ANNUAL REPORT & ACCOUNTS 2020

About Filta

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

The Group, through its 191 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 progressive dividend policy.

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

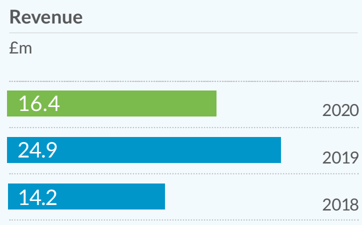
Highlights

Financial Highlights

Revenue

£16.4m -34%

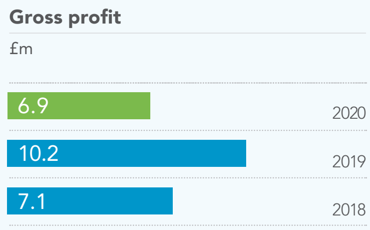
2019 £24.9m



Gross Profit

£6.9m -32%

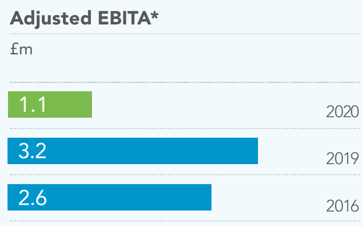
2019 £10.2m



Adjusted EBITDA*

£1.1m -67%

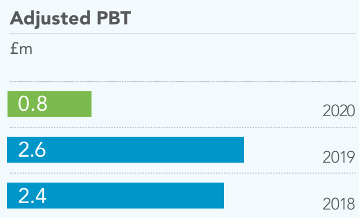
2019 £3.2m



Adjusted PBT**

£0.8m -73%

2019 £2.6m



* 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 and depreciation adjusted for non-recurring items and share based payments.

Operational Highlights

- Strong operational performance helped to counter COVID-19 impact on industry.
- Following a sharp fall in Q2 revenue run rate back to 65% of prior year by year end.
- 8 new franchises added during the year.
- 478 MFUs (mobile filtration units) at year end.
- 935 new customer sites added in North America and 750 in UK since April 2020.
- Award winning new FiltaFog Cyclone Grease Recovery Unit introduced to the market in late 2020.
- Sales teams in all markets were key area for investment.

Chairman's Statement

£16.4m

Group Revenue -34%
2019: £24.9m

£1.1m

Adjusted EBITDA -67%
2019: £3.2m

(3.46)p

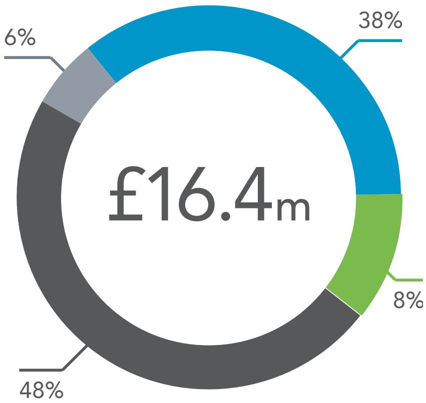
Basic (Loss)/Earnings Per Share
2019: 1.39p

2.19p

Adjusted Earnings Per Share[1]
2019: 8.12p

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 2020 Operating Revenue



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

Introduction

The Group, in common with many businesses around the world and, particularly those involved in or dependent upon the restaurant, leisure and entertainment industries, has endured a very challenging time over the last year. The impact of COVID-19 resulted in a 34% decline in revenue against the prior year as many of our customers were forced to suspend business for long periods during 2020.

The sudden fall in business levels during March 2020 was particularly frustrating because, in the early part of the year, we were enjoying strong revenue growth and significantly better operating margins as a result of the profit improvement actions implemented in the UK in the last quarter of 2019.

However, following the introduction of social distancing lockdowns towards the end of Q1, our focus moved to cash preservation in order to ensure that we would be able to ride out a worldwide economic downturn, the duration of which was, at that time, impossible to predict with any certainty. Whilst some uncertainties still remain and there are likely to be more bumps in the road, there are good reasons to look forward with optimism and we are in a position to do this because we have preserved our cash and protected our balance sheet over the last 12 months. We also took the opportunity, during the period of reduced activity, to identify additional and complementary service offerings and ways to further improve delivery of our services and we are now seeing the benefits come through.

Results

Revenue was down by £8.5m, or 34%, at £16.4m (2019: £24.9m), although a 28% reduction in operating costs to £17.0m (2019: £23.7m) enabled us to deliver an operating loss of £0.6m, £1.8m down on the previous year (2019: £1.2m profit), and a loss before tax of £0.9m (2019: £0.9m profit).

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 and restructuring costs, depreciation, amortisation and share-based payments, was £1.1m (2019: £3.2m), representing a profit margin of 6.4% (2019: 12.7%) and reflecting the fact that the fixed costs were, in a year of reduced revenue, 44% of total operating costs (2019: 38%).

We finished the year with net borrowings of £1.6m (2019: £2.1m), including £1.1m of lease liabilities (2019: £1.2m), and with a gross cash balance of £4.2m (2019: £2.9m). At the year end, the Group had a further £0.4m of available funding through its unutilised overdraft facility. The increase in cash resources was a direct result of applying strict cash controls, including agreeing salary reductions with staff and management, the deferral of non-essential spend and taking advantage of government support schemes. During the year we received funding under the UK furlough schemes, which helped us to fund staff wages during the worst affected periods and enabled the principal business activities to operate on a cash neutral basis through the year. We also drew down £1.2m of funding under the UK Coronavirus Business Interruption Loan Scheme ("CBILS") and a further £0.2m under the US Payroll Protection Program ("PPP").

Strategy

The Group's business platform has comprised a mix of franchised and Company-owned operations offering services to the commercial kitchen sector. Fryer Management (FiltaFry), 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 (FiltaSeal); fat, oil and grease control and collection (FiltaFOG); drain maintenance (FiltaDrain); and pump installation and maintenance (FiltaPump), all of which have a strong repeat service pattern.

We believe that all of these services are both complementary to each other and offer strong growth opportunities, as well as providing good revenue visibility and stability. This has been borne out by the fact that despite the almost complete close down of a large proportion of our customers' activities at various times during the year, we were still able to generate sufficient revenue to maintain a cash neutral trading position.

However, we continue to seek other complementary activities to add to our portfolio of services aimed at both our existing commercial kitchens market and at potential new markets. During the year we launched FiltaVent, which installs and maintains kitchen air venting systems, and FiltaShield to provide bacterial cleaning services to both eating establishments and other premises which are required to ensure that they are bacteria-free.

We launched the FiltaFOG Cyclone, a grease interceptor that has been very well received by our customers in the UK. In a further development designed to improve the execution efficiency, we have begun to utilise our franchise network to deliver FiltaFOG services in areas where we do not have adequate in-house technician coverage. In the US, we have had encouraging success in rolling out our Fryer Management service to healthcare and supermarket customers.

Environmental, Social and Governance

The Board, as a whole, has overall responsibility for environmental, social and governance matters, and we recognise our duty to stakeholders to operate the business in an ethical and responsible manner. We are committed to developing

Chairman's Statement

our environmental and social responsibility agenda, recognising that it can play a major part in leading and influencing all of our people and operations.

Our corporate culture defines who we are, what we stand for and how we do business, and it is integral to the success of the Group. Our strong reputation has been built on the solid foundation of an ethical culture, underpinned by a well-defined and effective system of governance. We are committed to equal opportunities and an entirely non-discriminatory working environment where everyone is treated with dignity and respect and we strive to create an inspiring working environment where everyone is engaged and motivated.

The Board has always taken its environmental impact very seriously and is continuously seeking ways in which its services and actions can help to protect and improve the environment. The Group's core services support our customers ongoing efforts to reduce their energy, oil, and water usage and, in turn, we continue to invest in energy efficient capital equipment and improved operational processes in order to reduce our wastage. These ongoing efforts have, unquestionably, reduced both our customers' and our environmental impact over the years whilst improving our productivity. Our approach is to work through education, communication and direct action.

Current trading and outlook

Lockdown restrictions were in place in the UK through the first quarter of the current financial year and in North America, many of our major customers, such as stadia, universities and corporate dining, are not yet re-opened. Notwithstanding this, the upward trend in business levels that we saw in the second half of 2020 has continued into the current year, with the numbers of new customers in both of our markets being particularly encouraging.

We have already sold 3 franchises in the US this year and have a strong pipeline of potential franchisees seeking to join the network, a trend which we expect to continue as the economy gradually recovers. Fryer management, which remained profitable and cash generative throughout 2020, is now operating at 78% of its pre-COVID levels and its major stadia and university customers have not yet re-opened.

In the UK, all of our core activities are trading very satisfactorily with some significant new business having been added to the Site services activities and an incredibly positive reaction from customers to the new FiltaFOG Cyclone. We are also deriving increasing revenues from FiltaShield, which was started in response to the need for bacterial cleaning services to combat COVID-19.

Our business in Europe, where the lockdowns are more widespread than in the UK, is operating on a "care and maintenance" basis but, nonetheless, has completed 1 franchise sale and is receiving a great deal of interest from potential franchisees, which is an encouraging sign for the future.

With the lockdown restrictions expected to be lifted further over the next 2 to 3 months and with the vaccination programmes progressing well in the UK and US, the Board is confident that the progress that we have seen in the first quarter will continue through the year and, moreover, that the Group is emerging from a highly challenging time much stronger operationally and in robust financial health.

Dividends

During the last year, in its efforts to preserve cash resources, the Board has asked its employees to take salary reductions, has made use of support grants and loans provided by the government and has adopted a policy of deferring non-essential spend. Moreover, whilst there has been a significant improvement in trading levels in recent months and the general health and economic outlook is promising, there remain uncertainties as to when we will be fully free from the impact of COVID-19.

The Board considers that, given this background and circumstances, it would not be appropriate to pay a dividend in respect of the year ended 31 December 2020. However, the Board recognises that dividends are an important element of shareholder returns and would like to reassure shareholders that, provided the progress that has been made in the first quarter of the year continues, it fully expects to be able to resume the payment of dividends in respect of 2021.

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.

I thank all our employees for their continuing hard work and commitment to the Group and would like to recognise their part in helping the Group to manage its way through a particularly challenging time.

Similarly, our franchise owners and their performance, professionalism and client commitment are critical to our own reputation and success. We thank them for their support over the last year and, working together, we look forward to helping them to return to their pre-COVID state.

Finally, our Business Model and Strategy is contained on pages 10 to 13 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 19 April 2021.

Tim Worlledge

Tim Worlledge
Chairman

19 April 2021

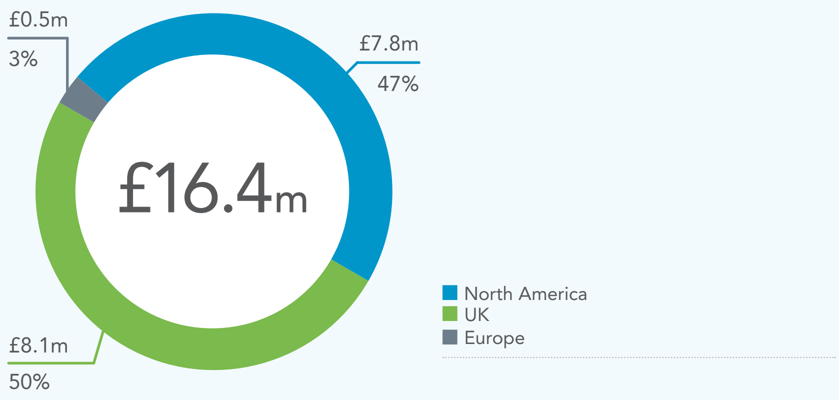
Strategy and Operations

Strategy and Operations

Major Markets

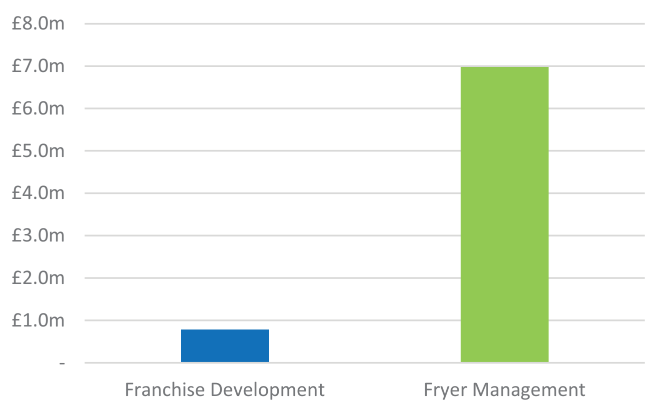
Filta operates principally in North America, the UK and mainland Europe, providing a range of commercial kitchen-related services through franchise networks and Company-owned operations.

2020 Revenue



North America (USA & Canada)

Revenue £7.8m (47%)



Number of vans

422 Franchise Operated MFUs

Business growth drivers:

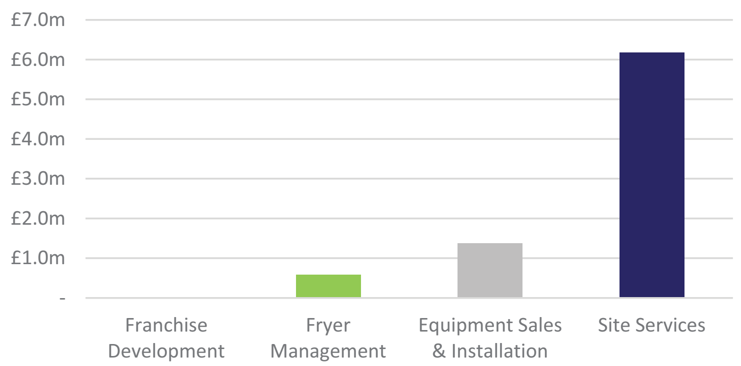
- Fleet expansion by Franchise Owners
- New Franchise Sales & Resales
- National Accounts
- New services and products offered through Franchise Network

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 £8.1m (50%)



Number of vans

36 Franchise Operated MFUs
55 Company Owned Service Vehicles

Business growth drivers:

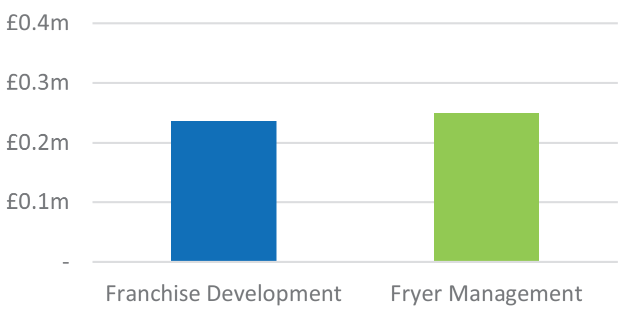
- Expanding existing Company-owned services organically and by infill acquisitions
- Development of additional related services or complementary services
- Increased focus on national accounts

Corporate HQ in Rugby, England

- Franchise network business and Company-owned operations
- Franchise network business:
  - Franchisees mostly single MFU operators
  - Services are fryer management under FiltaFry brand and certain FOG servicing work
- Company-owned operations:
  - FiltaSeal, replacement of refrigeration seals
  - FiltaFOG, grease interceptor installations and service
  - FiltaPump, pump station installations and service
  - FiltaVent, automated extraction duct cleaning
  - FiltaShield, sanitise and monitoring services
- Revenues derived principally from FiltaFry, FiltaSeal, FiltaFOG and FiltaPump.

Mainland Europe

Revenue £0.5m (3%)



Number of vans

20 Franchise Operated MFUs

Business growth drivers:

- New Franchise Sales
- Expansion of existing Franchise Owners operations
- 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

Services

<table>
<tr><td>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 478 MFUs of which 422 are in North America, 36 in the UK and 20 in mainland Europe.</td><td>Serviced by Franchise Owners</td></tr>
<tr><td>FiltaFOG – Fats Oil and Grease ("FOG") Management

Filta 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.</td><td>Serviced by combination of Company Operated Technicians and Franchise Owners</td></tr>
<tr><td>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.</td><td rowspan="4">Serviced by Company Operated Technicians</td></tr>
<tr><td>FiltaPump - Wastewater Pumping Solutions

Installation, refurbishment, enhancements and maintenance of sewage pumps.</td></tr>
<tr><td>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.</td></tr>
<tr><td>FiltaShield – Sanitise and Monitoring Solutions

The COVID-19 virus has changed the way businesses operate and has led companies to identify ways to ensure their employees' and customers remain safe and healthy. FiltaShield offers customers a package of services and products to help keep their staff and customers as safe as possible including sanitisation services and thermal cameras.</td></tr>
</table>

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 to win new customers and upsell new products to existing customers.
- **Technician recruitment** – with 478 vehicles on the road at the 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 is provided to 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 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	**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	**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 (2020 – repeat revenues at 85%) • Key objective is growth of Franchisees' revenue, driving predictable Group revenues at increasing marginal profit
Company Operated	**Equipment Sales & Installations (UK Only)** • All equipment installations are provided through Company operated technicians and vans • Equipment and installations sold directly to customer who pay Filta directly • Includes the sale and installation of new GRUs (Grease Recovery Units), pump station installations, vent systems and other equipment.	**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, from high revenue-visibility maintenance contract customers

Repeat Revenues Underpinned by Growing Royalty and Site Service Income
A significant proportion of the Group's total revenues (71%) 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 the deferred revenue position, offers good revenue visibility into future years. Repeat revenue comprises those revenues earned from existing customers which are recurring in nature, being 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, restaurant chains and global food and hospitality companies. The high quality and breadth of the client base mitigates 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/Pubs	630,000	72,000	165,000	Core to Filta's business in both the US and UK.	Some	All
Contract Caterered	50,000	10,000	13,000	Whether outside contract or provision of on-site staff, provide valuable access to many sectors.	Some	All
Supermarkets	37,000	8,000	25,000	Multi-unit organisations and therefore potentially attractive customers	Some	All
Hospitals & Nursing Homes	20,000	15,000	15,000	Mostly accessed through Contract Caterers.	Some	All
Universities & Colleges	2,000	100	100	Most have fryers, all have many seals and refrigeration units. Mostly accessed through Contract Caterers.	Most	All
Sports Stadiums & Arenas	1,000	100	100	Only stadiums with over 5,000 capacity. Filta services over 300 US stadiums.	All	All
Amusement Parks & Casinos	1,000	100	100	Casinos can have many restaurants and most provide fried food.	All	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 to grow 10.2% in 2021 (National Restaurant Association). 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, FiltaSeal, FiltaPump and FiltaVent) 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.

Overview

Strategy and Operations

Governance

Financial Statements

Strategy

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

1. Recruit the best Franchise Owners possible and support their staff development needs
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 are 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.

Focus for 2021:

- 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 from 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.

Focus for 2021:
- Continue to achieve operational efficiencies
- Help our customers to reopen their sites and rebuild their business and profits
- Continue growth of core offerings including FiltaFOG, FiltaSeal, FiltaPump, FiltaVent and FiltaShield

— FOCUSED ON —

MAINLAND EUROPE

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

Focus for 2021:
- Sales of new Franchise Territories
- Increase internal sales team to accelerate network sales
- Introduce new products through the network

Chief Executive's Operating Review

Introduction

2020 was certainly a challenging year for the hospitality sector that we service. The fact that we ended the year with adjusted EBITDA of £1.1m and cash positive, demonstrates the strength of our business model and the commitment of the people that we have at Filta.

The first two months were setting us up for a highly successful year; North America was showing 20% year on year growth; the UK had not only experienced growth but also improved its margins; and we had strong franchise growth in Germany.

Then in March the picture changed with COVID-19 leading to severe lockdowns in all our markets which resulted in the closing of the vast majority of our customers.

In the third quarter the lockdowns started to lift, and revenues began to come back. Restaurants became creative with take-out and delivery options, supermarkets and hospitals were busier than ever, although catering at universities, stadiums and business dining have yet to reopen. Since then, the situation in each of the markets we operate in has been different with lockdowns and openings coming at varying times.

Despite all of this, Filta remained focused on helping our customers through the worst times and we adapted our business model to cope with the new world, which stands us in good stead as the vaccine roll out programs in the UK and US offer hope for all our customers to fully reopen their venues.

Our long-term focus remains on growing the business, both organically and through acquisitions of high margin, repeat revenue businesses.

North America

As mentioned above, the first part of the year saw strong growth with network revenue growing to an annualised run rate of over $60m. The severe lockdowns initiated in Q2 were followed by vastly different levels of business in different parts of the continent. Some states like Florida opened up fully in Q3 and have not shut since whilst others, such as California and New York, have remained closed and are only, now, just reopening.

Overall, despite the extensive shutdowns, trading in North America remained relatively robust with total revenue of £7.8m in 2020 (2019: £11.3m)

Network revenue, being the total revenue of our US-based franchisees for all services provided to their customers, represents the best indicator of how COVID-19 effected the business. The US franchise network generated $37m (£29m) of revenues in 2020 (2019: $51m/£40m), a decrease of 28%.

The 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 much of the royalty is fixed per Mobile Filtration Unit ('MFU') that the franchisees own, we took the decision, in order to support our franchise base, to link the royalty paid to each franchisee's revenue during the COVID-19 period. This resulted in a fall in revenue contributed by Fryer Management Services in North America to £7.0m (2019: £10.1m). At the height of the lockdown, Fryer Management Services revenue fell to approximately 50% of the previous year but by the end of the year we were back up to c.70% of prior year revenue and, more encouragingly, c.20% of that revenue was derived from new customers that were added since the start of the COVID-related lockdowns.

We constantly seek to increase our franchise base, but 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.

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 by seeking new franchisees (resales) who have the ambition and business acumen to expand their market, thereby enlarging the platform for Filta's own Fryer Management repeat revenues to increase year after year. In 2020 we recruited 6 new Franchise Owners (2019:7) and achieved 4 resales (2019:4).

Mainland Europe

Whilst our business in mainland Europe, which is also principally a franchised offering, only accounts for 3% of total Group revenue it achieved 2 new franchise sales (2019:7) despite lockdowns during the year whilst its revenue of £0.5m (2019: £0.5m) remained flat year on year.

The business is at an early stage and the growth comes, principally, from adding new franchisees. With the 2 added in 2020, it took us to 16 in Europe, albeit that they have mostly suspended trading, currently.

The start to the new year has been slow with continued lockdown restrictions imposed across the continent. Despite the economic uncertainty, we continued to receive interest from potential franchisees and, indeed, have seen 1 new sale and 1 resale 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 and we will support our franchisees by helping to add key accounts.

There is still future growth potential in mainland Europe, but we have reduced overhead (three full-time staff members) and have minimised our financial exposure until the lockdowns end, customers reopen and we can, once again, seek to expand the business.

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 totalled £7.6m (2019: £11.7m).

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.

Fryer Management

Fryer Management revenue fell to £0.6m (2019: £1.4m). The majority of franchise owners in the UK remain single unit operators and we anticipate the work to come back as the economy reopens.

Equipment Sales & Installation

Total equipment sales and installation revenue was £1.4m in 2020 (2019: £2.8m). With limited capital investment occurring, we had anticipated this revenue segment to drop further but the introduction of Filta's new ground-breaking grease recovery unit, the FiltaFOG Cyclone, helped drive fourth quarter sales which have remained strong into 2021. The FiltaFOG Cyclone produces better oil separation at a lower operating cost than any other product on the market today.

Site Services

Site Services, which comprise our planned maintenance and other recurring revenues, saw its revenue drop 30% to £6.2m (2019: £8.9m).

All of the activities in this category 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. As sites continue to reopen in the UK, this segment should recover quickly.

A selection of our UK Franchisees are now performing FOG servicing. This is a direction that is going to be expanded over the coming years, moving this side of the business to a more capital light model.

We have continued to add new sites during the year, positioning us well once the lockdowns are lifted in the UK and the sector returns to relative normalcy.

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 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.

2020 was a challenging year, not only for the business, but on a personal front for many of our staff members as working from home became the new norm. I really would like to thank all of our valued staff members, in all our markets, who stepped up and helped the business adapt to the changing situations. It has certainly brought everybody closer as a team and will stand us in good stead for the future.

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. Regular communication with franchisees through webinars helped everybody to stay positive and has put us in a great position coming into the recovery.

In the UK, we appointed Brian Riordan as Managing Director in October. Brian brings to Filta over 30 years' experience of working across food services and facilities management, sales and marketing, retail, and hotels. Most recently, Brian was the Managing Director for Aramark UK. Prior to Aramark, Brian spent several years as an Operations Director at Compass Group, the largest contract foodservice company in the world, and at Marriott Hotels, both in the US and Europe.

Jos van Aalst, Managing Director of Filta's mainland Europe business, continues to oversee the business in Europe and deftly managed lockdowns across multiple countries whilst remaining in contact with existing and prospective franchisees. He has us well positioned for an H2 recovery.

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, pubs, 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.

Macro-economic conditions always tend to trump any micro conditions that a company can bring to the table. As such, most of our customer base was significantly affected in each of our markets.

Despite the COVID-related lockdowns, the US economy shrank just 3.5% in 2020. In March of this year, the US enacted new legislation that will inject a further $1.9 trillion into the economy. This follows on the $3.5 trillion previously spent in 2020. That is over $15,000 per person and, unsurprisingly, personal savings rates are at their highest levels in history. The vaccine roll-out has been a huge success with current projections estimating the US will have vaccinated 75% of the population within next 3 months. As many states now re-open, our sector is recovering quickly, and the OECD predicts US GDP growth of 6.5% for 2021. We are well positioned to take advantage of the economic resurgence that our industry is predicted to experience later this year and beyond.

The UK experienced more excessive lockdowns which resulted in a GDP decline of 9.9% in 2020. These lockdowns, and the corresponding economic decline, had an especially adverse impact on the Group's restaurant and pub customers. The government's response was to inject over £200 billion into the economy which has led to household savings rates doubling. Like the US, the success of the vaccine programme has been impressive and the reopening of the leisure sector, now taking place, will hopefully lead to a quick recovery. OECD predicts UK GDP growth of 5.1% in 2021 and we are well positioned to capitalise on this with improved sales teams, customer relationships and operations.

Mainland Europe (primarily Germany where we operate), is behind on their vaccine roll-out, but will no doubt catch up later this year, enabling their economies also to bounce back.

In addition to the post COVID-19 recovery, we believe that with the ever-increasing health, safety and food hygiene requirements the demand for our services will be undiminished when more normal circumstances return.

Current Trading & Outlook

Whilst the COVID-19 pandemic has had a significant impact on the Group in the short term, we remain confident in our medium and long-term growth prospects. The road maps announced in each of our operating locations illustrate how lockdowns and restrictions will begin to be lifted over the coming months as further significant progress is being made with the ongoing vaccination process.

We continue to take proactive actions to adapt our operations to ensure the Group can thrive and is well placed for the recovery. We continue to execute at pace and are confident in our ability to be agile and respond to increasing volumes from our customers as our end market segments begin to re-open and recover.

We will continue to focus on our strategy whilst delivering outstanding levels of service to our customers. This, our existing scale, ability to flex costs and focus on operational excellence make us confident that we will be able to take advantage of growth opportunities as they arise and to increase returns to shareholders over time.

Jason Sayers
Chief Executive Officer

19 April 2021

Key Performance Indicators ("KPIs")

We focus intently on a number of operational KPIs in the business. Four of the primary measures that help drive our success are:

- Sale of new franchises
- The number of MFUs in the field
- Number of new equipment installations
- Number of service jobs performed

8

Franchise Sales

478

MFUs at y/e

440

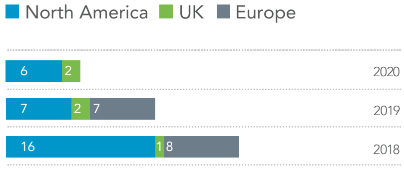
New Installations

25,549

Service Jobs Performed

Franchise Development

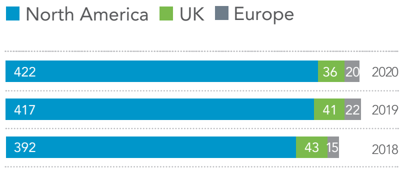
Franchise Sales



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

Fryer Management

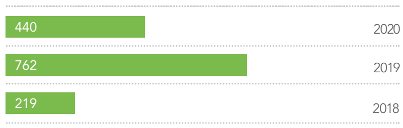
MFU's at the year end



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.

Equipment Sales & Installation

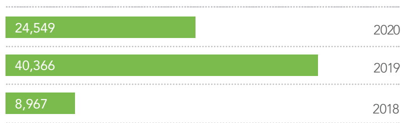
New Equipment Installations



Equipment Sales & Installation represent the number of individual installation and delivery only jobs performed at sites. Typically this is a leading indicator for follow on multi-year service contracts.

Site Services

Service Jobs Performed



Site Service 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 of £16.4m (2019: £24.9m)
- Gross profit margins improved to 42.2% (2019: 40.8%)
- Adjusted EBITDA of £1.1m (2019: £3.2m)
- Loss before tax of £0.9m (2019: profit before tax £0.9m)
- Basic loss per share of 3.46p (2019: basic earnings per share 1.39p)

Revenue

As anticipated, our 2020 results reflect the dramatic impact that COVID-19 has had on the Group. Following a strong start to the year, with organic revenue in the first two months pre-pandemic up 3.2%, total revenue for the year to 31 December 2020 reduced to £16.4m (2019: £24.9m). We experienced significant disruption in our two biggest geographical markets of the UK and North America with turnover down 38% and 31% respectively. However, across the Group, we directly serviced c.800 new customers contributing c.£1.2m of revenue during the year.

Gross Profit

Gross profit was £6.9m (2019: £10.2m) impacted by the lower volume. However, spending controls and the impact of FY19 efficiency efforts led to an increase in gross margin to 42.2% (2019: 40.7%). Following a return to normal conditions we believe there is room for further improvement in margins which, combined with our strong market presence will lead to improved gross profit.

Adjusted EBITDA

Adjusted EBITDA fell to £1.1m (2019: £3.2m) with an Adjusted EBITDA margin of 6.4% (2019: 12.7%). Despite reduced spending in the current year, the adjusted overhead base as a percentage of revenue is up from the prior year due to the significant volume decline in the current year.

Adjusted EBITDA reconciliation

Adjusted EBITDA has been arrived at as follows:

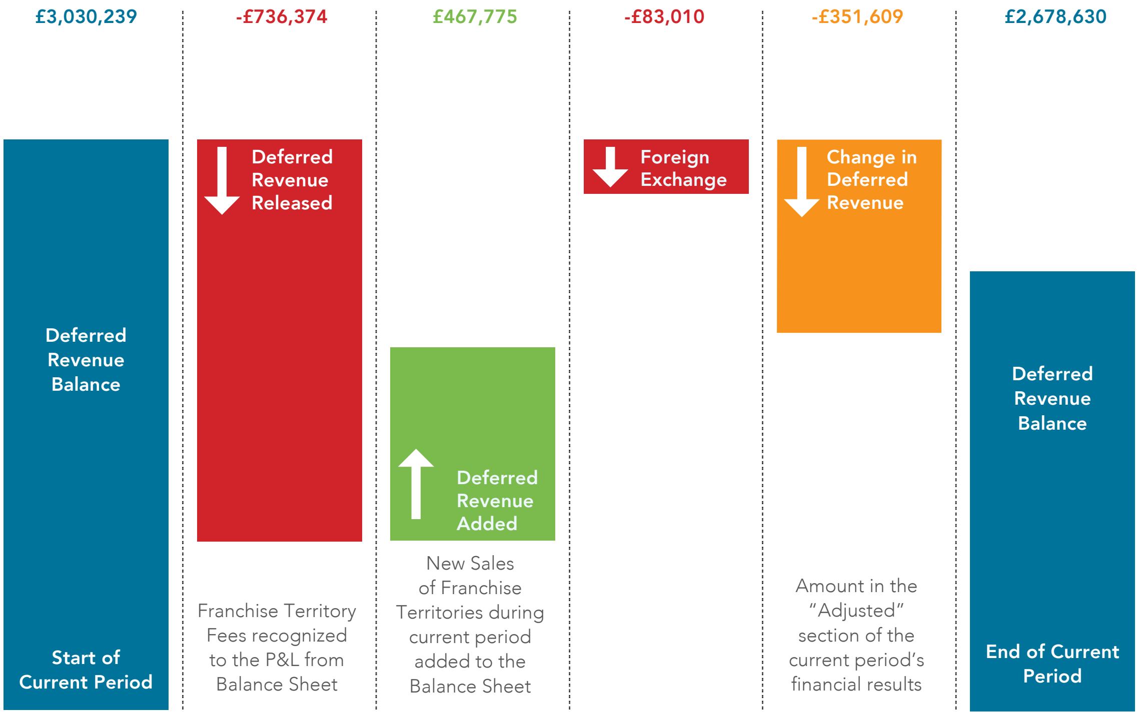
	2020 **£**	2019 £
Profit before tax	**(866,231)**	936,284
Acquisition, legal and restructuring costs	**187,465**	296,410
Share-based payments	**85,067**	261,631
Depreciation and amortisation	**1,370,258**	1,396,932
Finance costs, net	**277,010**	271,314
Adjusted EBITDA	**1,053,569**	3,162,571

Alternative Performance Measures

In addition to IFRS performance measures 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. Network Revenue represents the total revenue earned by our US franchise network. 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 2020 includes £0.7m (2019: £0.7m) which was released from brought forward deferred income during the year. We generated a further £0.5m of deferred revenue relating to territory fees on both new and existing franchises which will be recognised over the life of the franchise agreements. The deferred revenue balance, which declined by £0.3m to £2.7m, was also negatively impacted by the foreign exchange effect of a weakening dollar which had a £0.1m effect on the year-end balance.



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 net tax charge for the year ended 31 December 2020 was £0.1m (2019: £0.5m) principally due to tax payable in the US of £0.4m (2019: £0.6m) on statutory profits offset by changes in the Group's deferred tax assets and liabilities. These generated a deferred tax credit of £0.3m (2019: £0.1m) due to an increase in the deferred tax asset related to the carry forward of UK tax losses and to the unwinding of the deferred tax liability on acquisition related intangible assets.

Earnings per share

The basic and diluted loss per share for the year were 3.46p (2019: 1.39p earnings per share).

Cash and Liquidity

COVID-19 initially had a significant impact on the Group's cash generation, but cash preservation measures, aggressive cash collection efforts and utilisation of government programs helped preserve liquidity. The Group generated cash from operations of £1.7m (2019: £0.8m) reducing to £1.3m (2019: £0.3m) after the payment of taxes. Cash used in investing activities of £0.3m was significantly lower than in 2019 (£2.2m), which included a prior year acquisition related payment of £1.8m, as we reduced our capital spending by 37%.The Group's financing activities generated cash of £0.5m (2019: £1.9m cash used) as the inflow of £1.2m from the Coronavirus Business Interruption Loan Scheme more than offset the debt servicing requirements of £0.8m (2019: £1.4m), whilst the Group's decision to forego dividend payments contributed £0.6m of the improvement. Overall, the Group realised benefits of £1.0m from government furlough schemes and an additional £0.5m from the UK VAT deferral program.

At the year end the Group had cash balances of £4.2m (2019: £2.9m) and outstanding borrowings of £4.7m (2019: £3.8m) ex. Lease liabilities, resulting in a 41% decline in its net debt position to £0.5m (2019: £0.9m). The Group's available cash and unutilised overdraft facility stood at £4.6m (2019: £3.2m).

The Group has, through strong cash management, support from our banking partners and access to government funding, built a stronger cash position than existed before the start of COVID-19. The Board believes that its strong financial platform leaves it well placed to trade through 2022, even if there are more COVID-related setbacks, and to implement its growth strategy over the coming years.

BJ Hogan

Brian Hogan
Chief Financial Officer

19 April 2021

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 → 2019: Stable	Despite the impacts of COVID-19 we continued to sell franchises and maintain a strong pipeline in North America & Europe.
The failure of a major franchisee may lead to a loss of revenue and/or a bad debt	We have 191 franchisees and, prior to the impact of COVID-19, this was increasing each year, with no franchisee accounting for more than 1% of the Group's revenues, thus mitigating our business risk.	Stable → 2019: Stable	The composition of our franchise base is diversified and we continue to add to the total with new franchise sales.
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 → 2019: 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 → 2019: Stable	The risk has not changed during the year. The Board maintains 3 independent non-executive members who provide 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, we continue to work with our IT consultants to further integrate systems across the Group which, this year, included the transition to an integrated stock system in the UK.	Stable → 2019: 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 → 2019: Stable	We have done considerable work this year to improve our processes for talent management, retention and succession planning including adding a new MD in the UK.
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 ↓ 2019: Decreasing	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 → 2019: 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 → 2019: Stable	We have not witnessed any significant change in our competitive landscape.

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 → 2019: 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 → 2019: Stable	The Group is continually reviewing changes in technology and recently introduced a new state of the art grease interceptor 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 → 2019: 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.	Stable → 2019: Increasing	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. With improved visibility around both the pandemics impact and Brexit the uncertainty borne by both has stabilised. 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. Throughout the year, government policies of social distancing and lock-down have had a pronounced effect on the Group's trading in its key geographic markets.	Whilst we are in a far better position currently than we were a year ago there continues to be a level of uncertainty regarding the ongoing impacts of COVID-19. We believe the Group remains well positioned to manage its way through any additional delays in our markets fully reopening. Our priority is, and has been, the health and safety of our employees and customers. The Group is in a strong financial position with year-end cash and unused overdraft availability of £4.6m a 45% improvement over the prior year end. We have reduced our spending considerably and continue to take advantage of available government assistance which has put us in a strong position to withstand any further impacts of COVID-19.	Decreasing ↓ 2019: New	The Group has monitored the impacts COVID-19 over the last year and the impacts it has had on our business and stayed flexible and adapted our business model and processes to better meet our customers' requirements. Additionally, cash preservation became a priority for the business and we finished the year cash neutral ex. government loans. The vaccination programs in the UK and US are arguably the best in the world and we have further concrete information regarding plans for easing of restrictions in all our operating locations.

Brian Hogan
Chief Financial Officer

19 April 2021

Section 172

Our Approach to Stakeholders

The directors of the Company consider that they have responsibly and appropriately discharged their duties under the Companies Act 2006 (the "Act"), including their duty to act in the way that they consider, in good faith, will be most likely to promote the success of the Company for the benefit of its members as a whole, having due regard in doing so for the matters set out in section 172 (1) (a) to (f) in the Act ("s.172").

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.

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.

While the COVID-19 pandemic has interrupted our regular physical face-to-face interactions with various stakeholders internally and externally, we do consider them to be important in maintaining open communications and team cohesion and will be reintroducing these interactions gradually, when it is safe to do so and in line with Government guidelines and the needs of individual attendees. Shareholders have the opportunity to discuss issues and provide feedback at any time. Further information is available on the Company's website https://filtaplc.com/.

The principal stakeholders of Filta, the impact we have upon them 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 when making strategic decisions, the Board fully considers the impact upon our employees. • Opportunities for development and progression. • Flexible working for all. • Diversity and inclusion, globally.	Employee engagement took many forms during this difficult year and our employees' health and welfare was paramount. To that end, we provided work from home options for all office support. We kept our technicians abreast of the latest health and safety protocols and provided access to testing. Finally, share options were awarded in the year.
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.	We stayed in constant contact with our franchisees throughout the year. We focused our efforts on supporting them through reductions in royalties and suspensions of payments to allow them to conserve cash. We provided dedicated resources to help them file for government assistance and worked with them to institute proper health and safety protocols.

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.	We met remotely with customers throughout the year to ensure they understood how we would be providing our services in manner that kept their employees safe. Additionally, we provided extended terms to those customers impacted by lockdowns and communicated fully with suppliers to manage our own cash outflows.
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.	We kept our shareholders informed through the distribution of annual and interim accounts as well trading updates during the year. In the absence of in person meetings, we made ourselves available remotely to engage in discussions with investors. Finally, we put further emphasis on engaging with retail investors using digital platforms and public relations initiatives.
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 continued to engage, where possible, with water authorities in order to understand needs and to develop solutions to meet those needs.

The Strategic Report was approved by the Board on 19 April 2021

Brian Hogan
Chief Financial Officer

Governance

Corporate Governance Statement

Dear Shareholders,

As Chairman of the Board of Directors of Filta, it is my responsibility to ensure that the Company 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 to ascertain 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.

The most significant governance event for the period under review was the appointment of Brian Riordan as Managing Director of the Company's UK division on 5th October 2020.

We have 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.

Strategy, Risk Management and Responsibility

A description of the Company's business model and strategy can be found on pages 10 to 13. The key challenges in their execution, encompassing the Company's risk management strategy, are set out on pages 21 to 22 of the Strategic Report.

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 29) 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.

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, both domestically and internationally. 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 is currently a Non-Executive Director and Chair of the Audit and Risk Committee at Catalyst Housing Group, a public interest entity (PIE) .

Lloyd Martin
– Independent Non-Executive Director
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 are set out on page 27 and whose roles are set out below:

Director's	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.

Attendance at Board and Committee meetings

All of the Executive Directors work full time for the Company, except Victor Clewes and Jlubomir Urosevic, 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. All Directors endeavour to ensure that their knowledge of best practices and regulatory developments is continually up to date through periodic updates by the Company Secretary and by attending relevant seminars and conferences.

There were 8 scheduled Board meetings and 1 additional Board meeting held during the year ended 31 December 2020. The table below sets out attendance statistics for each Director at Board, and where relevant, Committee meetings held during the financial year.

Director	Board (9 meetings held)	Audit Committee (3 meetings held)	Remuneration Committee (2 meeting held)
Tim Worlledge	9	3	2
Graham Woolfman	9	3	2
Roy Sayers	9	3	–
Jason Sayers	9	–	–
Victor Clewes	9	–	–
Jlubomir Urosevic	9	–	–
Brian Hogan	9	–	–
Lloyd Martin	9	–	2

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. This is 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 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, (Chairman) who has recent and relevant financial experience, both as a result of his formal qualifications and his roles elsewhere. The Committee has responsibility for monitoring the integrity of the financial statements and related narrative to ensure that they accurately 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 as appropriate. A report by the Chairman of the Audit Committee is included on pages 31 to 32.

Remuneration Committee

The Remuneration Committee comprises Tim Worlledge (Chairman), Graham Woolfman and 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.

Board Evaluation

The Company's policy is that the annual board performance review be conducted by an independent consultant in every third year. Accordingly, the board performance review exercise was undertaken by an independent consultancy in the first quarter of 2021.

The feedback from the performance review process confirmed that the Board is operating well and the Board will consider implementing a number of the recommendations highlighted by the review during the course of this year.

Advisers

The Board has regular contact with its advisers to ensure that it is aware of changes to generally accepted corporate governance procedures and requirements and that the Group remains, at all times, compliant with applicable rules and regulations. The Company holds appropriate insurance cover in respect of possible legal action against its Directors. The Company's Nomad supports the Board's development, specifically providing guidance on corporate governance and other regulatory matters, as required.

ONE Advisory Limited is Filta's Company Secretary and is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation and works with the Chairman to maintain high standards of corporate governance. ONE Advisory Limited also provides Board support through assistance with shareholder meetings and MAR compliance.

All Directors may receive independent professional advice at Filta's expense, if necessary, for the performance of their duties.

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 in 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 Directors believe that the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does.

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 responsible business decision-making by having regard to the broader 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 key 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 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.

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, where there is opportunity for shareholders to voice their concerns, thoughts or needs. The Company has appointed an independent research company to publish reports on the Company, in order that more of its shareholders may obtain access to such information.

Audit Committee Report

Overview

The Audit Committee met three times, during the year ended 31st December 2020 , and once so far during 2021. 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 current year, in addition to the Committee's ongoing duties, the Committee plans to:

- review the ongoing impact of COVID-19 on the business, the recovery plan and projected cash flows.
- 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;
- the adequacy and effectiveness of the Company's internal controls 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

COVID-19

As referenced throughout the 2020 Annual Report, the COVID-19 pandemic brought unprecedented uncertainty to the business and its operations. During these times, it is of paramount importance to ensure that the processes and procedures in place are working effectively as disruptions such as these can derail the usual management and governance processes. The Committee has focused on the control environment to ensure that the right procedures are in place to protect the business and its assets. Additional focus was also placed on the accounting judgements and disclosures relating to the impact of COVID-19 on the Group's businesses. This included matters relating to the use of government support, and tax deferral initiatives, liquidity and the impact on financial covenants, the cost-restructuring programme, and impairment reviews. The Committee also monitored the financial reporting timetable to ensure that the appropriate resources and robust processes were in place in light of the additional challenges from personnel working remotely and to ensure the reporting deadlines were achievable.

Financial Reporting

The Committee have concluded that the Annual Report and financial statements for the year ended 31st December 2020 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 Committee considered the impact of potential sensitivities on the Group's cash flows and judged that the statements made in relation to going concern and the Group's viability were appropriate in relation to current trading and the forward period under review

The significant issues the Committee considered concerning the 2020 financial statements were principally related to the impacts of COVID-19 which included the following:

Impairment

Impairment reviews are carried out annually in respect of goodwill and indefinite life assets, and if there is an indicator of impairment, reviews are carried out on a more frequent basis. In addition, other intangible assets, property, plant and equipment and right-of-use assets are reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. This is a judgemental process which requires estimating future cash flows based on future business prospects, determining long-term growth rates and discount rates. It is the Committee's view that management's approach to impairment is robust, based on reliable supporting data, and with appropriate challenge from the external auditor.

Receivable provisioning

The Committee considered that the impact of the COVID-19 pandemic on the markets in which the Group operates and the implications for the business of deteriorating credit, may result in increased risk of customer default. In response to this, the Committee reviewed management's approach to receivables provisioning in 2020 and concluded that the application of the accounting principles was appropriate throughout 2020, and the provisions recognised for trade receivables are appropriate.

The Committee reviewed the 2020 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 following the completion of the 2020 annual audit. The output from the process will be reviewed and discussed by the Audit Committee with the external auditor in the first half of 2021.

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

An internal evaluation was carried out in 2020 noting the Committee is functioning well with processes in place supporting appropriate oversight by the Committee. Committee members believe there is valuable input from all Committee members and challenge is robust when needed.

Graham Woolfman

Chairman
Audit Committee

19 April 2021

Remuneration Committee Report

Committee

Details of the Remuneration Committee's composition and responsibilities are set out in the Corporate Governance Report on page 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, met on two occasions during the period under review. The Committee invites recommendations as to remuneration levels, incentive arrangements for senior executives and proposals regarding share option awards from the Chief Executive Officer. Committee 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

A bonus of £20,427, in respect of 2019 performance, was paid to Brian Hogan in 2020 (2019: 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. In January 2019, 30,000 SARs, representing his 2018 allocation, were awarded to Brian Hogan and he received an additional 30,000 SARs, representing his 2019 allocation, in May 2019 and a final 30,000 SARs, representing his 2020 allocation, were awarded in July 2020. 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 £	2020 Total £	2019 Total £
Executive Directors					
Jason Sayers (note 4)	173,541	-	25,895	199,436	215,346
Brian Hogan	121,068	20,427	4,342	145,837	141,650
Victor Clewes (note 1)	107,409	-	12,647	120,056	120,595
Jlubomir Urosevic (note 2)	75,375	-	8,567	83,942	47,567
Non-Executive Directors (note 3)					
Tim Worlledge	39,563	-	-	39,563	45,000
Roy Sayers	26,375	-	3,303	29,678	32,437
Graham Woolfman	26,375	-	-	26,375	30,000
Lloyd Martin (appointed 18.2.19)	26,375	-	-	26,375	26,250
Total	596,081	20,427	54,754	671,262	658,845

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. Effective 1 January 2021 he returned to his 3 day per week contract as Corporate Development Director.
3. The Directors' remuneration was reduced in 2020 as a result of their agreements, along with other staff and management, to waive part of of their salaries during the early months of the COVID-19 pandemic.
4. The highest paid Director earns 4.8 times that of the average employee in 2020 (2019: 5.1 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 2020 are set out below:

	No of Shares	No of Share options/SARs
Executive Directors		
Jason Sayers *	11,614,680	-
Brian Hogan	-	165,000
Victor Clewes	4,558,750	-
Jlubomir Urosevic	1,359,690	-
Non-Executive Directors		
Tim Worlledge	56,700	-
Roy Sayers *	9,688,720	-
Graham Woolfman	18,000	-
Lloyd Martin	5,235	-

* 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

19 April 2021

Directors’ Report

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

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 2020 including a description of the Company’s strategy, business models and business overview.

Results and Dividends

The loss for the year was £1.0m (2019: profit £0.4m). Further details are set out on page 46. There were no dividends paid during the year. The Board has elected not to propose a final dividend for the year ended 31 December 2020.

Annual General Meeting

The Annual General Meeting of the Company will take place on 16 June 2021 at The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP, commencing at 11:00 a.m. Due to COVID-19 restrictions on gathering size, shareholders are advised not to attend. The Company will live stream the event with shareholders advised 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 28 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 2020, there were 29,098,164 (2019: 29,085,355) 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 2020, 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	27.2
Gresham House Asset Management	4,778,000	16.2
Victor Clewes	4,558,750	15.7
Jason Sayers	3,688,120	12.7
Roy Sayers	1,762,160	6.1
Jlubomir Urosevic	1,359,690	4.7
TM Stonehage Fleming AIM Fund	883,500	3.0

* 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 83.97%.

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 (2019 – £ 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 34 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 2020 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 30 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 and 28 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 19 April 2021 and signed on its behalf by:

Brian Hogan
Chief Financial Officer

19 April 2021

Environmental, Social and Governance

The Group has long been associated with sustainability and delivering our services to customers in a dependable manner. We strive to maintain a responsible approach to our employees, franchisees, customers and shareholders and believe this provides the framework for the delivery of sustainable growth.

2.11m lts

Fuel Saved

606 mt

Plastic Saved

28.8k mt

Carbon Offset

The whole concept of Filta 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 2020, FiltaFry customers saved over 8,400 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	647 mt
Lime	5,559 mt
Petrol & Diesel	2.11m lts
Plastic	606 mt
Cardboard	404 mt
Carbon offset	11,219 mt

FiltaBio

In 2020, Filta collected 7,782 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)	48.4 mt
Carbon Dioxide (Greenhouse Gas)	18,388 mt

Financial Statements

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

year ended 31 December 2020

Opinion

We have audited the financial statements of Filta Group Holdings plc (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2020, which comprise:

- the group statement of comprehensive income for the year ended 31 December 2020;
- the group and parent company statements of financial position as at 31 December 2020;
- the group and parent company statements of changes in equity for the year then ended;
- the group and parent company statements of cash flows 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 and as regards the parent company, as applied in accordance with the provisions of the Companies Act 2006.

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 2020 and of the group's loss 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- Assessing the cash flow requirements of the Group and parent company over the duration of the assessment period based on budgets and forecasts.
- Understanding what forecast expenditure is committed and what could be considered discretionary.
- Considering the terms of the finance facilities, waivers and the amount available for drawdown.
- Considering potential downside scenarios and the resultant impact on available funds.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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 £120,000 based on a percentage of turnover.

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 £6,000. 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.

We identified going concern as a key audit matter and have detailed our response in the conclusions relating to going concern section. We have set out below, together with going concern our key audit 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 FiltFry 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 2020, the group has goodwill of £1.6m, customer relationships of £3.0m, customer contracts of £1.9m, and a supply contact of £0.6m.	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 • Assessing the accuracy of past budgets to outturns. • Recalculating management's 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. • Performing sensitivity analysis on the key 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. • Assessing the appropriateness of the related disclosures in the financial statements.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below however the primary responsibility for the prevention and detection of fraud lies with management and those charged with governance of the company.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and the procedures in place for ensuring compliance. The most significant identified were the Companies Act 2006 and relevant taxation legislation. Our work included, reviewing board and relevant committee minutes and inspection of correspondence.
- As part of our audit planning process we assessed the different areas of the financial statements, including disclosures, for the risk of material misstatement. This included considering the risk of fraud where direct enquiries were made of management and those charged with governance concerning both whether they had any knowledge of actual or suspected fraud and their assessment of the susceptibility of fraud. We considered the risk was greater in areas involve significant management estimate or judgement. Based on this assessment we designed audit procedures to focus on the key areas of estimate or judgement, this included specific testing of journal transactions, both at the year end and throughout the year.
- We used analytic techniques to identify any unusual transactions or unexpected relationships, including considering the risk of undisclosed related party transactions.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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.

John Glasby (Senior Statutory Auditor)

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

19 April 2021

Consolidated Statement of Comprehensive Income

at 31 December 2020

	Notes	2020 £	2019 £
Revenue	5	**16,401,621**	24,922,526
Cost of sales		**(9,484,035)**	(14,756,297)
Gross profit		**6,917,586**	10,166,229
Other income		**76,922**	191,404
Distribution costs		**(87,824)**	(203,344)
Administrative costs		**(7,495,905)**	(8,946,691)
Operating (loss)/profit		**(589,221)**	1,207,598
Analysed as:			
Adjusted EBITDA		**1,053,569**	3,162,571
Acquisition and restructuring related costs	6	**(187,465)**	(296,410)
Depreciation and amortisation	15,16,17	**(1,370,258)**	(1,396,932)
Share based payment expense, net of cash settled	32	**(85,067)**	(261,631)
		(589,221)	1,207,598
Finance income		**5,041**	6,945
Finance costs	9,17	**(282,051)**	(278,259)
(Loss)/profit before tax		**(866,231)**	936,284
Income tax expense	10	**(139,748)**	(532,418)
(Loss)/profit after tax		**(1,005,979)**	403,866
Net (loss)/profit attributable to owners		**(1,005,979)**	403,866
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(168,192)**	(149,110)
Total other comprehensive loss for the year		**(168,192)**	(149,110)
(Loss)/profit and total comprehensive income for the year		**(1,174,171)**	254,756
(Loss)/earnings per share			
– Basic (pence)	12	**(3.46)**	1.39
– Diluted (pence)	12	**(3.46)**	1.39

Consolidated Statement of Financial Position

at 31 December 2020

	Notes	2020 £	2019 £
Non-current assets			
Property, plant and equipment	16	**1,251,656**	1,336,110
Right of use asset	17	**1,041,726**	1,270,479
Deferred tax assets	11	**796,414**	678,497
Intangible assets	15	**5,836,360**	6,514,954
Goodwill	15	**1,639,523**	1,639,523
Deposits		**11,398**	5,272
Contract acquisition costs	19	**419,913**	415,663
Trade receivables	18	**264,274**	411,732
		11,261,264	12,272,230
Current assets			
Inventories	20	**1,604,451**	1,759,955
Trade and other receivables	18	**2,325,678**	4,064,811
Contract acquisition costs	19	**72,958**	57,426
Cash and cash equivalents	21	**4,208,498**	2,891,014
		8,211,585	8,773,206
Total assets		**19,472,849**	21,045,436
Current liabilities			
Trade and other payables	22	**2,289,889**	3,260,885
Borrowings	23	**1,076,927**	792,672
Lease Liability	24	**319,480**	332,974
Deferred income	26	**592,065**	534,066
		4,278,361	4,920,597
Non-current liabilities			
Deferred tax liability		**1,027,498**	1,159,121
Borrowings	23	**3,647,088**	2,976,887
Lease Liability	24	**770,119**	882,447
Deferred income	26	**2,086,565**	2,496,173
		7,531,270	7,514,628
Total liabilities		**11,809,631**	12,435,225
Equity			
Share capital	28	**2,909,816**	2,908,535
Share premium	28	**3,679,085**	3,659,204
Other reserves	29	**233,431**	27,415
Translation reserve		**(701,267)**	(533,075)
Retained profits		**1,542,153**	2,548,132
Total equity		**7,663,218**	8,610,211
Total equity and liabilities		**19,472,849**	21,045,436

The financial statements were approved and authorised for issue by the Board on 19 April 2021 and were signed on its behalf by:

Brian Hogan,
Chief Financial Officer

Consolidated Statement of Changes in Equity

year ended 31 December 2020

	Share Capital £	Share Premium £	Other Reserves £	Merger Reserve £	Translation Exchange Reserve £	Retained Earnings £	Total Equity £
Balance at 31 December 2018	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	–	–	–	–	–	(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 14)	–	–	–	–	–	(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 29/32)	–	–	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**
Balance at 31 December 2019	**2,908,535**	**3,659,204**	**367,102**	**(339,687)**	**(533,075)**	**2,548,132**	**8,610,211**
Loss for the year	–	–	–	–	–	(1,005,979)	(1,005,979)
Foreign exchange translation differences	–	–	–	–	(168,192)	–	(168,192)
Total comprehensive income	–	–	–	–	(168,192)	(1,005,979)	(1,174,171)
Dividends paid (note 14)	–	–	–	–	–	–	–
Issue of share capital (note 28)	1,281	19,881	–	–	–	–	21,162
Share based payments (note 29/32)	–	–	206,016	–	–	–	206,016
Balance at 31 December 2020	**2,909,816**	**3,679,085**	**573,118**	**(339,687)**	**(701,267)**	**1,542,153**	**7,663,218**

During the year 12,809 shares (2019: 166,725) were issued as part of the contingent consideration related to our acquisitions in 2018.

Consolidated Statement of Cash Flows

year ended 31 December 2020

	Notes	2020 £	2019 £
Operating activities			
Profit before taxation for the year		**(866,231)**	936,284
Adjustments for non-cash operating transactions:			
Finance costs	9,17	**277,010**	271,314
Depreciation	16	**172,560**	216,677
Amortisation of intangible assets	15	**867,269**	857,992
Depreciation of right of use assets	17	**330,429**	322,262
(Gain)/loss on disposal of tangible fixed assets		**(12,215)**	(10,739)
Share based payment charge	29,32	**85,067**	283,215
		853,889	2,877,005
Movements in working capital:			
Decrease in trade and other receivables		**1,606,223**	271,249
Increase in contract acquisition costs		**(19,018)**	(78,814)
Decrease in trade and other payables		**(795,266)**	(1,080,879)
Decrease in cash settled share option liability		**–**	(21,584)
Increase in proceeds from government grants		**226,481**	–
Decrease/(increase) in inventories		**155,505**	(538,301)
Decrease in deferred revenue		**(351,609)**	(629,680)
Cash flow from operations		**1,676,205**	798,996
Taxes paid		**(393,249)**	(485,798)
Net cash flow from operations		**1,282,956**	313,198
Investing activities			
Purchase of property, plant and equipment	16	**(100,166)**	(288,251)
Proceeds from disposals of property, plant and equipment		**13,831**	39,697
Deferred consideration on subsidiary acquisition	25	**–**	(1,800,293)
Purchase of other intangible assets	15	**(194,985)**	(176,538)
Net cash used in investing activities		**(281,320)**	(2,225,385)
Financing activities			
Repayment of borrowings		**(302,538)**	(876,272)
Net proceeds from borrowings	23	**1,200,000**	–
Payment of lease liabilities		**(231,005)**	(291,656)
Net proceeds from issue of share capital		**21,162**	31,525
Dividends paid to shareholders	14	**–**	(558,115)
Interest paid	9	**(232,463)**	(226,826)
Net cash from/(used in) financing activities		**455,156**	(1,921,344)
Net change in cash and cash equivalents		**1,456,792**	(3,833,531)
Cash and cash equivalents, beginning of the year	21	**2,891,014**	6,789,968
Exchange differences on cash and cash equivalents		**(139,308)**	(65,423)
Cash and cash equivalents, end of year	21	**4,208,498**	2,891,014

Parent Company Statement of Financial Position

at 31 December 2020

	Notes	2020 £	2019 £
Assets			
Non-current assets			
Investments in subsidiaries	13	**8,765,743**	8,765,743
Intangible assets		**1,401**	1,275
Amount due from subsidiaries	18	**3,172,036**	3,188,966
		11,939,180	11,955,984
Current assets			
Trade and other receivables		**83,541**	161,041
Amount due from subsidiaries	18	**72,229**	600,246
Cash and cash equivalents	21	**51,856**	109,089
		207,626	870,376
Total assets		**12,146,806**	12,826,360
Current liabilities			
Trade and other payables	22	**21,485**	44,016
Borrowings	23	**942,763**	786,049
Amount due to subsidiaries		**622,748**	522,534
		1,586,996	1,352,599
Non-current liabilities			
Borrowings	23	**2,385,526**	2,746,541
		2,385,526	2,746,541
Total liabilities		**3,972,522**	4,099,140
Equity			
Share capital	28	**2,909,816**	2,908,535
Share premium	28	**3,679,085**	3,659,204
Other reserves	29	**573,118**	367,102
Retained earnings		**1,012,265**	1,792,379
Total equity		**8,174,284**	8,727,220
Total equity and liabilities		**12,146,806**	12,826,360

No statement of comprehensive income is presented by the company as permitted by section 408 of the Companies Act. The loss dealt within the financial statements of the parent Company for the year ended 31 December 2020 is £780,114 (2019:Profit £370,426).

The financial statements were approved and authorised for issue by the Board on 19 April 2021 and were signed on its behalf by:

Brian Hogan,
Chief Financial Officer

Parent Company Statement of Changes in Equity

year ended 31 December 2020

	Share Capital £	Share Premium £	Other reserve £	Retained Earnings £	Total Equity £
Balance at 1 January 2019	**2,891,863**	**3,372,351**	**329,634**	**1,980,068**	**8,573,916**
Loss for the year	–	–	–	370,426	370,426
Total comprehensive income	–	–	–	370,426	370,426
Dividends paid (note 14)	–	–	–	(558,115)	(558,115)
Issue of share capital (note 28)	16,672	286,853	–	–	303,525
Share based payments (note 29/32)	–	–	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**
Balance at 1 January 2020	**2,908,535**	**3,659,204**	**367,102**	**1,792,379**	**8,727,220**
Loss for the year	–	–	–	(780,114)	(780,114)
Total comprehensive income	–	–	–	(780,114)	(780,114)
Dividends paid (note 14)	–	–	–	–	–
Issue of share capital (note 28)	1,281	19,881	–	–	21,162
Share based payments (note 29/32)	–	–	206,016	–	206,016
Equity consideration paid	–	–	–	–	–
Balance at 31 December 2020	**2,909,816**	**3,679,085**	**573,118**	**1,012,265**	**8,174,284**

During the year 12,809 shares (2019: 166,725) were issued of which Nil (2019: 32,500) were issued for cash (2019: £31,525) and the balance of shares were issued as part of the contingent consideration related to our acquisition in 2018.

Parent Company Statement of Cash Flows

at 31 December 2020

	2020 £	2019 £
Operating activities		
Profit before tax	**(757,640)**	466,270
Adjustments for non-cash operating transactions:		
Finance costs	**168,745**	194,997
Amortisation	**854**	308
Shared based payment charge	**191,004**	283,215
	(397,037)	944,790
Movements in working capital:		
Decrease/(increase) in trade and other receivables	**466,739**	(537,790)
Increase/(decrease) in trade and other payables	**129,657**	(7,471)
Net cash from operations	**199,359**	399,529
Investing activities		
(Decrease)/increase in advances to subsidiaries	**96,273**	(1,242,853)
(Increase)/decrease in investment in subsidiary	**–**	117,339
Deferred consideration on subsidiary acquisition	**–**	(1,800,293)
Purchase of other intangible assets	**(980)**	(1,583)
Net cash used in investing activities	**95,293**	(2,927,390)
Financing activities		
Repayment of borrowings	**(246,154)**	(800,000)
Proceeds from issue of share capital, net of costs	**21,162**	31,525
Proceeds from borrowings, net of costs	**–**	500,000
Dividends paid to shareholders	**–**	(558,115)
Interest paid	**(126,893)**	(153,145)
Net cash (used in)/from financing activities	**(351,885)**	(979,735)
Net change in cash and cash equivalents	**(57,233)**	(3,507,596)
Cash and cash equivalents, beginning of the year	**109,089**	3,616,685
Cash and cash equivalents, end of year	**51,856**	109,089

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 13.

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 Group has reacted quickly and decisively to the COVID-19 pandemic, implementing a range of prudent cost management and cash preservation actions, securing additional funding facilities, revising bank covenants and taking advantage of government programs to protect the business from any potential adverse impact. Notwithstanding all of these actions, there continues to be uncertainty surrounding the resolution of the pandemic and the impact on the wider economy.

The current and plausible future impact of COVID-19 and the related macroeconomic environment on the Group's activities and performance has been considered by the Board in preparing its going concern assessment. The Group has prepared a base case scenario, reflecting an initial set of assumptions around financial projections and trading performance, together with various, more pessimistic, expectations for market developments over the remainder of 2021 and 2022 to reflect subdued trading conditions. The specific assumptions used within the base case scenario, with regard to the assumed dates for the staged reopening of hospitality, follow those set out within the UK Government's recently announced four-step roadmap for the easing of restrictions across England. It is assumed that arrangements within the Group's other geographies will follow a similar roadmap.

The Board is required to assess going concern at each reporting period. These assessments are significantly more difficult given the uncertainties about the impact of COVID-19, the extent and duration of social distancing measures and the impact on the markets in which the Group operates. The level of judgment to be applied has therefore increased considerably. The Directors have considered three main factors in reaching their conclusions on going concern, as set out below.

1) Cash Flows and Sensitivity Analysis

In assessing going concern, the Directors considered a variety of scenarios in the context of the COVID-19 pandemic. These scenarios are designed to stress test liquidity and covenant compliance. EBITDA used within the scenarios is that used for bank covenant purposes. The three most relevant scenarios, in ascending order of severity, reviewed to test going concern are as follows:

Base Case Scenario

This scenario assumes that those markets that the Group operates in, and which are yet to open, will gradually begin to reopen during the second quarter. April assumes a modest increase in current volumes, based on the planned reopening of restaurants, pubs and outdoor hospitality whilst May assumes a more stepped increase as a result of the planned reopening of indoor hospitality (UK pubs and restaurants), stadiums and arenas at partial occupancy. By June 2021, this scenario assumes that volumes have reached c. 80% of normalised levels and stays there through Q2. Volumes increase in Q3, reaching a maximum of c. 90% of normalised volumes by September 2021 with modest decreases thereafter due to seasonality to reach c.85% of normalised volumes for the year. Further monthly increases are then assumed throughout 2022 that will result in a c.10% revenue growth over our pre-COVID levels.

10% Revenue decline off Base Case

In this scenario the gradual recovery to the Group's markets assumed within the Base Case is delayed by an additional month, a result that would not enable a return to our normalised monthly levels in 2021, reaching c.77% of normalised volumes for the year. Revenue in, and beyond, the final quarter of 2021 is then consistent with that assumed in the Base Case, reflective of a successful vaccine rollout and pent-up consumer demand.

20% Revenue decline off Base Case

This scenario largely mirrors that within the 'Delay in Lifting of Restrictions Scenario' above, however, it effectively assumes a full quarter delay in recovery which subdues volumes further.

2) Covenants

As previously announced, the Group negotiated waivers of testing on its banking covenants up to and including until the June 2021 covenant test date. From September 2021, the Group will be expected to submit to its originally agreed upon covenant testing requirements. In all three scenarios detailed above, the financial projections indicate that the Group would remain in compliance with the financial covenants in its bank facilities. A decline in underlying EBITDA in excess of that contemplated in the scenarios would need to persist throughout the period for a covenant breach to occur. Whilst the Q1 2022 Cash Flow Cover under the 20% revenue decline scenario is met it does so with little margin for further decline. All other covenants, under each scenario, are met with reasonable margin to absorb further downside.

The Group also has a number of mitigating actions under its control (not all of which were included in the scenarios) including balance sheet management, further reducing levels of discretionary spend and rationalising its overhead base in order to be able to meet the covenant tests.

2. Basis of preparation (continued)

3) Liquidity

The Group finished the year ended 31 December 2020 with £4.2m in cash and a further unutilised £0.4m overdraft facility. Under each of the above scenarios, the Group maintains a sufficient level of cash to fully support its ongoing requirements through the measurement period and beyond.

Going Concern Statement

After considering the current financial scenarios, the severe but plausible sensitivities and the facilities available to the Group and Company, the Directors have a reasonable expectation that the Group and Company have adequate resources for their operational needs, will remain in compliance with the financial covenants set out in the bank facility agreement and will continue in operation for at least the next 12 months from the date of approving both the Group and Company financial statements. As a consequence, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis in preparing the Group and Company 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 translation reserve in equity.

3.2 Segment reporting

The results of operating segments are reported in a manner consistent with internal reporting.

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

3. Summary of principal accounting policies (continued)

3.3 Revenue

For the year ended 31 December 2020 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 at the reporting 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 ar franchisee and a third party, it is the Group's 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.

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.

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. 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.

3. Summary of principal accounting policies (continued)

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 losses.

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.

3.11 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant financial instrument. 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, 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.

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.

3. Summary of principal accounting policies (continued)

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 29 and 32 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 reporting 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 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.

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

3. Summary of principal accounting policies (continued)

Deferred tax

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

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

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

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

3.15 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 recognised 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 Government Grants

Grants are accounted for under the accruals model as permitted by IAS 20. Grants are recognised in profit or loss statement in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough') and the US Payroll Protection Program ('PPP').

3.17 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.

3. Summary of principal accounting policies (continued)

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.

3.18 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 £2,678,630 (2019: £3,030,239). The revenue recognised in respect of the opening package and the apportioned territory fee in the current year was £1,086,248 (2019: £1,381,567).

Recoverability of trade receivables (Judgement and estimates)

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)

Since the COVID-19 pandemic began 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 improved but ongoing 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 plausible downside scenarios. Significant judgment was required in preparing these forecasts including but not limited to;

- Duration of government restrictions – As of the date of this report, governments in our two primary markets of the United Kingdom and North America have been more definitive regarding the timing and nature of their plans to loosen restrictions as they anticipate a phased reopening of the economy over the coming months. Management has used its judgement to estimate how and when its customers will ramp up through the spring and summer and ultimately through year end. As we have outlined in Note 2 "Going Concern", we have assumed various degrees of recovery in our scenario testing none of which are assumed to return us to our pre-COVID normalised run rates.

3. Summary of principal accounting policies (continued)

- 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 it is estimated that the furlough program saves c.£0.1m per month, management has used the best information available to it and its judgement, where needed, to anticipate the duration of the furlough program, the changing resource requirements throughout the forecast period and how and when employees will be transitioned off of furlough as customers begin to ramp up. The Group has been successful in accessing both a UK CBILS loan and two tranches of the US Paycheck Protection loan/grant in the amounts of £1.2m and £0.4m respectively each of which are factored into the forecast.
- Liquidity and Banking – At year end the Group's available cash and unutilised overdraft facility totalled £4.6m and the forecast assumed the same starting point. Within each of the considered scenarios the Group maintains sufficient cash to meet all its obligations. The Group also has in place appropriate amendments to the covenants through June 2021.

Management has used its best judgement to forecast its cash requirements and cash availability in order to assess whether the Group is 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 FY22.

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 15.

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 revised standards effective during 2020

A number of new 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 the legacy Seal replacement service as well as capabilities in providing preventive maintenance and reactive services in the markets that it serves. 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.

5. Segment analysis (continued)

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 are as follows:

Revenue

	2020 £	2019 £
North America	7,762,771	11,302,537
U.K.	8,154,425	13,124,702
Europe	484,425	495,287
Total	**16,401,621**	24,922,526

Non-current assets

	2020 £	2019 £
North America	1,882,302	2,009,411
U.K.	8,972,757	9,643,205
Europe	406,205	619,614
Total	**11,261,264**	12,272,230

Revenue

	2020 £	2019 £
Franchise Development	1,038,287	1,494,674
Fryer Management	7,812,833	11,716,594
Equipment Sales & Installation	1,377,210	2,792,685
Site Services	6,173,291	8,918,573
Total	**16,401,621**	24,922,526

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 revenue segments as such information is not provided to the chief operating decision maker.

Operating segment performance for the year ended 31 December 2020:

	Franchise Development £m	Fryer Management £m	Equipment Sales & Installation £m	Site Service £m	Total £m
Sales to external customers	1.0	7.8	1.4	6.2	16.4
Adjusted EBITDA	**0.4**	**0.8**	**(0.1)**	**0.0**	**1.1**
Acquisition and legal costs	–	(0.0)	(0.0)	(0.1)	(0.2)
Share based payments	0.0	0.1	(0.0)	(0.2)	(0.1)
Depreciation and amortisation	(0.1)	(0.7)	(0.1)	(0.5)	(1.4)
Operating loss	**0.3**	**0.2**	**(0.3)**	**(0.7)**	**(0.6)**
Net finance costs	(0.0)	(0.1)	(0.0)	(0.1)	(0.3)
Loss before taxation	**0.3**	**0.0**	**(0.3)**	**(0.8)**	**(0.9)**
Taxation					(0.1)
Other comprehensive income					(0.2)
Loss and total comprehensive income					**(1.2)**

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 amortisation	(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**

6. Operating profit and adjusted EBITDA

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

	2020 £	2019 £
Depreciation of property, plant and equipment (note 16)	**172,560**	216,677
Amortisation of intangible assets (note 15)	**867,269**	857,992
Depreciation of right of use assets	**330,429**	322,263
Gain on disposal of plant and equipment	**(12,215)**	(10,739)
Staff costs, including Directors (note 7)	**4,972,012**	7,137,774
Receipts from Government Grants	**(959,117)**	–
Share based payment	**85,067**	283,215
Cost of acquisition	**–**	60,448
Recovery on contingent consideration (note 25)	**–**	(138,942)
Restructuring	**187,465**	374,904
Foreign exchange gains	**67,156**	83,975
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	**90,582**	66,413
Fees payable to the Company's Auditor and their associates for other services:	**4,630**	–
The audit of the Company's subsidiaries pursuant to legislation	**39,074**	39,666
Tax and other services	**40,567**	66,299
Total auditors' remuneration	**174,853**	172,378
Lease rental expense on low value and/or short term leases	**3,402**	10,178

During the period, the Group benefited from €0.7m of government grants in the form of the Job Retention Scheme in the UK. In addition, the subsidiaries also benefitted from personnel cost reductions for a total amount of €1.0m due to Government assistances around the world. In accordance with accounting policy, this credit is included in the Income Statement over the same period as the staff costs for which it compensates. Additionally, £0.5m of VAT payments have been deferred to 2021.

6. Operating profit and adjusted EBITDA (continued)

Exceptional items consist of the following:

	2020 £	2019 £
Acquisition related	–	60,448
Recovery on contingent consideration	–	(138,942)
Restructuring	121,682	–
COVID-19 customer provision	62,287	–
Legal and professional	3,496	–
	187,465	296,410

7. Staff costs

	2020 £	2019 £
Gross salaries	5,121,236	6,005,194
Social security costs	507,689	601,968
Pension contributions	76,528	93,725
Share based payment charge	85,067	283,215
Other staff benefits	140,609	153,672
	5,931,129	7,137,774
Government support	(959,117)	–
	4,972,012	7,137,774

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

	2020 No.	2019 No.
Directors	8	8
Staff		
Administration	26	34
Customer Services/Network Support	30	25
Business Development/Marketing	4	6
Sales	14	9
Other	62	86
	144	168

8. Remuneration of key management personnel

	2020 £	2019 £
Remuneration for qualifying services	671,262	658,845
	671,262	658,845

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

9. Finance costs

	2020 £	2019 £
Bank and other loans	231,639	234,604
Finance fees	50,412	43,655
	282,051	278,259

10. Income tax expense

	2020 £	2019 £
Corporation Tax		
Charge for the year	**410,434**	604,458
Deferred tax		
Origination and reversal of temporary differences	**(270,686)**	(72,040)
Total tax charge	**139,748**	532,418

Reconciliation of corporation taxation:

	2020 £	2019 £
(Loss)/profit before tax	**(866,231)**	929,432
Tax calculated at the domestic tax rate of 19% (2019: 19%)	**(164,584)**	176,592
Tax effects of:		
Income not subject to tax	**(49,900)**	(20,689)
Expenses not deductible for tax purposes	**–**	194,999
Tax deductions not recognised as an expense	**(91,765)**	(58,150)
Tax losses in the year for which no deferred tax is recognised	**–**	57,909
Other timing differences	**167,794**	14,306
Withholding tax payable on intercompany dividend	**–**	53,393
Adjustments in respect to prior years	**–**	(78,178)
Impact of overseas tax rates	**255,728**	149,785
Release of deferred tax on share options	**22,475**	42,451
Total	**139,748**	532,418

The Filta Group's effective tax rate for the year ended 31 December 2020 was (16.1%) (2019: 57.3%). The effective rate is an amalgamation of mainly UK (19%), US (28%) 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.

The Filta Group has tax losses of approximately £1,462,379 (2019: £749,447) to carry forward against future profits. The UK tax losses have no expiry date and a deferred tax asset of £277,852 (2019: £110,731) 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:

	2020 £	2019 £
At start of year	**678,497**	754,728
Movement for the year	**137,166**	(59,183)
Foreign exchange differences	**(19,249)**	(17,048)
At end of year	**796,414**	678,497

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.

	2020 £	2019 £
Tax losses	**277,852**	110,731
Deferred revenue	**518,562**	545,291
Other	**–**	22,475
At end of year	**796,414**	678,497

11. Deferred tax assets / liabilities (continued)

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

	2020 **£**	2019 £
At start of year	**1,159,121**	1,291,31
Credit for the year	**(131,623)**	(132,197)
At end of year	**1,027,498**	1,159,121

12. 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.

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.

	2020	2019
Earnings attributable to equity holders of the company	**(1,005,979)**	403,866
Weighted average number of shares	**29,097,146**	29,041,697
Effect of dilutive share options and awards	**–**	104,870
Weighted average number of shares for dilutive earnings	**29,097,146**	29,146,567
Earnings per share		
Basic	**(3.46)**	1.39
Diluted	**(3.46)**	1.39

13. Investment in subsidiaries

The subsidiaries of Filta Group Holdings plc are as follows:

Company	Class	**2020 ownership interest**	2019 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
FitaSeal 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

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

14 Dividends

	2020 £	2019 £
Distributions to equity holders in the year:		
	–	267,286
Interim dividend for the year ended 31 December 2020 of Nil (2019: 1.00p per share)	–	290,829
	–	558,115
The Board has not recommended a final dividend for the year ended 31 December 2020	–	–

15. Intangible assets

	Computer Software £	Goodwill £	Customer Relationships £	Customer Contracts £	Supply Contract £	Total £
Cost						
Balance at 1 January 2020	**719,320**	**1,639,523**	**3,963,737**	**2,489,489**	**724,481**	**9,536,550**
Additions	**194,985**	**–**	**–**	**–**	**–**	**194,985**
Foreign exchange	**(21,917)**	**–**	**–**	**–**	**–**	**(21,917)**
Balance at 31 December 2020	**892,388**	**1,639,523**	**3,963,737**	**2,489,489**	**724,481**	**9,709,618**
Amortisation and impairment						
Balance at 1 January 2020	**507,804**	**–**	**525,348**	**300,623**	**48,298**	**1,382,073**
Amortisation	**124,392**	**–**	**430,995**	**263,584**	**48,298**	**867,269**
Foreign exchange	**(20,857)**	**–**	**–**	**5,250**	**–**	**(15,607)**
Balance at 31 December 2020	**611,339**	**–**	**956,343**	**569,457**	**96,596**	**2,233,735**
Net book value at 31 December 2020	**281,049**	**1,639,523**	**3,007,394**	**1,920,032**	**627,885**	**7,475,883**

	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
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	8,154,477

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 indefinite useful lives for impairment, at least annually, or at any time if there are indications that these assets might be impaired.

15. Intangible assets (continued)

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 their carrying value are summarised below.

	2020 £	2019 £
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 and the same as used in the Group's going concern assessment. 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 three year budgeted period are extrapolated using an estimated 3% growth rate into 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 10.18% (2019: 8.11%) 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 5% increase in the discount rate or a 5% decrease in the terminal value growth rate would not result in impairment.

16. 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 £	Vehicles £	£
Cost					
At 1 January 2020	1,567,860	161,327	436,294	168,835	2,334,316
Additions	7,060	36,660	50,724	5,722	100,166
Disposals	–	(988)	(3,300)	(52,305)	(56,593)
Foreign exchange	(49,715)	2,343	(2,443)	(1,370)	(51,185)
At 31 December 2020	**1,525,205**	**199,342**	**481,275**	**120,882**	**2,326,704**
Depreciation					
At 1 January 2020	711,396	76,537	155,133	55,140	998,206
Depreciation charge	40,178	40,428	68,595	23,359	172,560
Disposals	–	(546)	(3,300)	(51,130)	(54,976)
Foreign exchange	(29,538)	(8,058)	(2,512)	(634)	(40,742)
At 31 December 2020	**722,036**	**108,361**	**217,916**	**26,735**	**1,075,048**
Net Book Values					
At 31 December 2020	**803,169**	**90,981**	**263,359**	**94,147**	**1,251,656**
Cost					
At 1 January 2019	1,618,452	179,986	299,723	477,947	2,576,108
IFRS 16 transition	–	–	–	(287,396)	(287,396)
Additions	1,674	49,137	233,490	3,950	288,251
Disposals	(10,640)	(64,989)	(94,999)	(24,351)	(194,979)
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
IFRS 16 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

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

17. Right of use assets

	Land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost				
At 1 January 2019	535,485	1,525	309,063	846,073
Additions	–	3,169	912,596	915,765
Disposals	(175,677)	–	(44,704)	(220,381)
At 31 December 2019	359,808	4,694	1,176,955	1,541,457
Additions	12,980	–	99,688	112,667
Disposals	(20,232)	–	(100,237)	(120,469)
Foreign exchange	2,177	(170)	237	2,245
At 31 December 2020	**354,733**	**4,525**	**1,176,643**	**1,535,900**
Depreciation				
At 1 January 2019	–	–	–	–
Charge for the year	(125,714)	(75)	(196,473)	(322,262)
Disposals	38,329	–	11,994	50,323
Foreign exchange	–	–	961	961
At 31 December 2019	(87,384)	(75)	(183,519)	(270,978)
Charge for the year	(84,378)	(862)	(245,189)	(330,429)
Disposals	20,232	–	88,111	108,343
Foreign exchange	(594)	3	(519)	(1,111)
At 31 December 2020	**(152,124)**	**(934)**	**(341,116)**	**(494,174)**
Net book value				
At 31 December 2020	**202,608**	**3,591**	**835,527**	**1,041,726**
At 31 December 2019	272,423	4,620	993,436	1,270,479
At 1 January 2019	535,485	1,525	309,063	846,073

	2020 £	2019 £
Depreciation expense on right of use assets	**330,429**	322,262
Interest expense on lease liabilities	**50,412**	43,655

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18. Trade and other receivables

Trade and other receivables consist of the following:

	2020 £	2019 £
Total		
Trade receivables, gross	**2,248,013**	3,591,379
Impairment allowance	**(208,278)**	(83,262)
Trade receivables, net	**2,039,735**	3,508,117
Prepayments and other receivables	**258,937**	402,206
Franchise payment plans, net	**291,280**	566,220
	2,589,952	4,476,543

	2020 £	2019 £
Current		
Trade receivables	**1,962,842**	3,508,117
Prepayments and other receivables	**258,937**	402,206
Franchise payment plans, net	**103,899**	154,488
	2,325,678	4,064,811

	2020 £	2019 £
Non-current		
Trade receivables	**76,893**	–
Franchise payment plans, net	**187,381**	411,732
	264,274	411,732

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 £3.2m 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 £1.7m 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 2020	**Not past due**	**< 30**	**31 - 60**	**60 - 90**	**> 90**	**Total**
Gross carrying amount	**328,141**	**565,174**	**386,660**	**149,822**	**724,428**	**2,154,225**
Weighted average expected credit loss rate	**1.1%**	**1.4%**	**2.4%**	**9.4%**	**24.0%**	**9.7%**
Expected credit loss	**3,610**	**7,630**	**9,154**	**14,111**	**173,773**	**208,278**

	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%
Expected credit loss	17,826	9,698	11,421	8,624	35,693	83,262

18. Trade and other receivables (continued)

Movement in the expected credit loss:

	2020 £	2019 £
At beginning of year	**83,262**	184,022
Impairment loss recognised	**135,290**	(18,353)
Utilised	**(10,274)**	(84,407)
At end of year	**208,278**	83,262

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. Expense recognised in 2020 was £86,256 (2019: £76,845) whilst Impairment of capitalised contract costs was £nil in 2020 (2019: £nil).

The amount of capitalised contract cost expected to be recovered after more than one year is £0.4m (2019: £0.4m).

20. Inventories

	2020 £	2019 £
Finished goods	**1,604,451**	1,759,955
Total	**1,604,451**	1,759,955

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. There are no material stock provisions at either period end. No material amounts have been written-off in either year ended 31 December 2020 or 31 December 2019 within the income statement of the Company. £2.9m of inventories were recognised as an expense within the year (2019: £4.1m).

21. Cash and cash equivalents

	2020 £	2019 £
Group		
Cash at bank and in hand	**4,208,498**	2,891,014
Company		
Cash at bank and in hand	**51,856**	109,089

22. Trade and other payables

	2020 £	2019 £
Group		
Trade payables	**1,294,512**	2,555,860
Taxes and social security	**531,763**	194,199
Accruals and other payables	**463,614**	510,826
	2,289,889	3,260,885
Company		
Trade payables	**16,933**	39,272
Taxes and social security	**4,552**	4,744
Accruals and other payables	**–**	–
	21,485	44,016

Analysis of trade and other payables
These are classified as short term and are expected to be settled within 12 months.

23. Loans and other borrowings

	2020 £	2019 £
Group		
Total		
Bank loans	**4,674,378**	3,722,617
Related party loans	**49,637**	46,942
	4,724,015	3,769,559

	2020 £	2019 £
Current		
Bank loans	**1,076,927**	792,672
	1,076,927	792,672

	2020 £	2019 £
Non-current		
Bank loans	**3,597,451**	2,929,945
Related party loans	**49,637**	46,942
	3,647,088	2,976,887

	2020 £	2019 £
Company		
Total		
Bank loans	**3,328,289**	3,532,590
	3,328,289	3,532,590

	2020 £	2019 £
Current		
Bank loans	**942,763**	786,049
	942,763	786,049

	2020 £	2019 £
Non-current		
Bank loans	**2,385,526**	2,746,541
	2,385,526	2,746,541

23. Loans and other borrowings (continued)

The bank loans are comprised of a £4,000,000 term loan (£2,828,289 net of debt issuance costs), which carries a variable interest rate of Libor plus 3% and is repayable in equal instalments of £246,154 per quarter, a $905,785 US Dollar denominated mortgage loan (£646,089), which carries an interest rate of 4.5% and matures in 2024 and a £1,200,000 Coronavirus Business Interruption Loan which carries a variable interest rate of 3.99% over the Bank of England base rate and is repayable in equal instalments of £20,000 per month.

24. Lease liabilities

Details of the Group' Lease Liabilities are as follows:

	2020 **£**	2019 £
Group		
Total		
Leases	**1,089,599**	1,215,421
	1,089,599	1,215,421

	2020 **£**	2019 £
Current		
Leases	**319,480**	332,974
	319,480	332,974

	2020 **£**	2019 £
Non-current		
Leases	**770,119**	882,447
	770,119	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

On 6 February 2020, pursuant to a share purchase agreement between the Company and FiltaFry Deutschland GmbH, 12,809 shares of 10 pence each were issued to Chesskin Beheer B.V. at a price of 165.2 pence each, giving rise to a share premium of £19,881.

On 6 February 2019, pursuant to a share purchase agreement between the Company and FiltaFry Deutschland GmbH, 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 of the 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 from 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 and revenue is recognised equally over the deferral period.

Movements in Deferred income are as follows:

	1 Jan 2020 £	New franchise agreements £	Utilisation £	Foreign exchange £	31 Dec 2020 £
Deferred income	3,030,239	467,775	(736,374)	(83,010)	2,678,630
Current					592,065
Non-current					2,086,565
Total					**2,678,630**

27. Reconciliation of movements in net debt

				Non-cash changes		
	1 January 2020 £	**Cash flows £**	**Acquisition £**	**Foreign exchange movements**	**Fair value changes £**	**31 December 2020 £**
Long term borrowings	**3,769,559**	**(284,178)**	**1,200,000**	**38,634**	**–**	**4,724,015**
Lease liabilities	**1,215,421**	**(231,005)**	**100,952**	**4,231**	**–**	**1,089,599**
Total	**4,984,980**	**(515,183)**	**1,300,952**	**42,865**	**–**	**5,813,614**

				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
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

28. 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.

	2020		2119	
	Number	**£**	Number	£
Allotted and fully paid				
Total shares in issue at 1 January	**29,085,355**	**2,908,535**	28,918,630	2,891,863
Issue of ordinary shares	**12,809**	**1,281**	134,225	13,422
Issued under share option scheme	**–**	**–**	32,500	3,250
Total shares in issue at 31 December	**29,098,164**	**2,909,816**	29,085,355	2,908,535

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.

On 6 February 2020, pursuant to a share purchase agreement between the Company and FiltaFry Deutschland GmbH, 12,809 shares of 10 pence each were issued to Chesskin Beheer B.V. at a price of 165.2 pence each, giving rise to a share premium of £19,881.

29. Other reserves

	2020 £	2019 £
Group		
Merger reserve	**(339,687)**	(339,687)
Share based payment reserve	**573,118**	367,102
	233,431	27,415
Company		
Share based payment reserve	**573,118**	367,102
	573,118	367,102

Merger reserve

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

Share based payment reserve

The Company 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, 18 November 2019 and 15 July 2020 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 2020 was £85,067 (2019: £287,468).

30. 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.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to meet their financial obligations as they arise while maximising the return to shareholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital, reserves and retained earnings, and long and medium-term debt facilities. Term loans are used to finance long-term investment such as acquisitions. Overdrafts are used to manage short-term cash requirements and minimise interest costs. The Group's financing facilities contain the usual financial covenants including maximum leverage, minimum interest cover and minimum operating cash flow. The Group has been provided waivers from its bank through 30 June 2021.

The Group's dividend policy is to provide sustainable dividends to shareholders, consistent with the Group's earnings growth to attract long-term investors and to align shareholders returns on their investment in tandem with the Group's growth. The payment and amount of any dividends or distributions to shareholders is at the discretion of the Board, and subject to shareholder approval.

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.

30. Financial instruments (continued)

	Change in rate	Effect on profit before tax £	Effect on equity £
USD	+10%	(161,369)	298,412
USD	–10%	197,228	(364,725)
CAD	+10%	(2,092)	12,492
CAD	–10%	13,390	(15,268)
EUR	+10%	13,446	(38,218)
EUR	–10%	(16,435)	46,710

Interest rate sensitivity
The interest rate sensitivity has been determined based on the exposure at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting 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.

	2020 £	2019 £
Floating LIBOR	**2,828,289**	3,032,590
Floating Base	**1,200,000**	–
Fixed	**1,785,325**	1,952,390
Total	**5,813,614**	4,984,980

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 £0.04m (2019: £0.03m) and equity by £0.04m (2019: £0.03m).

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.

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.

30. Financial instruments (continued)

Categories of financial instruments:

The table below sets out the Group's classification of each of its financial assets and liabilities at 31 December 2020 All amounts are stated at their carrying value.

	2020 £	2019 £
Financial Assets		
At amortised cost:		
Cash and cash equivalents	**4,208,498**	2,891,014
Trade and other receivables (excluding prepayments)	**2,341,916**	4,084,963
Deposits	**11,398**	5,272
	6,561,812	6,981,249
Financial Liabilities		
Trade and other payables (excluding taxes)	**1,758,127**	3,066,685
Borrowings	**4,724,015**	3,769,559
	6,482,142	6,836,244

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 2020					
Trade and other payables	**1,708,679**	**20,288**	**29,160**	**–**	**1,758,127**
Expected future interest payments	**11,942**	**178,930**	**300,510**	**1,861**	**493,243**
Borrowings	**5,492**	**1,071,435**	**3,507,088**	**140,000**	**4,724,015**
Total	**1,726,113**	**1,270,653**	**3,836,758**	**141,861**	**6,975,385**

	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

31. Retirement benefit schemes

Defined contribution scheme

Since October 2016, the Group has operated a defined contribution retirement benefit scheme for all eligible employees in its U.K. subsidiary. The assets of the scheme are held separately from those of the group in funds under the control of the trustee. The subsidiary is required to contribute 2% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £76,528 (2019: £93,725) 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.

32. 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 2,285,000 ordinary shares, equivalent to 7.9% 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, which have not previously vested, will meet the vesting conditions between 2021 and 2024 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 800,000 SARs have 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 2020, a total of 1,690,000 (2019: 1,690,000) were outstanding, having a range of exercise prices from 0.97p to 2.30p (2019: 0.97p to 2.30p) and a weighted average exercise price of 1.60p (2019:1.76p). These outstanding awards have a weighted average contractual life of 8.13 years (2019: 8.59 years).

Certain of the share options and share acquisition rights contain performance conditions which must be met in order to vest. The performance condition for each holder, relate to targets for annual EBITDA growth.

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 2020	**1,175,000**	**515,000**	**1,690,000**
Granted on 15 July 2020 (0.970p)	300,000	132,500	432,500
Total granted during the year	300,000	132,500	432,500
Exercised during the year	–	–	–
Total exercised during the year	**–**	**–**	**–**
Forfeited during the year (0.970p)	(15,000)	(20,000)	(35,000)
Forfeited during the year (1.74p)	–	–	–
Forfeited during the year (2.15p)	(195,000)	(22,500)	(217,500)
Forfeited during the year (2.30p)	(15,000)	–	(15,000)
Forfeited during the year (1.46p)	(120,000)	(15,000)	(135,000)
Forfeited during the year (0.965p)	(22,500)	(7,500)	(30,000)
Total forfeited during the year	**(367,500)**	**(65,000)**	**(432,500)**
Total Outstanding at 31 December 2020	**1,107,500**	**582,500**	**1,690,000**
Exercisable at 31 December 2020	**67,500**	**115,000**	**182,500**

During the year, the Company recognised total expense of £85,067 (2019: £283,215) related to the fair value of the share-based payment arrangements. This included £206,016 (2019: £303,360) related to equity-settled share options and (£120,949) (2019: (£20,145) from cash-settled SARs. The SARs liability at 31 December 2020 was £187,347 (2019: £284,117). The Group's share price at 31 December 2020 is lower than grant price on the outstanding options issued and, as a result, there is no deferred tax asset recognised.

32. 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	86.01p
Weighted average exercise price	164.7p
Expected life of option (years)	8.3
Risk free rate	1.75%
Dividend yield	0.0%
Volatility	51.9%

Share Appreciation Rights	
Weighted average fair value	52.54p
Weighted average exercise price	149.5p
Expected life of option (years)	7.8
Risk free rate	1.56%
Dividend yield	0.0%
Volatility	54.2%

33. 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. There are no other transactions with directors.

Notes payable to related party

On 31 January 2018, Filtafry Deutschland GmbH entered into notes totaling £48,201, bearing interest at 2.5%, with companies which held the master licenses acquired in the acquisition. The managing director of FiltaFry Deutschland GmbH is the sole director of one of these companies. 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 £1,241 at 31 December 2020 (2019: £1,071).

34. Events after the reporting date

On 4 February 2021, following application through our incumbent bank HSBC, we received a second PPP loan through the US Small Business Administration in the amount of $288,605. This loan is intended to be used to cover payroll costs and other eligible expenses for a period of up to 24 weeks from receipt of the loan proceeds. 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 60% 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 for full forgiveness of the loan, however, at this time it is too early to determine the amount and outcome of that request. The loan term, for any residual value of the loan not forgiven, is 5 years and begins 12 months from receipt of the loan at an interest rate of 1%.

Corporate Information

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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 - Non-Executive Director

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