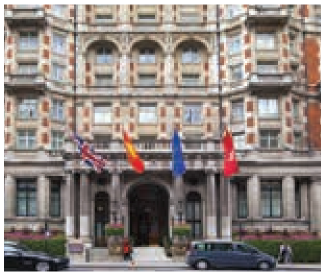
Annual Report & Accounts 2019


About Filta

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

The Group, through its 195 Franchise Owners and own team of technicians and fleet of corporate vans, provides services to over 7,000 commercial kitchens, restaurants and supermarkets every week.

Filta has an impressive blue chip customer base underlying a recurring revenue, cash generative business model that supports a strong dividend commitment.

Further information and investor updates can be found on our website at www.FiltaPlc.com

Index

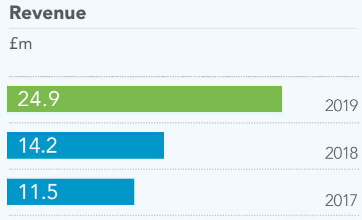
Highlights

Financial Highlights

Revenue

£24.9m +75%

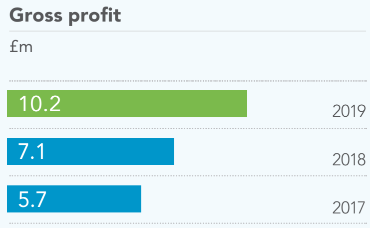
2018 £14.2m



Gross Profit

£10.2m +44%

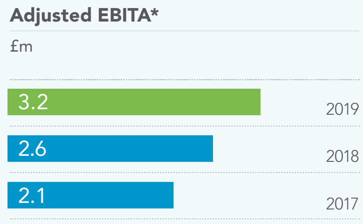
2018 £7.1m



Adjusted EBITDA*

£3.2m +20%

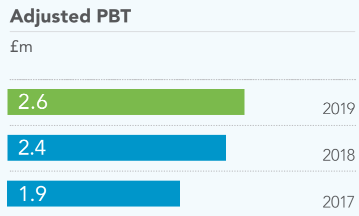
2018 £2.6m



Adjusted PBT**

£2.6m +7%

2018 £2.4m



* Adjusted EBITDA is a non-statutory measure that represents earnings before interest, taxation, depreciation and amortization adjusted for non-recurring items and share based payments.

** Adjusted PBT is a non-statutory measure that represents profit before tax excluding non-cash charges of amortisation, depreciation and share based payments.

Operational Highlights

- Added 16 new franchises, including 7 in Europe.
- Number of MFUs (mobile filtration units) increased from 450 to 480.
- Fryer Management revenue, primarily recurring in nature, grew 25% to £11.7m.
- Robust revenue growth in our Company Owned Operation FiltaSeal.
- Management focused on integrating the Watbio acquisition which, in turn, helped deliver record performance:
    - Watbio contributed £8.6m or 34% of revenue;
    - More than doubled FOG Service revenues; and
    - Well positioned to offer a broad range of complimentary services to commercial kitchens providing health and safety advantages, improved efficiencies and reduced operating costs.

Chairman’s Statement

£24.9m

Group Revenue +75%
2018: £14.2m

£3.2m

Adjusted EBITDA +20%
2018: £2.6m

1.39p

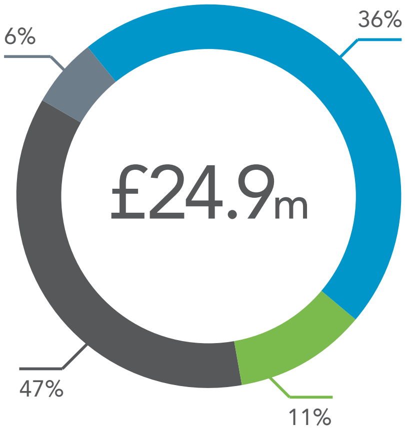
Basic Earnings Per Share
2018: 4.86p

8.12p

Adjusted Earnings Per Share[1]
2018: 8.01p

1 Adjusted Earnings Per Share is a non-statutory measure that represents earnings before interest, taxation, depreciation and amortization adjusted for non-recurring items and share based payments divided by the weighted average number of shares in issue during the year.

Full Year 2019 Operating Revenue



- Franchise Development
- Fryer Management
- Equipment Sales & Installation
- Site Service

Introduction

The last year has been a transitional period for the Group as we integrated the Watbio business with our existing activities in the UK, developed our footprint in Continental Europe and continued the growth of our franchised operations in North America.

There were some challenges in bringing two very different cultures together in the UK with the result that it took a great deal longer than we had anticipated at the outset to implement the structural changes necessary to manage and control a much larger business and to realise the associated operating efficiencies.

Prior to the introduction of the social distancing lockdown we had completed the restructuring and implemented a number of profit-improvement actions resulting in better operating margins and are confident that when normal trading conditions return, we will enjoy a significantly improved trading performance than we experienced through much of last year.

Results

Revenue was up by 75% at £24.9m (2018: £14.2m), reflecting a contribution of £8.6m from Watbio, whilst there was a 91% increase in operating costs to £23.7m (2018: £12.4m). In consequence, operating profit and profit before tax declined to £1.2m (2018: £1.8m) and £0.9m (2018: £1.7m) respectively. However, excluding non-cash charges (amortization, depreciation and share based payments), profit before tax was to £2.6m (2018: £2.4m) a 7% increase over the prior year.

Adjusted EBITDA, which we regard as the best financial measure of underlying performance as it is struck before one-off and non-cash charges, including acquisition-related costs, depreciation, amortisation and share-based payments, was £3.2m (2018: £2.6m). This represents a 20% increase over the prior year and, whilst the margin was down at 13% of Revenue, we anticipate an increase back to prior year margins following a return to normal operating conditions and allowing for the full year effects of the restructuring and profit improvement actions.

We finished the year with net borrowings of £2.1m (2018: Net cash £2.1m), of which £1.2m was lease liabilities associated with the adoption of IFRS 16, and with a gross cash balance of £2.9m (2018: £6.8m). The reduction in cash resources was largely as a result of the payment of £1.8m of deferred consideration and costs for the acquisition of Watbio, the payment of £0.6m related to the closing of a Watbio financing arrangement and principal and interest payments on the term facility put in place for the acquisition of £0.9m. The Group also had £0.3m availability under its overdraft facility.

Strategy

The Group has created a business platform comprising a mix of franchised and Company-owned operations offering services to the commercial kitchen sector. Fryer Management, which is a maintenance service delivering repeat revenues, has been the core of our franchised activities for several years and in the UK in recent years we have developed a number of Company-owned activities, including refrigeration seal replacement; fat, oil and grease control and collection; drain maintenance; and pump installation and maintenance, all of which have a strong repeat service pattern.

The main UK activities, FiltaSeal, FiltaFOG, FiltaPump and FiltaDrain, whilst not currently suitable to operate within a franchise model, are nonetheless complementary to FiltaFry, the Fryer Management business, all being services required by commercial kitchens. We believe that both our franchised and our Company-owned activities offer strong growth opportunities in a fragmented market in which there are few national providers offering this breadth of services. We continue to seek other complementary activities to add to our portfolio of services, either as Company-owned operations or, if appropriate, to be provided through a franchise structure.

In North America and Europe, we expect franchising to remain our core operating model, but as with our Company-owned activities, we constantly strive to help our franchisees to grow their businesses and this may include other services to offer alongside our Fryer Management service.

We believe that we are well-positioned to take advantage of an increasingly regulated market and an environment in which there are growing pressures on commercial kitchens to seek more cost-effective solutions for their operations. However, we are also aware of the possibility of factors beyond our control that may slow our progress, including, at this time, disruption caused by the coronavirus pandemic.

Coronavirus pandemic

We are currently operating in a business environment with a huge amount of uncertainty resulting from COVID-19 and the subsequent government actions to overcome it. A significant part of the Group's activities are focussed on the entertainment and leisure industries and our business has been affected by these events. However, the Board and the executive team are working to ensure that the business takes appropriate action to protect its people and to maintain operational and financial stability in these unprecedented times.

We have taken steps to protect our cash through salary reductions, deferral of non-essential spend and by utilising government furlough, grant and loan

schemes in each of the territories in which we operate. We have a diverse range of new and established service offerings, some of which have still been required during this time, resourceful management, a dedicated workforce, a healthy cash balance in excess of £3.7m and £0.4m of unutilised borrowing facilities. The Boards confident, therefore, that with continued careful cash management the Group will adapt to and overcome the current circumstances to deliver long-term shareholder value.

We have recently launched a new service, FiltaShield, a bacterial cleansing service that can eliminate any traces of COVID-19 bacteria and provide protection for 30 days. The service was launched in mid-April and we have received initial interest from a wide range of businesses. Whilst early in the service lifecycle, we believe that this addition not only has a place in our service portfolio today but will continue to be required whilst there is any threat from COVID-19.

Dividends

Notwithstanding that the cash earnings in 2019 would support the payment of a final dividend, the Board believes, having regard to the disruption to our businesses that may result from the continued imposition of governments' restrictions to combat the coronavirus pandemic, that it would be prudent for the Company to conserve its cash resources until there is more clarity on the impact of such restrictions. Accordingly, the Board is not recommending the payment of a final dividend in respect of the year ended 31 December 2019.

Current trading and outlook

The Group enjoyed a strong start to the year, prior to the lockdown, in all of our operating territories and across all of our principal trading activities. We have already added 6 new franchises, 4 in North America and 2 in Continental Europe; the MFU count, which drives the income from Fryer Management and sales of waste oil, is up by 10 since 1st January; and the revenues from the UK Company-owned activities had been in line with expectations, with operating profit margins showing improvement over 2019 levels.

With the strong pipeline of potential franchisees prior to the lockdown and based on the continuous and positive discussions that we have had with franchisees and key customers during the last 2 months, your Board is confident that when social distancing restrictions are lifted and more normal trading conditions are resumed, revenues and margins will return to the levels being experienced in the first quarter of the year. Albeit that there has to be some uncertainty as to how long, and to what extent the restrictions may persist, we believe that, by the actions we have taken, we will be able to manage the Group through that period and to be in a strong position thereafter.

Management, staff, and Franchise Owners

The organisational culture remains a focus of our governance principles. We feel an honest, open, and collaborative culture is important to the Group's future success and the Board, and senior management are aware of their influence in fostering the proper culture. The welfare and skills development of our staff are also a priority. For example, we have recently introduced a development program to cross-skill and upskill our technicians allowing us access to a more diverse talent pool whilst providing employees with opportunities for further career growth.

I welcome to the Group those who have joined us during the year, and I thank all our employees for their continuing hard work and commitment to the Group.

Similarly, our Franchise Owners and their performance, professionalism and client commitment are critical to our own reputation and success. We devote significant time and resource to helping our Franchisees to overcome their own challenges in developing their businesses.

Finally, our Business Model and Strategy is contained on pages 6 to 17 and our S172 report, including insight into our commitment to our stakeholders, is included on pages 23 to 24. Both were approved by the Board on 27 May 2020.

Tim Worlledge
Chairman

27 May 2020

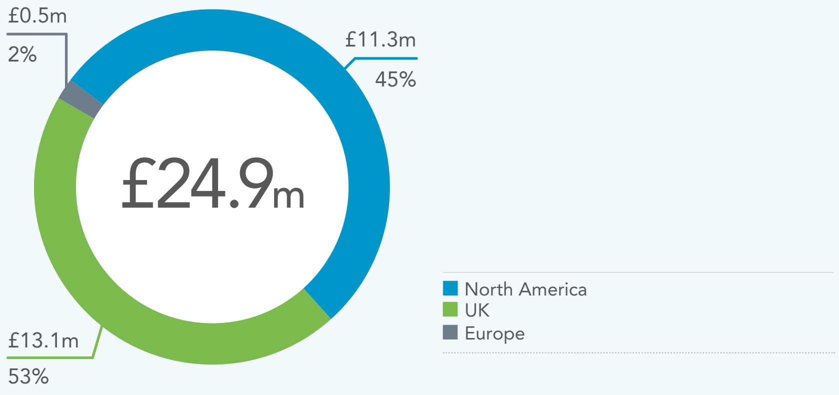
Strategy and Operations

Strategy and Operations

Major Markets

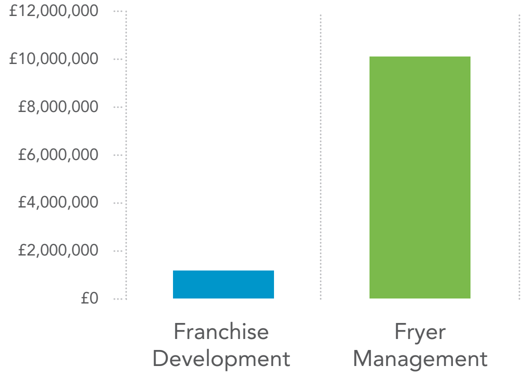
Filta operates principally in North America, the UK and mainland Europe, providing a range of commercial kitchen-related services through franchise networks and Company-owned operations.

2019 Revenue



North America (USA & Canada)

Revenue £11.3m (45%)



Number of vans

417 Franchise Operated

Business growth drivers:

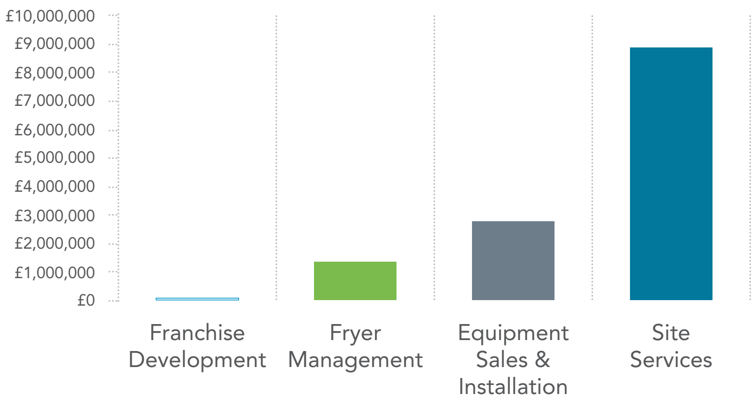
- Fleet expansion by Franchise Owners
- New Franchise Sales & Resales
- National Accounts
- New services and products offered through Franchise Network

Corporate HQ in Orlando, Florida, USA

- Franchise network business
  - Franchisees mostly multi-MFU 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, FiltaCool humidity control and FiltaDrain kitchen drain solution
- Revenues generated mainly from franchise sales, franchise services and oil resales

UK

Revenue £13.1m (53%)



Number of vans

41 Franchise Operated
72 Company Owned

Business growth drivers:

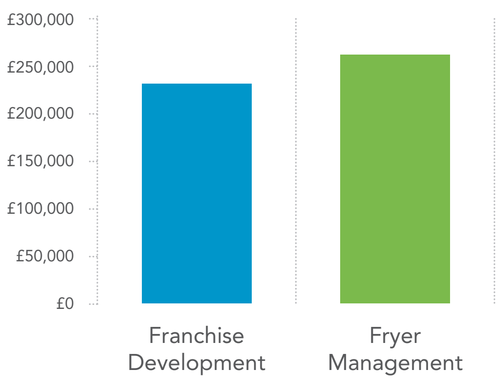
- Expanding existing Company-owned services organically and by infill acquisitions
- Development of additional related services
- Increased focus on national accounts

Corporate HQ in Rugby, England

- Franchise network business and Company-owned operations
- Franchise network business:
  - Franchisees mostly single MFU operators
  - Services are solely fryer management under FiltaFry brand
- Company-owned operations:
  - FiltaSeal, replacement of refrigeration seals
  - FiltaFOG, grease interceptor installations and service
  - FiltaPump, pump station installations and service
- Revenues derived principally from FiltaFry, FiltaSeal, FiltaFOG and FiltaPump.

Mainland Europe

Revenue £0.5m (2%)



Number of vans

22 Franchise Operated

Business growth drivers:

- New Franchise Sales
- Fleet expansion by Franchise Owners
- Adapted North America model in Germany and have started expanding into surrounding countries.

Corporate HQ in Debbeshoek, the Netherlands

- Franchise network business
  - Franchisees both single and multi-MFU 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
- Revenues generated mainly from franchise sales, franchise services, oil resales

Strategy and Operations

Services

FiltaFry - Fryer Management Service

FiltaFry, our unique Fryer Management service, is the cornerstone of the Group's activities and service offering in North America, the UK and mainland Europe. 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.
- 7,000+ restaurant and food service customers receive FiltaFry services on a weekly basis.
- Fryer Management also includes supplemental services such as FiltaCool and FiltaDrain provided by our Franchise Owners to customers.
- Franchisees operate a total of 480 MFUs of which 417 are in North America, 41 in the UK and 22 in mainland Europe

Serviced by Franchise Owners

FiltaFOG - Fats Oil and Grease ("FOG") Management

Filta (through the acquisition of Watbio) has been at the forefront of innovation in (FOG) management for over 20 years and has evolved with the market and water company requirements. As an established team of FOG management experts, we are the leading choice for commercial kitchen FOG solutions in the UK

FiltaSeal – Single Visit Seal Replacement

FiltaSeal service is sold 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.

FiltaPump - Wastewater Pumping Solutions

FiltaPump specialises in installing, repairing and refurbishing water and wastewater pumping systems. Our work ranges from basement pump units, foul water lifting stations delivering waste back to the mains sewer system and off mains 'package' sewage treatment plants (micro-sewage works) which treat waste onsite bringing the quality down to a level where it can be discharged into the local environment..

FiltaDrain - Drain Jetting & Maintenance Service

From drain jetting and vacuum tankering services to repair and investigations, Filta offers a 'one stop shop' for all customers drainage needs.

FiltaVent - Automated Extraction Duct Cleaning

A new service introduced in 2019, the FiltaVent system replaces the traditional method of manually cleaning ductwork in commercial kitchens. Filta installs a system that periodically sprays biological enzymes directly into the ventilation system by specially installed nozzles. The enzymes are then dispersed along the entire route of the ductwork and are able to target all corners and inaccessible areas easily – unlike with manual cleaning where these areas are often missed, avoided or simply inaccessible.

Serviced by Company Operated Technicians

The Franchise Model

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

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 and care 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.

Typically, in North America, franchisees are likely to develop into multi-MFU operations, while, in the UK, they more often remain as single MFU operators. Mainland Europe is being developed as a multi-MFU operator model.

As the franchisees grow their businesses, both by increasing their customer base and by adding extra units, they receive extensive support from Filta. Filta believes that this high level of support is critical to the success of its Franchise Owners.

Filta considers that its role is to bring down barriers, identify opportunities, pass on experience and, above all, help to set up all the normal business practices and systems that are needed in young businesses.

In supporting our franchise owners, we endeavour to lower as many barriers as possible for them with programmes such as:

- **Inside Sales** – our Inside Sales Team, which is our "growth engine", has daily contact with franchise owners and helps them win new customers and upsell new products to existing customers.
- **Technician recruitment** – with 480 trucks on the road at year-end and growing quickly, hiring, and keeping good technicians is the lifeblood of our franchisees' businesses. To help them in managing this resource, Filta has a full-time recruiter to assist in the recruitment and retention of technicians.
- **National Accounts** – we continue to grow our national account customer base with new contracts being signed and greater penetration being driven within existing contracts.
- **Coaching** – ongoing assigned coaching for franchise owners at key stages of their growth.

Company Operated Model

In the UK, we directly employ Technicians and Engineers to provide the FiltaFOG, FiltaSeal, FiltaPump, FiltaDrain and FiltaVent services. These multi-skilled teams help ensure that we deliver professional, on-time, service in line with our customers expectations.

Business Model

There are four 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.

	Non-Recurring Revenue	Recurring Revenue
Franchised	**1 – Franchise Development** • New Franchise Owners and territories • Territory Fee and Opening Package Fee paid by franchisee • 10 year Franchise Agreements (5 year in UK and mainland Europe) 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 (2019 – repeat revenues at 95%) • Key objective is growth of franchisees' revenue, driving predictable Group revenues at increasing marginal profit
Company Operated	**3 – Equipment Sales & Installations (UK Only)** • All equipment installations are provided through Company Operated techs and vans • Equipment and installations sold directly to customer who pay Filta directly • Includes the on-time sale and installation of new GRUs (Grease Recovery Units), pump station installations, vent systems and other equipment.	**4 – Site Service (UK Only)** • All services are provided through Company Operated technicians and vans • Customers pay directly to Filta • Includes essential service to customers with a high level of visibility including: FiltaSeal, FiltaFOG, FiltaPump and FiltaVent • Key objective is to build repeat revenues, providing high revenue-visibility maintenance contract customers

Repeat Revenues Underpinned by Growing Royalty and Site Service Income
A significant base of the Group's total revenues (68%), which is down from 80% on the new equipment sales and installation services we offer, are earned by way of royalties and other service 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. Repeat revenue includes those revenues earned from existing customers, which are recurring in nature, and consist of our Fryer Management and Site Service revenue .

Blue Chip Client Base
The Group has a broad client base in North America, the UK and Germany with clients ranging from small single outlet enterprises to many 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 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 North America, the UK and mainland Europe. 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	Seals & Drains
	North America	UK	Germany			
Restaurants	630,000	72,000	165,000	Core to Filta's business in both the US and UK.	Some	All
Supermarkets	37,000	8,000	25,000	Multi-unit organisations and therefore potentially attractive customers	Some	All
Universities & Colleges	2,000	106	100	Most have fryers, all have many seals and refrigeration units. Mostly accessed through Contract Caterers.	Most	All
Sports Stadiums	1,000	50	100	Only stadiums with over 5,000 capacity. Filta services over 300 US stadiums.	All	All
Hospitals	5,600		1,900	Mostly accessed through Contract Caterers.	Some	All
Casinos	500		50	Casinos can have many restaurants and most provide fried food.	All	All
Contract Caterers	50,000		13,000	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 North American market is over 10x 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 $863bn for 2019 (National Restaurant Association), having grown in each of the last 10 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 800,000 target foodservice businesses in North America would benefit from the FiltaFry service.

Filta's current Fryer Management Services client base represents market penetration of under 4% in North America and 2% in the UK.

Site Service

Filta's site services (FiltaFOG, Seal, Pump, Drain and Vent) are provided in the UK only to the same core customer base as Filta's Fryer Management business, being commercial kitchen operators.

Management estimates that based on the Company's current service rate, Filta is providing service to around 2% of the UK market, with the potential to continue to grow into the future.

Strategy

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

1. Recruit the best staff and 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

— FOCUSED ON —

NORTH AMERICA

Strategic Priority:
System sales is our primary growth driver, creating predictable Group revenues at increasing marginal profit. To help achieve this, continuing improvement of our Franchise Owner quality provides the platform for growth as they add units, take on new territories and enhance our brand and reputation.

Progress in 2019:

- Network revenue grew to $51m
- Average franchisee revenue per van increased by 14% to $122,302
- Recruited 7 Franchise owners
- Added 25 MFUs
- Added 10 more sites with 23 metric tonnes worth of waste oil capacity, taking total to 58 sites
- Introduced a new operations platform technology
- Record breaking attendance at Filta Franchise Conference

Focus for 2020:

- Increase internal sales team to help accelerate network sales
- Continue to help Franchise Owners recruit good technicians.
- Sales of new Franchise Territories
- Refresh underperforming territories, via resales, with upgraded Franchise Owners

— FOCUSED ON —

UK

Strategic Priority:
To build repeat revenues, providing high revenue-visibility maintenance contract customers. Continue to support our Fryer Management franchisees and continue to grow the Company Owned Operations through gaining key accounts and expanding services within those accounts.

Progress in 2019:

- Increased revenue to £13.1m (2018: £4.8m) with the acquisition of Watbio
- Introduced new IT and finance systems
- Recruited and trained over 30 new staff members
- Upgraded Management Team

Focus for 2020:

- Continue to improve operational efficiencies
- Continue growth of core offerings including FiltaFOG, FiltaSeal, FiltaPump and FiltaVent
- Roll out new IT and operational technology to help drive service and remote equipment monitoring

— FOCUSED ON —

MAINLAND EUROPE

Strategic Priority:
Franchise sales is our primary growth driver, giving us the best platform for predictable revenues. Drive system sales.

Progress in 2019:

- 7 new Franchise Sales
- 22 MFUs in network
- Upgraded IT systems
- Introduced FiltaDrain spray service

Focus for 2020:

- Sales of new Franchise Territories
- Increase internal sales team to help accelerate network sales
- Introduce new products through the network

Chief Executive's Operating Review

Introduction

The acquisition of Watbio in December 2018 established the Group as the leading independent provider of grease management services in the UK and provided a platform for further growth in FOG (Fat, Oil and Grease) services and related activities. Despite the challenges that we encountered in integrating the Watbio business, it contributed 34% of the Group's revenue in 2019.

We also saw some good performances from our other Company-owned businesses in the UK, whose revenue grew by 18% and in North America, where revenue was up by 23%

Our long-term focus remains on growing the business both organically and through acquisitions of high margin, repeat revenue businesses in the grease management market. I believe that Watbio strengthens our market position and provides greater operational leverage for us to develop our full range of activities.

North America

Trading in North America remained strong with total revenue of £11.3m in 2019 (2018: £9.2m)

Network revenue, defined as the total revenue of our U.S. based franchisees for all services provided to customers, represents the best indicator of the Filta brands growing strength in the market. Our U.S. franchise network generated $51m (£40m) of revenues in 2019 (2018: $42m/£33m), an increase of 21%.

Fryer Management Services in North America contributed £10.1m of revenue in the year (2018: £7.8m). Our franchise network is both the showpiece and the cornerstone of our business – our franchisees connect us to our markets and our performance reflects their performance. We are committed to providing the franchisees with the necessary support to give them the best chance of success.

Although we constantly seek to grow our franchise base, the majority of our own revenue growth comes from the growth of our existing franchise owners. One of our strategic objectives is to encourage multi-MFU franchisees, which both allays financial risk and provides owners with higher investment returns. In 2019, our three highest grossing franchise owners achieved over $2.5m (£1.9m) in revenue and 7 (2018: 6) franchise owners recorded over $1m (£0.8m) of revenue.

We continue to take on new franchise owners for unallocated territories and to upgrade existing franchises. Our strategy is to recruit owners and to upgrade underperforming territories (resales) by seeking new franchisees who have the ambition and business acumen to expand their franchises, thereby enlarging the platform for Filta's own Fryer Management repeat revenues to increase year after year. In 2019 we recruited 7 new Franchise Owners (2018:16) and achieved 4 resales (2018:5). Prior to the COVID-19 pandemic we had seen a pickup in both new sales and resales with 4 completed by mid-March and a strong pipeline of prospective signings.

Mainland Europe

Whilst our business in mainland Europe, which is also principally a franchised offering, only accounts for 2% of total Group revenue it achieved encouraging progress with its number of franchisees increasing from 9 to 16 during the year and its own revenue, increasing to £0.5m in 2019 (2018: £0.3m).

As the business is at an early stage in the franchise curve, the growth comes, principally, from adding new franchisees, 7 in 2019 (2018: 8). However, it is also important to help the franchisees to develop their businesses by, amongst other things, adding key accounts. We have added a number of these in 2019 and are pleased to report that we now have 6 franchise owners operating more than one vehicle in their territories.

The start to the new year had been encouraging up to early March when lockdown restrictions began to be imposed across the continent. Despite the economic uncertainty, we continued to receive interest from potential franchisees and, indeed, sold 2 franchises through March. Accordingly, we expect to see further growth in the latter part of the year once our customers can re-open their businesses with nearer to full capacity.

UK

In the UK, we provide Fryer Management services through a franchise network but the majority of the revenue is derived from Company-owned activities, Equipment Sales & Installation and Site Services, whose revenues increased to £11.7m (2018: £3.4m) following the acquisition of Watbio at the end of 2018.

Our strategy is to develop a range of complementary services which provide health and safety advantages, improve efficiency or reduce operational costs to commercial kitchens. Usually, all of these benefits accrue to customers whilst allowing them to meet any compliance regulations in place. The addition of Watbio to our stable has significantly enlarged our UK business and, despite the integration issues and delays in reaching efficiency goals which resulted in a particularly challenging year, the sales of all services in the UK were broadly in line with our expectations. We believe that the business is now well-placed to build upon the platform that we have created.

Fryer Management

Fryer Management revenue remained constant at £1.4m. The majority of franchise owners in the UK are single unit operators and we are currently executing a strategy to encourage more of these owners to expand into multi-van operations.

Equipment Sales & Installation

Sales and installation of FOG equipment to new and existing customers remained steady through the year, whilst pump installations, which are typically larger value contracts, were more uneven but finished the year strongly. Total equipment sales and installation revenue were £2.8m in 2019 (2018: £0.7m).

Site Services

Site Services, which comprise our planned maintenance and other recurring revenues, grew its revenue to £8.9m (2018: £2.7m).

Revenue from FiltaSeal was £1.9m (2018: £1.6m), reflecting a 18% increase in the number of seals fitted. The increase was driven by higher volumes from our existing customers and, importantly, several new key account wins. The increased business from existing customers, the fact that we are continually adding to our customer base and the recognition that our current customers represent only a small percentage of the addressable market are evidence of a compelling market proposition, with considerable scope for growth.

We now have a strong platform from which to service our FOG customers. Our FiltaFOG service which brought together our legacy FOG service business with that of Watbio realised revenues of £3.2m in 2019 (2018: £1.0m).

FiltaPump and FiltaDrain services were added to our portfolio on the Watbio acquisition and saw service revenues of £2.7m (2018: £0.03m) and £1.1m (2018: £0.06m) respectively.

All of these activities have a common theme in being the provision of maintenance services, a large portion of which is planned and therefore has clear visibility, and the remainder of which are reactive but also have a high level of predictability because of their recurring nature.

People

Good people are key to any business and we continue to build a great team at Filta, 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 that they have developed with customers and franchise owners alike.

In North America, the management team remains stable with Tom Dunn, Chief Executive Officer North America, continuing to run the day to day business, enabling us to continue executing on our plans.

In the UK, Jlubomir Urosevic, who ran Filta UK for many years as Managing Director, was recently re-appointed as Managing Director of Filta's UK operations, adding valuable experience and skills to the UK team managing its expansion.

Jos van Aalst, Managing Director of Filta's mainland Europe business, continues to drive growth in Europe.

Company culture is the outcome of a Company's values, expectations and environment. We are dedicating a significant amount of our time as senior leaders of the organisation to building, refining and nurturing our culture so that it is clearly understood by everyone working for us currently and is easily transferrable to new hires.

Market Conditions

Our fortunes are substantially dependent on many of the businesses that have been most affected by the coronavirus pandemic, restaurants, bars, hotels, sporting venues, colleges, and other places for social gathering. It has therefore been inevitable that we would see a significant fall in activity and revenues, which has generally been the case throughout our operations. However, we have worked hard to support our franchisees and to formulate exit plans with our major customers during the lockdown period, such that we are witnessing a strong determination to resurrect and rebuild businesses as soon as regulatory and health conditions permit. We are encouraged by the fact that during the first quarter of the year we had been seeing strong trading across the Group.

The strength of the US economy had led to extremely low unemployment and, whilst this helped in service sales, it had the potential to reduce the number of people looking to buy franchises. Franchise sales in the US picked up significantly in the second half of 2019 and that trend had continued into the current year until the arrival of the coronavirus pandemic. Unemployment in the US is now at a level not seen since the 1930's, providing a pool of potential talent both for the sale of new franchises but also for existing franchisees to hire staff to expand as the entertainment and leisure industry picks up.

The UK was the focus of our attention through last year and disappointing though it was that the integration of Watbio held back our progress, the underlying economy in the UK had, despite Brexit uncertainties and until the pandemic struck, been strong, which was reflected in consistent or growing revenues in our UK operations. The UK customer base is heavily weighted to a

group of approximately twenty customers, many of whom take multiple services from Filta. This group of customers are some of the most well-known catering equipment, facility management, pub, restaurant, and supermarket chains in the UK and are well positioned to survive this downturn. Across the service categories this customer group accounts for 52% of FOG, 70% of Seal, 75% of Pump and 90% of Drain revenues, respectively. A number of these customers, specifically in the supermarket space, have not closed whilst many others have or are planning on reopening in stages over the next 8 weeks.

In mainland Europe, we experienced a good level of interest from potential franchisees, as is evidenced by the fact that we added 7 new franchises, in 2019 and service revenue from existing franchises continued to grow. We had a good pipeline of potential franchisees from countries beyond Germany, which was the start of our European presence. This has encouraged us to believe that our service, using the Franchise model, has potential throughout the continent and it is noteworthy that a new franchise in Estonia has been sold and we have received deposits on territories in Switzerland and Bulgaria, to commence later in the year.

The market for each of Filta's services has been affected by the pandemic in all of our operating territories but we believe that with the ever-increasing health, safety and food hygiene requirements the demand for our services, including FiltaShield, the latest addition to our stable, will be undiminished when more normal circumstances return.

Current Trading & Outlook

We had been experiencing good trading in the period leading up to the lockdowns, which occurred in most of our operating territories during March. Revenues had marginally exceeded management expectations and, with the rationalisation and improved productivity, operating margins were in line with our forecasts.

During the lockdown period, in response to requests from franchisees and customers, we have commenced a new service, FiltaShield, which is a bacterial cleaning service that will protect against COVID-19 for up to 30 days. We launched this service in April and are offering it, in the UK, as a direct service to our existing customers as well as to any other businesses or organisations which have to ensure safety for their staff and customers. In North America it is being provided through our franchise network. We would potentially look to do the same in Europe. There has been strong interest but we do not anticipate any significant revenue to flow from this until the places of principal social gathering are permitted to re-open.

We have been forced to "mark time" over the lockdown period but thanks to careful control of our cash resources, Filta remains in a strong position and we look forward to a return to the trading levels that we were enjoying in the early part of the year.

Jason Sayers
Chief Executive Officer

27 May 2020

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 number of GMG service jobs each year

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

16

Franchise Sales

480

MFUs at y/e

42,647

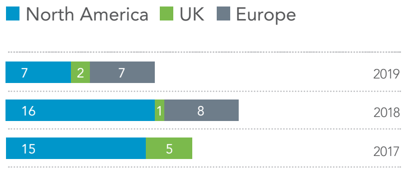
Seals Replaced

18,372

FOG Jobs Performed

1 – Franchise Development

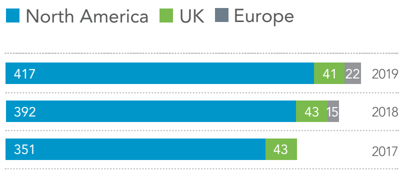
Franchise Sales



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

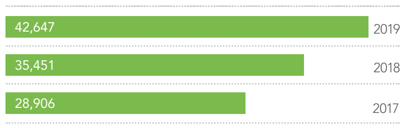
MFU's at the year end



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.

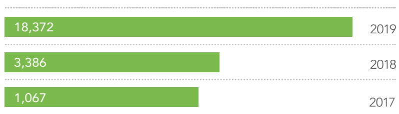
3 – Site Services

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.

FOG Jobs Performed



FOG jobs represent the number of individual jobs performed at sites. Typically a site is serviced every quarter.

Chief Financial Officer's Review

Summary

- Group revenue increased 75% to £24.9m (2018: £14.2m)
- Organic revenue grew 16% and was improved across each of our service offerings whilst the Watbio acquisition contributed £8.6m
- Adjusted EBITDA was up 20%
- Operating profit down 32% to £1.2m (2018: £1.8m)
- Basic earnings per share of 1.39p (2018: 4.86p) down 71% whilst excluding non-cash items of amortisation, depreciation and share based payment expense down 4% at 7.10p (2018:7.43p)

Revenue

Group revenue grew by 75% to £24.9m (2018: £14.2m).

Geographic contributions to Group revenue have changed dramatically with the acquisition of Watbio. Revenue in the U.K. was £13.1m or 53% of Group revenue (2018: £4.8m, 33%); North America delivered £11.3m of revenue, 45% (2018: £9.2m, 65%); and Europe contributed revenue of £0.5m, 2% of Group revenue (2018: £0.3m, 2%).

The increase in revenue was principally attributable to the addition of Watbio which contributed 78% of the overall increase whilst strong organic growth added the additional 22% as, individually, Fryer Management and FiltaSeal grew 25% and 18% respectively. Europe saw their revenue nearly double growing 93% to £0.5m.

Fryer Management remains the largest segment of the Group with £11.7m of revenue (2018: £9.3m) on higher royalty, national account and waste oil revenues whilst FiltaSeal experienced a 18% increase to the number of seals fitted, increasing its revenue to more than £1.9m (2018: £1.6m). Revenue from Franchise Development activities grew 2%, however, 3 additional sales in the pipeline did not close until January 2020. Additionally, we began to see a strong pipeline beyond the 3 January sales as we progressed into the new year.

Gross Profit

Gross profit increased by £3.1m or 44% to £10.2m (2018: £7.1m) exclusively on higher volume as gross profit margins declined to 41% (2018: 50%) as we integrated the Watbio acquisition, introducing structural changes and operating efficiencies. The cost savings arising from these changes will only be fully realised in 2020. Early 2020 results were in line with expectations and we are confident, that following a return to more normal conditions, both improved margins and our strong market presence will lead to improved gross profit.

Adjusted EBITDA

Adjusted EBITDA increased by 20% to £3.2m (2018: £2.6m) although the Adjusted EBITDA margin decreased to 12.7% (2018: 18.6%) on the full year spending impact of Watbio. Spending increases were concentrated principally in the area of people costs. Despite higher spending in the current year, the adjusted overhead base as a percentage of revenue is down slightly from the prior year.

Adjusted EBITDA reconciliation

Adjusted EBITDA has been arrived at as follows:

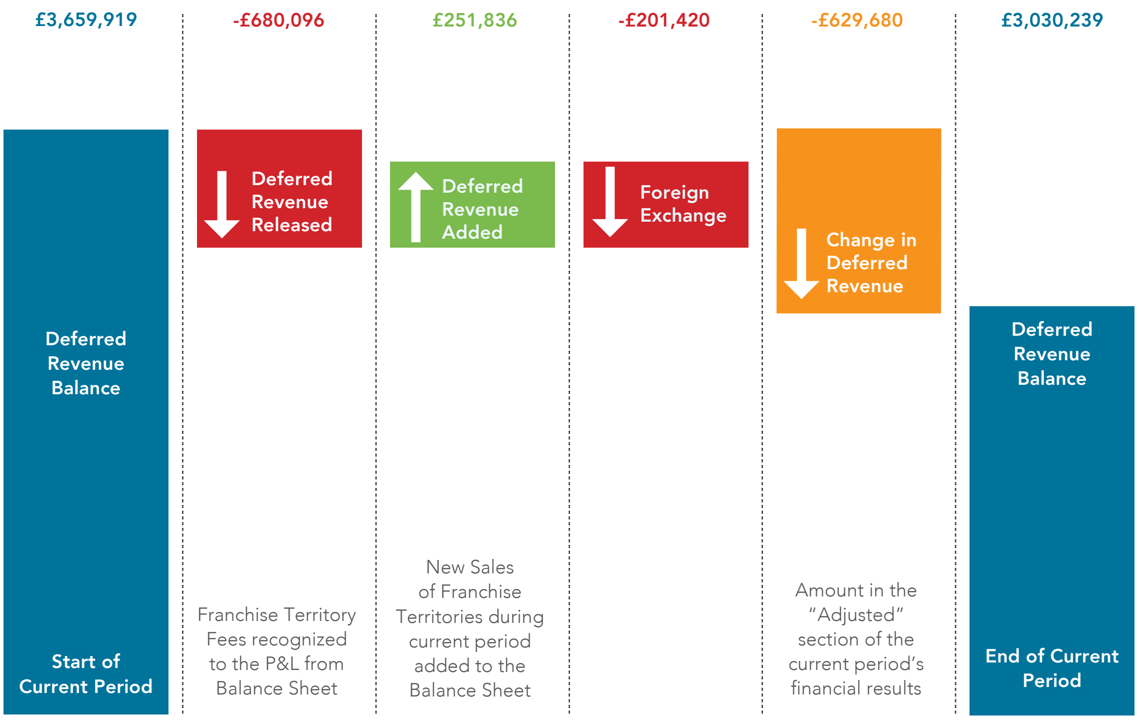
	2019 **£**	2018 £
Profit before tax	**936,284**	1,741,838
Acquisition, legal and restructuring costs	**296,410**	158,598
Share-based payments	**261,631**	302,506
Depreciation and amortisation	**1,396,932**	399,055
Finance costs, net	**271,314**	40,439
Adjusted EBITDA	**3,162,571**	2,642,436

Alternative Performance Measures

In addition to performance measures (IFRS) directly observable in the financial statements, additional performance measures (Adjusted EBITDA, Network Revenue and Cash Earnings Per Share) are used internally by management to assess performance. Management believes that these measures provide useful information as they are used to evaluate performance of business units, to analyse trends in cash-based operating expenses, to establish operational goals and allocate resources. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortisation, exceptional costs and share based payment expense, net of cash settled outlays, for all services provided to customers and is an important measure of our growth in the markets we serve. Cash Earnings Per Share is defined as basic earnings per share before depreciation, amortisation and share based payment expense, net of cash settled outlays.

Deferred Income

Group revenue for the year ended 31 December 2019 includes £0.7m (2018: £0.8m) which was released from brought forward deferred income during the year. We generated a further £0.3m of deferred revenue relating to territory fees on both new and existing franchises and will be recognised over the life of the franchise agreement. The deferred revenue balance declined by £0.6m to £3.0m and was negatively impacted by the foreign exchange effect of a weakening dollar which had a £0.2m effect on the year-end balance.



Discontinued Operations

Following an agreement to sell certain assets of the Group subsidiary, Filta Refrigeration Limited, the transaction was completed on 4 January 2018, and the Group exited its refrigeration business. The results of Filta Refrigeration are therefore disclosed as a discontinued operation. In 2019, Filta Refrigeration contributed nil to net profit (2018: £0.02m).

The tax impact of discontinued operations is £Nil (2018: £Nil).

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. The Group's effective tax rate for the year ended 31 December 2019 was 57.3% (2018: 24.2%). The effective rate is an amalgamation of mainly UK, US (23.5%) and Canadian (27.6%) rates for the periods reported. The change from prior year has been particularly affected by the geographic mix of profits for the year and the inability to offset US and Canadian pre-tax profits with UK losses. Additionally, there was a significant amount of expenses that were disallowable for tax purposes relating to the acquisition of Watbio.

Chief Financial Officer's Review

Earnings per share

The basic and diluted earnings per share for the year, from continuing operations, were 1.39p and 1.39p (2018: 4.86p and 4.82p) whilst the basic and diluted earnings per share, from continuing and discontinued operations, were 1.39p and 1.39p (2018: 4.93p and 4.89p) respectively.

Cash flows and cash balance

The Group generated cash from operations of £0.8m (2018: £2.0m) reducing to £0.3m (2018: £0.8m) after the payment of taxes. The main cash outflows related to the final consideration payment on the Watbio acquisition, including costs, of £1.8m (2018: £3.7m), repayment of borrowings and related interest of £1.1m (2018: £0.3m) and dividends £0.6m (2018: £0.4m).

At the year end the Group had cash balances of £2.9m (2018: £6.8m) and outstanding borrowings of £5.0m (2018: £4.7m), including a term loan balance of £3.2m (2018: £4.0m) drawn down to provide part of the consideration paid for the Watbio acquisition and lease liabilities related to the adoption of IFRS 16 of £1.2m. The Group's available cash and unutilised overdraft facility stood at £3.2m (2018: £6.8m). Finally, the Group met its covenant requirements throughout the year.

Liquidity

In mid-March, as the impact of the pandemic was setting in, the Group began to take steps to strengthen liquidity. This included participating in the UK government furlough program as well as reducing salaries for all remaining employees and board members by 20% to 50%. Additionally, we continued to see good customer remittance inflow which is a testament to the quality of our top customers. Revised payment terms have also been agreed with our major suppliers ensuring they remain there to support us as we begin to ramp up our business. As of 26 May 2020, we are operating with cash on hand in excess of £3.7m and our £0.4m overdraft facility remains fully available to us. In early May, we received £0.2m in funding from the US government's Paycheck Protection Program ("PPP") and we have successfully accessed £1.2m of funding through the UK government's Coronavirus Business Interruption Loan Scheme ("CBILS" or "CBIL"). We anticipate signing the loan agreement and receiving the funds in early June.

Through strong cash management, support from our banking partner and access to government programs, the Group's cash position and availability of additional funding is strong and the Board is confident that this will support the business conservatively through 2021.

B J Hogan

Brian Hogan
Chief Financial Officer

27 May 2020

Principal Risks and Uncertainties

The Board has carried out an assessment of the principal risks facing the business, which are seen to be as follows:

Risk	How we manage the risk	Trend on year:	Comment
Failure to attract new franchisees or to grow the number of MFUs in line with the strategic targets may prevent the Group from achieving its operating targets	In the USA, which represents approximately 70% of the franchised operations, we have an increasing number of franchisees who are multi-MFU operators, a trend which we are endeavouring to develop. Thus, an increasing number of new MFUs are being taken up by existing franchisees.	Stable → 2018: Stable	Strong pipeline across our operating territories.
The failure of a major franchisee may lead to a loss of revenue and/ or a bad debt	We now have 199 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.	Stable → 2018: Stable	The composition of our franchise base continues to diversify.
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.	Stable → 2018: Stable	Management focuses on positive brand awareness through training and strongly monitors its results.
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 the founding shareholder group and whose obligations to act in the best interests of shareholders as a whole are unfettered.	Stable → 2018: Stable	The risk has not changed during the year. The Board has added a new independent director post year end which further strengthens independent oversight.
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 both its CRM and Accounting software for a number of years and both have a strong reputation and have proved to be exceptionally reliable. We also have dedicated IT personnel who are tasked with ensuring the security and availability of the systems. Finally, in the new year we have engaged with our IT consultants to further integrate systems across the Group.	Stable → 2018: Stable	Following multiple acquisitions in 2018 we completed a full migration of all Filta operating companies onto our global accounting platform and the preferred operating system based on the relevant business model in place.
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.	Stable → 2018: Stable	We have done considerable work this year to improve our processes for talent management, retention and succession planning.
Acquisition and integration of new businesses	All potential acquisitions are rigorously assessed and evaluated, both internally and by external advisors, to ensure any potential acquisition meets the Group's strategic and financial criteria. This process is underpinned by extensive integration procedures and the close monitoring of performance post acquisition by both local and Group management.	Decreasing ↓ 2018: New	Filta's management team is developing a strong track record of success in integrating acquisitions and this builds with each acquisition.
A significant fall in the value of the US Dollar (which has accounted for approximately 75% of the Group's operating profits) 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.	Stable → 2018: Stable	The risk is monitored on a regular basis against both in-house and external mitigation options. Following our recent acquisitions less than 50% of the revenues will be in US dollars
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.	Stable → 2018: Stable	We have not witnessed any significant change in our competitive landscape.

Principal Risks and Uncertainties

Risk	How we manage the risk	Trend on year:	Comment
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.	Stable → 2018: Stable	This risk is monitored through ongoing discussions with franchisees and periodic reviews of the markets we operate in.
Improved fryer technology may reduce/resolve deterioration of the oil and 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.	Stable → 2018: Decreasing	The Group is continually reviewing changes in technology and, working closely with our long term supplier, recently introduced a 4th generation Mobile Filtration Unit to the market.
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.	Stable → 2018: Stable	Our franchise base continues to grow and diversify which helps us ameliorate any potential risk.
Economic Risk arising from political/social uncertainty	Many years of exposure to fluctuating markets have given us experience of operating and developing our business successfully during periods of economic, political, and social volatility. We continually monitor and analyse economic and demand indicators to ensure that our supply chain remains flexible and our portfolio of service offerings remains relevant. This analysis provides a key input to our business planning and go to market strategies. The Group's international footprint and a diversifying portfolio also provide a mitigating balance in our exposure to both EU and non-EU markets.	Increasing ↑ 2018: New	Relationships are developed and maintained with all our key customers and suppliers to ensure we stay apprised of uncertainties in the market and how those uncertainties are impacting their business. Additionally, the Group has a commercially astute team of managers and a Board who consistently discuss economic risks to the business.
The Group is very conscious of the impact that the spread of COVID-19 is having on our workforce and customers. In the short-term, government policies of social distancing and lock-down are having a pronounced effect on the Group's trading in its key geographic markets.	Whilst there continues to be an extremely high level of uncertainty in relation to the potential impacts of COVID-19, we believe the Group is well positioned to manage its way through this situation. Our priority is, and has been, the health and safety of our employees. The guidance and advice we are providing our employees, follows World Health Organisation guidelines and is supplemented by local authority guidance in the regions in which we operate. We have established an Executive Committee sub-committee to actively monitor and take action to prepare contingencies for the high level of uncertainty arising from the global spread of COVID-19, to take mitigating actions where necessary and to consider and effect opportunities to grow our business and improve our internal systems and processes where such exist. The Group is in a strong financial position with year-end cash and unused overdraft availability of £3.2m. We have reduced our spending considerably and taken advantage of available government assistance which has put us in a strong position to withstand the impacts of COVID-19.	New Risk	The Group is monitoring the potential impacts of the COVID-19 virus carefully and will continue to review the possible effects on the business and adjust its contingency planning as new information becomes available, seeking to ensure the continued safety of our employees, the preservation of liquidity and the utilisation of all available government assistance.

Brian Hogan
Chief Financial Officer

27 May 2020

Section 172

Our Approach to Stakeholders

The Board, advised by the Company Secretary, is conscious of its section 172 duties, and is mindful of the Group's key stakeholders listed below when it determines the impact of decisions upon all stakeholders under the Companies Act. Out of that Section 172 duty, the principal stakeholders of Filta and the impact we have upon them is discussed below.

Section 172 states that a director of a company must act in a way that they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, considering a range of stakeholders.

Engagement with our shareholders and wider stakeholder groups plays an essential role throughout Filta's business. We are aware that each stakeholder group requires a tailored engagement approach in order to foster effective and mutually beneficial relationships. Our understanding of stakeholders is then factored into boardroom discussions, regarding the potential long-term impacts of our strategic decisions on each group, and how we might best address their needs and concerns.

The Board reviews our principal stakeholders and how we engage with each of them. The stakeholder voice is brought into the boardroom through information provided by management, and also by direct engagement with stakeholders themselves. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

Out of that Section 172 duty, the principal stakeholders of Filta and how we engage with them to alleviate their concerns is set out below. In addition, given the importance of stakeholder focus, long-term strategy and reputation, these themes are discussed throughout this Annual Report.

STAKEHOLDER	THEIR CONCERNS	OUR ENGAGEMENT
Employees		
Our employees, their welfare and their opinions and their loyalty are important to us. We want them to enjoy and to be proud of working at Filta. This can only be done if we really listen to their concerns and take appropriate action.	• That the Board ensure that when making strategic decisions the impact upon our employees is fully considered. • Opportunities for development and progression. • Flexible working for all. • Diversity and inclusion, globally.	The Board regularly takes the opportunity to meet with staff at all levels in the organisation when making site visits across our operations. Staff surveys are undertaken, which the Board reviews and follows up on outcomes. Senior executives review certain workplace policies and whistle-blowing incidents, ensuring that appropriate follow up is implemented, as necessary.
Franchisees		
Our Franchisees are our partners. We are dependent on their commitment and professionalism to maintain our reputation and to successfully grow the brand. Similarly, their businesses and success are reliant on our reputation and quality of offering.	• Brand management and growth. • Consistency of technical support. • Ongoing alignment on franchisor charges. • Opportunities to grow their market. • Availability of financial support to grow their markets.	Management works closely with its Brand Advisory Council on franchisee concerns whilst the Board is provided regular updates on the status of the franchise networks. The Board discusses current concerns with management to better understand the potential impact on the overall health and growth of the network.
Customers and suppliers		
Our Customers and Suppliers need to be nurtured in order for our business to grow and develop. We need trusting relationships with both and for them to believe that Filta is 'best of breed'.	• Prompt and fair payment. • Listening to their requirements. • Partnering on cost effective solutions. • Quality and Regulatory.	Board meeting updates are provided by the management team on the status of our relationships with our key customers and suppliers and how these relationships are evolving as we respond to different market conditions and environments.

Section 172

STAKEHOLDER	THEIR CONCERNS	OUR ENGAGEMENT
Investors		
The shareholders are the owners of our business and whether they be founders, institutions or private individuals, we seek to treat them fairly and equally. It is important that they all are able to have a clear understanding of the company and its performance through full and transparent communications and independent research.	• Strategy. • Performance. • Leadership. • Succession Planning. • Remuneration.	The Board meets with retail investors at the Annual General Meeting and responds to letters and emails from shareholders throughout the year. Members of the Board are always happy to engage with investors, if they have matters, they wish to raise with the non-executive team. The Chair and other Board members report back to the Board following their meetings with investors. A short report on our major shareholders and any significant changes in their holdings since the previous meeting is reviewed at each Board meeting. Copies of the analyst reports on the Company are published on the website.
Government & regulators		
In many countries, our service offerings are aligned with government accountability and regulatory affairs. It is important that we maintain good relationships with governments so that we continue to develop cost efficient solutions to their issues.	• Product safety. • Competition issues. • Compliance with local legal regulatory requirements. • Social and economic concerns.	We operate in certain regulated environments and our businesses are often at the forefront of newly proposed or enacted regulation. The Board interacts with agencies that have oversight over areas that we operate in on a regular basis.

B J Hogan

Brian Hogan
Chief Financial Officer

27 May 2020

Governance

Corporate Governance Statement

Dear Shareholders,

As Chairman of the Board of Directors of Filta, it is my responsibility to ensure that Filta has both sound corporate governance and an effective Board. The Chairman's principal responsibilities are to ensure that the Company and its Board are acting in the best interests of shareholders. My leadership of the Board is undertaken in a manner which ensures that the Board retains integrity and effectiveness, whilst creating the right Board dynamic for ensuring that all important matters, in particular, strategic decisions, receive adequate time and attention at Board meetings.

Filta complies with the Quoted Companies Alliance Corporate Governance Code (QCA Code) in line with the London Stock Exchange's AIM Rules. This report follows the structure of these guidelines and explains how we have applied the guidance. The Board considers that the Group complies with the QCA Code in all respects, and further details of the Company's compliance can be found on the Company's website.

The Board believes that application of the QCA Code supports the Company's medium to long-term development whilst managing risks, as well as providing an underlying framework of commitment and transparent communications with stakeholders. It also seeks to develop the knowledge shared between the Company and its stakeholders.

We have also included a statement outlining how the Board engages with stakeholders and how they have had regard to stakeholders when making strategic and operation decisions, all in line with section 172 of the Companies Act 2006.

Filta seeks to constantly improve its corporate governance practices, illustrated this year through the appointment of an additional Independent Non-Executive Director (Lloyd Martin in February 2019).

Strategy, Risk Management and Responsibility

A description of the Company's business model and strategy can be found on pages 6 to 17, and the key challenges in their execution are set out on pages 21 to 22.

The Board is responsible for 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. The Audit Committee (see page 31) has delegated responsibility for the oversight of the Company's risk management and internal controls and procedures, as well as determining the adequacy and efficiency of internal control and risk management systems. The Board continuously monitors and upgrades its internal control procedures and risk management mechanisms and conducts an annual review when it assesses both for effectiveness. This process enables the Board to determine if the risk exposure has changed during the year and these disclosures are included in the Annual Report.

In setting and implementing the Company's strategies, the Board, having identified the risks, seeks to limit the extent of the Company's exposure to them having regard to both its risk tolerance and risk appetite.

An internal audit function is not yet considered necessary as day to day control is sufficiently exercised by the Executive Directors. However, the Board will continue to monitor the need for an internal audit function.

Further details on the Company's risk management and internal controls can be found on pages 21 to 22.

Board of Directors

Tim Worlledge, FCA
Independent Non-Executive Chairman
Tim has over 30 years' experience in the financial services industry working with and advising growth companies. He was formerly Head of Corporate Finance at each of Evolution Group and Williams de Broe and has previously been a director of the Quoted Companies Alliance. He is currently a director of Evolution Securities China Limited.

Jason Sayers
Executive Director – Group 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.

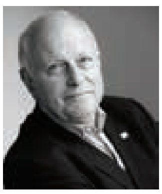
Victor Clewes
Executive Director
Victor is a former land and property buyer for CCHA Housing Association, founded Emerson Richards estate agency and financial services (1987) and subsequently in 1990 the first high street mortgage broking chain, The Mortgage Advice Shops, which were franchised throughout 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.

Brian Hogan
Executive Director – Group Chief Financial Officer
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).

Jlubomir Urosevic
Executive Director
Jlubomir joined FiltaFry Ltd in 1999 as Commercial Director, becoming Managing Director of the UK operations in 2000 and currently serves in the role of Corporate Development Director for the UK. Jlubomir has overseen the FiltaFry UK franchise network, developed the internal franchise network and has introduced FiltaSeal and FiltaGMG 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.

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

Graham Woolfman, FCA
Independent 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 was formerly Managing Director of Intrust Corporate Finance Limited and is a non-executive director of two other companies.



Lloyd Martin
Independent Non-Executive Director – Appointed 18 February 2019
Lloyd is a Fellow of Chartered Institution of Water & Environmental Management and has more than 35 years' experience of the water industry. He recently retired as Chief Executive of British Water, the leading association supporting the UK water industry. Lloyd was formerly the UK water industry's international trade advisor to the UK Government, Regional Director at Severn Trent Services International and Business Development Manager at Anglian Water International.

Board Governance and Activities

The Board

At the date of this Report, the Board has eight members, whose biographies and roles are set out below:

Director's Name	Position(s)
Tim Worlledge	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 and member of Audit Committee
Graham Woolfman	Non-Executive Director – Chairman of Audit Committee and member of Remuneration Committee.
Lloyd Martin	Non-Executive Director and member of Remuneration Committee

Non-Executive Directors and Independence

The Directors believe that the Board, as a whole, has a broad range of commercial and professional skills, enabling it to discharge its duties and responsibilities effectively and that the Non-Executive Directors, together, have a sufficient range of experience and skills to enable them to provide the necessary guidance, oversight and advice for the Board to operate effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

The Board is satisfied that there is a suitable balance between independence, on the one hand, and direct managerial and operational knowledge of the Company, on the other, to ensure that no individual or group may dominate the Board's decisions. Tim Worlledge, Graham Woolfman and Lloyd Martin are considered to be independent of management. Roy Sayers, as a significant shareholder and relative of 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 the commencement and expiry dates of their current periods of appointment:

Director	Date Current Term Commenced	Expected Expiry Date of Current Term
Tim Worlledge	04/11/2016	03/11/2019
Roy Sayers	04/11/2016	03/11/2019
Graham Woolfman	04/11/2016	03/11/2019
Lloyd Martin	18/02/2019	17/02/2022

Attendance at Board and Committee meetings

All of the Executive Directors work full time for the Company, except Jlubomir Urosevic and Victor Clewes, who each devote a minimum of 24 hours per week. The Chairman is expected to devote not less than 32 days per annum and the Non-Executive Directors are each expected to dedicate not less than 18 days per annum to the Company's affairs. The Chairman and Non-Executive Directors endeavour to ensure that their knowledge of best practices and regulatory developments is continually up to date by attending relevant seminars and conferences.

There were 11 scheduled Board meetings and 4 additional Board meetings held during 2018. The table below sets out attendance statistics for each Director at Board, and where relevant, Committee meetings held during the financial year.

Director	Board (15 meetings held)	Audit Committee (3 meetings held)	Remuneration Committee (1 meeting held)
Tim Worlledge	15	3	1
Graham Woolfman	15	3	1
Roy Sayers	15	3	–
Jason Sayers	15	–	–
Victor Clewes	14	–	–
Jlubomir Urosevic	15	–	–
Brian Hogan	15	–	–
Lloyd Martin (2019 appointment)	–	–	–

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.

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 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 and in response to amendments to FRC guidance. They may be viewed on the Group's website (www.filtaplc.com).

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 Audit Committee is made up of Roy Sayers, Tim Worlledge, FCA and Graham Woolfman, FCA (Chair) who has recent and relevant financial experience, both as a result of his formal qualifications and his roles elsewhere. It has responsibility for monitoring the integrity of the financial statements and related narrative to ensure that they properly represent the Company's financial position and trading results, that they have been prepared in accordance with appropriate accounting standards and that the auditors have been provided with the necessary information to carry out their audit procedures. 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. A report by the Chairman of the Audit Committee is included on pages 31 to 32.

Remuneration Committee

The Remuneration Committee comprised Tim Worlledge (Chairman) and Graham Woolfman during 2018 but now, following his appointment as a Director, also includes Lloyd Martin. The Remuneration Committee's principal responsibilities include the setting of remuneration levels and structure for the Executive Directors, monitoring the level of remuneration for senior management and overseeing the design and application of share options and rewards plans. A Remuneration Report from the Chairman of the Remuneration Committee is set out on pages 33 to 35.

Shareholder objectives and Communication

The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders and that shareholders are able to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

In addition to the publication of half-year and full year results statements, the Company provides frequent trading updates and makes its senior management team available to meet with shareholders, when there is opportunity for shareholders to voice their concerns, thoughts or needs. The Company has recently appointed an independent research company to publish reports on the Company, in order that more of its shareholders may obtain access to such information.

Culture and Social Responsibility

The Board recognises the importance of displaying an ethical corporate culture and of having regard to its social responsibilities in so far as its actions may impact upon society, its local communities and the environment. It is aware that the tone set by the Board and by its decisions regarding strategy and risk may impact the corporate culture of the Company as a whole and on the way that employees and other stakeholders behave.

The Company operates in a manner that encourages an open and respectful dialogue with employees, customers and other stakeholders and the Board considers that sound ethical values and behaviours are crucial to the ability of the Company to achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors believe that the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

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 in taking Corporate Social Responsibility to support responsibly-grounded business decision-making by having regard to 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 Company conducts annual employee engagement surveys to determine if ethical values and the Company's corporate culture are recognised and respected and seeks to understand any underlying issues or dissatisfactions within the workforce. Additionally, employee-management meetings and the use of Perform Yard provide the Company with the opportunity for continual dialogue with employees. The Company seeks to impart its corporate culture to staff through an employee handbook.

Filta publicises information on its Corporate Social Responsibility and actively seeks to promote ethical corporate culture. The Company's Corporate Social Responsibility Report is included on page 39.

Audit Committee Report

Overview

The Audit Committee met four times during the year. The external auditors attended each of these meetings at the invitation of the Committee Chairman. The Committee also met with the external auditors without the presence of Executive Directors or management.

In the coming year, in addition to the Committee's ongoing duties, the Committee plans to:

- review the impact of Covid-19 on the business and its projected cash flows. The committee considered the impact of potential sensitivities on the Group's cash flows and calculated that the statements made in relation to going concern and the Group's viability were appropriate.
- keep the need for an internal audit function under review, having regard for the Company's strategy and resources; and,
- undertake assessments of the external auditor's performance and the Committee's effectiveness.

Objectives and Responsibilities

The Committee, operating under its Terms of Reference, discharged its responsibilities by, amongst other things, reviewing and monitoring:

- the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the parent Company and the Group;
- the methods used to account for significant or unusual transactions;
- whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditors;
- the effectiveness of the external auditors and considering and making recommendations on the appointment, reappointment, and removal of the external auditors;
- the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the operating and financial review including the audit and risk management statements within the corporate governance report.

The full terms of reference are available at the Company's website www.filtaplc.com

Financial Reporting

During the year, the Committee concluded that the Annual Report and financial statements, taken as a whole, were fair, balanced, and understandable and provided the information necessary for shareholders to assess the Company's and the Group's financial position, performance, business model and strategy.

The principal matters the Committee considered concerning the 2019 financial statements were impacts related to the transition of IFRS 16, ongoing recognition of revenue (specifically the adoption of ASC 606 in the US) and the impact on profit and provisioning, in accordance with International Financial Reporting Standards. A particular focus for the Committee during the year was the Company's approach to the implementation of IFRS 16 and related briefings on their impact on the financial statements. Finally, the Committee reviewed the impact of Covid-19 on the business and its projected cash flows. The Committee considered the impact of potential sensitivities on the Group's cash flows and assessed that the statements made in relation to going concern were appropriate.

Adjustments related to IFRS 16 were reviewed and disclosure of impact in 2019 was deemed appropriate. It was concluded that IFRS 16 has had a significant effect on the financial statements, which arose principally in the Watbio part of the business, albeit the initial transition adjustment to retained earnings on adoption was negligible at less than £0.1m. Further information is provided in notes 3 and 4 to the accounts.

With respect to the 2020 financial year, the Committee continues to monitor the impact of the recent adoption of IFRS 9, IFRS 15 and IFRS 16 and the ongoing impact on both financial performance and reporting.

The Committee reviewed the 2019 full-year and half-year results announcements and considered matters raised by the external auditors identifying certain issues requiring its attention. The Committee also reviewed the Strategic Report and concluded that it presented a useful and fair, balanced and understandable review of the business.

The Committee has continued its monitoring of the financial reporting process and its integrity, risk management systems and assurance.

External Audit
The Committee assessed the external auditor's performance and effectiveness alongside the Group's senior finance team. The output from the process was reviewed and discussed by the Audit Committee and with the external auditor at the completion of the 2019 annual audit process in the first half of 2020.

Auditor's Independence
The Committee approves the external auditor's terms of engagement, scope of work, the process for the interim review and the annual audit. It also reviews and discusses with the auditor the written reports submitted and the findings of their work. It has primary responsibility for making recommendations to the Board on the appointment, reappointment, and removal of the external auditor. The Committee, at least annually, assesses the independence, tenure and quality of the external auditor.

Audit Committee Effectiveness
The Committee performed a periodic assessment of its own performance in the first quarter of 2020 to ensure it is operating at maximum effectiveness. The Committee was satisfied with the outcome of the process and reported its findings to the Board.

Graham Woolfman

Chairman
Audit Committee

27 May 2020

Remuneration Committee Report

Committee

Details of the Remuneration Committee's composition and responsibilities are set out in the Corporate Governance Report on pages 27 to 29 and its terms of reference can be found on the Group's website at: www.filtaplc.com

The Committee, which comprises only independent Non-executive Directors, meets as required during the year and invites recommendations as to remuneration levels, incentive arrangements for senior executives and proposals regarding share option awards from the Chief Executive Officer. The meetings are also attended by Roy Sayers (as an observer), who, although not considered to be independent, has had a long involvement with the Company and therefore has helpful knowledge of both the capabilities of key staff and of appropriate performance measurement criteria.

Responsibilities

The Remuneration Committee's principal responsibilities include:

- establishing, within agreed terms of reference, the Group's policy on the remuneration of Executive Directors and senior executives and monitoring the policy for the remuneration of staff, generally;
- the setting of remuneration structure and level for the Executive Directors;
- monitoring the level of remuneration for senior executives, including the setting of appropriate targets for performance related pay; and
- overseeing the design and application of share options and rewards plans

Company's policy on remuneration of Directors

Our policy is to ensure that the remuneration of Directors and senior executives is aligned with performance and that all employees are rewarded for the delivery of long-term value to shareholders.

The main components of the remuneration packages for Executive Directors are:

Basic salary or fees

The basic salary or fees for each Director are determined by considering the performance of the individual and information, where available, on the rates of salary for similar posts in comparable businesses.

Annual bonus

There were no bonuses paid in 2019 (2018: £Nil). In the future, cash bonuses representing up to approximately one third of total remuneration will be available to Executive Directors and Senior Executive Managers on the attainment of stretching performance targets, save that it is considered that Jason Sayers, Victor Clewes and Jlubomir Urosevic, all of whom are significant shareholders, are adequately incentivised by way of dividends and, therefore, do not receive performance-related bonuses.

Benefits in kind

Presently, three of the Executive Directors are provided with company cars and medical insurance.

Share options

The Company's policy is that, in addition to their salaries and bonuses, Executive Directors and Senior Executive Managers should be awarded share options or, in the case of US employees, Share Acquisition Rights (SARs) in order that their interests may be more closely aligned with those of shareholders. Owing to the Company's corporate activity during 2018 there were limited opportunities for options and SARs to be awarded. Accordingly, none were awarded in 2018 but 30,000 SARs, representing his 2018 allocation, were awarded to Brian Hogan in January 2019 and a further 30,000 SARs, representing his 2019 allocation, were awarded to him in May 2019. Due to the size of their existing beneficial holdings, Jason Sayers, Victor Clewes and Jlubomir Urosevic, the other Executive Directors, do not participate in the share options plans.

The Non-Executive Directors, whose remuneration is determined by the Board as a whole, receive fees in connection with their services provided to the Group, to the Board and to Board Committees. Additionally, Roy Sayers, is provided with a company car.

Senior executives receive basic salaries, annual bonuses according to performance against defined targets, benefits in kind, which may include company cars and health insurance, and participation in share option plans.

Share options plans

We believe that all employees should have the opportunity to participate, alongside shareholders, in the long-term growth and success of the Group. This is effected by giving all qualifying UK employees the opportunity to participate in the Filta Group Holdings Enterprise Management Incentive Plan ('EMI' or 'The Plan'), and, by awarding Share Acquisition Rights ('SARs'), to all qualifying US employees. The awards of SARs follow the structure of the EMI Plan to provide holders of SARs with the same reward value as if the SARs were share options, save that the reward is provided in cash and does not involve the issue of shares. As our operations in Europe expand, the Committee is reviewing options to identify the most efficient means to allow our EU employees to participate in the long-term growth of the Group.

Both the Plan and SARs include time criteria, whereby initial awards to an employee are normally only capable of being crystallised after a minimum of two years of continuous employment and subsequent awards after a minimum of three years from the date of the award. Senior management employees also receive awards with performance-based exercise criteria which are set when the awards are made and may be either financial or operational.

Directors' emoluments

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

	Salary/Fees £	Bonus £	Benefits £	2019 Total £	2018 Total £
Executive Directors					
Jason Sayers	189,243	-	26,103	215,346	221,720
Brian Hogan	137,273	-	4,377	141,650	119,646
Victor Clewes (note 1)	107,846	-	12,749	120,595	208,627
Jlubomir Urosevic (note 2)	45,000	-	2,567	47,567	56,349
Non-Executive Directors					
Tim Worlledge	45,000	-	-	45,000	44,167
Roy Sayers	30,000	-	2,437	32,437	32,094
Graham Woolfman	30,000	-	-	30,000	30,000
Lloyd Martin	26,250	-	-	26,250	-
Total	**610,612**	**-**	**48,233**	**658,845**	**712,604**

Notes

1. Victor Clewes is employed on a part-time basis and is required to work not less than 3 days per week.
2. Jlubomir Urosevic was employed as Corporate Development Director on a 3 days per week contract through 2019 but became UK Managing Director on a full-time contract and a salary of £90,000 pa with effect from 10 February 2020.
3. The highest paid Director earns 5.1 times that of the average employee in 2019 (2018: 4.3 times).

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 contract	Notice period
Executive Directors		
Jason Sayers	26 October 2016	6 months
Brian Hogan	26 October 2016	6 months
Victor Clewes	26 October 2016/Addendum 1 February 2019	6 months
Jlubomir Urosevic	26 October 2016/Addendum 10 February 2019	6 months
Non-Executive Directors		
Tim Worlledge	26 October 2016	3 months
Roy Sayers	26 October 2016	3 months
Graham Woolfman	26 October 2016	3 months
Lloyd Martin	18 February 2019	3 months

Directors' interests

The interests and beneficial interests of the Directors in the shares of the Company at 31 December 2019 are set out below:

	No of Shares	No of Share options/SARs
Executive Directors		
Jason Sayers *	11,614,680	–
Brian Hogan	–	135,000
Victor Clewes	4,558,750	–
Jlubomir Urosevic	1,309,690	–
Non-Executive Directors		
Tim Worlledge	40,000	–
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.

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 Chairman of 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.

Tim Worlledge
Chairman
Remuneration Committee

27 May 2020

Directors' Report

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

Principal Activity

The Strategic Report, which is set out on pages 6 to 22 provides a comprehensive review of the development, performance and future prospects of the business for the year ended 31 December 2019 including a description of the Company's strategy, business models and business overview.

Results and Dividends

The profit for the year was £0.4m (2018: £1.3m). Further details are set out on page 46. The final dividend for year ended 31 December 2018 of 0.92p and the 2019 interim dividend of 1.0p were paid during the year. The Board has elected not to propose a final dividend for the year ended 31 December 2019.

Annual General Meeting

The Annual General Meeting of the Company will take place on 14 July 2020 at The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP, commencing at 11:00 a.m. Due to the current COVID-19 restrictions on non-essential gatherings, Shareholders are advised not to attend the meeting and to submit their votes in advance by proxy. Details of the resolutions and voting procedures are set out in the Notice of Annual General Meeting which is being posted to shareholders and can be found on the Company's website.

Directors

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

	Appointed
Executive directors	
Jason Sayers	31 March 2016
Brian Hogan	10 June 2016
Victor Clewes	10 June 2016
Jlubomir Urosevic	10 June 2016
Non-Executive Directors	
Tim Worlledge	10 June 2016
Roy Sayers	31 March 2016
Graham Woolfman	10 June 2016
Lloyd Martin	18 February 2019

The profiles of the Directors of the Company serving at the date of issue of this report are set out on page 27.

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.

Share Capital

The Company's issued share capital comprises a single class, which is divided into ordinary shares of 10 pence each, details of which are set out in Note 29 of the financial statements. All the Company's issued ordinary shares are fully paid up and rank equally in all respects. As at 31 December 2019, there were 29,085,355 (2018: 28,918,630) ordinary shares in issue. The rights and obligations attached to these shares are detailed in the Articles of Association of the Company, copies of which can be obtained from Companies House in the UK, or by writing to the Company Secretary, at the registered office of the Company.

Substantial Interests

As at 31 December 2019, 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	27.3
Victor Clewes	4,558,750	15.7
Jason Sayers	3,688,120	12.7
Gresham House UK Micro Cap Fund	3,614,000	12.4
Roy Sayers	1,762,160	6.1
Blackrock Smaller Companies Trust	1,350,000	4.6
Jlubomir Urosevic	1,309,690	4.5

* 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 79.7%.

All of the issued shares in the Company Filta Group Holdings plc are listed on AIM and it has not applied or agreed to have any of its securities (including its AIM securities) admitted to or traded on any other exchanges or trading platforms.

There are no restrictions on the transfer of any of the issued shares.

Political Contributions

It is the Group's policy not to make political donations, accordingly there were no political donations made during the year (2018 – £ 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 U.K. 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 U.K. LLP as auditor and a resolution concerning its re-appointment will be tabled to the members at the forthcoming Annual General Meeting.

Post Year-end Developments

Please see Note 35 Events after the Reporting Date.

Review of the Business

The Group is required to set out a fair review of the business and future developments of the Group during the financial year ended 31 December 2019 and the position of the Group at the year-end.

This information can be found in the Chairman's Statement on pages 2 to 4, the Chief Executive Officer's Review on pages 14 to 16 and the Chief Financial Officer's Review on pages 18 to 20.

Financial Risk Management

Details are set out in note 31 to the financial statements.

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, which includes compliance with AIM Rule 26; the work carried out by the auditor does not involve the consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred in the accounts since they were initially presented on the 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 27 to 29 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 27 May 2020 and signed on its behalf by:

Brian Hogan
Chief Financial Officer

27 May 2020

Corporate Social Responsibility Report

3.02m lts

Fuel Saved

865 mt

Plastic Saved

41.1k 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 7,000 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

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 2019, FiltaFry customers saved over 12,000 mt of fry oil.

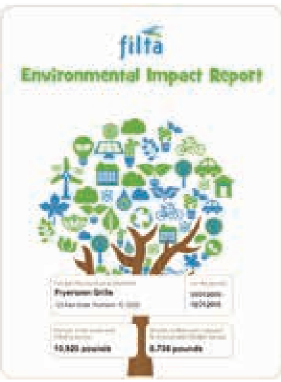
Using the Environmental Impact Report app, available to all Franchise Owners, we calculate that this equates to the following savings for the environment due to the oil being reused:

Fertilizer	924 mt
Lime	7,941 mt
Petrol & Diesel	3.02m lts
Plastic	865 mt
Cardboard	577 mt
Carbon offset	16,027 mt

FiltaBio

In 2018, Filta collected 11,117 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)	69.2 mt
Carbon Dioxide (Greenhouse Gas)	26,268 mt



Financial Statements

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

year ended 31 December 2019

Opinion

We have audited the financial statements of Filta Group Holding plc (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2019, which comprise:

- the group statement of comprehensive income for the year ended 31 December 2019;
- the group and parent company statements of financial position as at 31 December 2019;
- the group and parent company statements of cash flows for the year then ended;
- the group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the group financial statements as a whole to be £145,000 based on a percentage of adjusted EBITDA.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £7,250. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit
The finance functions of the parent company and its UK subsidiaries are based in the US and UK, respectively.

A member firm of Crowe Global in the US (the 'component auditor') undertook a full scope audit of Filta Group Inc., under our direction. Filta Group Inc., accounts for approximately 45% of the group's revenue

We were involved in the audit of Filta Group Inc., from the planning stage through to completion. This involved a combination of conference call meetings, detailed working paper review and meetings and discussions with the audit committee. We reviewed a complete set of working papers for Filta Group Inc. and challenged the findings of the component auditor and discussed matters with management. Our audit of the group's UK operations was performed at the UK headquarters in Rugby. The consolidation and annual report are prepared by management in the US and we audited these through regular conference call meetings with management, the use of a file sharing platform and challenging management's assumptions and conclusions throughout the audit.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
Impairment of intangibles and goodwill In previous years, the group have acquired Grease Management, Watbio and FiltaFry Deutschland. As a result, goodwill has been recognised in the financial statements and there is the risk that the goodwill is impaired. As part of these acquisitions, other intangibles are also recognised in the financial statements which may be subject to an impairment review. As at 31 December 2019, the group has goodwill of £1.6m, customer relationships of £3.4m, customer contracts of £2.2m, and a supply contract of £0.7m.	Our audit procedures consisted of the following: • Obtaining and assessing management's impairment assessment on the Cash Generating Units that goodwill is allocated to. • Verifying the inputs into the calculation and assess the accuracy of past budgets to outturns. • Recalculating the discount rate and assess how this has been weighted for risk • Challenging the assumptions used in the impairment assessment, being the discount rate, growth rate and margin. • Sensitivity analysis performed on the various inputs. • Assessing the appropriateness of the related disclosures in the financial statements.
Revenue recognition Revenue is recognised in accordance with the accounting policy set out in the financial statements. The accounting policy contains a number of judgements in respect of franchise sales where a portion of the revenue generated is deferred and recognised over the term of the franchise agreement.	Our audit procedures consisted of the following: • Agreeing the performance obligations identified by management to a sample of contracts to ensure the adopted accounting policy is appropriate. • Testing of a sample of transactions throughout the year to determine whether the company's accounting policy on revenue recognition had been correctly applied, covering royalty income, franchising and other revenue including testing the calculation of deferred revenue to ensure accurate and appropriate. • Selecting a sample of pre and post year end invoices to ensure revenue cut off has been correctly applied. • Assessing the appropriateness of the related disclosures in the financial statements.

Going concern, Covid-19 impact assessment	
At 31 December 2019, the group had cash and cash equivalents of £2,891,014 (2018: £6,789,968). The group also have funding facilities in place, details of which are set out in note 35 of the financial statements which it does not envisage will be withdrawn. The Covid-19 pandemic has had a significant adverse impact on the Group's operations. At the date of approval of these financial statements it is not clear how long the current circumstances are likely to last and what the long-term impact will be. The risk that the Covid-19 pandemic and the resulting economic consequences would continue to adversely impact on the group and its ability to operate as a going concern was considered to be a key audit matter.	We obtained management's assessment of the impact of Covid-19 in the business of the group and the re-forecast financial projections. We performed audit procedures, including challenge regarding reasonableness on the inputs into the model as follows: • Reviewing the revised forecast revenues and resulting cash flows within the assessment period, in the UK and significant non-UK components. • Comparing the re-forecast to available management information for the business in April 2020. • Benchmarking the financial impact of the steps taken by the directors to utilise the various support mechanisms instigated by government, including the Coronavirus Job Retention Scheme. • Reviewing and challenging the financial impact of the steps taken by the directors to protect and manage the business during the coming period, including the introduction of temporary pay reductions across the business, overhead reductions and payment holidays on loans, mortgages and leases. • Considering management's sensitivity analysis and also performing an additional range of sensitivities to assess whether a reasonably likely change to a key input would result in an erosion of revised headroom in the re-forecast. • Testing to ensure the mathematical accuracy of the model presented. • Reviewing the appropriateness of the disclosure made and its consistency with our knowledge of the business and its revised Covid-19 impairment assessment.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

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

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

We have nothing to report in this regard.

Opinion on other matter 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 strategic report and the directors' 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 group and the parent company and their 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 parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Leo Malkin

Leo Malkin (Senior Statutory Auditor)

for and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

27 May 2020

Consolidated Statement of Comprehensive Income

year ended 31 December 2019

	Notes	2019 £	2018 £
Continuing operations			
Revenue	5	**24,922,526**	14,213,204
Cost of sales		**(14,756,297)**	(7,130,656)
Gross profit		**10,166,229**	7,082,548
Other income		**191,404**	24,507
Distribution costs		**(203,344)**	(151,209)
Administrative costs		**(8,946,691)**	(5,173,569)
Operating profit		**1,207,598**	1,782,277
Analysed as:			
Adjusted EBITDA		**3,162,571**	2,642,436
Acquisition and restructuring related costs	6	**(296,410)**	(158,598)
Depreciation and amortisation	16,17	**(1,396,932)**	(399,055)
Share based payment expense, net of cash settled	33	**(261,631)**	(302,506)
		1,207,598	1,782,277
Finance income		**6,945**	1,545
Finance costs	9	**(278,259)**	(41,984)
Profit before tax		**936,284**	1,741,838
Income tax expense	10	**(532,418)**	(421,667)
Profit from continuing operations		**403,866**	1,320,171
Discontinued operations			
Profit from discontinued operations	12	**–**	18,556
Net profit attributable to owners		**403,866**	1,338,727
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(149,110)**	(29,388)
Total other comprehensive income for the year		**(149,110)**	(29,388)
Profit and total comprehensive income for the year		**254,756**	1,309,339
Earnings per share			
From continuing operations			
– Basic (pence)	13	**1.39**	4.86
– Diluted (pence)	13	**1.39**	4.82
From continuing and discontinued operations			
– Basic (pence)	13	**1.39**	4.93
– Diluted (pence)	13	**1.39**	4.89

Consolidated Statement of Financial Position

year ended 31 December 2019

	Notes	2019 £	2018 £
Non-current assets			
Property, plant and equipment	17	**1,336,110**	1,493,180
Right of use asset	4	**1,270,479**	–
Deferred tax assets	11	**678,497**	754,728
Intangible assets	16	**6,514,954**	7,186,432
Goodwill	16	**1,639,523**	1,639,523
Deposits		**5,272**	2,491
Contract acquisition costs	19	**415,663**	342,557
Trade receivables	18	**411,732**	324,865
		12,272,230	11,743,776
Current assets			
Trade and other receivables	18	**4,064,811**	4,821,194
Contract acquisition costs	19	**57,426**	51,718
Inventories	20	**1,759,955**	1,386,383
Cash and cash equivalents	21	**2,891,014**	6,789,968
		8,773,206	13,049,263
Total assets		**21,045,436**	24,793,039
Current liabilities			
Trade and other payables	22	**3,260,885**	6,510,302
Borrowings	23	**792,672**	840,641
Lease Liability	24	**332,974**	–
Deferred income	26	**534,066**	868,788
		4,920,597	8,219,731
Non-current liabilities			
Deferred tax liability		**1,159,121**	1,291,318
Borrowings	23	**2,976,887**	3,909,311
Lease Liability	24	**882,447**	–
Deferred income	26	**2,496,173**	2,791,131
		7,514,628	7,991,760
Total liabilities		**12,435,225**	16,211,491
Equity			
Share capital	29	**2,908,535**	2,891,863
Share premium	29	**3,659,204**	3,372,351
Other reserves	30	**27,415**	(10,053)
Translation reserve		**(533,075)**	(383,965)
Retained profits		**2,548,132**	2,711,352
Total equity		**8,610,211**	8,581,548
Total equity and liabilities		**21,045,436**	24,793,039

The financial statements were approved and authorised for issue by the Board on 27 May 2020 and were signed on its behalf by:

B A Hogan

Brian Hogan,
Chief Financial Officer

Consolidated Statement of Changes in Equity

year ended 31 December 2019

	Share Capital £	Share Premium £	Other Reserves £	Merger Reserve £	Foreign Exchange Reserve £	Retained Earnings £	Total Equity £
Balance at 1 January 2018	2,713,266	131,400	43,786	(339,687)	(354,577)	1,862,967	4,057,155
Adjustment on initial application of IFRS 9 net of tax (note 4)	–	–	–	–	–	(118,474)	(118,474)
At 1 January 2018 restated	2,713,266	131,400	43,786	(339,687)	(354,577)	1,744,493	3,938,681
Profit for the year						1,338,727	1,338,727
Foreign exchange translation differences	–	–	–	–	(29,388)	–	(29,388)
Total comprehensive income	–	–	–	–	(29,388)	1,338,727	1,309,339
Dividends paid (note 15)	–	–	–	–	–	(371,868)	(371,868)
Issue of share capital (note 28)	178,597	3,393,557	–	–	–	–	3,572,154
Share issue expenses	–	(152,606)	–	–	–	–	(152,606)
Equity consideration due	–	–	250,000	–	–	–	250,000
Share based payments (note 30/33)	–	–	35,848	–	–	–	35,848
Balance at 31 December 2018	**2,891,863**	**3,372,351**	**329,634**	**(339,687)**	**(383,965)**	**2,711,352**	**8,581,548**
Balance at 1 January 2019	**2,891,863**	**3,372,351**	**329,634**	**(339,687)**	**(383,965)**	**2,711,352**	**8,581,548**
Adjustment on initial application of IFRS 16 net of tax (note 4)	–	–	–	–	–	(8,971)	(8,971)
At 1 January 2019 restated	2,891,863	3,372,351	329,634	(339,687)	(383,965)	2,702,381	8,572,577
Profit for the year						403,866	403,866
Foreign exchange translation differences	–	–	–	–	(149,110)	–	(149,110)
Total comprehensive income	–	–	–	–	(149,110)	403,866	254,756
Dividends paid (note 15)	–	–	–	–	–	(558,115)	(558,115)
Issue of share capital (note 28)	16,672	286,853	–	–	–	–	303,525
Equity consideration paid	–	–	(250,000)	–	–	–	(250,000)
Share based payments (note 30/33)	–	–	287,468	–	–	–	287,468
Balance at 31 December 2019	**2,908,535**	**3,659,204**	**367,102**	**(339,687)**	**(533,075)**	**2,548,132**	**8,610,211**

During the year 166,725 shares (2018: 1,785,970) were issued of which 32,500 were issued for cash of £31,525 (2018: £2,870,000) and the balance of shares were issued as part of the contingent consideration related to our acquisitions in 2018.

Consolidated Statement of Cash Flows

year ended 31 December 2019

	Notes	2019 £	2018 £
Operating activities			
Profit before taxation for the year		**936,284**	1,760,393
Adjustments for non-cash operating transactions:			
Finance costs	9	**271,314**	41,984
Depreciation	17	**216,677**	186,582
Amortisation of intangible assets	16	**857,992**	212,474
Amortisation of right of use assets		**322,262**	–
(Gain)/loss on disposal of tangible fixed assets		**(10,739)**	7,051
Share based payment charge	33	**283,215**	302,506
		2,877,005	2,510,990
Movements in working capital:			
Increase/(decrease) in trade and other receivables		**271,249**	(279,474)
Increase in contract acquisition costs		**(78,814)**	(199,407)
Decrease in trade and other payables		**(1,080,879)**	(225,003)
Decrease in cash settled share option liability		**(21,584)**	–
Increase in inventories		**(538,301)**	(508,421)
(Decrease)/increase in deferred revenue		**(629,680)**	722,592
Cash flow from operations		**798,996**	2,021,277
Taxes paid		**(485,798)**	(1,216,177)
Net cash flow from operations		**313,198**	805,100
Investing activities			
Purchase of property, plant and equipment	17	**(288,251)**	(316,084)
Proceeds from disposals of property, plant and equipment	12	**39,697**	49,288
Purchase of subsidiary undertakings, net of cash acquired		**–**	(3,738,358)
Deferred consideration on subsidiary acquisition	25	**(1,800,293)**	–
Purchase of other intangible assets	16	**(176,538)**	(104,913)
Net cash used in investing activities		**(2,225,385)**	(4,110,067)
Financing activities			
Repayment of borrowings		**(876,272)**	(252,935)
Net proceeds from borrowings		**–**	3,790,737
Payment of lease liabilities		**(291,656)**	–
Net proceeds from issue of share capital		**31,525**	2,870,000
Dividends paid to shareholders	15	**(558,115)**	(371,868)
Interest paid	9	**(226,826)**	(41,984)
Net cash used in financing activities		**(1,921,344)**	5,993,950
Net change in cash and cash equivalents		**(3,833,531)**	2,688,983
Cash and cash equivalents, beginning of the year	21	**6,789,968**	4,031,174
Exchange differences on cash and cash equivalents		**(65,423)**	69,811
Cash and cash equivalents, end of year	21	**2,891,014**	6,789,968

Parent Company Statement Of Financial Position

year ended 31 December 2019

	Notes	2019 £	2018 £
Assets			
Non-current assets			
Investments in subsidiaries	14	**8,765,743**	8,951,424
Property, plant and equipment		**1,275**	–
Amount due from subsidiaries	18	**3,188,966**	1,506,905
		11,955,984	10,458,329
Current assets			
Trade and other receivables		**161,041**	123,984
Amount due from subsidiaries	18	**600,246**	467,093
Cash and cash equivalents	21	**109,089**	3,616,685
		870,376	4,207,762
Total assets		**12,826,360**	14,666,091
Current liabilities			
Trade and other payables	22	**44,016**	2,265,128
Borrowings	23	**786,049**	758,147
Amount due to subsidiaries		**522,534**	36,311
		1,352,599	3,059,586
Non-current liabilities			
Borrowings	23	**2,746,541**	3,032,590
		2,746,541	3,032,590
Total liabilities		**4,099,140**	6,092,176
Equity			
Share capital	29	**2,908,535**	2,891,863
Share premium	29	**3,659,204**	3,372,351
Other reserves	30	**367,102**	329,633
Retained earnings		**1,792,379**	1,980,068
Total equity		**8,727,220**	8,573,915
Total equity and liabilities		**12,826,360**	14,666,091

No statement of comprehensive income is presented by the company as permitted by section 408 of the Companies Act. The income dealt within the financial statements of the parent Company for the year ended 31 December 2019 is £370,426 (2018: loss £322,435).

The financial statements were approved and authorised for issue by the Board on 27 May 2020 and were signed on its behalf by:

B J Hogan

Brian Hogan,
Chief Financial Officer

27 May 2020

Parent Company Statement of Changes in Equity

year ended 31 December 2019

	Share Capital £	Share Premium £	Other reserve £	Retained Earnings £	Total Equity £
Balance at 1 January 2018	**2,713,266**	**131,400**	**43,785**	**2,674,371**	**5,562,822**
Loss for the year	–	–	–	(322,435)	(322,435)
Total comprehensive income				(322,435)	(322,435)
Dividends paid (note 15)	–	–	–	(371,868)	(371,868)
Issue of share capital (note 29)	178,597	3,240,951	–	–	3,419,548
Share based payments (note 30/33)	–	–	35,848	–	35,848
Purchase consideration	–	–	250,000	–	250,000
Balance at 31 December 2018	**2,891,863**	**3,372,351**	**329,633**	**1,980,068**	**8,573,915**
Balance at 1 January 2019	**2,891,863**	**3,372,351**	**329,634**	**1,980,068**	**8,573,916**
Profit for the year	–	–	–	370,426	370,426
Total comprehensive income				370,426	370,426
Dividends paid (note 15)	–	–	–	(558,115)	(558,115)
Issue of share capital (note 29)	16,672	286,853	–	–	303,525
Share based payments (note 30/33)	–	–	287,468	–	287,468
Equity consideration paid	–	–	(250,000)	–	(250,000)
Balance at 31 December 2019	**2,908,535**	**3,659,204**	**367,102**	**1,792,379**	**8,727,220**

During the year 166,725 shares (2018: 1,785,970) were issued of which 32,500 were issued for cash of £31,525 (2018: £2,870,000) and the balance of shares were issued as part of the contingent consideration related to our acquisitions in 2018.

Parent Company Statement of Cash Flows

year ended 31 December 2019

	2019 £	2018 £
Operating activities		
Profit before tax	**466,270**	(322,435)
Adjustments for non-cash operating transactions		
Finance costs	**194,997**	–
Amortisation	**308**	–
Shared based payment charge	**283,215**	–
	944,790	(322,435)
Movements in working capital:		
Decrease/(increase) in trade and other receivables	**(537,790)**	(17,222)
Increase in trade and other payables	**(7,471)**	470,146
Net cash from operations	**399,529**	130,489
Investing activities		
(Decrease)/increase/ in advances to subsidiaries	**(1,242,853)**	188,679
(Increase)/decrease in investment in subsidiary	**117,339**	(303,387)
Purchase of subsidiary undertakings, net of cash acquired	**–**	(3,850,000)
Deferred consideration on subsidiary acquisition	**(1,800,293)**	–
Purchase of other intangible assets	**(1,583)**	–
Net cash used in investing activities	**(2,927,390)**	(3,964,708)
Financing activities		
Repayment of borrowings	**(800,000)**	–
Proceeds from issue of share capital, net of costs	**31,525**	2,870,000
Proceeds from borrowings, net of costs	**500,000**	3,790,737
Dividends paid to shareholders	**(558,115)**	(371,868)
Interest paid	**(153,145)**	–
Net cash (used in)/from financing activities	**(979,735)**	6,288,869
Net change in cash and cash equivalents	**(3,507,596)**	2,454,650
Cash and cash equivalents, beginning of the year	**3,616,685**	1,162,035
Cash and cash equivalents, end of year	**109,089**	3,616,685

1. General information

Filta Group Holdings plc was incorporated in England and Wales on 31 March 2016. Its registered office is at The Locks, Hillmorton, Rugby, Warwickshire, England, CV21 4PP.

The Company is listed 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, the United States and Canada. Additionally, the Company operates two direct sale businesses including refrigeration seal replacement and the installation, repair and maintenance of drain dosing and grease recovery units. Further details of the Company's subsidiaries are provided in Note 14.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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. The functional currency of the subsidiaries is determined by the primary economic environment in which they operate.

Basis of consolidation

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.

The consolidated financial statements present the results of the Company and its subsidiaries and joint arrangements as if they formed a single entity. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. Where necessary, adjustments are made to the financial statements of subsidiaries to align with the Group accounting policies.

Where a subsidiary undertaking is sold, the profit or loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the carrying amount of the assets and liabilities of the subsidiary on the date of disposal less any transaction costs relating to the disposal. Cash received on disposal of businesses is shown within investing activities in the Consolidated cash flow statement, net of cash and cash equivalents disposed of and transaction costs.

All intercompany transactions and balances between Group entities, including unrealised profits arising from them, are eliminated upon consolidation.

2. Basis of preparation (continued)

Going concern

The directors have performed a detailed assessment, including a review of the Group's budget for the 2020 financial year and its longer term plans through 2021, including consideration of the principal risks faced by the Group. This included the impact of a severe but plausible downside scenario for COVID-19. The major variables are the depth and the duration of COVID-19. The directors considered the impact of the current COVID-19 environment on the business for the next 12 months and the longer term. Whilst the situation evolves daily, making scenario planning difficult, we have considered a number of impacts on sales, profits, and cash flows. Whilst the virus may impact across many functions of the business the principal concern is the ability of our franchisees and customers to service consumers in the midst of the government lockdowns. This would most likely manifest itself in lost volumes and require significant action in relation to operational cost reductions. Overall, we scenario planned several out turns with volumes dropping significantly (up to 90% in Q2) and the impact realising some gradual improvement but lasting for a significant part of 2020. The revenue and operational leverage impact of such a volume loss would have a major negative impact on Group operating profitability however the scenario modelling would indicate that the Group EBITDA would remain positive over the next 12 months and we would anticipate a recovery beginning in late 2020 and into the following years. Throughout this severe but plausible downside scenario, the Group continues to have significant liquidity headroom with available cash on hand and unused overdraft facilities. The Group has taken advantage of the Coronavirus Job Retention Scheme as well as reducing executive pay to reduce costs and cashflow requirements in the short term. The Group has also taken advantage of repayment holiday's on its borrowings to further reduce short term cash flow requirements. In addition, the Group has negotiated appropriate post year end amendments to the covenants following the impact of COVID-19. The directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of these consolidated financial statements. They therefore consider it appropriate 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, as an approximation of rates on the dates of the transactions over the reporting period. Exchange difference are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity.

3. Summary of principal accounting policies (continued)

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

For the year ended 31 December 2019 the Group used the five-step model as prescribed under IFRS 15 on the Group's revenue transactions. This included the identification of the contract, identification of the performance obligations under same, determination of the transaction price, allocation of the transaction price to performance obligations and recognition of revenue. The point of recognition arises when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time.

Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue from goods and services provided to customers not invoiced as at the balance sheet date is recognised as accrued income within trade and other receivables.

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.

The franchise fee consists of two distinct components:

- the opening package; and
- the territory fee

Each of these revenue streams are defined in the franchise agreement and support the treatment under our accounting policy.

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.

In circumstances where franchise territories are resold, on an arm's length basis, between our franchisee and a third party, it is our policy to continue to recognise the deferred revenue over the life of the original franchise agreement. Should there be an additional opening package, or territory sale, as part of the resale, these components will follow the aforementioned revenue recognition process under the new franchise agreement policy.

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.

There has been no significant change to the Group's accounting policy for revenue as a result of the adoption of IFRS 15 from 1 January 2018.

3.4 Contract acquisition costs

The incremental costs to directly obtain a contract with a customer are capitalised and recognised within contract assets where management expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period where incurred. Contract assets are subsequently amortised over the period consistent with the Group's transfer of the related goods or services to the customer.

3. Summary of principal accounting policies (continued)

The costs capitalised include sales commission paid to employees and broker fees paid to third parties where payment is identified as relating directly to the sale of a territory license and initially recognised upon the signing of a customer contract. The costs are amortised over the contract life.

The Group was not impacted by the adoption of IFRS 15 on 1 January 2018 as the previous accounting policies also recognised an asset in relation to sales commissions costs and broker fees paid to third parties.

Management is required to determine the recoverability of contract related assets at each reporting date. An impairment exists if the carrying amount of any asset exceeds the amount of consideration the Group expects to receive in exchange for providing the associated goods and services, less the remaining costs that relate directly to providing those goods and services under the relevant contract. An impairment is recognised immediately where such losses are forecast.

The movement in the contract asset balance in the period therefore represents additional payments made, subsequent amortisation and any required impairment.

3.5 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.

3.6 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.

3.7 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Acquisition costs are expenses and included in Administrative expenses. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of any contingent consideration deemed to be an asset or liability will be recognised in accordance with IFRS 9, either in profit or loss or in other comprehensive income.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. It is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. Summary of principal accounting policies (continued)

3.8 Intangible assets
Intangible assets identified in a business combination are capitalised at fair value as at the date of the acquisition and their costs are amortised over a straight-line basis over their expected useful lives. Software and development expenditure is capitalised as an intangible asset if the asset created can be identified, if it is probable that the asset created will generate future economic benefits and if the development cost of the asset can be measured reliably. Amortisation expense is charged to administrative expenses in the income statement on a straight-line basis over its useful life.

The expected useful lives of the assets are as follows:

Customer relationships	– 5 to 10 years
Customer contracts	– 5 to 10 years
Supply contracts	– 15 years
Reacquired Rights	– 6.75 years
Software development	– 3 years

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

3.9 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).

3.10 Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is based on the first in, first out principal and comprise direct materials and, where applicable, direct labour costs and overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. A provision is made, where necessary, in all inventory categories for obsolete, slow moving, and defective items.

Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant financial instrument. Upon adoption of IFRS 9 on 1 January 2018 the accounting policy for financial instruments is as follows:

Financial assets

(i) 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. For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(ii) Trade and other receivables
Trade receivables are recognised initially at the invoice amount and subsequently measured at amortised cost, less provision for impairment.

Under IFRS 9, effective from 1 January 2018, the Group elected to use the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets that result from transactions that are within the scope of IFRS 15, irrespective of whether they contain a significant financing component or not.

IFRS 9 requires the Group to consider forward looking information and the probability of default when calculating expected credit losses. The measurement of expected credit losses reflects an unbiased and probability weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The Group considers reasonable and supportable customer-specific and market information about past events, current conditions and forecasts of future economic conditions when measuring expected credit losses.

3. Summary of principal accounting policies (continued)

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within 'administrative costs'. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative costs' in the Income Statement.

Financial liabilities

(i) Trade and other payables
Trade payables are not interest-bearing and are initially measured at fair value. Subsequent to initial recognition these liabilities are measured at amortised cost. The Group has contract liabilities in the form of deferred income which arises from consideration received in advance of the satisfaction of performance obligations.

(ii) Borrowings
Interest-bearing loans and overdrafts are initially measured at fair value, net of direct issue costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised over the period of the relevant liabilities.

3.12 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 options and warrants, see notes 30 and 33 for additional information on these instruments.
- "Retained earnings" represents retained profits and accumulated losses.
- "Merger reserve" arose on the reverse takeover of the Group in October 2016.

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

3.13 Share-based payments

(I) Equity-settled share-based payments
Equity-settled share-based payments are measured at the fair value of the awards based on the market value of the shares at the grant date. Fair value excludes the effect of non-market-based vesting conditions. The fair value is charged to the consolidated statement of income and credited to retained earnings on a straight-line basis over the period the estimated awards are expected to vest.

At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained earnings.

(II) Cash-settled share-based payments
For cash-settled share-based payments, a liability is initially recognised at fair value based on the estimated number of awards that are expected to vest, adjusting for market and non-market-based performance conditions. Subsequently, at each reporting period until the liability is settled, it is remeasured to fair value with any changes in fair value recognised in the consolidated statement of income.

3.14 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.

3. Summary of principal accounting policies (continued)

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

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.

3.15 Leases

The Group adopted IFRS 16 Leases effective 1 January 2019. The Group leases various properties, equipment, and vehicles. Contracts typically cover fixed periods between one and 10 years and may contain extension options as described below. Lease terms are negotiated on an individual basis and include a wide variety of different terms and conditions.

Leases are booked as a right-of-use asset and as a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is apportioned between the reduction of the outstanding lease liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities are valued at the net present value of the future lease payments, which includes fixed lease payments, variable lease payments based on indexes and rates, residual value guarantees, purchase options and termination penalties. Lease payments are discounted using the interest rate implicit in the lease, or if that rate cannot be determined, the Group's incremental borrowing rate.

Right-of-use assets are measured at cost, comprising the amount of the initial lease liability adjusted by any lease payments made at or before the commencement date of the lease, any lease incentives received, initial direct costs and any estimated restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are identified as leases with a term of 12 months or less. Low-value assets comprise general office equipment.

3.16 Adjusted EBITDA

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortisation, exceptional items and share based payment expense. The separate reporting of these items helps provide a better picture of the Group's underlying performance. Items which may be included within this category include:

- Costs associated with acquisitions; and
- Other particularly significant or unusual items.

Adjusted EBITDA is presented separately in the statement of comprehensive income as the Directors believe that it needs to be considered separately to gain an understanding of the underlying profitability of the trading businesses.

3. Summary of principal accounting policies (continued)

3.17 Critical accounting judgments and key sources of estimation uncertainty

Revenue recognition (Judgement)
Under IFRS 15, revenue recognition is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Revenue is measured based on the consideration specified in a contract with a customer and is recognised when a customer obtains control of the services. The Group's franchise contracts are defined as having two distinct performance obligations, the Opening Package and the Territory Fee.

A degree of judgement arises with respect to the recognition of revenue on initial franchise fees, giving rise to estimation uncertainty. Management reviews on a regular basis the allocation within an initial franchise fee between the opening package and the territory fee. Whereas the opening package fee is recognised, as explained in note 3.3, generally upon the completion of the training of the franchisee, the portion related to the territory fee is deferred and recognised over the life of the franchise agreement. The total amount currently in deferred income in this respect amounts to £3,030,239 (2018: £3,659,919). The revenue recognised in respect of the opening package and the apportioned territory fee in the current year was £1,381,567 (2018: £1,374,324).

Recoverability of trade receivables (Judgement)
The Group provides credit to customers and as a result there is an associated risk that the customer may not be able to pay outstanding balances.

Under IFRS 9 the Group uses an allowance matrix to measure Expected Credit Loss (ECL) of trade receivables from customers. Loss rates are calculated based on the probability of a receivable progressing through successive chains of non-payment to write-off. The rates are calculated at a business unit level which reflects the risks associated with geographic region, age mix of customer relationship and type of product purchased.

IFRS 16 "Leases" (Judgement)
Where the Group has an option to extend or terminate a lease, management uses its judgement to determine whether such an option would be reasonably certain to be exercised. Management considers all facts and circumstances, including past practice and costs that would be incurred if an option were to be exercised, to help them determine the lease term. Management have also applied judgements in assessing the discount rate, which are based on the incremental borrowing rate. Such judgements could impact lease terms and associated lease liabilities. The Group has availed of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and the guidance in IFRIC 4 will continue to be applied to those leases entered into or modified before 1 January 2019.

Going concern (Judgement and estimates)
As a result of the COVID-19 pandemic management has endeavored to understand the uncertainties associated with this unprecedented event, to quantify its impact on the future of the business and assess whether these uncertainties would cast doubt on the Group's ability to continue as a going concern. Given the current and significant degree of uncertainty management has relied on its knowledge of its customers, the markets they operate in and the anticipated impact and duration of government restrictions that have been instituted globally to stem the transmission of the virus. To address this uncertainty, management completed a three year forecast that estimated the impact on the Group's revenue, profits and current and future cash resources under a best case and worst case scenario. Significant judgment was required in preparing these forecasts including but not limited to;

- Duration of government restrictions – In both scenario's we have assumed a near full shutdown our of our business in the second quarter. As of the date of this report, governments in our two primary markets of Europe and North America have begun to put plans in place to loosen restrictions as they anticipate a phased reopening of the economy over the coming months. Management has used its judgement in both of its scenarios to estimate how and when its customers will ramp up through the summer and fall. In our best case, we assume a gradual ramp up in 25% increments beginning in July with a return to our previously budgeted performance levels by October. Our worst case scenario assumes the same level of ramp up but delays its start until October which results in the Group not returning to previously budgeted performance in FY20.
- Government support – The Group has taken advantage of government support programs put in place by in each of our operating locations. This principally consists of the employee furlough scheme and the Coronavirus Business Interruption Loan Scheme in the UK and the Paycheck Protection Program offered in the US. Whilst we estimate that the furlough program will save us c.0.2m per month, management has used its judgement to anticipate the duration of the furlough program, our changing resource requirements throughout the forecast period and how and when we will transition employees off of furlough as our customers begin to ramp up. We have been successful in accessing both a UK CBILS loan and a US Paycheck Protection loan/grant in the amounts of £1.2m and £0.2m respectively each of which are factored into our forecast.

3. Summary of principal accounting policies (continued)

- Liquidity and Banking – At year end the Group's available cash and unutilised overdraft facility totalled £3.3m and the revised forecast assumed a similar starting point before factoring in the impact of the £1.4m of loan proceeds. Each of these programs include a capital repayment deferral period of 6 months for the PPP loan and 12 months for the CBIL. We have stayed onside of our covenant requirements under our existing term debt facility through the first quarter of 2020 and our lender has provided us a waiver through the third quarter. We have also negotiated appropriate post period amendments to the covenants following the impact of COVID-19.

Management has used its best judgement to forecast its cash requirements and cash availability in order to assess whether we are able to continue as a going concern for at least, but not limited to,12 months from the reporting date and in each scenario the Group maintains sufficient levels of cash and unutilised overdraft to support the business through and beyond FY20.

Business combinations (Judgement and estimates)
Where the Group undertakes business combinations, the cost of acquisition is allocated to identifiable net assets and contingent liabilities acquired and assumed by reference to their estimated fair values at the time of acquisition. The remaining amount is recorded as goodwill. The valuation of identifiable net assets involves an element of judgement related to projected results. Fair values that are stated as provisional are not finalised at the reporting date and final fair values may be determined that are materially different from the provisional values stated.

In undertaking this assessment, the Group has performed a valuation of the intangible fixed assets acquired, on the multi-period excess earnings method, for customer relationships and customer contracts. For supply contracts, the royalty relief model has been used. In performing this assessment, it has obtained a third-party assessment of the fair values of these intangibles, based on the expected cashflows arising from the existing customer relationships at the time of acquisition, discounted for depletion in contract revenue.

The multi-period excess earnings methodology is based on expected income streams of the cash generating unit, the significant assumptions used in the model were the discount rate (8%) and the attrition rates (2.5%-5%). If the attrition rates were increased by 10% the intangible asset value would decrease by £93,000. If the discount rate were increased by one percentage point the intangible asset would be £195,000 lower.

The key assumptions in the royalty relief calculation is the royalty rate (2.5%), if this were reduced by one percentage point then the asset would be £289,000 lower.

The amortisation charge for the year ended 31 December 2019 relating to the customer relationships and contracts is £0.7m and £0.05m for the supply contract.

Impairment (Judgement and estimates)
The Group is required to review assets for objective evidence of impairment. It does this on the basis of a review of the budget and rolling forecasts, which by their nature are based on a series of assumptions and estimates. The Group has performed impairment tests on those cash generating units which contain goodwill, and on any assets where there are indicators of impairment. The key assumptions associated with these reviews are detailed in Note 16.

Taxation (Judgement and estimates)
The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions for which the ultimate tax determination is uncertain. The Group recognises liabilities based on estimates of whether additional taxes will be due. Once it has been concluded that a liability needs to be recognised, the liability is measured based on the tax laws that have been enacted or substantially enacted at the end of the reporting period. The amount shown for current taxation includes an estimate for tax uncertainties and is based on the Directors' best probability weighted estimate of the probable outflow of economic resources that will be required to settle the liability. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The Group estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations, and taking into consideration applicable tax legislation in the relevant jurisdiction. These calculations also require the use of estimates.

4. Adoption of new and revised standards effective during 2019

The Group has adopted IFRS 16 Leases from 1 January 2019. A number of other new standards, including IFRIC 23 Uncertainty Over Income Tax Treatments, are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Group has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated and is presented as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, Filta determined at contract inception whether an arrangement was or contained a lease under IFRIC 4, Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease component as a single lease component.

B. The Group's leasing activities and how these were accounted for

The Group primarily leases properties and vehicles. As a lessee, the Group previously classified leases as operating, or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, on transition to IFRS 16, the Group has applied practical expedients under IFRS 16 not to recognise right-of-use assets and leases liabilities for some leases of low-value assets (e.g. some office equipment) and for operating leases with a remaining lease term of less than 12 months as at 1 January 2019. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents the right-of-use assets as a non-current asset. The carrying amounts of right-of-use assets are as below:

	Right of use assets £
Balance at 1 January 2019	846,073
Balance at 31 December 2019	1,270,479

The Group presents lease liabilities in both current and non-current liabilities in the statement of financial position.

i. Summary of new accounting policies

The Group recognises a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured as:

- The initial measurement of the lease liability; plus
- Initial indirect costs; plus
- Prepaid lease payments; plus
- Estimated costs to dismantle, remove or restore; less
- Lease incentives received.

4. Adoption of new and revised standards effective during 2019 (continued)

The lease liability is initially measured at:

The present value of lease payments payable over the lease term plus the present value of expected payments at the end of the lease, discounted at the interest rate implicit in the lease, or the incremental borrowing rate, where the interest rate implicit in the lease cannot be readily determined.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.24%. The lease liability is subsequently increased by the interest cost and decreased by the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The table below presents a reconciliation from operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised at 1 January 2019.

Management has applied judgement to determine the lease term for some lease contracts which include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

C. Adjustments recognised on adoption of IFRS 16

i. Impact on transition

Upon initial adoption, the Group measured the right-of-use assets in an amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

	1 January 2019 £
Right of use assets	846,073
Lease liabilities	828,000

The difference between the ROU assets and lease liability values as at 1 Jan 2019 relate to the existing finance leases prior to the adoption of IFRS 16.

	£
Operating lease commitments disclosed as at 31 December 2018	570,612
(Less): short term and low value leases recognised on a straight-line basis as an expense	(8,031)
Undiscounted operating lease commitments at 31 December 2018	562,581
Discounted using the Group's weighted average incremental borrowing rate of 4.24% at the date of initial application	429,792
Add: finance lease liabilities recognised as at 31 December 2018	168,448
Add: new finance leases effective 1 January 2019	229,760
Lease liabilities recognised as at 1 January 2019	828,000

ii. Impacts for the period

In relation to those leases under IFRS 16, for the twelve months ended 31 December 2019, the Group has recognised amortisation and interest costs of £322,262 and £43,655, respectively.

New standards and interpretations not applied.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements. These are not expected to have a significant impact on adoption.

5. Segment analysis

In January 2019, following the acquisition of Watbio Holdings Ltd ("Watbio"), the Group began to make a number of changes to its organisational structure and management system consistent with its integration of Watbio. With these changes, the Group has updated its reportable segments. There continues to be four reportable segments as follows:

The Site Service's segment includes our legacy Seal replacement service as well as capabilities in providing preventive maintenance and reactive services in the markets we serve. The Equipment Sales & Installation segment represents the provision of design, sale and installation solutions. The Franchise Development and Fryer Management segments remain unchanged. The Group also has three geographic segments: United Kingdom, North America and Europe.

Previously reported segment information has been recast, as applicable, for all periods presented to reflect the changes in the Company's reportable segments.

The segments represent components of the Company for which separate financial information is available that is utilised on a regular basis by the chief operating decision maker (which takes the form of the Board of Directors), in determining how to allocate resources and evaluate performance. The segments are determined based on several factors, including client base, homogeneity of products, technology, delivery channels and similar economic characteristics.

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

Revenue

	2019 £	2018 £
North America	**11,302,537**	9,204,340
U.K.	**13,124,702**	4,752,287
Europe	**495,287**	256,577
Total continuing operations	**24,922,526**	14,213,204
Discontinued operations	**–**	13,915
Total	**24,922,526**	14,227,119

Non-current assets

	2019 £	2018 £
North America	**2,009,411**	2,005,116
U.K.	**9,643,205**	9,277,362
Europe	**619,614**	461,298
Total	**12,272,230**	11,743,776

Revenue

	2019 £	2018 £
Franchise Development	**1,494,674**	1,487,927
Fryer Management	**11,716,594**	9,341,341
Equipment Sales & Installation	**2,792,685**	678,252
Site Services	**8,918,573**	2,705,684
Total continuing operations	**24,922,526**	14,213,204
Discontinued operations	**–**	13,915
Total	**24,922,526**	14,227,119

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.

5. Segment analysis (continued)

Operating segment performance for the year ended 31 December 2019:

	Franchise Development £m	Fryer Management £m	Equipment Sales & Installation £m	Site Service £m	Total £m
Sales to external customers	1.5	11.7	2.8	8.9	24.9
Adjusted EBITDA	**0.7**	**1.8**	**0.2**	**0.5**	**3.2**
Acquisition and legal costs	–	–	(0.1)	(0.3)	(0.3)
Share based payments	(0.0)	(0.1)	(0.0)	(0.1)	(0.3)
Depreciation and amortization	(0.1)	(0.7)	(0.2)	(0.5)	(1.4)
Operating profit	**0.6**	**1.0**	**(0.1)**	**(0.4)**	**1.2**
Net finance costs	(0.0)	(0.1)	(0.0)	(0.1)	(0.3)
Profit before taxation	**0.6**	**0.9**	**(0.1)**	**(0.4)**	**0.9**
Taxation					(0.5)
Other comprehensive income					(0.1)
Profit and total comprehensive income					**0.3**

Operating segment performance for the year ended 31 December 2018:

	Franchise Development £m	Fryer Management £m	Equipment Sales & Installation £m	Site Service £m	Total £m
Sales to external customers	1.5	9.4	0.7	2.7	14.3
Adjusted EBITDA	**0.7**	**1.4**	**0.1**	**0.5**	**2.7**
Acquisition and legal costs	–	(0.1)	(0.0)	(0.1)	(0.2)
Share based payments	(0.0)	(0.2)	(0.0)	(0.1)	(0.3)
Depreciation and amortization	(0.04)	(0.26)	(0.02)	(0.08)	(0.4)
Operating profit	**0.6**	**0.9**	**0.0**	**0.2**	**1.8**
Net finance costs	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Profit before taxation	**0.6**	**0.9**	**0.0**	**0.2**	**1.8**
Taxation					(0.4)
Other comprehensive income					(0.0)
Profit and total comprehensive income					**1.3**

6. Operating profit and adjusted EBITDA

The following have been included in arriving at operating profit and adjusted EBITDA:

	2019 £	2018 £
Depreciation of property, plant and equipment (note 17)	**216,677**	186,582
Amortisation of intangible assets (note 16)	**857,992**	212,474
Amortisation of right of use assets	**322,263**	–
Gain/(loss) on disposal of plant and equipment	**10,739**	(4,920)
Staff costs, including directors (Note 7)	**7,137,774**	3,525,043
Share based payment	**283,215**	302,506
Cost of acquisition	**60,448**	149,260
Recovery on contingent consideration	**(138,942)**	–
Restructuring	**374,904**	–
Foreign exchange gains/(losses)	**83,975**	(757)
Profit before tax is stated after charging:		
Auditors remuneration:		
Fees payable to the Company's Auditor and their associates for the audit of the Company's annual accounts	**66,413**	49,700
Fees payable to the Company's Auditor and their associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**39,666**	42,232
Tax and other services	**66,299**	30,148
Total auditors remuneration	**172,378**	122,080
Inventory expensed	**14,756,297**	7,130,656
Lease rental expense	**10,178**	19,570

Exceptional items consist of the following:

	2019 £	2018 £
Acquisition related	**60,448**	149,260
Recovery on contingent consideration	**(138,942)**	–
Restructuring	**374,904**	–
Legal and professional	**–**	9,338
	296,410	158,598

Acquisition related costs and restructuring are attributable to the Watbio Holdings Limited acquisition.

7. Staff costs

	2019 £	2018 £
Gross salaries	**6,005,194**	2,819,674
Social security costs	**601,968**	237,994
Pension contributions	**93,725**	15,635
Share based payment charge	**283,215**	302,506
Other staff benefits	**153,672**	149,234
	7,137,774	3,525,043

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

	2019 No.	2018 No.
Directors	**8**	7
Staff		
Administration	**34**	13
Customer Services/Network Support	**25**	14
Business Development/Marketing	**6**	6
Sales	**9**	6
Other	**86**	22
	168	68

8. Remuneration of key management personnel

	2019 £	2018 £
Remuneration for qualifying services	**658,845**	712,604
	658,845	712,604

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

9. Finance costs

	2019 £	2018 £
Bank and other loans	**234,604**	33,606
Hire purchase and finance lease charges	**43,655**	8,378
	278,259	41,984

10. Income tax expense

	2019 £	2018 £
Corporation Tax		
Charge for the year	**604,458**	464,025
Deferred tax		
Origination and reversal of temporary differences	**(72,040)**	(42,358)
Tax charge related to change in U.S. tax rate	**–**	–
Total tax charge	**532,418**	421,667

Reconciliation of corporation taxation:

	2019 £	2018 £
Profit before tax on continuing operations	**929,432**	1,741,838
Tax calculated at the domestic tax rate of 19% (2018: 19%)	**176,592**	330.949
Tax effects of:		
Income not subject to tax	**(20,689)**	–
Expenses not deductible for tax purposes	**194,999**	153,899
Tax deductions not recognised as an expense	**(58,150)**	–
Tax losses in the year for which no deferred tax is recognised	**57,909**	10,618
Other timing differences	**14,306**	(133,890)
Withholding tax payable on intercompany dividend	**53,393**	–
Adjustments in respect to prior years	**(78,178)**	–
Impact of overseas tax rates	**149,785**	106,756
Release/(Recognition) of deferred tax on share options	**42,451**	(46,665)
Total	**532,418**	421,667

The Filta Group's effective tax rate for the year ended 31 December 2019 was 57.3% (2018: 24.2%). The effective rate is an amalgamation of mainly UK, US (23.5%) and Canadian (27.6%) rates for the periods reported. The change from prior year has been particularly affected by the geographic mix of profits for the year and the inability to offset US and Canadian pre-tax profits with UK losses. Additionally, there was a significant amount of expenses that were disallowable for tax purposes relating to the acquisition of Watbio.

The Filta Group has tax losses of approximately £749,447 (2018: £667,480) to carry forward against future profits. The UK tax losses have no expiry date and a deferred tax asset of £110,731 (2018: £128,460) has been recognised in respect of them.

There are no other available tax losses in the Group.

11. Deferred tax assets / liabilities

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

	2019 £	2018 £
At start of year	**754,728**	652,131
Adjustment on initial application of IFRS 9	**–**	39,360
Acquired with subsidiaries	**–**	5,468
(Subtraction)/addition for the year	**(59,183)**	25,226
Foreign exchange differences	**(17,048)**	32,543
At end of year	**678,497**	754,728

11. Deferred tax assets / liabilities (continued)

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.

	2019 £	2018 £
Tax losses	**110,731**	128,460
Deferred revenue	**545,291**	546,777
Other	**22,475**	79,491
At end of year	**678,497**	754,728

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

	2019 £	2018 £
At start of year	**1,291,318**	95,185
Intangible assets acquired in business combination	**–**	1,203,206
Credit for the year	**(132,197)**	(7,073)
At end of year	**1,159,121**	1,291,318

12. Discontinued operations

In December 2017, the Group agreed terms to sell certain assets of its Filta Refrigeration business to Scotia Cooling Solutions Ltd ('Scotia'). The deal completed on 4 January 2018.

Consideration for the disposal was a combination of £0.1m cash and Scotia agreed to take on all employees and to novate and/or refinance certain Filta Refrigeration vehicles.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	2019 £	2018 £
Revenues	**–**	13,915
Expenses	**–**	(17,918)
Profit before tax	**–**	(4,003)
Income tax expense	**–**	22,559
Net profit attributable to discontinued operations	**–**	18,556

Following the completion of the sale, there were no assets or liabilities of the operation classified as a disposal group held for sale and presented separately on the balance sheet during the period.

13. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the company by the weighted average number of shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to take account of all dilutive potential ordinary shares and adjusting the profit attributable, if applicable, to account for any tax consequences that might arise from conversion of those shares.

	2019	2018
Earnings attributable to equity holders of the company	**403,866**	1,338,727
Weighted average number of shares	**29,041,697**	27,204,089
Effect of dilutive share options and awards	**104,870**	224,199
Weighted average number of shares for dilutive earnings	**29,146,567**	27,428,288
Earnings per share from continuing operations		
Basic	**1.39**	4.86
Diluted	**1.39**	4.82
Earnings per share from continuing and discontinued operations		
Basic	**1.39**	4.93
Dilute	**1.39**	4.89

14. Investment in subsidiaries

	2019 £	2018 £
Cost at the beginning of the year	**8,951,424**	2,293,426
Additions	**(185,681)**	6,657,998
Cost at end of year	**8,765,743**	8,951,424

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

Company	Class	2019 ownership interest	2018 ownership interest	Nature of business
The Filta Group Limited	Ordinary	**100%**	100%	Environmental Services
The Filta Group Incorporated	Ordinary	**100%**	100%	Environmental Services
Filta Refrigeration Limited	Ordinary	**100%**	100%	Discontinued
FiltaFry Limited	Ordinary	**100%**	100%	Dormant
Bio Depot Limited	Ordinary	**100%**	100%	Dormant
Filta Seal Limited	Ordinary	**100%**	100%	Dormant
Filta Environmental Canada Limited	Ordinary	**100%**	100%	Environmental Services
Filta Europe B.V.	Ordinary	**100%**	100%	Environmental Services
FiltaFry Deutschland GmbH	Ordinary	**100%**	100%	Environmental Services
Watbio Holdings Limited	Ordinary	**100%**	100%	Environmental Services
Watbio Limited	Ordinary	**100%**	100%	Environmental Services
Watling Hope Installations Limited	Ordinary	**100%**	100%	Environmental Services
Environmental Biotech Limited	Ordinary	**100%**	100%	Environmental Services
M&M Asset Maintenance	Ordinary	**100%**	100%	Environmental Services

14. Investment in subsidiaries (continued)

The registered office of all subsidiaries is The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP, apart from the following:

Company	Registered Office address
The Filta Group Incorporated	7075 Kingspointe Parkway, Suite 1, Orlando, Florida 32819 United States
Filta Environmental Canada Limited	27th floor, P.O. Box 49123, 595 Burrard Street, Vancouver, British Columbia, V7X 1J2 Canada
Filta Europe B.V.	Debbeshoek 14B, 7071XK Ulft, Netherlands
FiltaFry Deutschland GmbH	Pliniusstraße 8, 48488 Emsbüren, Germany

15. Dividends

	2019 £	2018 £
Distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2018 of 0.92p per share	**267,286**	176,434
Interim dividend for the year ended 31 December 2019 of 1.00p per share	**290,829**	195,434
	558,115	371,868
The Board has not recommended a final dividend for the year ended 31 December 2019	**–**	267,286

The proposed final dividend for the year ended 31 December 2018 was subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

16. Intangible assets

	Computer Software £	Goodwill £	Customer Relationships £	Customer Contracts £	Supply Contract £	Total £
Cost						
Balance at 1 January 2019	**542,782**	**1,639,523**	**3,963,737**	**2,489,489**	**724,481**	**9.360.012**
Additions	**194,245**	**–**	**–**	**–**	**–**	**194.245**
Business combinations	**–**	**–**	**–**	**–**	**–**	**–**
Foreign exchange	**(17,707)**	**–**	**–**	**–**	**–**	**(17,707)**
Balance at 31 December 2019	**719,320**	**1,639,523**	**3,963,737**	**2,489,489**	**724,481**	**9,536,550**
Amortisation and impairment						
Balance at 1 January 2019	**398,963**	**–**	**94,353**	**40,741**	**–**	**534,057**
Amortisation	**115,687**	**–**	**430,995**	**263,012**	**48,298**	**857,992**
Foreign exchange	**(6,846)**	**–**	**–**	**(3,130)**	**–**	**(9,976)**
Balance at 31 December 2019	**507,804**	**–**	**525,348**	**300,623**	**48,298**	**1,382,073**
Net book value at 31 December 2019	**211,516**	**1,639,523**	**3,438,389**	**2,188,866**	**676,183**	**8,154,447**

	Computer Software £	Goodwill £	Customer Relationships £	Customer Contracts £	Supply Contract £	Total £
Cost						
Balance at 1 January 2018	412,117	631,380	346,210	28,071	–	1,417,778
Additions	104,913	–	–	–	–	104,913
Business combinations	–	1,008,495	3,617,527	2,458,142	724,481	7,808,645
Foreign exchange	25,752	(352)	–	3,276	–	28,676
Balance at 31 December 2018	542,782	1,639,523	3,963,737	2,489,489	724,481	9,360,012
Amortisation and impairment						
Balance at 1 January 2018	274,506	–	25,110	1,961	–	301,577
Amortisation	104,451	–	69,243	38,780	–	212,474
Foreign exchange	20,006	–	–	–	–	20,006
Balance at 31 December 2018	**398,963**	**–**	**94,353**	**40,741**	**–**	**534,057**
Net book value at 31 December 2018	143,819	1,639,523	3,869,384	2,448,748	724,481	8,825,955

16. Intangible assets (continued)

Intangible assets are valued separately for each acquisition and the primary method of valuation used is the discounted cash flow method. The majority of acquired intangibles are amortised using an amortisation profile based on the projected cash flows underlying the acquisition date valuation of the intangible asset. The Group keeps the expected pattern of consumption under review.

Impairment tests for goodwill and intangibles

The Group is obliged to test goodwill and other intangibles with finite lives for impairment, at least annually, or at any time if there are indications that these assets might be impaired.

In order to perform this test, management is required to compare the carrying value of the relevant cash generating unit ('CGU') including the goodwill with its recoverable amount. The CGU's to which the goodwill has been attributed and its carrying value are summarised below.

	2019 £	2018 £
Franchise development	**90,946**	90,946
Equipment sales & installation	**369,297**	369,297
Site service	**1,179,280**	1,179,280
Total	**1,639,523**	1,639,523

The recoverable amount of a CGU is primarily determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on annual financial budgets which are approved by the Board. Income and costs within the budget are derived on a detailed, 'bottom up' basis – all income streams and cost lines are considered and appropriate growth, or decline, rates are assumed for each, all of which are then reviewed, challenged and stress tested, firstly by senior management and ultimately by the Board. Income and cost growth forecasts are risk adjusted to reflect specific risks facing each CGU and take into account the markets in which they operate. Cash flows beyond the budgeted period are extrapolated using the estimated growth rate stated below in to perpetuity. The growth rate does not exceed the long-term average growth rate for the markets in which the CGU's operate. Further, other than as included in the financial budgets, it is assumed that there are no material adverse changes in legislation that would affect the forecast cash flows.

The pre-tax discount rate used within the recoverable amount calculations was 8.11% (2018: 9.38%) and is based upon the weighted average cost of capital reflecting specific principal risks and uncertainties. The discount rate takes into account, amongst other things, the risk free rate of return, the market risk premium and beta factor reflecting the average Beta for the Group.

The same discount rate has been used for each CGU as the principal risks and uncertainties associated with the Group, as highlighted on pages 21 to 22, would also impact each CGU in a similar manner. The Board acknowledge that there are additional factors that could impact the risk profile of each CGU. These additional factors were considered by way of sensitivity analysis performed as part of the annual impairment tests. The level of impairment recognised is predominantly dependent upon judgments used in arriving at future growth rates and the discount rate applied to cash flow projections. Key drivers to future growth rates are dependent on the Group's ability to maintain and grow income streams whilst effectively managing operating costs. The level of headroom may change if different growth rate assumptions or a different pre-tax discount rate were used in the cash flow projections. Where the value-in-use calculations suggest an impairment, the Board would consider alternative use values prior to realising any impairment, being the fair value less costs to dispose.

A sensitivity analysis has been performed and the Board have concluded that no reasonably foreseeable change in the key assumptions would result in an impairment of the goodwill. In particular, a 1% increase in the discount rate or a 1% decrease in the terminal value growth rate would not result in material impairment.

17. 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 £
Cost					
At 1 January 2019	1,618,452	179,986	299,723	477,947	2,576,108
Additions	1,674	49,137	233,490	3,950	288,251
Business combinations	–	–	–	–	–
Disposals	(10,640)	(64,989)	(94,999)	(24,351)	(194,979)
IFRS 16 transition	–	–	–	(287,396)	(287,396)
Foreign exchange	(41,626)	(2,807)	(1,920)	(1,315)	(47,668)
At 31 December 2019	**1,567,860**	**161,327**	**436,294**	**168,835**	**2,334,316**
Depreciation					
At 1 January 2019	704,960	115,070	140,871	122,027	1,082,928
IFRS16 transition	–	–	–	(77,068)	(77,068)
Depreciation charge	45,561	28,732	113,483	28,901	216,677
Disposals	(10,468)	(63,566)	(94,785)	(17,174)	(185,993)
Foreign exchange	(28,657)	(3,699)	(4,436)	(1,546)	(38,338)
At 31 December 2019	711,396	76,537	155,133	55,140	998,206
Net Book Values					
At 31 December 2019	856,464	84,790	281,161	113,695	1,336,110
Cost					
At 1 January 2018	1,519,590	111,450	198,056	246,549	2,075,645
Additions	11,675	37,300	36,103	231,007	316,085
Business combination	2,511	28,477	63,196	–	94,184
Foreign exchange	84,676	2,759	2,368	391	90,194
At 31 December 2018	**1,618,452**	**179,986**	**299,723**	**477,947**	**2,576,108**
Depreciation					
At 1 January 2018	623,664	97,208	104,958	33,427	859,257
Depreciation charge	49,303	15,206	33,810	88,262	186,581
Foreign exchange	31,993	2,656	2,103	338	37,090
At 31 December 2018	704,960	115,070	140,871	122,027	1,082,928
Net Book Values					
At 31 December 2018	913,492	64,916	158,852	355,920	1,493,180

Certain of the property, plant and equipment listed above are held as security against bank facilities referred to in note 23.

18. Trade and other receivables

Trade and other receivables consist of the following:

	2019 £	2018 £
Total		
Trade receivables, gross	**3,591,379**	4,238,420
Impairment allowance	**(83,262)**	(184,022)
Trade receivables, net	**3,508,117**	4,054,398
Prepayments and other receivables	**402,206**	572,491
Franchise payment plans	**566,220**	519,170
	4,476,543	5,146,059

	2019 £	2018 £
Current		
Trade receivables	**3,508,117**	4,054,398
Prepayments and other receivables	**402,206**	572,491
Franchise payment plans	**154,488**	194,305
	4,064,811	4,821,194

	2019 £	2018 £
Non-current		
Trade receivables	**–**	–
Franchise payment plans	**411,732**	324,865
	411,732	324,865

Trade and other receivables include amounts that the Filta Group has agreed may be settled over extended repayment terms. The amount due from related parties in the parent company of £3.8m consist of £1.5m of loans to subsidiaries to fund debt repayment and acquisitions and is repayable after more than twelve months while the balance of £2.3m is for normal working capital requirements. The loans to subsidiaries bear interest at commercial rates. All amounts are eliminated on the Group Consolidated Statement of Financial Position.

The Group applies a simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision. The expected credit loss on trade receivables is estimated using a provision matrix by reference to past default experience and credit rating, adjusted as appropriate for current observable data. The following table details the risk profile of trade receivables based on the Group's provision matrix.

		Trade receivables - days past due				
31 December 2019	**Not past due**	**< 30**	**31 - 60**	**60 - 90**	**> 90**	**Total**
Gross carrying amount	**2,115,940**	**534,788**	**273,355**	**140,802**	**526,494**	**3,591,379**
Weighted average expected credit loss rate	**0.8%**	**1.8%**	**4.2%**	**6.1%**	**6.8%**	**2.3%**
Loss allowance	**17,826**	**9,698**	**11,421**	**8,624**	**35,693**	**83,262**

		Trade receivables - days past due				
31 December 2018	**Not past due**	**< 30**	**31 - 60**	**60 - 90**	**> 90**	**Total**
Gross carrying amount	1,563,235	1,937,492	229,229	362,412	146,052	4,238,420
Weighted average expected credit loss rate	1.0%	1.7%	8.8%	10.7%	52.2%	4.3%
Loss allowance	15,882	33,049	20,090	38,691	76,310	184,022

18. Trade and other receivables (continued)

Movement in the allowance for doubtful debt:

	2019 £	2018 £
At beginning of year	**184,022**	56,255
Adjustment on initial application of IFRS 9 (note 4)	**–**	157,834
Acquired with subsidiaries	**–**	118,336
Impairment loss recognised	**(18,353)**	7,620
Utilised	**(84,407)**	(156,023)
At end of year	**83,262**	184,022

19. Contract acquisition costs

The Group capitalises incremental costs to obtain contracts with customers where it is expected these costs will be recoverable. Incremental costs to obtain contracts with customers are considered those which would not have been incurred if the contract had not been obtained. For the Group, these costs relate primarily to third party broker fees. The Group has elected to use the practical expedient as allowable by IFRS 15 whereby such costs will be expensed as incurred where the expected amortisation period is one year or less. Where the amortisation period is greater than one year, these costs are amortised over the contract term on a systematic basis consistent with the transfer of the underlying goods and services within the contract to which these costs relate, which will generally be on a rateable basis. Impairment of capitalised contract costs was £nil in 2019 (2018: £nil).

The amount of capitalised contract cost expected to be recovered after more than one year is £0.4m (2018: £0.3m).

20. Inventories

	2019 £	2018 £
Finished goods	**1,759,955**	1,386,383
Total	**1,759,955**	1,386,383

Inventories primarily consists of filtration machines, filters, grease recovery units and parts 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.

21. Cash and cash equivalents

	2019 £	2018 £
Group		
Cash at bank and in hand	**2,891,014**	6,789,968
Company		
Cash at bank and in hand	**109,089**	3,616,685

22. Trade and other payables

	2019 £	2018 £
Group		
Trade payables	**2,555,860**	2,877,737
Taxes and social security	**194,199**	413,782
Accruals and other payables	**510,826**	3,218,783
	3,260,885	6,510,302
Company		
Trade payables	**39,272**	37,674
Taxes and social security	**4,744**	–
Accruals and other payables	**–**	2,227,454
	44,016	2,265,128

22. Trade and other payables (continued)

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.

The 2018 Company Accruals and other payables balance includes £1.7m representing the balance due on completion of the Watbio Holdings acquisition.

23. Loans and other borrowings

	2019 £	2018 £
Group		
Total		
Bank loans	**3,722,617**	4,531,925
Hire purchase and finance leases	**–**	168,448
Related party loans	**46,942**	49,579
	3,769,559	4,749,952

	2019 £	2018 £
Current		
Bank loans	**792,672**	791,467
Hire purchase and finance leases	**–**	49,174
	792,672	840,641

	2019 £	2018 £
Non-current		
Bank loans	**2,929,945**	3,740,458
Hire purchase and finance leases	**–**	119,274
Related party loans	**46,942**	49,579
	2,976,887	3,909,311

	2019 £	2018 £
Company		
Total		
Bank loans	**3,532,590**	3,790,737
	3,532,590	3,790,737
Current		
Bank loans	**786,049**	758,147
	786,049	758,147
Non-current		
Bank loans	**2,746,541**	3,032,590
	2,746,541	3,032,590

The bank loans are comprised of a £4,000,000 term loan (£3,032,590 net of debt issuance costs), which carries a variable interest rate of Libor plus 3% and is repayable in equal instalments of £200,000 per quarter; and a $905,785 US Dollar denominated mortgage loan (£690,027), which carries an interest rate of 4.5% and matures in 2024.

Following the implementation of IFRS 16 on 1 January 2019, finance leases are now carried separately on the balance sheet and, as a result, are no longer included in Borrowings.

24. Lease liabilities

The Group adopted IFRS 16 Leases effective 1 January 2019. Details of the Group' Lease Liabilities are as follows:

	2019 £	2018 £
Group		
Total		
Leases	**1,215,421**	–
	1,215,421	–

	2019 £	2018 £
Current		
Leases	**332,974**	–
	332,974	–

	2019 £	2018 £
Non-current		
Leases	**882,447**	–
	882,447	–

25. Contingent consideration

As part of the business combinations completed by the Group in 2018 certain contingent consideration formed the basis of the total consideration reported.

Filtafry Deutschland GmbH

Contingent consideration to be satisfied by the issuance of €50,000 worth of Filta ordinary shares in two equal tranches on the first and second anniversary of the closing. On 6 February 2019, 9,225 shares, calculated based on an average share price of 236p and an exchange rate of 0.8694 were, issued to the Seller.

Watbio Holdings Limited

Contingent consideration of £1,954,611 to be satisfied by the following:

Final EBITDA payment	£1,440,455
Retention debt payment	£ 264,156
Consideration shares	£ 250,000

On 22 March 2019, 125,000 ordinary shares priced at 200p were issued to the sellers to satisfy the consideration shares due. On 28 March 2019, a payment of £1,440,455 was remitted to the Sellers to satisfy the final EBITDA payment consideration. On 30 June 2019, a payment of £125,314 was remitted to the Sellers and represented a full and final payment on retention debt. The remaining amount of £138,942 was recognised in income in the period. This has been included in other income in the profit and loss accounts and has been deducted when calculating the adjusted EBITDA.

26. Deferred income

Deferred income relates to certain performance obligations of franchise sales that are deferred over the life of the franchise agreement. The deferral period is 10 years in North America and 5 years in the UK and mainland Europe.

Movements in Deferred income are as follows:

	1 Jan 2019 £	Acquisition £	Utilisation £	Foreign Exchange £	31 Dec 2019 £
Deferred income	3,659,919	251,836	(680,096)	(201,420)	3,030,239
Current					534,066
Non-current					2,496,173
Total					**3,030,239**

27. Operating lease commitments

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

	2019 £	2018 £
Minimum lease payments due:		
Within 1 year	–	274,467
1 to 5 years	–	296,145
Total	–	570,612

28. Reconciliation of movements in net debt

				Non-cash changes		
	1 January 2019 £	**Cash flows £**	**Acquisition £**	**Foreign exchange movements £**	**Fair value changes £**	**31 December 2019 £**
Long term borrowings	**4,581,505**	**(832,434)**	**–**	**20,488**		**3,769,559**
Short term borrowings	**–**	**–**	**–**	**–**	**–**	**–**
Lease liabilities	**168,448**	**(32,588)**	**251,561**	**–**	**828,000**	**1,215,421**
Total	**4,749,953**	**(865,022)**	**251,561**	**20,488**	**828,000**	**4,984,980**

				Non-cash changes		
	1 January 2018 £	Cash flows £	Acquisition £	Foreign exchange movements £	Fair value changes £	31 December 2018 £
Long term borrowings	928,236	(204,791)	3,840,316	17,744		4,581,505
Short term borrowings	–	–	–	–	–	–
Lease liabilities	111,315	57,133	–			168,448
Total	**1,039,551**	**(147,658)**	**3,840,316**	**17,744**	**–**	**4,749,953**

29. 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.

	2019		2018	
	Number	£	Number	£
Allotted and fully paid				
Total shares in issue at 1 January	**28,918,630**	**2,891,863**	27,132,660	2,713,266
Issue of ordinary shares	**134,225**	**13,422**	1,785,970	178,597
Issued under share option scheme	**32,500**	**3,250**	–	–
Total shares in issue at 31 December	**29,085,355**	**2,908,535**	28,918,630	2,891,863

On 31 January 2018, pursuant to a share purchase agreement between the Company and FiltaFry Deutschland GmbH, 10,970 shares of 10 pence each were issued to Chesskin Beheer B.V. at a price of 200 pence each, giving rise to a share premium of £20,843.

On 19 December 2018, the Company announced that it had raised gross proceeds of £3m from the issue of 1,500,000 Placing Shares at a placing price of 200 pence each, giving rise to a share premium of £2.85m.

On 24 December 2018, pursuant to a share purchase agreement between the Company and Watbio Holdings Limited, 275,000 shares of 10 pence each were issued to the sellers at a price of 200 pence, giving rise to a share premium of £522,500, to partially satisfy share consideration due as part of the total consideration paid for the business.

On 6 February 2019, pursuant to a share purchase agreement between the Company and FiltaFry Deutschland GmbH, 9,225 shares of 10 pence each were issued to Chesskin Beheer B.V. at a price of 238.5 pence each, giving rise to a share premium of £21,078.

On 22 March 2019, pursuant to a share purchase agreement between the Company and Watbio Holdings Limited, 125,000 shares of 10 pence each were issued to the sellers at a price of 200 pence, giving rise to a share premium of £237,500, to partially satisfy share consideration due as part of the total consideration paid for the business.

Between 3 June 2019 and 3 October 2019 certain employees exercised their rights under the Company's EMI Share Option Scheme and 32,500 shares of 10 pence each were issued to satisfy the exercise. These shares were priced at a range of 177 pence to 224 pence and gave rise to a share premium of £28,275.

30. Other reserves

	2019 £	2018 £
Group		
Merger reserve	**(339,687)**	(339,687)
Share based payment reserve	**367,102**	79,634
	27,415	(10,053)
Company		
Purchase consideration reserve	**–**	250,000
Share based payment reserve	**367,102**	79,634
	367,102	329,634

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).

Purchase consideration reserve

On 21 December 2018, the Company completed the acquisition of 100% of share capital of Watbio Holdings Limited. At 31 December 2018, consideration shares of £250,000 were due to the sellers and were allotted in the first quarter of 2019.

Share based payment reserve

The Company established the Filta Group Holdings Enterprise Management Incentive Scheme in 2017 to award U.K. employees with equity settled share options. The options were granted on 5 May 2017 and vest equally over a three-year period beginning on 5 May 2019. Subsequent options were granted on 16 October 2017, 11 January 2019, 15 May 2019, and 18 November 2019 all with similar vesting schedules to the original grants. The total charge recognised for share-based payments in respect of employee services received for the year ended 31 December 2019 was £287,468 (2018: £79,634).

31. 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.

The following table demonstrates the sensitivity to a reasonably possible change in sterling against the US Dollar and Canadian Dollar with all other variables held constant.

	Change in rate	Effect on profit before tax £	Effect on equity £
USD	+10%	(231,846)	187,634
USD	-10%	283,368	(229,330)
CAD	+10%	(10,955)	12,492
CAD	-10%	13,390	(15,268)

Interest rate sensitivity
The interest rate sensitivity has been determined based on the exposure at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the full year. All financial liabilities, other than financing liabilities, are interest free.

The following table analyses interest bearing loans, borrowings, and lease liabilities by fixed and floating mix.

	2019 £	2018 £
Floating LIBOR	**3,032,590**	3,790,737
Floating Base	**–**	–
Fixed	**1,952,390**	959,215
Total	**4,984,980**	4,749,952

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from its borrowings, chiefly its floating GBP LIBOR term debt. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

An increase or decrease of 100 basis points in each of the applicable rates would impact reported after-tax profit by £0.03m (2018: £0.04m) and equity by £0.03m (2018: £0.04m).

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 minimises 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.

31. Financial instruments (continued)

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.

Categories of financial instruments:

The table below sets out the Group's classification of each of its financial assets and liabilities at 31 December 2018 All amounts are stated at their carrying value.

	2019 £	2018 £
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	**2,891,014**	6,789,968
Trade and other receivables (excluding prepayments)	**4,084,963**	4,585,002
Deposits	**5,272**	2,491
	6,981,249	11,377,461
Financial Liabilities		
Trade and other payables (excluding taxes)	**3,066,685**	6,096,520
Borrowings	**3,769,559**	4,749,952
	6,836,244	10,846,472

The table below summarises the maturity profile (representing undiscounted contractual cash flows) of the Group's financial liabilities:

	Less than 3 months £	3 to 12 months £	1 to 5 years £	Over 5 years £	Total £
At 31 December 2019					
Trade and other payables	**3,019,615**	**16,817**	**30,253**	**–**	**3,066,685**
Expected future interest payments	**34,150**	**158,510**	**316,725**	**–**	**509,385**
Borrowings	**5,559**	**787,113**	**2,976,887**	**–**	**3,769,559**
Total	**3,059,324**	**962,440**	**3,323,864**	**–**	**7,345,628**

	Less than 3 months £	3 to 12 months £	1 to 5 years £	Over 5 years £	Total £
At 31 December 2018					
Trade and other payables	6,026,750	17,308	52,462	–	6,096,520
Expected future interest payments	49,362	140,825	401,551	–	591,738
Borrowings	13,749	826,892	3,909,311	–	4,749,952
Total	6,089,861	985,025	4,363,324	–	11,438,210

32. 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 was required to contribute 1% of payroll costs, increased to 2% in April 2018, 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 £93,725 (2018: £15,635) represents contributions payable to the scheme by the Group at specified rates. Any contributions unpaid at the balance sheet date are included as an accrual at that date. The Group has no further payment obligations once the contributions have been paid.

33. Share option scheme

The Company maintains an EMI Share Option Scheme to incentivise executives and employees of Filta Group Holdings and its subsidiaries. For U.K. employees, Options have been awarded over a total of 1,985,000 ordinary shares, equivalent to 6.8% of the Company's current issued share capital. The options vest, subject to the satisfaction of certain conditions, over a period of 4 years from the date of grant. All options issued will meet the vesting conditions between 2019 and 2023 and are exercisable at any time after vesting and within 10 years from the grant date.

Additionally, all qualifying U.S. employees have been awarded share acquisition rights (SARs). The SARs are conditional bonuses whose value will be calculated by reference to the amount by which the price of the Company's ordinary shares has risen above the base price at the date of exercise, thus providing holders of SARs the same reward value as if the SARs were share options. The qualifying conditions and timing of vesting are identical to those within the share option scheme for UK employees. All SARs are settled in cash when exercised. A total of 667,500 SARs has been awarded.

In the ordinary course of business, an option will normally only be exercisable to the extent it has fully vested, and any applicable non-market performance conditions have been satisfied or waived. Options shall lapse to the extent unexercised on the tenth anniversary of the date of grant or such earlier date as specified by the Board at the date of grant.

As at 31 December 2019, a total of 1,690,000,000 (2018: 540,000) were outstanding, having a range of exercise prices from 0.97p to 2.30p (2018: 0.97p to 1.74p) and a weighted average exercise price of 1.76p (2018:1.01p). These outstanding awards have a weighted average contractual life of 8.59 years (2018: 8.33 years).

Movement in the number of share options outstanding during the year, including grant dates and grant price were as follows:

	Share Options	Share acquisition rights	Total
Outstanding at 1 January 2019	**210,000**	**330,000**	**540,000**
Granted on 11 January 2019 (2.15p)	1,002,500	175,000	1,177,500
Granted on 15 May 2019 (2.30p)	187,500	110,000	297,500
Granted on 18 November 2019 (1.46p)	352,500	22,500	375,000
Total granted during the year	**1,542,500**	**307,500**	**1,850,000**
Exercised during the year (0.97p)	(32,500)	(22,500)	(55,000)
Total exercised during the year	**(32,500)**	**(22,500)**	**(55,000)**
Forfeited during the year (0.97p)	(50,000)	(80,000)	(130,000)
Forfeited during the year (1.74p)	(7,500)	(20,000)	(27,500)
Forfeited during the year (2.15p)	(407,500)	–	(407,500)
Forfeited during the year (2.30p)	(50,000)	–	(50,000)
Forfeited during the year (1.45p)	(30,000)	–	(30,000)
Total forfeited during the year	**(545,000)**	**(100,000)**	**(645,000)**
Total Ouststanding at 31 December 2019	**1,175,000**	**515,000**	**1,690,000**
Exercisable at 31 December 2019	**17,500**	**62,500**	**80,000**

During the year, the Company recognised total expense of £283,215 (2018: £302,506) related to the fair value of the share-based payment arrangements. This included £303,360 (2018: £35,849) related to equity-settled share options and (£20,145) (2018: £266,657) from cash-settled SARs. The SARs liability at 31 December 2018 was £284,117 (2018: £309,954).

33. Share option scheme (continued)

These amounts were determined using the Black Scholes model, with the following assumptions for each type of award granted:

Stock Options	
Weighted average fair value	96.3p
Weighted average exercise price	188.1p
Expected life of option (years)	8.04
Risk free rate	1.95%
Dividend yield	1.54%
Volatility	50.14%

Share Appreciation Rights	
Weighted average fair value	99.9p
Weighted average exercise price	163.1p
Expected life of option (years)	8.1
Risk free rate	1.93%
Dividend yield	0.0%
Volatility	50.24%

34. 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.

Notes payable to related party

On 31 January 2018, Filtafry Deutschland GmbH entered into notes totaling £48,201, bearing interest at 2.5%, with related parties. The notes mature on 31 January 2023 and include the right to repay early without penalty. These amounts are classified within borrowings.

Interest accrued on the notes amounted to £1,071 at 31 December 2019.

35. Events after the reporting date

COVID-19

There remains considerable uncertainty about how Covid-19 will develop over the coming weeks and months after it was announced as a global health emergency by the World Health Organisation on 30 January 2020.

The Group is financially strong and has well balanced revenue streams, and whilst a number of our franchisees and customers are still operating it is clear that COVID-19 will have a material impact on 2020 trading. We began the year strongly closing 6 franchise sales in Q1 but anticipate a slowdown in closing sales pending a fuller return to normal operating conditions. In those markets where we operate a franchise model, we introduced a franchise support program that allows franchisees a reduced royalty of up to 50%. As a result, our royalty revenue, which represents 10% of Group revenue is expected to be down 50% through at least June. In addition, we continue to generate revenue in our other Fryer Management categories but at 50% to 80% below anticipated run rates. In the UK where we operate our company owned model, we experienced a drop of 89% in the number of jobs completed in April versus the average over the prior three months.

There is no indication at this stage that there will be any material impairments of the financial assets presented in the 31 December 2019 financial statements. Credit risk is increasing as customers, particularly smaller customers, are put under increasing financial pressure. As such, we are managing our trade receivables closely with our customers and whilst credit risk remains, we have continued to see good collection patterns through the first part of 2020.

We have modelled a number of possible outcomes which consider, amongst other things, the overall length of the lockdown in key regions, the level of current trading during the period, as well as the rate and timing of normalisation across our customer base.

These scenarios give a broad range of outcomes on revenue, before considering the related margin impact and approach to discretionary spend as we move through the year. Given the level of uncertainty and the dynamic nature of the situation, it is too early to quantify the impact on the outturn for the remainder of the financial year.

35. Events after the reporting date (continued)

The Group is in a strong financial position at year end and at the current date. We have year-end cash and unutilised overdraft facility of £3.2m, which has further increased post year end.

Banking facilities

On 30 March 2020 we concluded the extension of our £0.4m overdraft facility through 31 December 2020. This arrangement provides flexibility for short-term operational variability. As of the date of this report the facility is unutilised and remains fully available as a contingency measure in light of the current uncertainty.

Government Support

On 29 April 2020, following application through our incumbent bank HSBC, we received a PPP loan through the US Small Business Administration in the amount of $308,440. This loan is intended to be used to cover payroll costs, rent and/or mortgage interest and utilities for a period of up to 8 weeks. Loan documents were signed on 5 May 2020 and the loan was funded the following day. There is a stipulation in the loan agreement allowing the borrower to apply for loan forgiveness on a prorated basis up to 100% of the loan value. The borrower must show that at least 75% of the loan was used to retain and compensate employees and that the average full time equivalent employee count was not reduced over a prescribed period. We anticipate that we will be making a request in late June for forgiveness of the loan, however, at this time it is too early to determine the amount and outcome of that request. Any residual value of the loan not forgiven begins amortising on 7 November 2020 for a period of 2 years at an interest rate of 1%.

On 30 April 2020, following application through our incumbent bank HSBC, we received credit approval for a CBILS loan in the amount of £1.2m. The loan will carry a term of 6 years, interest will be Nil for first 12 months followed by standardised interest rate of 3.99% over Bank of England Base Rate. Monthly repayments of £20,000 will start in month 13 and there is no prepayment penalty. Loan documents are anticipated to be signed by the end of May. Covenants for this loan will be incorporated under our existing £4m term debt facility as of 31 December 2020.

There are no other material events subsequent to 31 December 2019, up to the reporting date, which would require adjustment to or disclosure in this report.

Corporate Information

Directors:
Timothy (Tim) John Worlledge *Non-Executive Chairman*
Jason Charles Sayers *Chief Executive Officer*
Brian Joseph Hogan *Chief Financial Officer*
Victor Clewes *Executive Director*
Jlubomir (Roscoe) Urosevic *Executive Director*
Roy Charles Sayers *Non-Executive Director*
Graham Jeffrey Woolfman *Non-Executive Director*
Lloyd Martin N*on-Executive Director*

Secretary:
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