenue from our U.S. operations accounted for 58% of Group revenue (2015: 52%) with the remaining 42% (2015: 48%) delivered by our U.K. operations. We experienced strong growth across three of our four revenue segments. While we experienced a slight revenue shortfall in franchise development, actual transaction volumes were relatively flat but impacted by a shift to more organic growth on the sale of new territories to existing franchisees. This resulted in more revenue being deferred than a traditional new franchise sale.

The growth in the recurring revenue streams of Fryer Management, Fita-Seal and Filta Refrigeration were significant with each experiencing double digit sales increases. Fryer Management continues to be the leading driver of the business contributing £6.2m (2015: £4.5m) on higher royalty and waste oil revenue while Filta Refrigeration, on higher job count, contributed £1.6m (2015: £1.2m) and Fita-Seal saw an 12% increase in seals fitted resulting in revenue growing to over £1.0m (2015: £0.9m).

## Underlying Operating Profit

Underlying operating profit was £1.15m (2015: £1.11m). While we experienced significant gross profit improvement it was driven largely by higher sales volume, this being partially offset as we experienced some reduced margin impact from the mix of revenue across our reporting segments. We had a substantial increase in waste oil sales where margins range from 18% to 22% against our overall group gross margin of 44%.

We have deferred a total of £1.5m of revenue, of which £0.2m relates to opening package fees for franchises started in the first quarter of 2017, and will therefore be accounted for in that year, and £1.3m relates to territory fees on new franchises and will be recognised over 10 years. The reported revenue includes £0.5m released from deferred income and there is therefore a net increase in deferred revenue of £1.0m during the year.

## Underlying operating profit reconciliation

Underlying operating profit has been arrived at as follows

	2016 £	2015 £
(Loss)/profit before tax	(218,244)	376,270
Non-recurring items (IPO costs and pre-IPO bonuses to directors and shareholders)	1,260,539	656,000
Finance costs	104,828	73,721
Underlying operating profit	1,147,123	1,105,991

## Non-recurring items

The non-recurring costs for 2016 were £1.3m (2015: £0.7m) which relate to AIM admission costs of £0.6m and pre-IPO bonuses of £0.7m paid to Jason Sayers and Victor Clewes, the principal shareholders prior to IPO (included in Directors' emoluments on page 29). In addition, £0.3m of additional admission costs were charged to equity.

## Deferred Revenue

Deferred Revenue represents franchise fees collected but not yet recognised in reported revenue. When we sell new franchises two separate fees are generated.

1. The "Opening Package Fee", which is paid for the tangible goods and training provided to a new franchisee.
2. The "Territory Fee", which is paid for the right to operate in an exclusive territory throughout the period of the franchise.

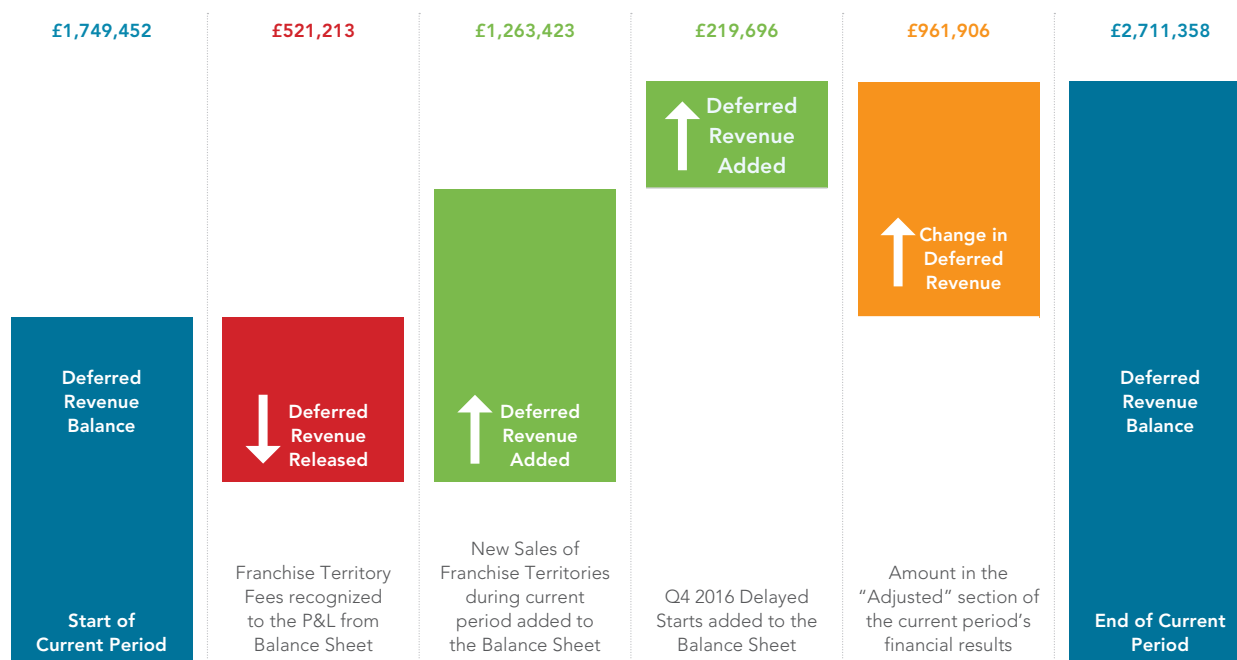
Under our revenue recognition policy, in accordance with IFRS accounting rules:

1. The Opening Package Fee is recognized immediately as revenue upon the commencement of the franchise.
2. The Territory Fee is deferred and recognized on a straight line basis over the term of the franchise (10 years in the US or 5 years in the UK).

We consider that the internal performance of the business is best measured by recognizing this Territory Fee when all obligations have been met (on launch) because the full cash payment has been received up front and there are no further costs to be incurred, the revenue and costs are therefore fully aligned.

In order to reflect this approach, we use the "Adjusted EBITDA", which adds the change in deferred revenue to reported EBITDA, as the metric by which we measure and manage internal performance.

The following chart shows the components of the change in deferred revenue in 2016.



At the end of 2016, the deferred income account totalled £2.7m, of which £219,696 related to opening package fees as described above and the balance related to territory fees. This is due to be recognized as income over the next 10 years as follows:

£400,881	2017
£374,036	2018
£365,414	2019
£354,879	2020
£329,164	2021
£284,597	2022
£240,423	2023
£190,472	2024
£118,612	2025
£52,880	2026

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# Chief Financial Officer's Review

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## Results for the year

The loss before tax was £0.2m (2015 – profit of £0.4m).

## Taxation

We manage all taxes, both direct and indirect, to ensure that we pay the appropriate amount of tax in each country while ensuring that we respect the applicable tax legislation and utilise, where appropriate, any legislative reliefs available. This tax strategy is reviewed, regularly monitored and endorsed by the Board. Despite the loss at the Group level we generated profits at the subsidiary level in both the U.S. and the U.K. The effective tax rates were 35% in the U.S. and 20% in the U.K. and the total tax charge was £0.1m (2015: £0.1m).

## Earnings per share

The underlying earnings per share for the year were 5.05p (2015: 5.08p) while the net loss in the year of £0.3m resulted in a proforma basic and fully diluted loss per share of 1.51p (2015: proforma earnings per share of 1.39p).

## Dividends

It was indicated in our Admission Document that it was the Board's intention to declare a maiden dividend in respect of 2016. To enable the payment of a dividend, the Company applied to the Court to cancel the balance standing on the share premium account on the Existing and New Ordinary Shares thereby creating a pool of reserves to be available to pay dividends. The Court approved our application on 18 January 2017. The Board intends to pay a first interim dividend to its shareholders in the first half of 2017, in lieu of the 2016 dividend.

## Cash flow

The Group is highly cash generative. The net cash inflow from operating activities before non-recurring items (note 25) in 2016 was £1.3m (2015: £1.2m) as the Group continues to generate strong operating cash inflows. The cash outflow from investing activities was £0.2m (2015: outflow £0.2m) due principally to the acquisition of software. The share issue net of share placing costs accounted for £3.7m of cash inflow from financing activities and £0.1m of financing costs were incurred.

## Liquidity

At the year end the Group had cash balances of £4.4m (2015: £1.0m) and outstanding borrowings of £1.2m (2015: £1.6m).



**Brian Hogan**

Chief Financial Officer

31 March 2017



# Principal Risks and Uncertainties

## Organizational risks

Risk	How we manage the risk
Failure to attract new franchisees in line with the strategic targets may prevent the Group from achieving its operating targets	In the USA, which represents approximately 80% of the franchised operations, we have an increasing number of franchisees who are multi-unit operators, a trend which we are endeavouring to develop. Thus, there is an increasing number of our new MFUs (mobile filtration units) which are being taken up by existing franchisees.
The failure of a major franchisee may lead to a loss of revenue and/or a bad debt	We now have 182 franchisees and this is increasing each year, with no franchisee accounting for more than 1% of the Group's revenues, thus mitigating our business risk.
Brand or reputational damage may be caused by the actions of either franchisees or the company's own employees	We provide detailed initial training for all new franchisees and their operators. There are also refresher training programmes to ensure that all franchisees are fully cognisant of all procedures to be followed.
Undue influence by a major shareholder on the Company and its Board may lead to decisions or actions which are not in the best interests of the business	There is a majority of the Board who are not associated with those members of the Board who are considered to be a concert party and whose obligations to act in the best interests of shareholders as a whole are unfettered.

## Operational risks

Risk	How we manage the risk
An incident involving an employee or franchisee in the operation of an MFU may result in a fatal or serious injury	We provide regular and comprehensive training to employees and franchisees in the operation of MFU's and other equipment supplied or used in the Group's business and the procedures are reviewed regularly to ensure the highest safety levels.
A failure of the information or accounting systems employed by the Group or a cyber-attack or data security breach may cause a loss of vital information or render the Group unable to maintain adequate accounting records	The Group has employed the same information system for several years with a strong reputation and has proved to be highly reliable. It has recently upgraded its accounting system to a "state-of-the-art" system which also has a good reputation and is used by many major organisations.
The loss of key people may compromise the Group's or any part of the Group's ability to operate effectively.	We have widely spread knowledge of the Group's operational systems and procedures, thereby ensuring that there is not over-dependence on any single person. We also have continuous monitoring systems for the identification and progress with new business opportunities, ensuring that there is a broad knowledge of such opportunities.

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## Principal Risk and Uncertainties

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### Financial Risks

<b>Risk</b>	<b>How we manage the risk</b>
A significant fall in the value of the US Dollar (which accounts for more than 70% of the Group's earnings) against £ sterling may have an adverse impact on the Group	The Group's activities are such that, the US Dollar costs are covered by US Dollar revenues and, similarly, sterling costs are covered by sterling revenues. Furthermore, any third party debt is able to be serviced by earnings in the currency of the debt and secured by appropriately denominated assets.

### Strategic Risks

<b>Risk</b>	<b>How we manage the risk</b>
Competition from new entrants to the market may create margin pressure or loss of customers	We have established a market-leading position amongst the third party providers of our services and we continually seek to improve our service offering to ensure that we have the best option available.
Change in consumer tastes or habits, as a result, for example, of pressures from health watchdogs, may result in less demand for fryers.	The demand for fried food has always been and continues to be enormous. We consider that the services that we provide help to mitigate the health risks of eating fried foods.
Improved fryers technology may reduce/resolve deterioration of the oil and which may therefore require less frequent filtering and replacement.	Whilst the technologies may improve, there will always be deterioration of the oil and, therefore, a need for filtering and replacement. The Board believes that any improvements in technology will simply drive standards to a higher required level.
Franchisees may seek to impose commercial leverage on the Group, resulting in reduced margins and profitability	We devote a great deal of resource to protecting and assisting our franchisees, thereby building a strong bond of trust. We believe that, for as long as we provide the best option and the opportunity for franchisees to achieve success, there would be little reason for them to seek commercial advantage.

# Governance

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28	Directors' Remuneration Report
31	Directors' Report

**tilta**  
ENVIRONMENTAL  
KITCHEN SOLUTIONS

# Corporate Social Responsibility Report

1.7m lts

Fuel Saved

500 mt

Plastic Saved

23.7k mt

Carbon Offset

The whole concept of FiltaFry was built around sustainability. That, combined with its commitment to the community, demonstrates Filta's social responsibility.

### Environment

Filta services over 5,000 customers every week and to date has recycled almost ¼ million metric tonnes ('mt') of oil! Filta has been helping the environment before "environmentally friendly" was called "being green."

To support Filta customer's sustainability initiatives, measurable / quantifiable Environmental Impact Reports™, detailing their contribution to the environment are provided directly to customers on a regular basis. For samples go to [www.gofilta.com/go\\_green](http://www.gofilta.com/go_green)

We believe it is our responsibility to contribute to the environment. We're constantly in search of ways to be green internally and externally. We also every day, continue to do our part to preserve the environment. Every product and service we offer goes through rigorous testing to ensure we are increasing sustainability while saving our customers money. We believe it's our responsibility to keep customers aware of what they can do to contribute.

### Environmental Impact Facts

#### FiltaFry

In 2016, FiltaFry customers saved over 7,000 mt of fry oil.

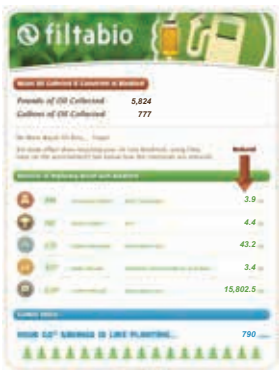
Using the Environmental Impact Report app, available to all Franchise Owners, we calculate that this equates to the following savings for the environment due to the oil being reused:

Fertilizer	530 mt
Lime	4,500 mt
Petrol & Diesel	1.7m lts
Plastic	500 mt
Cardboard	330 mt
Carbon offset	9,200 mt

#### FiltaBio

In 2016, Filta collected 5,500 mt of waste oil from customers which was converted to biodiesel. The environmental savings for using biodiesel in place of diesel are shown below:

Carbon Monoxide (Greenhouse Gas)	40 mt
Carbon Dioxide (Greenhouse Gas)	14,500 mt





## Quick facts on Filta and Oceans of Hope:

- **First participated in the May 2014 New Smyrna Beach, FL surf event**
- **Sponsored or participated in 9 events since 2014**
- **405 participant athletes with limited mobility experienced adaptive surfing since 2014**
- **"Mavericks" level sponsorship 2016**
- **FiltaCares Campaign to continue support through 2017**

### Community

Since 2014, Filta has sponsored The Oceans of Hope Foundation with corporate volunteers and through ongoing charitable giving. Our Filta Corporate Office staff was inspired by the organization through our own Inside Sales Rep, Danny Paltjon. For those who do not know Danny's story, on May 1, 2003, he sustained a serious spinal cord injury while playing in a Men's softball game. An avid outdoorsman and athlete, he was unprepared to face his "new life" limited to a wheelchair. After years of therapy, Danny sought to recapture his adventurous spirit and realized anything is possible with determination and the help of others.

In light of this, Danny started a non-profit organization called Oceans of Hope Foundation. It was established to offer individuals who are physically or mentally challenged the opportunity to get into the ocean water and experience the joy of riding ocean waves. The mission statement of Oceans of Hope is simple: To provide safe, secure and competent support of access to outdoor recreation resources for those who are physically or mentally challenged, which will instill a sense of personal self-confidence, self-reliance and hope.

Today, FiltaCares continues the corporate commitment. As a "Mavericks" level corporate sponsor our financial support and continued participation will aid The Oceans of Hope Foundation to unlock barriers that exist for individuals who have difficulty traversing the world of sun, sand, wind, and water by introducing individuals with limited mobility to adaptive surfing. See [www.gofilta.com/company/filta-cares](http://www.gofilta.com/company/filta-cares).





# Board of Directors

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**Tim Worlledge**  
**Non-Executive Chairman**

Tim is a Director of Evolution Securities China with 30 years' experience in financial services. Tim is a former Director of the Quoted Companies Alliance and Head of Corporate Finance at Evolution Group and Williams de Broe.



**Jason Sayers**  
**Chief Executive Officer**

Jason founded Filta in the UK in 1996 and has been the driving force for the business. Jason moved to Florida in 2003 to successfully grow the US business. Jason has a degree in European Business System and Major Systems Analysis.



**Brian Hogan**  
**Finance Director**

Brian is a senior financial executive with 30 years' experience including roles as the Corporate Controller at Andersen Distribution and Vice President of Finance Amkor Technologies (based in Asia). Since 1995 Brian has held various North American Vice President and Chief Financial Officer roles, most recently as Chief Financial Officer at Canada-based private equity firm Cobalt Capital Inc. Brian has a degree in Accounting, an MBA and Certified Public Accountant (inactive).



**Victor Clewes**  
**Executive Director**

Victor is a former land and property buyer for CCHA Housing Association, founded Emerson Richards estate agency and financial services (1987) and consequently in 2000 the first high street mortgage broking chain, The Mortgage Advice Shops, which were franchised throughout the UK. Victor joined Filta at inception as Managing Director (1996) to develop the franchise business model and has steered the US operation to date as Chairman.



**Jlubomir Urosevic**  
**Executive Director**

Jlubomir joined FiltaFry Ltd as Commercial Director (1999), becoming Managing Director of the UK operations (2000). Jlubomir has overseen the FiltaFry UK franchise network, developed the internal franchise network and has introduced Fita-Seal and Filta-Refrigeration services to the business. Jlubomir was formerly a Midlands Area Manager and Regional Developer Wales & South West for TNT, co-developing the successful TNT overnight business.



**Graham Woolfman**  
**Non-Executive Director**

Graham is a Fellow of the Institute of Chartered Accountants in England & Wales and previous partner and head of Corporate Finance at Levy Gee. Graham has over 25 years' experience advising growth businesses and was a founder Director of Gateway VCT plc. Graham is currently Managing Director of Intrust Corporate Finance Limited.



**Roy Sayers**  
**Non-Executive Director**

Roy was appointed Non-Executive Director of Filta Group UK in 2000 serving the company from that date. RS has a background in civil engineering and property development, founding, operating and running his own companies in both sectors for many years.

# Corporate Governance Statement

## Compliance

As the company is listed on the AIM Market of the London Stock Exchange, it is not required to comply with the provisions of the UK Corporate Governance Code (the "Code"). However, the Directors recognise the value and importance of meeting the principles of good corporate governance and the Company complies, as appropriate with the provisions of the Corporate Governance Guidelines for Smaller Quoted Companies, published by the Quoted Companies Alliance. This part of the Report describes how Filta has complied with the Guidelines since 4 November 2016, when it was admitted to AIM, and the corporate governance arrangements that are in place.

## The Board

At the date of this Report, the Board has seven members, whose biographies are set out on page 24 and whose roles are set out below:

Director's Name	Position(s)
Tim Worledge	Non-Executive Chairman – member of Audit Committee and Chairman of Remuneration Committee
Jason Sayers	Executive Director – Group Chief Executive Officer
Brian Hogan	Executive Director – Group Chief Financial Officer
Victor Clewes	Executive Director
Jlubomir Urosevic	Executive Director
Roy Sayers	Non-Executive Director – member of Audit Committee and of Remuneration Committee
Graham Woolfman	Non-Executive Director – Chairman of Audit Committee and member of Remuneration Committee.

## Responsibilities

The Board, as a whole, is responsible for the overall management of the Group and for its strategic direction, including approval of the Group's strategy, its annual business plans and budgets, the interim and full year financial statements and reports, any dividend proposals, the accounting policies, major capital projects, any investments or disposals, its succession plans and the monitoring of financial performance against budget and forecast and the formulation of the Group's risk appetite including the identification, assessment and monitoring of Filta's principal risks. In accordance with best practice, Filta has adopted a policy of Matters Reserved for the Board. These are reviewed annually and any items not included within the policy (such as responsibility for implementing the Board's strategy and day-to-day management of the business) are delegated to the management team.

The Chairman's principal responsibilities are to ensure that the Company and its Board are acting in the best interests of shareholders. His leadership of the Board is undertaken in a manner which ensures that the Board retains integrity and effectiveness.

The Group Chief Executive Officer has, through powers delegated by the Board, the responsibility for leadership of the management team in the execution of the Group's strategies and policies and for the day-to-day management of the business.

The Board has regular contact with its advisers to ensure that it is aware of changes in normal corporate governance procedures and requirements and that the Group is, at all times, compliant with applicable rules and regulations. The Company holds appropriate insurance cover in respect of possible legal action against its Directors.

## Non-Executive Directors and Independence

The Directors are satisfied that the balance of Executive and Non-Executive Directors is appropriate and that no individual or group may dominate the Board's decisions. The Non-Executive Directors, together, have a range of experience which enables them to provide the necessary guidance, oversight and advice to enable the Board to operate effectively.

Tim Worledge and Graham Woolfman, Chairman and Non-Executive Director, are considered to be independent of management. Roy Sayers, as a significant shareholder and being related to the Group Chief Executive, is not considered to be independent.

The Chairman and the Non-Executive Directors have letters of appointment, which set out their duties and responsibilities. They are not eligible to participate in incentive arrangements or to receive pension provision. The following table shows details of their terms of appointment for the Non-Executive Directors in place at the date of this Report:

Director	Date Current Term Commenced	Expected Expiry Date of Current Term
Tim Worledge	04/11/2016	03/11/2019
Roy Sayers	04/11/2016	03/11/2019
Graham Woolfman	04/11/2016	03/11/2019

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# Corporate Governance Statement

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All Directors may receive independent professional advice at Filta's expense, if necessary, for the performance of their duties. This is in addition to the access every Director has to the Company Secretary and his team. The Company Secretary is responsible for advising the Board on all matters of corporate governance, ensuring that all Board procedures are followed and facilitating training.

There is a programme of regular reviews of performance and developing best practice in matters such as employment, health and safety, environmental and social and community interests (including human rights and ethical issues). Filta believes that Corporate Social Responsibility is necessary to support responsibly-grounded business decision making that considers the broad impact of corporate actions on people, communities, and the environment. Accordingly, the Board takes account of the significance of environmental, social and governance matters (ESG) when making decisions.

The Board has adopted principles of good boardroom practice which set out procedures on how Directors are given accurate, timely and clear information and how they can seek and obtain information or advice necessary for them to discharge their duties and these arrangements are reviewed annually as part of the Board's evaluation process referred to above.

Under the Companies Act 2006, a director must avoid a situation where he/she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interest. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts where appropriate and where the articles of association ("Articles") contain a provision to this effect, as Filta's Articles do. Accordingly, the Board has adopted procedures for the Directors to report any potential or actual conflict to the Board for their authorisation where appropriate. Each Director is aware of the requirement to seek approval of the Board for any new conflict situations, as they may arise. The process of reviewing conflicts disclosed, and authorisations given, will be repeated both annually and following the appointment of any new Director. Any conflicts or potential conflicts considered by the Board and any authorisations given are recorded in the Board minutes and in a register of Director's conflicts which is maintained by the Company Secretary.

## **Attendance at Board and Committee meetings**

The Board would normally meet 10 times in each year and there would, additionally, normally be 2 meetings of the Audit Committee and 2 meetings of the Remuneration Committee at the appropriate times of the year. The Board held one Board Meeting during the period from its listing up to the end of the year; this meeting was attended by all of the Directors.

No Remuneration Committee meetings were required or held as the Directors' remuneration had been fixed immediately prior to listing. There was one meeting of the Audit Committee during the two months that Filta was listed on AIM up to 31 December 2016.

## **Appointment and Resignation of Directors**

Jason Sayers and Roy Sayers were appointed as Directors on 31 March 2016, upon the formation of the Company and the remaining Directors were appointed on 10 June 2016.

There have not been any resignations or appointment of new directors since the Company's listing in November. At the forthcoming AGM, Jason Sayers will be retiring by rotation under the Articles of Association and he will be standing for reappointment. In addition, all of Tim Worlledge, Graham Woolfman, Brian Hogan, Jlubomir Urosevic and Victor Clewes, who were appointed by the Board, will also be retiring and standing for reappointment.

## **Board Committees**

The Board has delegated specific responsibilities to two standing committees of the Board: Audit and Remuneration. The membership of these committees and a summary of their main duties under their Terms of Reference are set out below. The full Terms of Reference may be viewed on the Group's website ([www.filtapl.com](http://www.filtapl.com)). The Terms of Reference for each of the Committees were set at the time of the admission to AIM but they are reviewed continuously to ensure continued compliance with best practice.

The Board has elected not to establish a Nominations Committee, preferring instead that the Board should, itself, deal with such matters, including succession planning and the balance of the Board.

## **Audit Committee**

The Chairman of the Audit Committee is Graham Woolfman, FCA, and the other members of the committee are Tim Worlledge, FCA, and Roy Sayers. There was one meeting of the Audit Committee during the two months that Filta was listed on AIM up to 31 December 2016. The Committee's agendas are planned to ensure all the Committee's duties are discharged in a timely manner in accordance with its terms of reference. The Group's external auditors and Executive Directors attend the Committee's meetings by invitation and the Committee ensures that the auditors also have an opportunity to speak to the Committee in the absence of management.

### Remuneration Committee

The Chairman of the Remuneration Committee is Tim Worlledge and the other members of the committee are Roy Sayers and Graham Woolfman.

The Committee did not hold any meetings in the period to 31 December 2016 but has held one meeting since that date.

A Remuneration Report from the Chairman of the Remuneration Committee is set out on pages 28 to 30.

### Relations with shareholders

Filta places a great deal of importance on communication with its stakeholders and is committed to establishing constructive relationships with investors and potential investors in order to assist it in developing an understanding of the views of its shareholders.

Filta maintains a dialogue with shareholders through formal meetings such as the AGM and through presentations to institutional shareholders, typically by the Group Chief Executive and the Group Finance Officer, following the full year and interim results. A main purpose of such meetings is to appreciate better shareholders' views and expectations and to enhance investors' understanding of the Company's strategy and how that strategy is to be implemented. The views of the shareholders expressed during these meetings are reported to the Board, ensuring that all members of the Board understand the views of major shareholders.

Information on the Investor Relations section of the Group's website ([www.filtapl.com](http://www.filtapl.com)) is kept updated and contains details of relevant developments, regulatory announcements, financial reports and results presentations.

### Model Code

Filta complies with a code on securities dealings in relation to its Ordinary Shares which is consistent with the Model Code published in the Listing Rules. This code applies to the Directors and relevant employees of Filta and is reviewed regularly to ensure its compliance with normal practice.

### Takeover Directive

The Group has addressed the matters required to be addressed by the Takeover Directive which was implemented in the UK in accordance with statutory provisions in Part 28 of the Companies Act 2006 in the Directors' Report. Please refer to the Directors' Report of the Directors for further details.

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# Directors' Remuneration Report

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The Directors present their Remuneration Report for the period ended 31 December 2016.

## Committee

Details of the Remuneration Committee's composition are contained in the Corporate Governance Report on page 27. There were no meetings of the Committee during 2016. The terms of reference of the Committee are available from the Company Secretary or the Group's website at: [www.filtapl.com](http://www.filtapl.com)

## Company's policy on remuneration of Directors

The Board recognises that the Directors' remuneration is of legitimate concern to shareholders and is committed to following current best practice.

The Remuneration Committee has responsibility for determining, within agreed terms of reference, the Group's policy on the remuneration of senior executives and specific remuneration packages for Executive Directors including pension payments and compensation rights. It is also responsible for making recommendations for grants of options under the Share Option Plan.

The remuneration of Non-Executive Directors is a matter for the Board. It comprises fees in connection with their services provided to the Group, to the Board and to Board Committees.

No Director may be party to the approval process of their own remuneration.

The main components of their remuneration are:

### Basic salary or fees

The basic salary or fees for each Director are determined by the Remuneration Committee, taking into account the performance of the individual and information, where available, on the rates of salary for similar posts in comparable businesses. The salaries and fees paid to the Directors in the 2 month period following Admission were £119,761 and it is estimated that in a full year these would be the equivalent to approximately £720,000 if prorated.

### Annual bonus

Bonuses were paid to Directors of £0.7m (2015: £0.7m) prior to Admission. There have not been any bonuses paid to Directors in respect of the period since Admission.

### Pension

There were not any contributions made by the Group to Directors' pension plans during the year.

### Share options

The Company is currently planning on instituting a Share Option Plan, in 2017, and therefore there were no options in issue to Directors in 2016. It is intended that options will be issued under the Plan during the 4 week period following the announcement of the results for the year ended 31 December 2016. However, due to the size of their existing beneficial holdings, Jason Sayers and Victor Clewes are not permitted to participate in the Share Option Plan. The Non-Executive Directors are also not permitted to participate in the Plan.

### Taxable benefits

Four of the Directors are provided with company cars and two with Company-paid medical insurance but, apart from these benefits, none of the Directors receives any other taxable benefits.



## Directors' emoluments

The Directors' emoluments during the period are set out below:

	Salary/Fees £	Bonus £	Pension £	Benefits £	Total £	2015 Total £
<i>Executive Directors</i>						
Jason Sayers	184,515	339,968	–	14,814	539,298	439,467
Brian Hogan	76,881	18,452	–	3,791	99,124	–
Victor Clewes	184,515	339,968	–	4,765	529,248	429,418
Jlubomir Urosevic	85,000	–	–	16,159	101,159	101,159
<i>Non-Executive Directors</i>						
Tim Worledge	5,833	–	–	–	5,833	–
Roy Sayers	5,000	–	–	12,333	17,333	–
Graham Woolfman	5,000	–	–	–	5,000	–
<b>Total</b>	<b>546,745</b>	<b>698,388</b>	<b>–</b>	<b>51,861</b>	<b>1,296,994</b>	<b>970,044</b>

## Company's policy on contracts of service

The Executive Directors have service contracts whose notice periods may not exceed 12 months in length. Their service contracts do not contain any provisions which provide for pre-determined compensation on termination which exceeds 12 months' salary and benefits. Non-Executive Directors are appointed under letters of appointment which may be terminated on 3 months' notice. Details of notice periods for each of the Directors under their contracts of service or letters of appointment are:

	Date of appointment	Notice period
<i>Executive Directors</i>		
Jason Sayers	26 October 2016	6 months
Brian Hogan	26 October 2016	6 months
Victor Clewes	26 October 2016	6 months
Jlubomir Urosevic	26 October 2016	6 months
<i>Non-Executive Directors</i>		
Tim Worledge	26 October 2016	3 months
Roy Sayers	26 October 2016	3 months
Graham Woolfman	26 October 2016	3 months

## Directors' interests

The interests and beneficial interests of the Directors in the shares of the Company at 31 December 2016 are set out below:

	No of Shares	No of Share options
<i>Executive Directors</i>		
Jason Sayers	11,614,680*	–
Brian Hogan	–	–
Victor Clewes	4,558,750	–
Jlubomir Urosevic	1,309,690	–
<i>Non-Executive Directors</i>		
Tim Worledge	30,000	–
Roy Sayers	9,688,720*	–
Graham Woolfman	18,000	–

\* includes 7,926,560 shares held by The Meredian Settlement Trust. Roy Sayers is the settlor and a trustee of the Trust. Jason Sayers is a life tenant and he and Mrs. Dawn Sayers, wife of Roy Sayers, are the beneficiaries of the Trust.

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# Directors' Remuneration Report

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## Consideration of Shareholder Views

The Remuneration Committee considers feedback received from shareholders during any meetings or otherwise from time to time, when undertaking the Group's annual review of its Policy. In addition, the Remuneration Committee will seek to engage directly with institutional shareholders and their representative bodies should any material changes be made to the Policy.

## Consideration of Employment Conditions elsewhere in the Group

The Remuneration Committee considers any general basic salary increase for the broader employee population when determining the annual salary increases for the Executive Directors. The Remuneration Committee did not consult with other employees with regard to remuneration of the Executive Directors.

On behalf of the Board

**Tim Worlledge**

Chairman

31 March 2017

# Directors' Report

## Introduction

The Directors present their report and the audited financial statements for the period ended 31 December 2016.

## Principal Activity

The Strategic Report, which is set out on pages 7 to 19 provides a comprehensive review of the development, performance and future prospects of the business for the year ended 31 December 2016 including a description of the Company's strategy, business models and business overview.

## Results and Dividends

The loss for the year was £0.3m (2015: profit of £0.3m). Further details are set out on Page 36. No dividend has been paid or proposed for the year or in the prior years

## Annual General Meeting

The Annual General Meeting of the Company will take place on 1 June 2017 at The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP, commencing at 11:00 a.m. Details of the resolutions and voting procedures are set out in the Notice of Annual General Meeting which was sent to shareholders on 8 May 2017.

## Directors

The names of the Directors who served during the period were:

	Appointed
<i>Executive directors</i>	
Jason Sayers	31 March 2016
Brian Hogan	10 June 2016
Victor Clewes	10 June 2016
Jlubomir Urosevic	10 June 2016
<i>Non-Executive Directors</i>	
Tim Worlledge	10 June 2016
Roy Sayers	31 March 2016
Graham Woolfman	10 June 2016

The profiles of the Directors of the Company serving at the date of issue of this report are set out on page 24.

No Director during the year had a material interest in any contract of significance to which either the Company or any of its subsidiaries were a party.

## Substantial Interests

As at 31 December 2016, the shareholders of the Company holding interests amounting to 3% or more of the ordinary share capital of the Company were as follows:

Shareholder Name	Number of ordinary shares	Percentage of issued ordinary shares
Meredian Settlement Trust *	7,926,560	29.4
Victor Clewes	4,558,750	16.9
Jason Sayers	3,688,120	13.7
Roy Sayers	1,762,160	6.5
Jlubomir Urosevic	1,309,690	4.9
Livingbridge VC LLP	2,644,000	9.8
Ennismore Fund Management Limited	1,538,480	5.7
Miton Group	964,520	3.6
Blackrock, Inc	850,000	3.2

\* Roy Sayers is the settlor and a trustee of the Meredian Settlement Trust. Jason Sayers is a life tenant and he and Mrs. Dawn Sayers, wife of Roy Sayers, are the beneficiaries of the Trust.

The percentage of the ordinary shares that are not held in public hands is 71.6%.

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# Directors' Report

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There are no restrictions on the transfer of Filta Group Holdings plc's AIM-listed securities.

Filta Group Holdings plc has not applied or agreed to have any of its securities (including its AIM-listed securities) admitted or traded on any other exchanges or trading platforms.

## Political Contributions

It is the Group's policy not to make political donations, accordingly there were no political donations made during the year (2015 – £ nil).

## Going Concern

The Directors have prepared the financial statements on the going concern basis, full details of which are set out in note 2 to the financial statements.

## Independent Auditors

Our auditor, Crowe Clark Whitehill LLP has indicated its willingness to continue in office as auditors of the Company. In accordance with section 489 of the Companies Act 2006, the Board has decided to re-appoint Crowe Clark Whitehill LLP as auditors and a resolution concerning their re-appointment will be tabled to the members at the forthcoming Annual General Meeting.

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are disclosed on pages 24 and page 25 and who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

## Approval

The Report of the Directors' was approved by the Board on 31 March 2017 and signed on its behalf by:

**Brian Hogan**

Company Secretary

31 March 2017

# Financial Statements

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# Independent Auditor's Report to the Members of Filta Group Holdings PLC

year ended 31 December 2016

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FILTA GROUP HOLDINGS PLC

We have audited the financial statements of Filta Group Holdings Plc for the year ended 31 December 2016, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and the Parent Company Statement of Financial Position, Parent Company Statement of Changes in Equity, Parent Company Statement of Cash Flows and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and Strategic Report have been prepared in accordance with applicable legal requirements.



**Matters on which we are required to report by exception**

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

**Leo Malkin (Senior Statutory Auditor)**

*For and on behalf of  
Crowe Clark Whitehill LLP  
Statutory Auditor  
St Bride's House  
10 Salisbury Square  
London EC4Y 8EH*

*31 March 2017*

# Consolidated Statement of Comprehensive Income

year ended 31 December 2016

	Notes	2016 £	Pro forma 2015 £
<b>Revenue</b>	5	<b>10,075,239</b>	7,925,272
<b>Cost of sales</b>		<b>(5,668,787)</b>	(4,207,619)
<b>Gross profit</b>		<b>4,406,452</b>	3,717,653
Other income		25,186	36,177
Distribution costs		(80,283)	(83,799)
Administrative expenses		(4,464,771)	(3,220,040)
<b>Underlying operating profit</b>		<b>1,147,123</b>	1,105,991
Costs of IPO		(580,603)	–
Pre-IPO bonus to shareholders		(679,936)	(656,000)
<b>(Loss)/profit from operations</b>	6	<b>(113,416)</b>	449,991
Finance costs	9	(104,828)	(73,721)
<b>(Loss)/profit before tax</b>		<b>(218,244)</b>	376,270
<b>Income tax expense</b>	10	<b>(124,337)</b>	(74,060)
<b>Net (loss)/profit attributable to owners</b>		<b>(342,581)</b>	302,210
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		(185,557)	(45,372)
<b>Total other comprehensive income for the year</b>		<b>(185,557)</b>	(45,372)
<b>(Loss)/profit and total comprehensive income for the year</b>		<b>(528,138)</b>	256,838
<b>Proforma basic and fully diluted earnings per share – pence</b>	12	<b>(1.51)</b>	1.39
<b>Underlying earnings per share – pence</b>	12	<b>5.05</b>	5.08

The (loss)/profit from operations for the year arises from continuing operations.

# Consolidated Statement of Financial Position

year ended 31 December 2016

	Notes	2016 £	Pro forma 2015 £
<b>Non-current assets</b>			
Property, plant and equipment	15	1,190,651	1,120,913
Deferred tax assets	11	755,965	520,439
Intangible assets	14	166,624	89,665
Amounts due from related parties	27	–	169,612
Deposits		2,572	1,762
Trade receivables		379,405	214,819
		2,495,217	2,117,210
<b>Current assets</b>			
Trade and other receivables	16	1,960,693	1,591,210
Inventories	17	376,015	299,379
Cash and cash equivalents	18	4,392,350	978,939
		6,729,058	2,869,528
<b>Total assets</b>		9,224,275	4,986,738
<b>Current liabilities</b>			
Trade and other payables	19	1,989,885	1,725,676
Borrowings	20	103,812	597,167
Amounts due to directors		–	1,522,377
Deferred income		400,881	194,216
		2,494,578	4,039,436
<b>Non-current liabilities</b>			
Borrowings	20	1,050,992	1,000,771
Deferred income		2,310,477	1,555,235
		3,361,469	2,556,006
<b>Total liabilities</b>		5,856,047	6,595,442
<b>Equity</b>			
Share capital	12,22	2,695,266	–
Share premium	22	3,480,191	–
Accumulated losses		(2,256,539)	(1,913,958)
Translation reserve		(260,403)	(74,846)
Other reserves	23	(290,287)	380,100
Total equity		3,368,228	(1,608,704)
<b>Total equity and liabilities</b>		9,224,275	4,986,738

The financial statements were approved and authorised for issue by the board on 31 March 2017 and were signed on its behalf by:

**Brian Hogan**

Chief Financial Officer

# Consolidated Statement of Changes in Equity

year ended 31 December 2016

	Share Capital £	Share Premium £	Other Reserves £	Merger Reserve £	Foreign Exchange Reserve £	Retained Earnings £	Total Equity £
<b>Balance at 1 January 2015</b>	–	–	–	380,100	(29,474)	(2,216,168)	(1,865,542)
Profit for the year	–	–	–	–	–	302,210	302,210
Foreign exchange translation differences	–	–	–	–	(45,372)	–	(45,372)
<b>Balance at 31 December 2015</b>	–	–	–	<b>380,100</b>	<b>(74,846)</b>	<b>(1,913,958)</b>	<b>(1,608,704)</b>
<b>Balance at 1 January 2016</b>	–	–	–	380,100	(74,846)	(1,913,958)	(1,608,704)
Loss for the year	–	–	–	–	–	(342,581)	(342,581)
Foreign exchange translation differences	–	–	–	–	(185,557)	–	(185,557)
Issue of share capital (note 22)	519,050	3,789,064	–	–	–	–	4,308,114
Share issue expenses	–	(308,873)	–	–	–	–	(308,873)
Share based payments (note 22)	–	–	49,400	–	–	–	49,400
Group reconstruction (note 22)	2,176,216	–	–	(719,787)	–	–	1,456,429
<b>Balance at 31 December 2016</b>	<b>2,695,266</b>	<b>3,480,191</b>	<b>49,400</b>	<b>(339,687)</b>	<b>(260,403)</b>	<b>(2,256,539)</b>	<b>(3,368,228)</b>

# Consolidated Statement of Cash Flows

year ended 31 December 2016

		2016 £	Pro forma 2015 £
<b>Operating activities</b>			
(Loss)/profit before tax		(218,244)	376,270
<b>Adjustments for non-cash operating transactions:</b>			
Finance costs		104,828	73,721
Depreciation		118,855	90,257
Amortization		63,177	53,866
Loss on disposal of tangible fixed assets		–	8,920
Share based payment charge		49,400	–
		118,016	603,034
Movements in working capital:			
Increase in trade and other receivables		(964,536)	(254,865)
(Decrease) / increase in trade and other payables		134,951	(130,641)
Decrease in inventories		(76,636)	(49,550)
Increase in deferred revenue		827,962	452,304
Taxes paid		–	(54,369)
<b>Net cash flow from operations</b>		<b>39,757</b>	<b>565,913</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	15	(43,269)	(179,923)
Proceeds from disposals of property, plant and equipment	15	–	64,138
Purchase of other intangible assets		(153,716)	(60,271)
<b>Net cash used in investing activities</b>		<b>(196,985)</b>	<b>(176,056)</b>
<b>Financing activities</b>			
Proceeds/(repayment) of borrowings		(146,065)	290,953
Net proceeds from issue of share capital		3,999,241	–
Interest paid		(104,828)	(69,961)
<b>Net cash from financing activities</b>		<b>3,748,348</b>	<b>220,992</b>
<b>Net change in cash and cash equivalents</b>		<b>3,591,120</b>	<b>610,849</b>
<b>Cash and cash equivalents, beginning of the year</b>	18	<b>978,939</b>	<b>452,121</b>
Exchange differences on cash and cash equivalents		(177,709)	(84,031)
<b>Cash and cash equivalents, end of year</b>	18	<b>4,392,350</b>	<b>978,939</b>

# Parent Company Statement of Financial Position

year ended 31 December 2016

	Notes	2016 £
<b>Assets</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	13	2,176,216
Amount due from related parties	16	674,573
		2,850,789
<b>Current assets</b>		
Trade and other receivables		25,808
Cash and cash equivalents	18	3,048,174
		3,073,982
<b>Total assets</b>		5,924,771
<b>Current liabilities</b>		
Trade and other payables		4,074
<b>Total liabilities</b>		4,074
<b>Equity</b>		
Share capital	22	2,695,266
Share premium	22	3,480,191
Other reserves	23	49,400
Retained earnings		(304,160)
<b>Total equity</b>		5,920,697
<b>Total equity and liabilities</b>		5,924,771

The financial statements were approved and authorised for issue by the board on 31 March 2017 and were signed on its behalf by:

**Brian Hogan**

Chief Financial Officer



# Parent Company Statement of Changes in Equity

year ended 31 December 2016

	Share Capital £	Share Premium £	Other reserve £	Retained Earnings £	Total Equity £
<b>On incorporation</b>	—	—	—	—	—
Issue of share capital (note 22)	2,695,266	3,789,065	—	—	6,484,331
Share issue expenses	—	(308,874)	—	—	(308,874)
Loss for the year	—	—	—	(304,160)	(304,160)
Share based payment (note 23)	—	—	49,400	—	49,400
<b>Balance at 31 December 2016</b>	<b>2,695,266</b>	<b>3,480,191</b>	<b>49,400</b>	<b>(304,160)</b>	<b>5,920,697</b>

# Parent Company Statement of Cash Flows

year ended 31 December 2016

	2016 £
<b>Operating activities</b>	
Loss before tax	(304,160)
Movements in working capital:	
Increase in trade and other receivables	(25,808)
Increase in trade and other payables	4,074
Share based payment charge	49,400
<b>Net cash from operations</b>	<b>(276,494)</b>
<b>Investing activities</b>	
Decrease in borrowings	(674,573)
<b>Net cash used in investing activities</b>	<b>(674,573)</b>
<b>Financing activities</b>	
Proceeds from issue of share capital, net of costs	3,999,241
<b>Net cash from financing activities</b>	<b>3,999,241</b>
<b>Net change in cash and cash equivalents</b>	<b>3,048,174</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>–</b>
<b>Cash and cash equivalents, end of year</b>	<b>3,048,174</b>

# Notes to the Financial Statements

year ended 31 December 2016

## 1. General Information

Filta Group Holdings plc was incorporated in England and Wales on 31 March 2016.

The Company has its primary listing on the AIM market of the London Stock Exchange. The Company acts as the holding company of a group of subsidiaries that are involved in the franchising of on-site environmental kitchen solutions to restaurants, catering establishments and institutional kitchens. The services include microfiltration of cooking oil, fryer cleaning, temperature calibration, waste oil disposal and specially designed filters for refrigeration units and coolers. The Filta Group sells franchises and operates in the UK and the United States. Additionally, the Company operates two direct sale businesses including refrigeration seal replacement and the installation, repair and maintenance of refrigeration and aircon units. Further details of the Company's subsidiaries are provided in Note 13.

## 2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted for use in the European Union including interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention except for financial instruments that have been measured at fair value through profit and loss. The presentational and functional currency of the Company is Pounds Sterling, which is the currency of the primary economic environment in which the Group operates.

### Group reconstruction

Filta Group Holdings plc entered into an agreement to acquire the entire issued share capital of each of The Filta Group Limited and The Filta Group, Inc. on 26 October 2016 from Cookband Limited for nil consideration. The reorganisation was effected by way of share for share exchanges whereby each of The Filta Group Limited and The Filta Group, Inc. became wholly-owned subsidiaries (the "Subsidiaries") of Filta Group Holdings plc as it is currently constituted.

The directors consider the substance of the acquisition of the Subsidiaries by Filta Group Holdings plc is that of a combination of entities under common control and therefore it fell outside the scope of IFRS 3 (revised 2008).

In accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, in developing an appropriate accounting policy, the Directors have considered the pronouncements of other standard setting bodies and specifically looked to accounting principles generally accepted in the United Kingdom ("UK GAAP") for guidance (FRS 102) which does not conflict with IFRS and reflects the economic substance of the transaction.

Under UK GAAP, the assets and liabilities of both entities are recorded at book value, not fair value. Intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the legal acquirer in accordance within applicable IFRS.

No goodwill is recognised, any expenses of the combination are written off immediately to the income statement and comparative amounts, if applicable, are restated as if the combination had taken place at the beginning of the earliest accounting period presented.

Therefore, although the Group reconstruction completed in October 2016, and Filta Group Holdings plc was incorporated on 31 March 2016, the consolidated financial statements are presented as if the Group structure has always been in place, including the activity from incorporation of the Group's principal subsidiaries. All entities had the same management as well as controlling shareholders. The comparative amounts as at 31 December 2015 and for the period then ended comprise the combined activities of the Subsidiaries and are prepared on a pro forma basis.

The Directors have decided that it is appropriate to reflect the combination using merger accounting principles as a group reconstruction under FRS 102 in order to give a true and fair view. No fair value adjustments have been made as a result of the combination.

The consolidated financial statements comprise the financial information of the Company and its subsidiaries (the "Group") made up to the end of the reporting period. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements present the results of the Company and its subsidiaries and joint arrangements as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full. The financial information of subsidiaries is included in the Group's financial statements from the date that control commences until the date that control ceases.

# Notes to the Financial Statements continued.

year ended 31 December 2016

## 2. Basis of preparation (continued)

### Going concern

The Directors have at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

### Parent Company

The parent company has taken advantage of s.408 of the Companies Act 2016 not to publish the parent company profit and loss account.

## 3. Summary of principal accounting policies

The principal accounting policies of Filta Group Holdings plc and its subsidiaries are set out below. These policies have been consistently applied unless otherwise stated.

### 3.1 Foreign currencies

#### Functional and presentation currency

The consolidated financial statements are presented in Pounds Sterling, which is also the functional currency of the parent company.

#### Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

#### Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Pounds Sterling are translated into Pounds Sterling upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Pounds Sterling at the closing rate at the reporting date. Income and expenses have been translated into Pounds Sterling at the average rate over the reporting period. Exchange difference are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity.

### 3.2 Segment reporting

The results of operating segments are reported in a manner consistent with internal reporting. The Group has four operating segments. In identifying these operating segments, management follows the Group's service lines representing its main products and services. Further details of segment reporting are provided in Note 5.

### 3.3 Revenue

The Filta Group recognises revenue depending on the substance and legal form of the contract with its customers. Revenue is recognised once a legally binding contract between the Filta Group and its customers has been established and the delivery of the product or service has been completed.

Revenues are accrued or deferred based on the length of time through the contract and consistently applied across all customers and contracts. All amounts are stated exclusive of VAT and other sales taxes and trade discounts.

The Filta Group executes franchise agreements for each franchise area which set out the terms of the arrangement with the franchisee.

These agreements require the franchisee to pay an initial, non-refundable franchise fee and royalties based upon the number of filtration machines operating in each franchise area.

### 3. Summary of principal accounting policies (continued)

The franchise fee consists of two distinct components:

- the opening package; and
- the territory fee

The revenue associated with the opening package is recognised when substantially all initial services required by the franchise agreement are performed, which is generally upon the completion of training of the franchisee. Therefore, there is no deferral of this revenue unless the training period spans the year-end.

The territory fee represents the exclusive right to operate in a designated territory for a stated length of time. The territory fee is deferred over the length of the franchise agreement and released to the combined statements of comprehensive income on a straight-line basis.

Royalty income is recognised as earned with an appropriate provision for estimated uncollectible amounts, which is included in operating expenses.

Supplies and other revenues are recognised when the product or service is delivered or shipped to customers. Provision for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period in which the related sales are recorded.

#### 3.4 Investments in subsidiaries

Investments in subsidiaries are valued at cost less provision for any impairment, and an impairment review is carried out annually by the directors.

#### 3.5 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. All repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment loss.

All items of property, plant and equipment are depreciated to write off the cost of the assets over their estimated useful lives as follows:

	Annual rate
Freehold property	2%
Plant and machinery	10-15%
Motor vehicles	25%
Fixtures and fittings	20%

The estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting date. Fully depreciated assets are retained in the financial statements until they are no longer in use.

#### 3.6 Intangible assets – computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Directly attributable costs are capitalised as part of the software product include external third party costs.

Computer software is depreciated over its expected useful life of 3 years.

#### 3.7 Impairment of tangible and intangible assets

At each reporting end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

#### 3.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities.

# Notes to the Financial Statements continued.

year ended 31 December 2016

## 3. Summary of principal accounting policies (continued)

### 3.9 Financial assets

The Group has only a single category of financial assets, being loans and receivables.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs. Derecognition of financial assets occurs when the rights to receive cashflows from the instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken, at the least, at each reporting date.

Interest and other cash flows resulting from holding financial assets are recognised in the Consolidated Income Statement when receivable. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Any change in their value through impairment or reversal of impairment is recognised in the Consolidated Income Statement. A provision against trade receivables is made when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

### 3.10 Financial liabilities

Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest-related charges are recognised as an expense in "finance costs" in the Consolidated Income Statement. Loan notes are raised for support of long-term funding of the Group's operations. The financial liability arising on the loan notes is carried at amortised cost.

Finance charges and direct issue costs are charged to the Consolidated Income Statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### 3.11 Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Other reserves" represent the equity element in the form of share warrants, contained in the financial instrument issued to Cenkos Securities plc on 4 November 2016, until such share warrants are exercised.
- "Retained earnings" represents retained profits and accumulated losses.
- "Merger reserve" arises on business combination (Note 2).

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

### 3.12 Taxation

The income tax expense for the year comprises current and deferred tax.

#### Current tax

The charge for current taxation is the tax currently payable based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.



### 3. Summary of principal accounting policies (continued)

#### Deferred tax

Deferred tax is provided using the liability method on differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction which is not a business combination and at the time of the transaction affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted by the reporting end date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 3.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### 3.14 Non-recurring costs

Items which are material either because of their size or their nature, and which are non-recurring, are highlighted separately on the face of the statement of comprehensive income. The separate reporting of non-recurring items helps provide a better picture of the Group's underlying performance. Items which may be included within the non-recurring category include:

- Costs associated with the Group's listing on AIM;
- Excess compensation paid prior to the Group's listing on AIM; and
- Other particularly significant or unusual items.

Non-recurring items are highlighted separately in the statement of comprehensive income as the Directors believe that they need to be considered separately to gain an understanding of the underlying profitability of the trading businesses.

#### 3.15 Critical accounting judgments and key sources of estimation uncertainty

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

##### Revenue recognition

Judgement applied in respect of recognition of revenue is significant in the recognition of new franchise sales where a portion of the revenue generated is deferred and recognized over the life of the franchise agreement.

The Board discussed and reviewed these areas with management before concluding that the Group's revenue for the year has been appropriately recognised.

# Notes to the Financial Statements continued.

year ended 31 December 2016

## 3. Summary of principal accounting policies (continued)

### Bad and doubtful debts

Recoverability of trade receivables is a key area of focus given the material nature of these balances and the working capital needs of the Group. The profile of the Group's trade receivables covers balances from a considerable number of customers. Management must therefore apply judgement in determining the amount of provision required for possible non-collection of bad or doubtful debts. This is performed on a case-by-case basis across the Group taking into account differences between countries and service lines.

The Group assessed the appropriateness of the provisioning by considering the level and ageing of debtors and the consistency of provisioning assumptions year-on-year and past experience of bad debt exposure. They concluded that the level of provisioning and carrying value of trade receivables is appropriate.

### Taxation

Judgement is required when determining the provision for taxes as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached with the tax authorities. Tax benefits are not recognised unless it is probable that the benefit will be obtained. Tax provisions are made if it is expected that a liability will arise. The Group reviews each significant tax liability or benefit to assess the appropriate accounting treatment.

## 4. Adoption of new and revised international financial reporting standards

a number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the EU.

The Directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. At this point it is not practicable for the directors to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 as their detailed review of these standards is still ongoing.

## 5. Segment analysis

Operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (which takes the form of the Board of Directors), in order to allocate resources to the segment and to assess its performance.

The Directors consider that the Group currently has four reportable segments: the marketing and execution related to Franchise Development; provision of services and supplies to the fryer management sector; servicing the refrigerator seal replacement market; and the provision of design, installation and services provided to the refrigeration and cold stores market. The Group also has two geographic segments: UK and USA.

Revenue and non-current assets by origin of geographical segment for all entities in the Group is as follows:

### Revenue

	2016 £	2015 £
UK	4,187,226	3,594,188
USA	5,888,013	4,331,084
<b>Total</b>	<b>10,075,239</b>	<b>7,925,272</b>

### Non-current assets

	2016 £	2015 £
UK	510,854	547,240
USA	1,984,363	1,569,970
<b>Total</b>	<b>2,495,217</b>	<b>2,117,210</b>

## 5. Segment analysis (continued)

### Product and services revenue analysis Revenue

	2016 £	2015 £
Franchise Development	1,235,983	1,294,100
Fryer Management	6,217,772	4,502,485
Fita-Seal	1,014,932	888,408
Filta Refrigeration	1,606,552	1,240,279
<b>Total</b>	<b>10,075,239</b>	<b>7,925,272</b>

Management measures revenues by reference to the Group's core services and products and related services, which underpin such income.

No customer has accounted for more than 10% of total revenue during the periods presented. Assets and liabilities are not fully allocated to the individual categories as such information is not provided to the chief operating decision maker.

## 6. (Loss)/profit from operations

(Loss)/profit from operations has been arrived at after charging/(crediting):

	2016 £	2015 £
Inventory recognized as an expense	5,668,787	4,207,620
Depreciation of property, plant and equipment		
– owned assets	64,007	57,909
– held under finance leases	54,848	32,348
Amortization of intangibles (included with administrative expenses)	63,177	53,866
Loss on disposal of plant and equipment	–	8,920
Staff costs, including directors (Note 7)	3,079,535	2,441,063
Bad debt expense	8,528	57,215
Fees payable to the company's auditor for their audit of the financial statements	39,500	–
Fees payable to the company's auditor for other services to the Group	122,500	–
Foreign exchange gains	(61,395)	(16,462)
Operating lease rentals		
– Property	13,459	45,285
– Other assets	101,414	82,252

## 7. Staff costs

	2016 £	2015 £
Gross salaries	2,892,534	2,291,404
Social security costs	106,150	81,194
Pension contributions	2,391	–
Other staff benefits	78,460	68,465
	<b>3,079,535</b>	<b>2,441,063</b>

The average number of employees of the Group during the year was as follows:

	2016	2015
Directors	7	3
<b>Staff</b>		
Administration	12	11
Customer Services/Network Support	12	10
Business Development/Marketing	8	8
Sales	4	4
Other	19	17
	<b>62</b>	<b>53</b>

# Notes to the Financial Statements continued.

year ended 31 December 2016

## 8. Remuneration of key management personnel

	2016 £	2015 £
Remuneration for qualifying services	1,296,994	970,044
	1,296,994	970,044

Details of directors' remuneration are provided in the Remuneration Report.

## 9. Finance costs

	2016 £	2015 £
Bank and other loans	98,142	68,182
Hire purchase and finance lease charges	6,686	5,539
	104,828	73,721

## 10. Income tax expense

	2016 £	2015 £
<b>Corporation Tax</b>		
Charge for the year	289,305	2,802
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(164,968)	71,258
Total tax charge	124,337	74,060

### Reconciliation of corporation taxation

	2016 £	2015 £
(Loss)/profit before tax	(218,244)	376,270
Tax at domestic rates applicable	(42,994)	64,975
Expenses disallowed for tax	112,509	41,869
Loss relief	(32,067)	(86,301)
Losses carried forward	–	3,615
Overseas taxes	251,857	–
Other differences	–	(21,356)
<b>Total current tax</b>	289,305	2,802
<b>Deferred tax</b>		
Origination and reversal of timing differences	(164,968)	71,258
<b>Total tax expense</b>	124,337	74,060

The Filta Group's effective tax rate for the year ended 31 December 2016 was 19.7% (2015: 19.7%). The effective rate is an amalgamation of UK and US rates for the periods reported. The change from year to year has been particularly affected by the availability of loss reliefs and recognition of deferred tax assets.

The Filta Group has tax losses of approximately £667,480 (£817,000 at 31 December 2015) to carry forward against future profits. The tax value of such losses amounted to £133,496 (31 December 2015: £163,400). The UK tax losses have no expiry date and a deferred tax asset of £133,496 (31 December 2015: £163,000) has been recognised in respect of them.

US tax losses expire after 20 years if not utilised and a deferred tax asset of £nil (31 December 2015: £15,000) has been recognised.

## 11. Deferred tax assets

The movement in the Group's deferred tax asset during the year is as follows:

	2016 £	2015 £
At start of year	<b>520,439</b>	590,611
(Credit) / charge for the year	<b>164,968</b>	(71,258)
Foreign exchange differences	<b>70,558</b>	1,086
<b>At end of year</b>	<b>755,965</b>	520,439

The deferred tax balances relate to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information as summarised below.

Tax losses	<b>133,496</b>	178,530
Impairment provisions	–	11,933
Deferred revenue	<b>596,134</b>	324,036
Others	<b>26,335</b>	5,940
<b>At end of year</b>	<b>755,965</b>	520,439

## 12. Earnings per share

	2016	2015
Weighted average number of shares	<b>22,700,716</b>	21,762,160
Underlying operating profit	<b>1,147,123</b>	1,105,991
Underlying Earnings per share	<b>5.05p</b>	5.08p
(Loss)/profit attributable to owners of the Company	<b>(342,581)</b>	302,210
Basic and fully diluted earnings per share *	<b>(1.51)p</b>	1.39p

\* The issue of options in 2016, as described in Note 23, are antidilutive.

## 13. Investments in subsidiaries

	2016 £	2015 £
Cost at the beginning of the year	–	–
Additions	<b>2,176,216</b>	–
Cost at end of year	<b>2,176,216</b>	–

The subsidiaries of Filta Group Holdings plc, all of which are included in the consolidated Annual Financial Statements, are as follows:

Company	Registered office	Class	Proportion held by group 2016	Proportion held by group 2015	Nature of business
The Filta Group Limited	United Kingdom	Ordinary	<b>100%</b>	0%	Environmental Services
The Filta Group Incorporated	United States	Ordinary	<b>100%</b>	0%	Environmental Services
Filta Refrigeration Limited	United Kingdom	Ordinary	<b>100%</b>	0%	Support Services
FiltaFry Limited	United Kingdom	Ordinary	<b>100%</b>	0%	Support Services
Bio Depot Limited	United Kingdom	Ordinary	<b>100%</b>	0%	Dormant
Filta Seal Limited	United Kingdom	Ordinary	<b>100%</b>	0%	Dormant

# Notes to the Financial Statements continued.

year ended 31 December 2016

## 14. Intangible assets

	Computer Software £	Total £
<b>Cost</b>		
Balance at 1 January 2016	218,351	218,351
Addition, internally developed	128,097	128,097
Foreign exchange	44,902	44,902
<b>Balance at 31 December 2016</b>	<b>391,350</b>	<b>391,350</b>
<b>Amortisation and impairment</b>		
<b>Balance at 1 January 2016</b>	<b>128,686</b>	<b>128,686</b>
Amortisation	63,177	63,177
Foreign exchange	32,863	32,863
<b>Balance at 31 December 2016</b>	<b>224,726</b>	<b>224,726</b>
<b>Net book value at 31 December 2016</b>	<b>166,624</b>	<b>166,624</b>
<b>Cost</b>		
Balance at 1 January 2015	150,433	150,433
Addition, internally developed	60,271	60,271
Foreign exchange	7,647	7,647
Balance at 31 December 2015	218,351	218,351
<b>Amortisation and impairment</b>		
Balance at 1 January 2015	69,628	69,628
Amortisation	53,866	53,866
Foreign exchange	5,192	5,192
Balance at 31 December 2015	128,686	128,686
<b>Net book value</b>	<b>89,665</b>	<b>89,665</b>

## 15. Property, plant and equipment

Details of the Group's property, plant and equipment and their carrying amounts are as follows:

	Freehold Property £	Fixture and Fittings & Equipment £	Plant and Machinery £	Motor Vehicles £	Total £
<b>Cost</b>					
At 1 January 2016	1,393,678	79,765	156,505	198,260	1,828,208
Additions		7,362	20,668	15,239	43,269
Foreign exchange	247,107	5,968	6,459	1,144	260,678
<b>At 31 December 2016</b>	<b>1,640,785</b>	<b>93,095</b>	<b>183,632</b>	<b>214,643</b>	<b>2,132,155</b>
<b>Depreciation</b>					
<b>At 1 January 2016</b>	494,281	79,765	76,449	56,801	707,296
Depreciation charge	43,445	2,741	17,212	55,456	118,855
Foreign exchange	103,287	6,023	5,505	538	115,353
<b>At 31 December 2016</b>	<b>641,013</b>	<b>88,529</b>	<b>99,166</b>	<b>112,795</b>	<b>941,504</b>
<b>Net Book Values</b>					
<b>At 31 December 2016</b>	<b>999,771</b>	<b>4,566</b>	<b>84,465</b>	<b>101,849</b>	<b>1,190,651</b>
At 31 December 2015	899,397	–	80,055	141,461	1,120,913

Certain of the property, plant and equipment listed above are held as security against bank facilities referred to in note 20.



## 16. Trade and other receivables

Trade and other receivables consist of the following:

### Group

	2016 £	2015 £
Trade receivables	1,647,665	1,528,020
Prepayments and other receivables	313,028	63,190
	1,960,693	1,591,210

Accounts receivable include amounts that the Filta Group has agreed may be settled over extended repayment terms. Accounts receivable subject to these extended repayment terms totalled £227,727 and £256,035 respectively, at 31 December 2016 and 2015.

The amount due from related parties in the parent company of £674,573 is repayable after more than twelve months.

Other than the debts described above, the Filta Group's normal credit terms range between 30 and 90 days.

In assessing the recoverability of these debts, the Directors have given due consideration to all pertinent information relating to the ability of the customers to settle. If an account balance is deemed uncollectible, the account is impaired in full. If an account is potentially uncollectible, the Filta Group makes an impairment provision for such amounts. The impairment provision was £10,302 at 31 December 2016 (31 December 2015: £57,365).

Movement in the allowance for doubtful debt:

	2016			2015		
	UK £	US £	Total £	UK £	US £	Total £
At start of year	5,488	51,877	57,365	80,315	–	80,315
Impairment loss recognized	4,814	–	4,814	650	51,877	52,527
Amounts written off as uncollectable	–	(62,545)	(62,545)	(75,477)	–	(75,477)
Foreign exchange differences	–	10,668	10,668	–	–	–
At end of year	10,302	–	10,302	5,488	51,877	57,365

## 17. Inventories

	2016 £	2015 £
Finished goods	376,015	299,379
Total	376,015	299,379

Inventories primarily consists of filtration machines and filters and are stated at the lower of cost (on a first-in, first-out basis) and net realisable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realisable value.

## 18. Cash and cash equivalents

	2016 £	2015 £
<b>Group</b>		
Cash at bank and in hand	4,392,350	978,939
<b>Company</b>		
Cash at bank and in hand	3,048,174	–

# Notes to the Financial Statements continued.

year ended 31 December 2016

## 19. Trade and other payables

	2016 £	2015 £
Trade payables	1,178,105	1,033,802
Amount due to related parties	–	206,408
Taxes and social security	360,120	98,814
Accruals and other payables	451,660	386,652
	<b>1,989,885</b>	<b>1,725,676</b>

### Analysis of trade and other payables

These are classified as short term and are expected to be settled within 12 months from the reporting date.

## 20. Loans and other borrowings

	2016 £	2015 £
<b>Total</b>		
Bank loans	1,037,022	955,615
Note payable to related party	–	501,553
Hire purchase and finance leases	117,782	140,770
	<b>1,154,804</b>	<b>1,597,938</b>

	2016 £	2015 £
<b>Current</b>		
Bank loans	65,530	60,031
Note payable to related party	–	501,553
Hire purchase and finance leases	38,282	35,583
	<b>103,812</b>	<b>597,167</b>

	2016 £	2015 £
<b>Non current</b>		
Bank loans	971,492	895,584
Hire purchase and finance leases	79,500	105,187
	<b>1,050,992</b>	<b>1,000,771</b>

## 21. Operating lease commitments

The amounts of future minimum lease payments under non-cancellable operating leases are as follows:

	2016 £	2015 £
Minimum lease payments due:		
Within 1 year	8,554	13,614
1 to 5 years	11,305	16,471
<b>Total</b>	<b>19,859</b>	<b>30,085</b>

## 22. Share capital

The share capital of Filta Group Holdings plc consists of fully paid ordinary shares with a nominal value of 10 pence. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote.

	2016		2015	
	Number	£	Number	£
<b>Allotted and fully paid</b>				
Share for share exchange	21,762,161	2,176,216	–	–
Share issue	5,190,499	519,050	–	–
Share buyback	–	–	–	–
Issued under share option scheme	–	–	–	–
Total shares in issue at 31 December	26,952,660	2,695,266	–	–

On incorporation, the issued share capital of the Company was £1 comprising one Ordinary Share of £1.00. The Ordinary Share was issued, credited as fully paid, to Jason Sayers as the subscriber to the memorandum of association of the Company. The Company does not have an authorised share capital.

On 26 October 2016, the Company acquired the entire issued share capital of Cookband Limited in consideration of the issue, credited as fully paid, of 2,176,215 Ordinary Shares of £1 each to the then shareholders in Cookband Limited.

On 26 October 2016, the Company acquired the entire issued share capital of The Filta Group Inc. and The Filta Group, Inc. from Cookband Limited for nil consideration. By resolution of the members passed on 26 October 2016, each of the Ordinary Shares of £1 each in the capital of the Company was sub-divided into 10 New Ordinary Shares of 10 pence each.

On 27 October 2016, pursuant to a share placing, 5,190,499 shares of 10 pence were issued at a price of 83 pence, giving rise to a share premium, net of issuance costs, of £3,480,191.

## 23. Other reserves

	2016 £	2015 £
<b>Group</b>		
Merger reserve	(339,687)	380,100
Share based payment reserve	49,400	–
	(290,287)	380,100
<b>Company</b>		
Share based payment reserve	49,400	–

### Merger reserve

The directors consider the substance of the acquisition of the Subsidiaries by Filta Group Holdings plc is that of a combination of entities under common control and therefore it fell outside the scope of IFRS 3 (revised 2008).

### Share based payment reserve

The Company entered into a share option agreement ("Option Deed") with Cenkos Securities plc ("Option Holder"), its nominated advisor and broker, whereby the Company has granted to the Option Holder the right, exercisable at any time during the Option Period, to subscribe for all, or some, of the Option Shares (180,000 ordinary shares) at the Option Price of 83 pence per Option Share, subject to the terms and conditions of the Option Deed. The Option Period means the period of 3 years from date of Admission unless last day fall under closed period then the Option Period shall be extended 90 business days from the end of the closed period. The right to exercise the Option shall be exercisable during the Option Period by delivery of the Option Deed and a notice of exercise at which point the Company will have 10 days to allot the number of Ordinary Shares in respect of which the Option has been exercised.

# Notes to the Financial Statements continued.

year ended 31 December 2016

## 24. Financial instruments

### Risk Management objectives and policies

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Filta Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Management reviews its monthly reports through which it assesses the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

### Market risk management

Management do not consider the company exposed to interest rate or inflation risks significant enough to have a material effect on the profitability of the company.

### Foreign currency sensitivity

The Filta Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pounds Sterling. The currency giving rise to this risk is primarily the US Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

A majority of the Filta Group's financial assets and liabilities are held in Dollars and movements in the exchange rate against Sterling has an impact on both the results for the year and equity.

The Filta Group maintains a natural hedge whenever possible, by matching the cash inflows (revenue streams) and cash outflows in foreign currencies.

### Interest rate sensitivity

The group is exposed to changes in market interest rates through bank borrowings at variable interest rates. The exposure to interest rates for the Group is considered immaterial.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change interest rates of +/- 1%.

	Profit for the year		Equity	
	£ +1%	£ -1%	£ +1%	£ -1%
<b>31 December 2016</b>	<b>10,370</b>	<b>(10,370)</b>	<b>10,370</b>	<b>(10,370)</b>
<b>31 December 2015</b>	9,544	(9,544)	9,544	(9,544)

### Credit risk management:

The Filta Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Filta Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Filta Group minimizes credit risk by dealing exclusively with high credit rating counterparties.

As the Filta Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of each reporting period.

### Liquidity risk management:

The Filta Group currently holds cash balances to provide funding for normal trading activity. The Filta Group also has access to both short-term and long-term borrowings to finance capital expenditure requirements. Trade and other payables are monitored as part of normal management routine.

## 24. Financial instruments (continued)

### Categories of financial instruments:

The table below sets out the Group's IAS39 classification of each of its financial assets and liabilities at 31 December 2016. All amounts are stated at their carrying value.

	2016 £	2015 £
<b>Financial Assets</b>		
<b>Loans and receivables:</b>		
Cash and cash equivalents	4,392,350	978,939
Trade and other receivables (excluding prepayments)	2,169,130	1,770,053
Due from related parties	–	169,612
Deposits	2,572	1,762
	<b>6,564,052</b>	<b>2,920,366</b>
<b>Financial Liabilities</b>		
Trade and other payables	1,989,885	1,725,676
Deferred Income	2,711,358	1,749,451
Borrowings	1,154,804	1,597,938
Amounts due to directors	–	1,522,377
	<b>5,856,047</b>	<b>6,595,442</b>

## 25. Underlying cash flow from operations

	2016 £	2015 £
(Loss)/profit before tax	(218,244)	376,270
Adjustments for non-cash operating transactions	336,260	226,764
Movements in working capital	(78,259)	(37,121)
Impact of non-recurring items on operating cash flow	1,260,539	656,000
	<b>1,300,296</b>	<b>1,221,913</b>

## 26. Retirement benefit schemes

### Defined contribution scheme

Since October 2016 the Group has operated a defined contribution retirement benefit scheme for all eligible employees in its U.K. subsidiary. The assets of the scheme are held separately from those of the group in funds under the control of the trustee. The subsidiary is required to contribute 1% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £2,391 (2015: nil) represents contributions payable to the scheme by the Group at specified rates. As at 31 December 2016, there were no contributions due with respect of the current reporting period.

# Notes to the Financial Statements continued.

year ended 31 December 2016

## 27. Related party transactions

### Remuneration of Directors and other transactions

The remuneration, interests and related party transactions with the directors of Filta Group Holdings plc and its subsidiaries (the "Directors") who are considered to be the key management personnel of the entity, are disclosed in Note 8.

### Directors loan accounts

The following amounts were due from the directors at the end of each reporting period:

- Mr. R C Sayers: £77,236 as at 31 December 2016 (2015: Due to £1,462,595)
- Mr. J Urošević: £nil as at 31 December 2016 (2015: Due to £59,782)

All amounts are unsecured, interest-free and repayable on demand. The amounts are classified within current assets or current liabilities under Other Receivables or Amounts due to directors.

### Franchise rights

In 2012, The Filta Group, Inc. granted franchise rights for a prescribed territory to Roxanna Holdings Inc. Roxanna Holdings Inc., a company owned by Jason Sayers and Victor Clewes, directors of The Filta Group, Inc.

The rights were then assigned to EKS North Atlantic LLC, which is 50% owned by Roxanna Holdings and 50% by an unrelated 3rd party. During 2016, the related franchise operator purchased £10,165 of equipment and supplies from the company (2015: £8,571). The amounts are classified within trade receivables.

### Amounts due to related parties – management fees

For the twelve months ended 31 December 2016, management fees of £736,170 are included in administrative expense (2015: £660,840) for services provided to The Filta Group, Inc. by Roxanna Holdings, Inc. At 31 December 2016, £nil of this total was payable to the related party (2015: £206,408). These amounts are classified within trade payables.

### Notes payable to related party

From 2013 to 2015, the Filta Group, Inc. entered into notes totaling £501,553, bearing interest at 1.5% with a related party. The notes were to mature in December 2016 through 2018. In 2016, the Company repaid the notes in full.

These amounts are classified within borrowings and had a balance of £nil at 31 December 2016 (2015: £501,553).

Interest paid on these loans amounted to £8,533 at 31 December 2016 (2015: £0).

## 28. Post balance sheet events

The Company completed a reduction of capital, whereby the entire amount standing to the credit of the Company's share premium account has been cancelled to create distributable reserves (the "Reduction of Capital"). The Reduction of Capital was formally approved by the High Court of Justice, Chancery Division, and the High Court order was filed with the Registrar of Companies on 18 January 2017. Following the Reduction of Capital, the issued share capital of the Company remains at 26,952,660 ordinary shares of £0.10 each. The distributable reserves created by the Reduction of Capital and after eliminating the previous deficit amounted to £3,078,825. The purpose of the Reduction of Capital is to create distributable reserves to support the Board's dividend policy.

# Corporate Information

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**Directors:**

Timothy (Tim) John Worlledge *Non-Executive Chairman*  
Jason Charles Sayers *Chief Executive Officer*  
Brian Joseph Hogan *Finance Director*  
Victor Clewes *Executive Director*  
Jlubomir (Roscoe) Urosevic *Executive Director*  
Roy Charles Sayers *Non-Executive Director*  
Graham Jeffrey Woolfman *Non-Executive Director*

**Secretary:**

Brian Hogan

**Registered Office:**

The Locks  
Hillmorton, Rugby  
Warwickshire  
CV21 4PP

**Company Number:**

Registered in England with Company Number 10095071

**Bankers:**

HSBC Bank PLC  
6th Floor, 165 Fleet Street  
London, EC4A 2DY

**Solicitors:**

Howard Kennedy LLP  
No. 1 London Bridge  
London, SE1 9BG

**Registrar:**

Computershare Investor Services plc  
The Pavilions  
Bridgwater Road  
Bristol  
BS13 8AE

**Nominated Advisor and Broker:**

Genkos Securities plc  
6.7.8. Tokenhouse Yard  
London, EC2R 7AS

**Auditors:**

Crowe Clark Whitehill LLP  
St Bride's House  
10 Salisbury Square  
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EC4Y 8EH



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