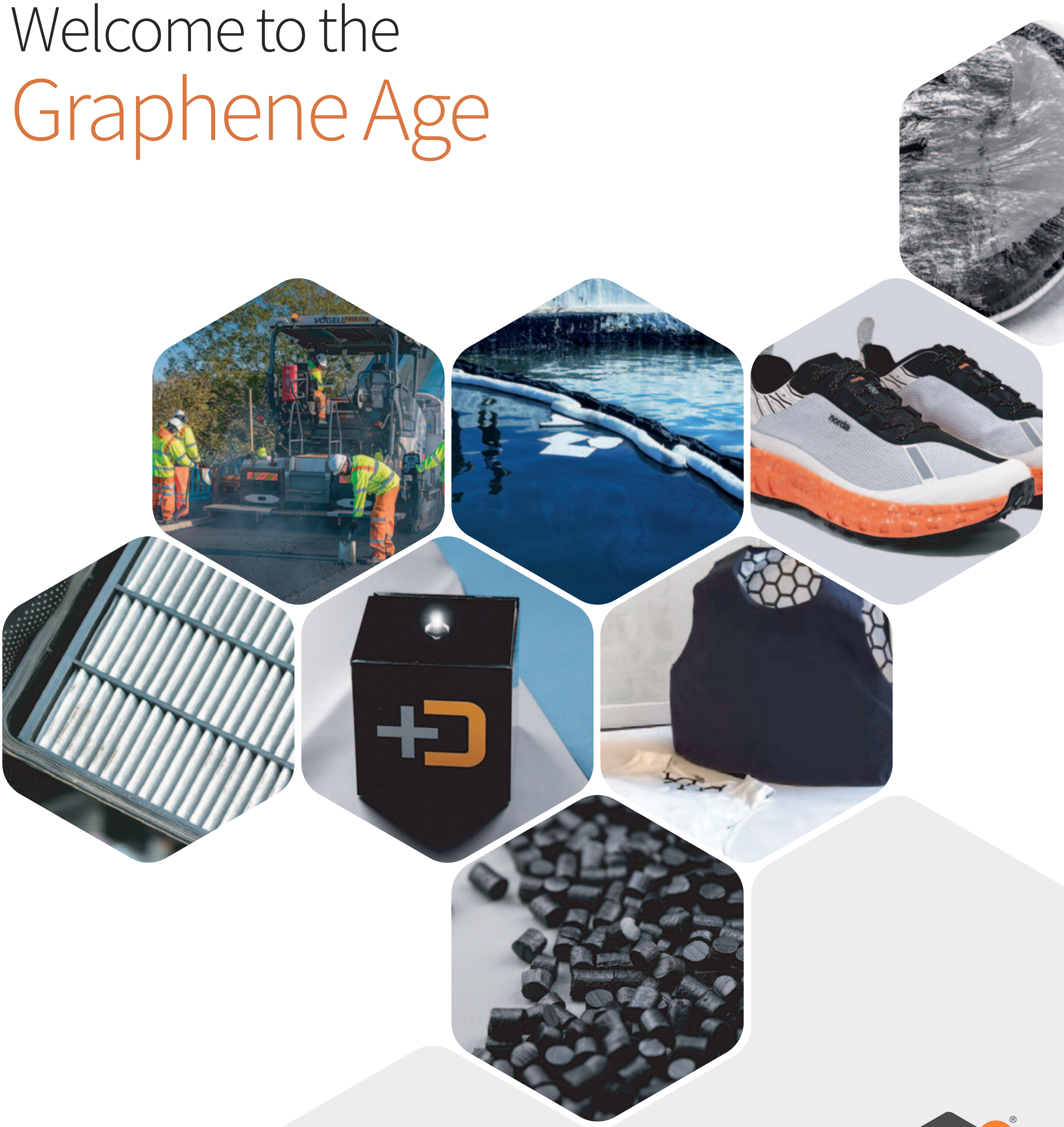
DIRECTAPLUS

Welcome to the
Graphene Age



Annual Report & Accounts 2022

Directa Plus in 2022

Discover how we are using graphene to help customers' revolutionise the performance of their products.

Directa Plus is one of the largest producers and suppliers worldwide of graphene nanoplatelets-based products for use in consumer and industrial markets.

Our graphene nanoplatelets-based products are natural, chemical-free and sustainably produced. Our production process is designed to meet large supply chains' requirements for volume, cost and quality control.

By incorporating Directa Plus's unique graphene blends, identified by the G+® brand, our customers can revolutionise the performances of their own end products in commercial applications such as textiles, composite materials and environmental solutions. We partner with our customers to enable them to offer the high-performance benefits of G+® in their own products.

Our company has a unique and patented technology process and a scalable and portable manufacturing model. We produce graphene nanoplatelets-based products at our own factory near Milan, Italy, and can set up additional production at customer locations to reduce transport costs, waste and time-to-utilisation. We are strongly committed to environmental sustainability and abided by a strong Code of Ethics in all aspects of our business practice.

Contents

Highlights

Proven, successful strategy maintained

- **Environmental:** c.8k cubic meters of sludge treated and more than 2k metric tonnes of hydrocarbons recovered in 2022
- **Textiles:** more than 74k of textile printed, padded and laminated in 2022

Financial highlights

- Product sales and service revenue increased by 26% to €10.86m (2021: €8.62m), slightly above consensus market expectations
- Total income (including grants) increased by 19.4% to €11.28m (2021: €9.45m)
- Adjusted LBITDA* increased to €3.15m (2021: €2.49m)
- Loss before tax increased to €5.33m (2021: €3.38m)
- Reported (basic) loss per share was €0.07 (2021: €0.06)
- Cash and cash equivalents at year end of €5.73m (2021: €11.13m)
- Total patents granted at year end of 80 (2021: 72)

** Adjusted LBITDA represents loss from operating activities before tax, interest, depreciation and amortization, adjusted by one-off income, inventory write-offs, non-recurring legal expenses and onerous contract provision (please refer to the CFO statement for further details).*

€10.86 m
Product sales and service revenue (2021: €8.62m)
Increased by 26%

€11.28 m
Total income (including grants) (2021: €9.45m)
Increased by 19.4%

€5.73 m
Cash and cash equivalents at year end (2021: €11.13m)

GREEN ECONOMY
LONDON STOCK EXCHANGE

Chairman's review

"I am pleased to provide my first report as Chairman of Directa Plus covering a year of strong operational and strategic progress."

The Group delivered revenue growth of 26% from products and services to €10.86m and LBITDA increased to €3.61m. These results were achieved in a context challenged by inflationary cost pressures and supply chain disruption that impacted customer scheduling.

During the year the Group secured a number of important new business wins, further strengthening our position within the expanding graphene market and demonstrating our increasing commercial traction. We continue to see growing interest in the ability of graphene to transform the performance of our customers' products and to support a more sustainable future. The Group has maintained its focus on developing and delivering market leading products and services within our two principal business verticals: Environmental Remediation and Textiles. We remain focused on prioritising those verticals where we have already established strong momentum and where there is high potential in terms of commercialisation and financial returns. I am confident therefore in the Group's ability to continue delivering for all its stakeholders.

Delivering on our strategy

A robust and sustainable strategy remains at the core of the Group's activities and is focused around four key pillars: a unique, low-cost graphene production process; the manufacture of pristine graphene nanoplatelets free of chemical pollutants and tailored to customers' needs; a reduced time to market for new products, benefiting from considerable accumulated knowhow and strong IP; and market reach leveraged through carefully assessed partnerships. Our strategy and financial results are covered in more detail in the Chief Executive Officer's statement.

The market for graphene-based products is broad and developing rapidly and expected to be worth €0.5bn p.a. by 2026, a compound annual growth of 36%. Directa Plus is very well positioned to capitalise on this growth through its unique platform technology that supplies G+® graphene material into many applications and products, created in close collaboration with our partners and customers. Whilst the Group is focused on developing its core vertical markets, there is also the opportunity to expand into new markets as and when appropriate for the business, as graphene continues to revolutionise new and existing products and materials.

Focused on customer needs

With strong foundations laid over the last few years we are encouraged by the accelerated levels of interest in the Group's offering and we continue to gain wider recognition for our proven, innovative products.

We have partnered with a number of new organisations in the year to offer the high-performance benefits of our G+® graphene and we are confident in our commercial prospects. We have established new, long-standing and deepening partnerships with leading industrial companies across a range of sectors, including a global chemicals and materials group, Alcantara and REDA Energy that provide opportunities for growth as we leverage on their established expertise and international reach.

The Group has also secured a number of notable new customers and contracts during the year across all key verticals and markets, including MC Armor in South America and Alfredo Grassi SpA in Italy in the textiles sector, Reda Energy in the UK environmental sector and a major Gipave asphalt contract. Notably, we also signed a new exclusive agreement with Pigmentsolution, a European distributor of speciality chemicals and ingredients, to support the development and distribution of the Group's new patented Grafyshield G+® product that enhances the anti-corrosion and flame-retardant properties of paint systems. These wins throughout the year demonstrate the increasing appetite for our products and our competitive advantage as we continue to build on our leading position in the graphene market.

Board changes

I became interim Chairman following the Annual General Meeting in June 2022 at which Sir Peter Middleton stepped down as Chairman and today I am delighted to accept the Board's invitation to be Chairman.

During the year we were pleased to welcome two new Non-Executive Directors to the Board: General Wesley Clark, in October, and Sarah Cope, in November. Among many accreditations, General Clark is a businessman with experience across a variety of sectors and his experience and contacts will enable us to gain faster access to the most significant high-potential graphene opportunities in the United States. He has in-depth knowledge of the US innovation eco-system, not only in the defence sector but also in oil and gas and new energy, including batteries and renewables. Sarah has over twenty years of financial and capital market experience and has previously advised AIM listed companies in the Oil and Gas sector. Her knowledge will help us in our next phase of development as we address global decontamination markets with Grafysorber®.

We entered 2023 with a high calibre Board with a diverse range of strengths and experience that Directa Plus can benefit from.

Summary and outlook

The Group made significant progress in 2022 and is well positioned to serve a growing customer base globally. I would particularly like to take this opportunity to thank our dedicated team who have continued to work hard to strengthen our position within the graphene market.

The new business wins in the year, alongside the grant of important new patents, demonstrates the breadth and depth of our graphene technology that can be used across a wide range of growth markets. As the awareness of the capabilities of graphene continues to build, it is clear that large supply chains are now increasingly considering incorporating graphene into their product portfolios to enhance performance and to provide more sustainable solutions.

Whilst we remain cognisant of inflationary pressures, I am confident in our ability to continue to mitigate these throughout our current financial year. We entered 2023 in a robust position, with an expanding network of customers and partners, a record order book and a supportive market backdrop. The Board is confident in the Group's ability to take advantage of the substantial opportunities that lie ahead.

Richard Hickinbotham
Chairman
9 May 2023

Core focus markets

At a glance

Our graphene nanoplatelets-based products are natural, chemical-free and sustainably produced. Our production process is designed to meet large supply chains' requirements for volume, cost and quality control.

Our vision is to produce nanoplatelets-based products that are natural, chemical-free and sustainable.

G+® Technology

Under our G+® brand, we offer a range of graphene nanoplatelets-based products - either ready-to-use or custom-blended to meet customers' specific technical requirements.

Benefits of our products

- Chemical-free
- Certified as non-toxic
- High purity
- Consistent quality
- Taylor-made particles shape
- Abundant, safe and non-toxic raw material

Target vertical markets

1 Environmental remediation

Using our Grafysorber® technology to help the oil & gas industry to tackle environmental issues from hydrocarbon pollution.

2 Textiles

Printing our nanoplatelets on fabrics, and enhanced membranes for the sports, luxury, fashion, workwear and military markets.

3 Other verticals

Exploring and launching a wide range of other applications for our technology such as composites, paints and batteries.

Investment case

Directa Plus is one of the largest producers and suppliers of graphene-based products for use in consumer and industrial markets worldwide.

Our vision is to continue to be at the frontline of graphene innovation globally: developing what is possible today and evolving graphene technology for our industrial partners and customers of the future.

Our mission is to deliver the best quality graphene at the best possible price in the most sustainable way, whilst supporting the industrialisation of existing and new vertical applications.

Why invest?

Why invest?

1 Unique graphene production process and strong IP

- We have a unique and proven process to produce pristine, chemical free graphene nanoplatelets, tailored to our partners' and customers' requirements, which is both flexible and scalable.
- We have strong IP and our portfolio now comprises 22 patent families with 80 patents granted and 37 patents pending and we continue to grow the portfolio.

2 Delivering a pristine quality product at the best price

- Directa Plus has developed a proprietary process that creates value-added materials from graphite; from unique 3D materials to highly two dimensional (large surface area) single layer graphene platelets.
- This "top down" production process is unique, patented, low cost and environmentally friendly, employing no chemicals and only physical processes for the separation and exfoliation of graphene-based materials.

3 Double digit €m revenue with 63% CAGR over past five years

- Our competitive time to market ensures an efficient process to deliver for customers.

4 Partnership with leading companies deliver outstanding products

- Directa Plus has benefitted from an early mover position in the commercial production and supply of graphene materials and solutions.
- Many commercial partners through which products can be purchased in multiple verticals including environmental remediation, oil/water separation, bicycle tyres, textiles, asphalt, paints, amongst others.

5 Unique graphene production process and strong IP

- Significant growth opportunity across diverse applications and vertical markets.
- We have developed a platform technology that creates graphene-based semifinished products applicable to many applications.

1. Planar Thermal Circuit® applied to a cycling technical shirt.
2. Bike tire enhanced with G+® Graphene Plus® which assures a rolling resistance without compromising grip.
3. G+® outsoles significantly improve durability and elastic response while maintaining grip.
4. The G+® technology exploit remarkable properties in a wide range of extruded moulded items. We developed ready-to-use master batches, PLA filament (Grafylon® G+®) and a high-performance PA filament (Radilon® G+®).

Target market progress

"I am incredibly proud of the successes achieved by our dedicated team this year against a challenging economic backdrop. We have secured several contract wins and invested in our technology to position the business to serve a range of customers globally as the awareness of the capabilities of graphene continues to grow.

In the current climate, businesses across all sectors are turning to more sustainable methods and our G+® technology has the ability to sit right at the heart of many of these sectors globally. The prospects for Directa Plus are increasingly positive and we have entered FY23 in a robust position. Our focus now is on developing our core verticals which are able to generate significant product demand and higher recurring revenue from customers. With an expanding network of customers and partners, a record order book alongside a strong balance sheet, I am confident in the Group's ability to deliver on its growth ambitions for the year ahead."

Giulio Cesareo, Founder and CEO of Directa Plus

Environmental Remediation 75% of revenue (2021: 76%)

- Installed two production units to increase production capacity and benefits derived from lower unit production costs.
- Commercial Agreement with UK based REDA Energy to distribute Grafysorber® oil response products in agreed territories in Northern Europe.
- Authorisation from the US Federal Environment Protection Agency (EPA) for Grafysorber® technology to be used on any oil contamination on US territory.
- Established pipeline of active tenders and high value opportunities.

Textiles 23% of revenue (2021: 21%)

- First exclusive supply agreement in Latin America with CIA Miguel Caballero SAS in Colombia.
- Contract extension with Alfredo Grassi S.p.A. to broaden the collaboration for the workwear markets in Italy and France.
- Supply agreement with Officine di Cartigliano in Italy to improve equipment performance and address antistatic issues.
- Continued to partner with a global chemicals and materials group on an exclusive basis to develop specific products for the global air filtration markets.
- Post period end granted an Italian patent for G+® graphene technology for air filtration applications.

Others

- New major contract in the composites vertical covering the resurface of a total of 250 km section of the A4 Torino-Milano motorway section with Gipave, a sustainable asphalt solution containing G+® graphene
- New exclusive agreement with Pigmentsolution GmbH to support the development and distribution of Directa Plus' new patented Graphene Plus (G+®) paints product, Grafyshield G+®, initially in Germany, Austria, Switzerland, and Poland.
- Continued investment in next generation manufacturing equipment to materially reduce direct production costs and to mitigate inflationary cost pressures.
- Post period end granted an Italian patent for G+® graphene technology for air filtration applications.

The market opportunity for these materials is huge.

What is graphene?

Graphene is the name given to a single plane of carbon atoms, arranged in a honeycomb structure. It is the building block of natural graphite.

Graphene is two-dimensional but only one atom thick, thereby making it the thinnest two-dimensional material in the world. It has extremely high tensile strength, electrical conductivity and transparency and is incredibly light. Due to these characteristics and the way it operates as a super-additive, graphene enhances the properties of the materials to which it is added or gives them new characteristics.

Currently on the market there are two different approaches to produce graphene:

Nowadays there are many different graphene families on the market, with totally different physico-chemical feature as well as different target markets.

The main families are:

Top-down approach

Starting from natural graphite, by means of physico-chemical exfoliation methods

Graphene nanoplatelets – physical exfoliation
Main markets: Special additive for environment, textile, polymers, asphalt, concrete, coating, energy, etc.

Graphene oxide – chemical exfoliation
Main markets: Polymers, sensors

Bottom-up approach

Synthesis method by means of chemical vapour deposition

Monolayer graphene – chemical vapour deposition
Main markets: Electronics, flexible electronic, sensors

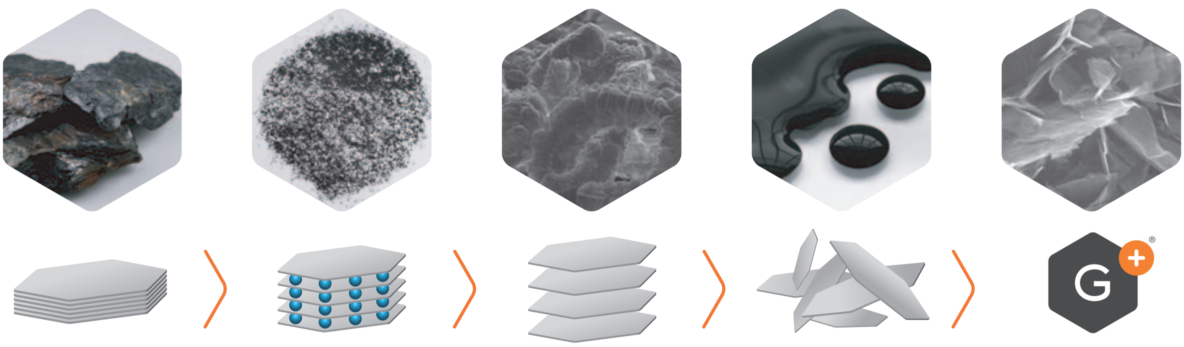
Directa Plus uses a multi-step patented top-down method to produce G+®, a process that does not involve the use of chemicals nor solvents and is only based on physical treatments of natural graphite.

The process is therefore extremely sustainable, and the output products are free from contaminants.

G+® is the purest and most crystalline form of Pristine Graphene Nanoplatelets: every gram of Graphite is directly transformed into a gram of Graphene Plus.

G+® production process

NATURAL GRAPHITE | INTERCALATED GRAPHITE | PLASMA SUPER-EXPANSION | EXFOLIATION AND CONCENTRATION | PRISTINE GRAPHENE NANOPLATELETS



Directa's process can generate different graphene morphologies (several graphine families, different lateral dimension and thickness, different density and physical forms) to satisfy totally different markets.

Our strategy and business model

G+® graphene is not just a material. It's a vision. Our vision. It's the way we are changing everything in the world.

Our vision is for a world that is cleaner and healthier by producing graphene products that not only are natural and chemical free but help achieve this and enhance clients own products.

Directa Plus has developed a proprietary scalable, modular manufacturing process to produce and supply high quality engineered graphene materials – marketed under its 'Graphene Plus' (G+®) brand – which can be used by third parties in a wide variety of industrial and commercial applications.

Our core values

1. **DIVERSITY** Directa Plus has always invested in diversity. The desire to differentiate ourselves has been reflected over the years in our product: G+® – Graphene Plus, a unique and inimitable creation whose main features are its purity and sustainability. The uniqueness of this material, in all its forms, comes directly from the production method: at Directa Plus we transform every single gram of graphite into a gram of graphene, through a process based entirely on the principles of physics, without any chemical processing.
2. **QUALITY** Graphene Plus is a different material, unique and absolutely pure. In order to guarantee the highest quality of our products and of the services we provide, Directa Plus has developed innovative working methods, and we have organised the Advanced Development Area, a lab specialised in the applications of G+® graphene.
3. **SAFETY** For Directa Plus, safety has always been a core value. Over the years we have invested effort and resources in the creation of a material that is able to ensure maximum safety, both for those who use it and for those who work on it. The safety of our G+® graphene is proven by the independent certifications of non-toxicity and non-cytotoxicity of all G+® products.

Business model

Directa Plus has a unique and proven process for the production of pristine, chemical free graphene nanoplatelets, tailored to our partners' and customers' requirements, which is both flexible and scalable. Production is located at our factory near Milan, Italy, and we have a Grafysorber® production unit in our subsidiary Setcar in Romania, but can also be set up at customer locations to reduce transport costs, waste and lead times.

We are strongly committed to environmental sustainability and abide by a strong Code of Ethics in all aspects of our business practice.

We create value through partnering with leading industrial entities with large international footprints that provide significant growth opportunities, but also important reference customers to support the roll out of graphene enhanced products and services globally. The success of this strategy can be seen in our progress in the environmental remediation and textiles markets, and other areas where we see great potential.

Integrating our intellectual property into new products allows our customers to gain significant competitive advantage.

This could be royalty payments, upfront enabling licence payments, joint-ventures to get closer to end-users or a combination of all three.

The commercialisation model we follow is based on capturing for our shareholders a proportion of customers' additional revenues and profits.

As a company, we are committed to sharing in the proceeds of customers' growth from new products, rather than merely supplying an essential ingredient.

Directa Plus ESG

Environmental, Social and Governance considerations are an important part of what drives Directa Plus' business, with a strong commitment to a sustainable business, minimising our impact on the environment, social values and collaborative working practices and governance aligned with the QCA Governance code in parallel with a commitment to engagement with all stakeholders.

To further enhance our commitment to ESG, the Group is developing a more comprehensive sustainability plan with a commitment to delivering a more detailed sustainability strategy.

Environment

Graphene Plus ("G+®") is a unique product, produced in a unique and sustainable way; G+® products are obtained through a proprietary patented process based on the physical transformation of natural graphite: (i) water-based process, (ii) no chemistry, (iii) high purity, (iv) zero discharge of hazardous chemicals.

In our production process we consider raw materials supply chains, energy consumption, water and wastewater, atmospheric emissions, the production of waste and any effect on biodiversity. We are constantly assessing our production processes, working with recognised environmental organisations to ensure the safety and sustainability of our products. Our method of producing G+® always uses low energy consumption and low waste generation, making the entire process environmentally friendly.

With regards to our commercialisation strategy, it is our mandate to only work with environmentally responsible industrial partners, and to seek to improve on products in existing markets. This means that we can help produce and sell better quality products than are currently available, with better performance and longer life for end-users.

Environmental remediation is a key division at the heart of this and we have been ISO 14001 certified since 2016.

In December 2021 Directa Plus received the Green Economy Mark from the London Stock Exchange, with over 75% of revenue contributions in FY22 derived from the Environmental Remediation division.

Social

The Board considers one of its key stakeholder groups to include its workforce and make efforts to support our employees where possible. We are a responsible employer and carefully consider all aspects of employee rights, equal opportunities, health and safety at work and training and education. We also have a renumeration policy, intended to attract, retain and motivate high calibre executives to deliver outstanding shareholder returns and at the same time maintain an appropriate compensation balance with the other employees of the Group.

With respect to our local community, Directa Plus is well-known and deeply rooted in the Milan area. We promote our regional economy by identifying local suppliers, with whom it is possible to structure lasting partnerships.

Governance

The Board fully supports good corporate governance and recognises that it enhances its decision-making processes by improving the success of the Company and increasing shareholder value over the medium to long-term.

The Company complies with the Quoted Companies Alliance corporate governance code (the "QCA Code") and the Directors propose that the Company should continue to do so having regard to the Company's size, board structure, stage of development and resources.

ESG rating

Directa Plus has embarked on the development of a full ESG Strategy and has engaged Integrum, an independent ESG ratings agency. With the objective to gather initial data upon which the Company can enhance its ESG reporting and practices for transparency for all stakeholders.

Integrum assessed and scored the company against robust frameworks including the SASB framework, Minerva Analytics and the Cambridge Impact Framework (latter against the UN Sustainability Goals).

Measures including managing greenhouse gas emissions and waste consumption were assessed as well as the company's policy on incorporating ESG concerns into Directa Plus' products and services and managing risk from government regulations and policy proposals that address social factors affecting the industry.

The Company was then ranked relative to specific sub-sector peers and an overall score, and rating was applied. The Company was given a 'B' rating.

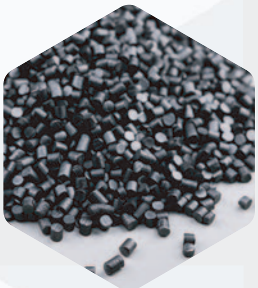
Chemical free production process

G+® Technology

We offer a range of graphene nanoplatelets-based products – either ready-to-use or custom-blended to meet customers' specific technical requirements.

Benefits of our products:

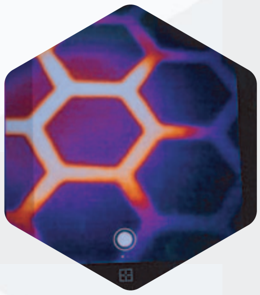
+ Chemical-free
+ Certified as non-toxic
+ High purity
+ Consistent quality
+ Taylor-made particles shape
+ Abundant, safe and non-toxic raw material



Patented, modular process

Our production process uses a unique technique we call Plasma Super Expansion. Starting from natural graphite, each step of the process – expansion, exfoliation and drying – creates graphene nanoplatelets-based materials ready for a variety of uses and available in different forms such as powder, liquid and paste.

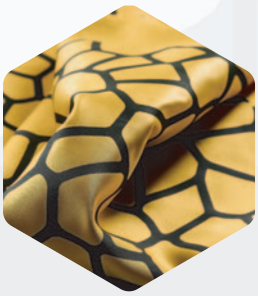
Our production process produces a highly consistent graphene nanoplatelets product – an important factor for commercial customers – and does not need any chemical or solvent additives.



Tailor-made for customer needs

When used in consumer and industrial applications, G+® enables end-products to perform better while remaining affordable.

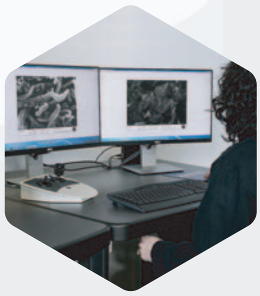
We partner with customers to develop bespoke graphene blends that have just the right morphology for their particular application. We produce the precise ingredient to make our customer's product stand out from the competition.



Scalable, portable production

Our factory near Milan can produce industrial quantities of graphene nanoplatelets-based products each year to supply large supply chains.

In addition, we can set up production directly at customer locations, thus adding scalable capacity and reducing transport costs, waste and time-to-utilisation.



Our production process produces a highly consistent graphene nanoplatelets product - an important factor for commercial customers - and does not need any chemical or solvent additives.

Chief Executive Officer's review

Giulio Cesareo CEO

"2022 was a year of solid operational performance fuelled by new contract wins and increasing traction in the graphene market. We delivered strong top line growth and maintained focus on developing and delivering market leading products and services in our two core business verticals: Environmental Remediation and Textiles."

As one of the largest producers and suppliers of graphene-based products, we have built Directa Plus with a clear strategy based on our four key pillars:

1. **A unique graphene production process with strong IP** – we have designed an in-house, patented process that is simple, scalable and sustainable utilising physics without the need for over complicated and pollutive chemistry;
2. **Pristine G+® graphene** – we produce graphene nanoplatelets with tunable xyz dimensions tailored to the needs of each vertical and customer;
3. **Time to market** – we have continued to build considerable product and process know-how since our first product launch in 2015 and we now have 43 products on the market; and
4. **Partnerships** – we aim to work with leading industrial partners with large international footprints that provide significant growth opportunities: These partners are important reference customers that support the roll out of graphene enhance products and services globally.

The strong foundation of our key pillars enabled us to achieve our target to scale production capacity to 100t p.a. in the year and to deliver double digit revenue of a 63% CAGR over the past five years.

Our mission remains to deliver the best quality graphene at the best possible price in the most sustainable way, whilst supporting the industrialisation of existing and new vertical applications. The Group continued to enhance products in other areas based on its patented technology, where it has identified significant potential commercial opportunities, including paints, composites, concrete, polymers and Lithium-Sulphur batteries.

63%
We have delivered double digit revenue of 63% CAGR over the past five years.

€10.86m
We achieved good growth and strong financial performance, achieving revenue of €10.86m.

43
We have continued to build considerable product and process know-how and we now have 43 products on the market.

By delivering on our core strategy we achieved another year of strong growth with revenue ahead 26% on the previous year at €10.86m, slightly above market expectations due to a solid trading performance in December 2022, and LBITDA and LBT in line with expectations.

During the year we experienced revised timelines on some orders due to the re-profiling of certain projects, as a result of the uncertain macroeconomic backdrop. We have nevertheless achieved continued growth across the business' key vertical markets and geographies.

Like many businesses in the year, the Group was impacted by higher energy and raw material costs, which affected our direct production costs, and general cost increases on outsourced services. We worked to mitigate these potential impacts by increasing the price of our own products and also implementing a cost reduction plan including investment in new milling equipment that reduced direct production costs. These measures allowed the Group to progressively improve margins over the second half of the year and to position the business to withstand future headwinds by taking full advantage of the technology platform we have developed.

The development of graphene technology and its applications is accelerating across a range of industries due to its exceptional properties, including electrical and thermal conductivity, antibacterial and antivirus efficacy. Directa Plus is well positioned to capitalise on this opportunity using our patented process for the production of pristine, chemical free, graphene nanoplatelets, tailored to new and existing partners' and customers' requirements. We expect to build a substantial business by positioning Directa Plus in the verticals where technology capabilities, at attractive costs, meet with market opportunities and growing customer acceptance.

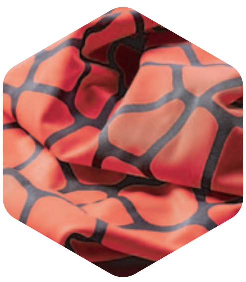
The Company entered 2023 in a solid position, building on momentum from the end of the prior year. With an expanding network of customers and partners, a record order book and a supportive market backdrop, we are confident in the Group's ability to take advantage of the huge opportunity that is ahead.

Strategy

We are building a highly scalable business by targeting new and existing products and markets that can be significantly improved with the addition of our graphene-based products. We work closely with our partner network, benefitting from their knowledge of different markets, strong reputation and commercial channels to identify the right opportunities that will deliver commercialisation and financial return.

We continuously monitor potential markets where we believe that for a relatively small investment, we can develop products that can generate high commercial traction and which have a fast time to market, such as paints and filtration.

Sustainability is at the heart of our operations and acts as a powerful differentiator from our competitors. We have amassed 43 certifications over the years, all reporting the absence of negative impacts on biological systems.



1

2

1. **G+® ENHANCED GARMENTS:** Graphene is a versatile material that can also be used in the textile industry. In fact, we developed four different technologies for textile applications: Planar Thermal Circuit® (PTC®), G+® Membranes, G+® Dyeing and G+® Coating. In the picture a sweatshirt by Hugo Boss that features our PTC® Graphene Plus print.
2. **G+® SEMIFINISHED PRODUCTS:** Directa Plus developed different semifinished products for different industrial applications. Each additive is tailor made to ensure the best performance possible for that specific application.

Chief Executive Officer's review continued

We consider the health and safety of all stakeholders and environmental protection as top priorities, and we have implemented a proactive approach by continuously monitoring our production process and products.

During the year, we delivered strong top line growth and maintained focus on developing and delivering market leading products and services in our two core business verticals – Environmental Remediation and Textiles. The Company continued to deliver enhancements, based on its patented technology, to products in other areas where Directa Plus has identified significant potential commercial opportunities, including paints, composites, concrete, polymers, and Lithium-Sulphur batteries.

Environmental remediation (75% of annual revenue)

Environmental remediation activities are principally carried out through Setcar, a subsidiary company based in Romania. Significant progress was achieved in this key vertical in 2022 with another year of strong growth with revenues ahead 24% and Grafysorber® technology rapidly gaining traction in a number of new markets. Grafysorber® is a truly ground-breaking technology that is the only commercially available hybrid graphene-based solution for treating water contaminated by hydrocarbons. Grafysorber has many advantages over traditional products and can work on a wide range of hydrocarbon and several other organic pollutants. It absorbs 100 times its weight, it is safe for the operators and the environment, and it is light and easy to handle.

We have continued to invest to further improve performance and to broaden the range of potential applications, in addition to our existing water treatment products and services.

In the first half of the year we installed our first production unit for Grafysorber® materials in Romania. In response to growing demand, the Group has subsequently installed a second Grafysorber® production unit into Romania to further increase production capacity.

In April 2022 the Group received authorisation from the US Federal Environment Protection Agency (EPA) for Grafysorber® technology to be used on any oil contamination on US territory, providing the business with an entrance into the very large US oil decontamination market. The Group is also looking to further expand product and service sales into Asia over the longer term.

In the UK, the Company signed a Commercial Agreement with UK based REDA Energy in July 2022, a leading chemical manufacturer and supplier to the oil and gas industry, to distribute Grafysorber® oil response products in agreed territories in Northern Europe. The Commercial Agreement follows the successful testing of Directa Plus' products by REDA customers in the North Sea. Directa Plus has been able to further improve its oil spill response products, enhancing their ease of use and performance. The Group delivered REDA's first product order in June 2022 and it is now also exploring wider opportunities for the application of the Group's water decontamination technology.

The Group keeps working on a number of large and small contracts providing waste treatment and decontamination services, both locally and internationally.

Directa Plus still awaits the final decision on the award of a significant contract in Romania for the Group's Environmental Remediation services and the Directors continue to believe that the Group is well positioned to secure the tender.

Textiles (23% of annual revenue)

Directa Plus continued to gain strong commercial momentum in the Textiles vertical during the year with revenue growth of 33%. There is significant interest in incorporating technology into wearables which will further expand the broad spread of applications for G+® graphene that is now incorporated into fabrics through four different technologies:

- G+® PLANAR THERMAL CIRCUIT®: a functional print that can be applied to any type of fabrics, creating a circuit.
- G+® MEMBRANES: G+® is incorporated into the polyurethane membrane that can be laminated self-standing or combined with a PTFE membrane directly to a fabric.
- G+® DYEING: The fabric is immersed in a water-based bath containing G+® yielding a completely antimicrobial fabric.
- G+® COATINGS: a special coating process, based on water, able to obtain high-performance polyurethane, enhanced with G+®.

Workwear

A key highlight includes the signing of an extension agreement with Alfredo Grassi S.p.A, a European workwear manufacturer, to broaden the existing collaboration to include our Planar Thermal Circuit® (PTC®) for the workwear markets in Italy and France. This will enable the development of new products for Grassi which will increase comfort for the wearer – a key differentiator as temperatures increase around the world. We have been working with Grassi for over five years and this extension agreement demonstrates the reliability of our technology and ability to deliver consistently for our customers. It will enable us to further develop our understanding of market trends and drivers affecting demand for workwear products.

Military

We secured our first exclusive supply agreement for printed graphene textile Planar Thermal Circuit® (PTC®) in Latin America with a Columbian based manufacturer of ballistic protection clothing, CIA Miguel Caballero SAS. Directa Plus will provide a total of 77,500 linear metres of PTC® printed material over a four year period, commencing from October 2022, for a total contract value of over €1 million. This agreement further demonstrates the applicability of our technology to a wide range of materials.

Luxury

We continue to work with a major luxury Italian brand, which has been a customer since 2019, generating important volumes and relying on our technology to promote its technical fabrics collections.

Automotive

In April 2022, the Company signed a Letter of Intent (LOI) with a leading global supplier of automotive interiors to Tier 1 manufacturers. The supplier intends to develop a suite of new products for the automotive industry based on the antimicrobial properties (antibacterial and antiviral), thermal comfort and electrical conductivity properties of G+® enhanced fabrics.

The LOI has a 12-month term and sees Directa Plus and the supplier agree to combine resources, competence and expertise to develop G+® enhanced fabrics into a suite of ready to use products for the automotive industry. If both parties are satisfied with the results achieved after the 12 months, the partners shall undertake to negotiate a Supply Agreement between the two companies. Directa Plus is already working with the supplier to produce prototypes for a number of global Tier 1 car manufacturers.

Air filters

In March 2023, the Company was granted an Italian patent for its G+® graphene technology for air-filtering applications and the development of an industrial-tested G+® product for the expanding air filtration market. This significant award is in partnership with an Italian-based global chemicals and materials company. The companies have been working together since December 2021 on an exclusive basis to develop specific products for the global air and water filtration markets.

Textiles for consumer electronics

Directa Plus continues to collaborate with the soft goods division of a major international developer and manufacturer of consumer electronics and related services. The agreement covers the potential application of G+® as a protective covering for consumer devices, exploiting its antiviral- antibacterial properties as well as its thermal and electrical conductivity. The partnership has delivered exceptional results to date with the collaboration continuing to demonstrate the potential for significant volumes in the coming years.

Other textiles applications

We secured a supply agreement with Officine di Cartigliano, an Italian based leader in the production of tanning equipment for the textile industry for its G+® technology, worth €150,000 over one year on a take or pay basis. Officine di Cartigliano will be using a formulation of the Company's G+® based textile finishing application to improve the performance of its equipment, particularly to address antistatic issues.

The Group is also exploring the sportswear industry to exploit the G+® heat dispersion and antimicrobial properties to understand the potential of this vast market.

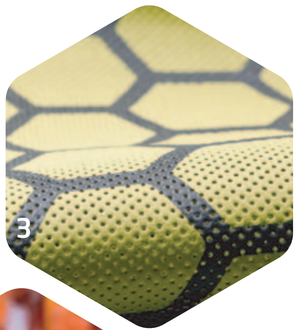
Additional potential high return verticals

Composites

The asphalt applications of the Group's G+® graphene technology have great potential and the product developed with Iterchimica provides exceptional results in terms of increased durability and reduced carbon footprint. Market interest for the product is growing internationally and is gaining significant commercial traction.

In March 2022, Oxfordshire County Council conducted its second trial of a patented asphalt concrete modifier developed by Iterchimica and enhanced by our Graphene Plus product. This follows an initial pilot trial in Oxfordshire in 2019. The new trial will see two identical stretches of Marsh Lane in Oxford, which carries around 10,000 vehicles a day along a key city route, resurfaced with different materials. Half of a 700-metre stretch of the road will be laid with GiPave®, while the rest will be resurfaced using conventional asphalt, so that the two surfaces can be compared.

In the second half of the year we secured a new major contract for the A4 Torino-Milano motorway section, managed by the ASTM



1. **G+® IN BATTERIES:** Lithium-sulphur batteries can be enhanced with G+® Graphene Plus® to improve performances. These batteries have a 5 times higher energy density than standard lithium-sulphur batteries. Moreover, the production costs are reduced thanks to the reduced cost of the cathodes and the water-based production process. This makes the batteries 99% recyclable. They have an intrinsically safe chemistry and are not subject to fire or explosion risks. For this reason, its transport and distribution are safer and environmentally friendly.
2. **G+® WATER TREATMENT:** Directa Plus developed Grafysorber®, the most effective oil treatment for oil contaminated water. It works both with high and low hydrocarbons and can absorb up to 100 times its weight. Moreover, Grafysorber® is lightweight and therefore easy to handle, transport and store. It is made with a 100% sustainable process and is non-toxic and waste-free.
3. **PLANAR THERMAL CIRCUIT®:** the Planar Thermal Circuit® PTC® is a functional print that can be applied to any type of fabrics. It assures thermal comfort: when applied to a shirt it equalises and dissipates heat; when applied to a jacket it equalises and retains heat.

Chief Executive Officer's review continued

Group to provide a sustainable, resilient and safe asphalt made with G+® graphene and specially selected recycled hard plastics (e.g., toys, fruit crates, litter bins). The asphalt will re-use 70% of milled material from the existing pavement, thus reducing the use of new natural aggregates to only 30%. The works will involve both directions for a total of 250 km.

GiPave® was developed by Iterchimica with the support of Directa Plus and resulted from a three-year research programme with a patent filed in 2017. The product uses waste plastics that would not normally be recycled and the asphalt containing GiPave® can itself be entirely recycled – promoting the 'circular economy', which reduces waste and the need for new materials.

Paints

Another area showing considerable early potential is within the graphene-based paints vertical. We have developed a graphene-based paint solution which provides enhanced anti-flame and anti-corrosion properties compared to normal paints. We have hired a team of experienced people in the field and initiated positive discussions with major international players in Europe and Asia to accelerate commercialisation and we are excited about the potential of this technology.

In the second half of the year we signed a new exclusive agreement with Pigmentsolution GmbH, a European distributor of speciality chemicals and ingredients, to support the development and distribution of Directa Plus' new patented Graphene Plus (G+®) product, Grafyshield G+®, initially in Germany, Austria, Switzerland and Poland, with the potential for further expansion in Europe. The initial 12 month contract will enable us to assess these important markets and measure the potential for further territorial expansion in the longer- term. It is a significant win for the Group as it demonstrates the appetite for and competitive advantage of our Grafyshield G+® product.

The global anticorrosion coating market is estimated to be valued at 41.20 USD billion by 2027, and the global flame-retardant coating market is estimated to be 4.83 USD billion.

Lithium-Sulphur batteries

Lithium-Sulphur is a next generation battery chemistry offering advantages over Lithium-Ion as it has a superior energy density, significant cost advantages and a superior safety profile. We have continued to support our partner NexTech in the development of this technology, in which G+® will play a key role in terms of technical properties and the supply of the product at the scale necessary to satisfy the needs of the market. In the first half of the year, we agreed the removal of exclusivity originally agreed in the contract, and this allows Directa Plus to collaborate with other players in the industry.

We remain focused on supporting the development of such a potentially disruptive technology and we have already targeted another Lithium-Sulphur battery producer to accelerate the technology's commercialisation.

Others

We have maintained our investment in potential additional high return opportunities that could generate significant value for the Group in the upcoming years. The Group is currently looking with great interest at G+® applications in the concrete and polymers industries.

Intellectual property

As at March 2023, the Group's patent portfolio comprised 81 patents granted and 37 pending, grouped into 22 families. This has increased from 72 patents granted and 27 pending, grouped into 19 families in March 2022.

1


2

81

Our patent portfolio comprised 81 patents granted and 37 pending, grouped into 22 families.

1. **NORDA SHOES FOR TRAIL RUNNING ENHANCED WITH G+®:** Norda developed a high-tech shoe for trail running containing G+®. Grafytherm® is the Graphene Plus® membrane used in the shoe upper lining to confer thermal comfort, lightness and an antimicrobial effect.
2. **G+® TIRES: G+®** in all kinds of tires enhances rolling resistance, impermeability, heat dissipation and elastic modules. The main properties include a higher durability of the tire therefore less maintenance and a higher balance between rolling resistance and grip and an enhanced thermal dissipation.

New patents during the year include:

- an Italian patent covering the use of the Company's G+® applied to textile substrates for high bacterial filtration efficiency media for filtration applications;
- a grant of a US patent titled "Golf ball comprising graphene". The patent will enable Directa Plus to license its technology in the key US market; and
- a patent from the United States Patent and Trademark Office for the grant of a patent covering the Company's G+® embedded polyurethane membrane, developed explicitly for the textile industry, together with its production method and its applications.

We aim to create value from our wide IP portfolio. Discussions on potential licensing contracts are ongoing with potential for further patent applications and awards in 2023.

Environmental, Social and Governance policies

Environmental, Social and Governance considerations are an important part of what drives Directa Plus' business.

Environment

Graphene Plus is a unique product, produced in a unique and sustainable way; G+® products are obtained through a proprietary patented process based on the physical transformation of natural graphite: (i) water-based process, (ii) no chemistry, (iii) high purity, (iv) zero discharge of hazardous chemicals.

In our production process we consider raw materials supply chains, energy consumption, water and wastewater, atmospheric emissions, the production of waste and any effect on biodiversity. We are constantly assessing our production processes, working with recognised environmental organisations to ensure the safety and sustainability of our products. Our method of producing G+® always uses low energy consumption and low waste generation, making the entire process environmentally friendly.

With regards to our commercialisation strategy, it is our mandate to only work with environmentally responsible industrial partners, and to seek to improve products in existing markets. This means that we can help produce and sell better quality products than are currently available, with better performance and longer life for end-users.

Environmental remediation is a key division at the heart of this and we have been ISO 14001 certified since 2016.

In December 2021 Directa Plus received the Green Economy Mark from the London Stock Exchange, with over 75% of revenue contributions derived from the Environmental Remediation division.

Social

The Board considers one of its key stakeholder groups to include its workforce and makes efforts to support our employees where possible. We are a responsible employer and carefully consider all aspects of employee rights, equal opportunities, health and safety at work and training and education. We also have a remuneration policy intended to attract, retain and motivate high calibre executives to deliver outstanding shareholder returns and at the same time maintain an appropriate compensation balance with the other employees of the Group.

With respect to our local community, Directa Plus is well-known and deeply rooted in the Milan area. We promote our regional economy by identifying local suppliers, with whom it is possible to structure lasting partnerships. We believe it is essential to actively contribute to initiatives that can have a positive impact on the social fabric of the area.

Governance

The Board fully supports good corporate governance and recognises that it enhances its decision-making processes by improving the success of the Company and increasing shareholder value over the medium to long-term.

The Company complies with the Quoted Companies Alliance corporate governance code (the "QCA Code") and the Directors propose that the Company should continue to do so having regard to the Company's size, board structure, stage of development and resources.

ESG Rating

Directa Plus has embarked on the development of a full ESG Strategy and has engaged Integrum, an independent ESG ratings agency. With the objective to gather initial data upon which the Company can enhance its ESG reporting and practices for transparency for all stakeholders.

Integrum assessed and scored the company against robust frameworks including the SASB framework, Minerva Analytics and the Cambridge Impact Framework (latter against the UN Sustainability Goals).

Measures including managing greenhouse gas emissions and waste consumption were assessed as well as the company's policy on incorporating ESG concerns into Directa Plus' products and services and managing risk from government regulations and policy proposals that address social factors affecting the industry.

The Company was then ranked relative to specific sub-sector peers and an overall score, and rating was applied. The Company was given a 'B' rating.

Outlook

This year we secured a number of high-level wins in our core verticals, Environmental Remediation and Textiles. We also invested in our technology and expanded our customer and partner networks to position the business to be able to successfully serve a range of customers globally as awareness of the capabilities of graphene continues to grow.

The Company has entered the new financial year in a solid position, building on the momentum established in 2022. With an expanding network of customers and partners, a record order book and a supportive market backdrop, we are confident in the Group's ability to take advantage of the huge opportunity that is ahead.

As we build scale we expect to drive further production efficiencies and are excited about potential opportunities to expand our capacity with new installations in new geographic locations.

In parallel, we aim to create value from our wide IP portfolio. We are discussing potential licensing contracts that could accelerate the spread of our technology worldwide and generate positive cashflows for the Group.

While aware of the ongoing macroeconomic pressures, we have a dedicated and experienced team and supportive market tailwinds. The Board is confident in delivering results for 2023 in line with current expectations.

Giulio Cesareo
Chief Executive Officer
9 May 2023

Chief Financial Officer's review

Giorgio Bonfanti Chief Financial Officer

"2022 was an important year of growth, in which the Group delivered a 26% increase in product and service revenue underpinned by strong traction in Environmental Remediation and Textiles. Noting the challenging and adverse market conditions, Directa Plus has efficiently managed its financial resources, mitigated the main risks and is working hard to improve its business growth and to recover margin."

Key Performance Indicators

The Board measures the performance of the Group through a number of important financial and non-financial KPIs. In a young business with a number of different vertical markets, identifying measurable data that will provide useful insight year-on-year is not always straightforward but the KPIs below aim to help shareholders understand the Group's progress.

Summary of financial KPIs with further details contained later in this report:

- Product sales and service revenue increased by 26% to €10.86m (2021: €8.62m), above market expectations
- Total income (including grants) increased by 19.4% to €11.28m (2021: €9.45m)
- Adjusted LBITDA* increased to €3.15m (2021: €2.49m)
- Loss before tax increased to €5.33m (2021: €3.38m)
- Reported (basic) Loss per share was €0.07 (2021: €0.06)
- Cash and cash equivalents at year end of €5.73m (2021: €11.13m)

** Adjusted EBITDA loss represents results from operating activities before tax, interest, depreciation and amortisation, adjusted by one-off income, inventory write-offs, non-recurring legal expenses and onerous contract provision (details overleaf).*

26%
Product sales and service revenue increased by 26% to €10.86m (2021: €8.62m).

19.4%
Total income (including grants) increased by 19.4% to €11.28m (2021: €9.45m).

€5.73m
Cash and cash equivalents at year end of €5.73m (2021: €11.13m).

Financial review

In 2022, the Group delivered another year of significant growth. Revenue from products and services increased by 26% to €10.86 million (2021: €8.62 million), and total income by 19.4% to €11.28 million (2021: €9.45 million).

The increase in revenue was driven by our two main verticals. Environmental Remediation services gained further traction with revenue growth of 24% to €8.14 million, supported by new and expanded contracts delivered by our subsidiary Setcar, leveraging on our technology and promoting G+® in the oil & gas industry globally. Textiles grew by 33%, with sales of €2.46 million due to the contribution of recurring and new contracts.

During the year, global markets were challenged by adverse macro-economic and geopolitical conditions. The war in Ukraine, together with post-pandemic supply chain issues, led to double digit inflation trends and created unprecedented market conditions. In the first half of the year, the Group was impacted by cost increases, from significant energy cost rises to increases in the cost of subcontracted services and general expenses. Management has sought to mitigate these cost pressures through price increases for the Group's products and investment to significantly reduce direct production costs. Our investment in next generation milling equipment in particular has built on Directa's throughput cost reduction project that was successfully begun six years ago. These actions, focused on margin recovery, are expected to have a material positive effect that will be increasingly evident during the new financial year.

Alternative performance measures

This report includes both statutory and adjusted financial measures, the latter of which the Directors believe better reflect the underlying performance of the Group by excluding certain items that if included could distort a reader's understanding of the results.

The table below shows a reconciliation of statutory and adjusted measures for LBITDA and Loss before taxation.

Adjustments refer to:

- one-off other income of €0.5 million reported in the 2021 accounts from the release of an undue obligation to the former shareholders of Setcar;
- inventory write-off of €0.11 million in 2022, attributable to obsolete Co-Masks which are now experiencing a low market demand following the end of the Covid-19 pandemic;
- legal costs of €0.16 million linked to the protection of Directa Plus' IP portfolio and disbursements relating to a lawsuit that dates back to 2017;
- provision of €0.19 million for the total expected loss in 2023 on the conclusion of an onerous long-term contract where recovery is deemed uncertain under IFRS15. The Group is currently in discussion with the customer to seek an acceptable resolution; and
- non-cash exchange rate effects, especially on the conversion of GBP cash balances to Euro.

€ million	FY22	FY21
Result from operating activities	(5.02)	(3.53)
(+) Depreciation and amortisation	1.40	1.54
LBITDA	(3.61)	(1.99)
(-) One-off income	–	(0.50)
(+) Inventory write-off	0.11	–
(+) Legal costs	0.16	–
(+) Onerous contracts provision	0.19	–
Adjusted LBITDA	(3.15)	(2.49)

€ million	FY22	FY21
Loss before tax	(5.33)	(3.38)
(-) One-off income	–	(0.50)
(+) Inventory write-off	0.11	–
(+) Legal costs	0.16	–
(+) Onerous contracts provision	0.19	–
(+/-) FX gain/loss	0.20	(0.22)
Adjusted loss before tax	(4.67)	(4.11)

In December 2021, the Group completed a fundraise with gross proceeds of £7 million, by way of a placing and subscription to accelerate additional investment in development of both our primary and secondary vertical markets. As of December 2022, the Group had €5.73 million of cash and cash equivalents. The forecasts prepared by the Directors show that the Group has sufficient liquidity in place to support the plan and strategy for the future developments of the business over the next 18 months. However, the Directors also modelled some downside scenarios, based on contract losses or delays and margin reductions, that could adversely impact the Group and require it to search for additional funds before December 2024, and could represent a material uncertainty over going concern. Nevertheless, the Board has a reasonable expectation that the Group has adequate resources in place to maintain investment and operations in line with its strategic business plan, and they have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

A description of the principal risks and uncertainties facing the Group is set out in the Directors' Report. Whilst the war in Ukraine, inflation, and increased Central Bank interest rates pose on-going challenges, we are monitoring these external factors and continue to react to mitigate any potential further risk. In the short term, the Group's priorities continue to be focused on the reduction of cash consumption and improving profitability as we develop our core verticals to deliver for our shareholders, partners and customers.

Giorgio Bonfanti
Chief Financial Officer
9 May 2023

Directors' biographies

Richard Hickinbotham

Non-Executive Chairman

Relevant strengths

- Deep understanding of AIM markets
- Investor relations and financial communication
- Growing businesses and funding

Richard Hickinbotham is an experienced City professional, having served previously as Head of Equity Research at Singer Capital Markets, Cantor Fitzgerald Europe and Charles Stanley. He has also held a number of senior positions at Investec, including Global Head of Research and Co-Head of UK Investment Banking and as Head of Pan-European Small and Midcap Research at S.G. Warburg & Co. (acquired by UBS). Richard is a Non-Executive Director of AB Dynamics Plc where he is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Richard holds a BSc. in Mechanical Engineering from Imperial College and is a qualified Chartered Accountant.

Giulio Cesareo

CEO and Founder

Relevant strengths

- Industry knowledge and credentials
- Strategic and business expertise
- Engineering expertise

Giulio Cesareo is one of the founders of Directa Plus. He began his professional career in 1982 in Italy working for Falck and Techint. From 1986 to 2004, he worked in the carbon and graphite business for Union Carbide, UCAR and Graftech, reaching the positions of the President and CEO of the Italian company and Vice President and General Manager of the worldwide Advanced Carbon and Graphite business unit. In his role at Union Carbide, Giulio managed business units in USA, France and Italy. Giulio is Advisory Board member and member of the Industry Council of the US National Graphene Association

Giulio Cesareo was awarded a degree in Mechanical Engineering from the Polytechnic University of Milan, an MBA and an Executive MBA from Bocconi University of Milan and attended Strategic and Financial Management Programs at Stanford University (USA). He serves as a board member of Fondazione Quarta, a non-profit organisation focused on scientific research in areas of social activity and was also Board Member of: Centro di cultura scientifica "Alessandro Volta", an organisation aimed at promoting the practical applications of a scientific culture.

Giorgio Bonfanti

CFO

Relevant strengths

- Financial reporting and accounting
- Budget and business plan
- M&A and funding

Giorgio is a professional with corporate finance, M&A, and accounting experience. Before joining Directa Plus in May 2021, Giorgio was a Senior Manager at PwC, in their Deals practice. He supported national and international clients in M&A transactions, such as acquisitions, disposal, joint ventures, IPOs and business plans. He also has a previous experience at KPMG as an auditor.

Giorgio holds a degree in Business Administration and a Master of Science in Accounting, Finance and Control from Bocconi University.

Wesley Clark

Non-Executive Director

Relevant strengths

- Extensive public and private Board experience
- Strong US military network
- Clean energy and environment expertise

General Clark, a US national, is Chairman and CEO of Wesley K. Clark & Associates, a strategic consulting firm; Chairman and Founder of Enverra, Inc., a licensed investment bank, and Chairman of Energy Security Partners, LLC. In the not-for-profit space, he is a Senior Fellow at UCLA's Burkle Center for International Relations and a Director of the Atlantic Council. A best-selling author, General Clark has written four books and is a frequent contributor to T.V. and news media.

Wesley Clark retired as a four-star general after 38 years in the United States Army, having served in his last posts as Commander of US Southern Command and then as Commander of U.S. European Command/ Supreme Allied Commander, Europe. He graduated first in his class at West Point and completed degrees in Philosophy, Politics, and Economics at Oxford University (B.A. and M.A.) as a Rhodes scholar.

Sarah Cope

Non-Executive Director

Relevant strengths

- Experienced Audit Committee Chair
- UK Capital Markets and M&A experience
- Corporate governance

Sarah has over 20 years' experience as an investment banker in London, advising small and mid-sized companies at Board level on corporate governance, strategy, amalgamations and disposals, capital markets and regulatory compliance.

Previously, she has advised AIM listed companies in the Oil and Gas sector as both Nominated Advisor and Broker, assisting publicly traded companies to raise finance for their exploration, development and production projects around the world. Accordingly, she has experience of AIM regulations and compliance.

Sarah has been a Non-Executive Director of several public and private companies since 2018 and is currently a Non-Executive Director of AIM traded Eneraqua Technologies plc, Smarttech 247 plc and Helium One Global Ltd.

Section 172

Section 172(1)(a) to (f) of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making, to this effect the Board of Directors of Directa Plus Plc consider that they have acted in such a way that would be most likely to promote the success of the company in the long term, taking into consideration the interests of all the stakeholders (investors, employees, customers, suppliers and local communities).

a) **The likely consequences of any decision in the long-term.** Annually the company reviews its medium to long term plan, which focuses on the strategic direction of the Group as well as looking at the threats, and opportunities it is facing. This plan is designed to ensure the long-term optimal direction of the company, ensuring, at the same time, the consideration of long-term requirements of the stakeholders.

b) **The interests of the company's employees.** The Board considers its employees to be one of the key stakeholders within the Group and as such welcomes any feedback to ensure the alignment of both party's interests. Given the nature of the Group's activities, its employees are the greatest asset of the business and their interests are always considered when determining the strategic direction and vision of the Group.

   Details of the Group's process to obtain feedback from employees are listed in the section "Stakeholder and social responsibilities" of the Corporate Governance Statement at page 24.

c) **The need to foster the company's business relationships with suppliers, customers and others.** The Board recognises that the success of the Company is reliant on the stakeholders of the business and, to this effect, the Company engages with these stakeholder groups on a regular basis. Details of the Company's process to obtain feedback from customers and supplier are listed in the section "Stakeholder and social responsibilities" of the Corporate Governance Statement at page 24.

d) **The impact of the company's operations on the community and environment.** The Board has always considered the health and safety of people and environmental protection as top priorities. In order to manage its environmental responsibilities in a systematic and proactive manner both Directa Plus S.p.A. and Setcar SA implemented the ISO 14001 certification. This helps the Group to achieve the intended outcomes of its environmental management system which provide value for the environment, the organisation and the interested parties. The Board recognises its responsibilities with regards to the environment and wider community and takes actions to reduce the risk of any potential negative impact the provision of its services and products could have in this area. In 2020 the Covid-19 pandemic encouraged the Board to strengthen further its security and health measures towards its employees and the community in general. The Group implemented an anti-contamination protocol shared with all its employees, foreseeing the provision of protection tools, constant disinfection of all areas and common rooms, safety distancing and body temperature controls. As the pandemic evolved, the Group maintained a primary attention to the health measures and employees' safety also in 2022. Please refer to the CEO statement in the Strategic report for further information on the Company's considerations on ESG matters.

e) **The desirability of the company maintaining a reputation for high standards of business conduct.** In order to ensure that the business maintains its reputation and integrity, the Board promotes a corporate culture based on sound ethical values and behaviours, which are essential to maximise shareholder value. Those core values serve as a common language that allows all members of staff to work together as an effective team and, it is these values and our shared long-term business vision and strategy that we believe will drive growth in shareholder value over the long term. An ethical code and whistleblowing process are in place and are reviewed regularly. Further details of the Company's Ethical values and behaviours are listed in the section "Ethical values and behaviours" of the Corporate Governance Statement at page 25.

f) **The need to act fairly as between members of the company.** The Group's Board currently consists of three Non-Executive Directors, and two Executive Directors. The Board considers it collectively has an appropriate balance of skills and experience, as well as an appropriate balance of personal qualities and capabilities. This helps to ensure that the impact of decisions on stakeholders is fair and equal, so they too may benefit from the successful delivery of our plan.

We define principal decisions as both those that have long-term strategic impact and are material to the Group, but also those that are significant to our key stakeholder groups. In making its principal decisions, the Board considered the outcome from its stakeholder engagement, the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company.

Global graphene demand is expected to increase significantly over the next 10 years. The Group is well positioned to benefit from this market growth and to play a key role in its near-term development. The Group's strategy is to target existing products and markets that can be significantly improved with the addition of Directa Plus products. The Group works with key partners, benefiting from their knowledge of the market, strong reputation and commercial channels.

The Group is currently targeting two key markets (Environmental Remediation and Textiles – including air and water filtration), currently at an advanced stage of products and services commercialisation. The Group has also launched high potential opportunities that are providing encouraging signals and orders, such as Composites and Paints. And finally, the Group keeps investing and monitoring high value future opportunities, such as the Lithium-Sulphur Batteries, Concrete and Polymers.

The Group operates in a fast-changing environment. The Group is leveraging on the funds raised in December 2021 to keep investing and growing, exploiting the competitive advantage gained so far and prioritising the verticals with a faster commercial traction and higher financial returns.

Giulio Cesareo
Chief Executive Officer
9 May 2023

Directors' report

Principal activities

Directa Plus is a technological Group pursuing the development of innovative manufacturing processes to produce and supply high quality engineered graphene-based products which can be used by third parties in a wide variety of industrial and commercial applications. With the acquisition of the majority stake in Setcar SA, completed in November 2019, Directa Plus entered the environmental service market with the aim to supply a complete range of services, from chemical analysis for waste identification to water and soil treatment, leveraging on the unique properties of the graphene-based products in our portfolio. The Group's strategy is to partner with potential customers at an early stage and work with them to develop tailor-made graphene forms that have the desired morphology for each potential customer's specific applications to enable them to capitalise on the high-performance benefits of graphene.

The Group's main country of operation and place of business is Italy, and its registered office address is 50 Broadway, London, SW1H 0BL, UK. Setcar is based in Romania, which is also its main country of operations, and its registered office address is 6 Gradinii Publice Street, 810022, Braila.

Business and strategic review

The information that fulfils the requirements of the strategic report and business review, including details of the results for the year ended 31 December 2022, research and development, KPIs and the outlook for future years, are set out in the Chairman's Statement, Chief Executive Officer's Review and Chief Financial Officer's Review on pages 10 to 17 (The Strategic Report), and in this Directors' Report, together with the description of principal risks and uncertainties. Going concern assessment is set out in the Corporate Governance report and is reported on page 27.

Dividends

The Directors' current intention is that for the foreseeable future, all future earnings at the Group level will be reinvested in the business in order to fund the ongoing growth strategy. In the future, if it is commercially prudent to do so, the Board may consider the payment of a dividend.

Directors' indemnity

The Company has arranged appropriate Directors' and officers' insurance to indemnify the Directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

Directors

The following Directors held office as indicated below for the year ended 31 December 2022 and up to the date of signing this report (where not specifically mentioned):

- Giulio Giuseppe Cesareo
- Richard Hickinbotham
- Wesley Clark (appointed as a Board member 17 of October 2022)
- Sarah Cope (appointed as a Board member on 21 November 2022)
- Giorgio Bonfanti
- Sir Peter Middleton (resigned from the BoD on 17 June 2022)
- Neil Warner (resigned from the BoD on 21 November 2022)
- David Michael Gann (resigned from the BoD on 17 October 2022)

Directors' remuneration and interests

The Directors' Remuneration Report is set out on pages 28 to 29. It includes details of Directors' remuneration, interests in the ordinary shares of the Company and share options.

Corporate governance

The Chairman's Corporate Governance Statement is set out on pages 24 to 27.

Share capital and substantial shareholdings

Details of the share capital of the Company as of 31 December 2022 are set out in Note 17 to the consolidated financial statements. As of 31 December 2022, a total of 66,057,649 ordinary shares were outstanding. The following Shareholders own 3% or more of the ordinary shares:

Shareholder	Number of ordinary shares	Percentage of issued ordinary share capital
Nant Capital / Patrick Soon-Shiong	18,975,652	28.73
Dompè Group	8,625,603	13.06
Unicorn Asset Management	5,873,333	8.89
Dr. Jean Marc Droulers / Finanziaria Le Perray *	4,466,449	6.76
Galbiga Immobiliare S.r.l.**	3,958,228	5.99
Schroders Investment Management	3,857,247	5.84
Ruffer	2,356,666	3.57

* *Finanziaria Le Perray S.p.A. is a company owned and controlled by Dr. Jean Marc Droulers.*
** *Galbiga Immobiliare S.r.l. is a company owned and controlled by Giulio Cesareo, the CEO of Directa Plus.*

Risk management

The Group's financial risk management is discussed in Note 23 to the financial statements. The Directors continually consider how to identify and mitigate the key business risks. Directors ensure that the management of Company prides leadership and direction to employees so that our overall risk-taking activity is kept within the desired risk appetite. The Group's tolerance for risk in the area of Health Safety and Environmental Protection (HSEP) is low. Directa Plus dedicates significant resources to managing and monitoring these risks on a daily basis. The following list considers those that could have a serious adverse impact on Group's performance.

Directors' report

continued

Risk	Mitigation and management strategy	Likelihood*	Impact (on the Group)**	Change***
Ukrainian conflict and inflation trends	Directors are monitoring the conflict in Ukraine and constantly assessing all the potential impacts on the Group's business, and consequently re-adjusting – where necessary – its strategy and operational priorities. The Group has been impacted by inflation trends (as a consequence of the increase in energy and transportation costs) and by its collateral effects that led to some contracts slowdown and postponements. The Group does not have any contracts with Russian or Ukrainian clients and the major clients' business activity appears – in general – not to be currently at risk. Overall, Directors believe that the conflict will not affect the going concern of the Group, and – under certain circumstances – it will create some potential opportunities. In fact, the value increase of the oil and waste recovered or the opening of other applications for G+® could have positive outturns for the Group.	Certain	Major	→
Covid-19 Covid 19 pandemic has materially affected the worldwide market, causing a general deterioration of the economic environment	In 2022 the health emergency has given the first signs of slowdown, and the Company seems to have overcome the difficult macro-economic period with limited adverse effects. However, the Board keeps committing high attention to the safeguard of its stakeholders' health and protection.	Certain	Moderate	↓
Changes in government policy and legal and regulatory compliance The Group operates in highly regulated industry (Environmental services and waste disposal) through its controlled subsidiary Setcar SA. Any changes to government policy, standards or regulatory requirements could affect the Group's operations and results.	Regulatory framework is constantly monitored by Management, trying to have prompt understanding of proposed changes.	Possible	Major	→
M&A strategy and delivery Directa Plus, after the acquisition of Setcar SA in 2019, considers that integration risks and issues could arise impacting the delivery of the expected benefit.	An integration plan and skilled resources have been deployed to manage the post-acquisition integration. Setcar has operated in the Group over the last two years and the Board of Directors believes that the integration has reached a good level of effectiveness. The Board of Directors is constantly considering how to improve the integration and is kept promptly up to date.	Unlikely	Moderate	↓
Technological risk Directa Plus operates in an industry where competitive advantage has a certain dependency on the technology adopted. It is possible that future technological development or potential substitute materials may affect the acceptance of, and the attribution of value to the Group's graphene production technology and Group's graphene-based products.	Directa Plus continually monitors the market and its competition and has resources to invest in technological development and product development as appropriate.	Possible	Critical	→
Intellectual property protection risks Failure to protect the Group's IP may result in another party copying, using or taking advantage from Group's proprietary knowledge and technology without authorisation. There may not be adequate protection for IP in every country in which the Group's products are or will be made available.	The Group monitors scientific papers, news flow and graphene products brought to the market as far as reasonably possible and will take cost-effective legal action if required. The Group is advised by suitably qualified and experienced patent agents and meetings with the patent agents are scheduled regularly.	Possible	Moderate	→
Key employees risks The Group depends upon the continued service and performance of the Executive Officers and key employees. The loss of the services of any of Executive Officers or other key employees could have an adverse impact on the Group's operations, reputation and business activities.	Risk is mitigated by providing share options to key employees, building a motivated management team, together with significant opportunities for carrier development. In 2022 the Group brought additional diversity and expertise in its Board of Directors, renewing part of its NEDs members. This change was addressed ensuring the proper business continuity and controls over the Group.	Possible	Major	→

Risk	Mitigation and management strategy	Likelihood*	Impact (on the Group)**	Change***
Funding risk The Group's growth requires access to funding. It is possible that the Group will need to raise extra capital in the future to continue to develop the Group's business or to take advantage of future acquisition opportunities. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Group or to the Group's shareholders.	Risk is mitigated by maintaining good relationships with the Group's main shareholders. The Company successfully concluded a capital raise in December 2021. In addition, the Group has access to potential additional sources of debt funding with major Italian and Romanian banks, which could lessen any further funding risk.	Possible	Major	→

* *Unlikely, Possible, Likely, Certain*
** *None, Minor, Moderate, Major, Critical*
*** *Defines the direction on the change in the risk: new risk (New), risk increased (↑), risk decreased (↓), no change (→)*

The Group's policies, procedures and practices used to identify, monitor and control a variety of risks may, in some cases, not be effective. The Group's risk management methods rely on a combination of internally developed technical controls, standard practices, observation of market behaviour and human supervision.

Annual general meeting

The notice for the convening of the AGM 2023 together with the proposed resolutions will be contained in a Notice of AGM sent to all shareholders and available via the Company's website.

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 the UK adopted international accounting standards. 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 Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards, 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 Group and 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 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.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on the corporate website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Director's responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

BDO LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

For and on behalf of the Board of Directors

9 May 2023

Corporate governance report

Chairman's corporate governance statement

The Board of Directa Plus plc (the "Company") fully supports good corporate governance and recognises that it enhances its decision-making processes by improving the success of the Company and increasing shareholder value over the medium to long-term. The Quoted Companies Alliance corporate governance code (the "QCA Code") sets out a minimum best practice standard for small and mid-sized quoted companies, particularly AIM companies. The Company complies with the QCA Code and the Directors propose that the Company should continue to do so having regard to the Company's size, board structure, stage of development and resources. There have been no significant changes in governance arrangements during the 2022 financial year.

Over the last recent years, we have been constantly reviewing the Company's culture and how it is consistent with our strategy, objectives and business model. We have identified some opportunities of improvement in our daily operations. In 2021 we have focused our efforts on upgrading some operations in the accounting and finance function, which is playing a central role in facilitating the collaboration and alignment across all the Company's activities. In 2022 we have focused our efforts on improvements in sales and marketing. With increasing opportunities ahead of us, but also increasing complexities, we have engaged a consulting company to support us in bringing greater focus to our strategic priorities, key verticals and the products to which we dedicate most of our efforts. Compliance with each of the principles set out in the QCA code is summarized in this section.

Role of the Chairman

The Board as a whole is responsible for effective corporate governance. As Chairman of the Board, I have overall responsibility for the corporate governance arrangements of the Company in addition to ensuring that corporate governance arrangements are fully adopted within the Company.

In addition, my role as Chairman is to lead the Board, ensuring its smooth running and the effective contribution of all Board members.

Strategy and business model

The Company's business model, strategy and key markets are set out in the Chief Executive Officer's review on pages 10 to 15.

Relations with shareholders

The Chief Executive Officer and Chief Financial Officer are responsible for shareholder liaison and have regular dialogue with institutional investors in order to develop an understanding of their views.

Meetings with analysts and institutional shareholders of the Company take place following the interim and annual results announcements as well as on an ad hoc basis. These presentations are given by the Chief Executive Officer and the Chief Financial Officer, updating on relevant matters and in particular, on the progress of the Company in terms of its operational performance, financial and strategic direction.

The Annual Report and accounts are published on the Company's website, www.directa-plus.com, and can be accessed by shareholders and non-shareholders. Shareholders have the opportunity to meet members of the Board at the Annual General Meeting of the Company where Board members will be happy to respond to questions.

The Board believes that its current approach to shareholder engagement is successful, based on the feedback received and the Proactive Investor interviews publicly available. In addition, as Chairman, I remain available to talk to shareholders whenever required.

Stakeholder and social responsibilities

The Board considers its key stakeholder groups to include:

- workforce – we are a responsible employer, compliant with relevant human resources legislation and recommended practices, as well as Health, Safety and Environmental Protection regulations. In 2020 the Covid-19 pandemic encouraged the Board to strengthen its security and health measures towards its employees and community in general. The Group implemented an anti-contamination protocol shared with all its employees, foreseeing the provision of protection tools, constant disinfection of all areas and common rooms, safety distancing and body temperature controls. Despite the pandemic being relatively under control, it remains an uncertain threat at the date of this report, and the Group is maintaining a high level of attention towards its stakeholders health and safety;
- customers – deep and wide relationships with our customers are crucial for the success of our business in developing novel solutions with our customers and in developing their next generation of products;
- suppliers – we aim to develop strong relationships with our suppliers based on trust, understanding and respect; and
- partners – we engage with commercial and scientific partners and we work with them to develop new applications, building strong and long-lasting relationships.

The Company obtains feedback from stakeholder groups by way of:

- informal meetings and consultation with employees' representatives, and reports received through the Group's Whistleblowing policy;
- regular meetings with main suppliers and undertaking a formal assessment at least once a year;
- formal survey sent at least once a year to the main customers to assess our level of service; and
- maintaining a social media presence in order to understand the sentiment of and obtain feedback from the stakeholders.

The Company has always considered the health and safety of people and environmental protection as top priorities. We take a proactive approach to health, safety and environmental protection by monitoring our production process and products and continuously reviewing our policies. Further information about the Company's approach to sustainability is set out in the Health, Safety and Environmental Protection section of the Company's website.

Risk management

The Directors are responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. Page 22 sets out the Company's approach to risk management and lists those risks which are considered to have a serious adverse impact on the Company's performance.

Page 27 includes additional information about the Company's internal control system.

The Board

The primary function of the Board is to provide effective leadership and direction to enhance the long-term value of the Company to its shareholders and other stakeholders. The Board has overall responsibility for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, major funding and investment proposals, financial performance reviews, and corporate governance practices.

The Chief Executive ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year, Directors received updates from the Company Secretary and, if required, from external advisers on a number of corporate governance matters.

The Board consists in two Executive Directors and three Non-Executive Directors. The Board considers all the Non-Executive Directors to be independent.

The number of meetings attended by the Board are disclosed on page 26.

Directors

The Directors continue to remain satisfied that the Board is well balanced and that the Directors possess the sufficient breadth of skills, relevant experience, variety of backgrounds and knowledge to ensure the Board functions appropriately, without being dominated by any one Director. Details of qualities and capabilities that each Director brings to the Board are added in the Director biography section. Moreover, diversity is strongly considered ensuring the appropriate balance of the Board is developed.

Full biographies of each Director can be found on pages 18 and 19.

The Board keeps under review the skills required to effectively pursue the Company's strategy and discharge its duties. The Chief Financial Officer is also the Company Secretary; the Board does not feel that a full time Company Secretary is currently required but will keep this under review.

Board performance

The Board continually reflects on its performance to identify potential areas for improvement.

Ethical values and behaviours

The Board is committed to ensuring the highest legal and ethical standards and acknowledges its responsibilities in relation to corporate governance.

The Board has produced an Ethical Code which aims to ensure that the Company's employees conduct themselves respectfully and honestly in all their dealings with other employees as well as third parties including clients, suppliers, public institutions, the media, competitors and legal authorities.

Governance structure and processes

Delivering growth and long-term shareholder value with effective and efficient decision-making is of high importance to the Board.

There is a clear division of responsibilities between the Chairman, who is responsible for the effective leadership and smooth running of the Board, and the Chief Executive Officer who, with the other Executive Director, is responsible for the running of the Company.

The Company has established an Audit Committee and a Remuneration Committee. Both committees meet at least twice a year. Details of both committees and a report of the activities undertaken during the 2022 financial year can be found on pages 30 and 31.

Corporate governance report
continued

Board

The Board consists of two executive Director and three Non-Executive Directors. The Board considers all the Non-Executive Directors to be independent. The Board consists of four male Directors and one female Director. The current members of the Board and their membership on the Board committees of the Company are as follows:

	Board appointments				Board committees as Chair or member	
Name of Director	Executive Director	Non-Executive Director	Independent Director	Non-independent Director	Audit Committee	Remuneration Committee
Giulio Cesareo	✓	–	–	–	–	–
Giorgio Bonfanti	✓	–	–	–	–	–
Richard Hickinbotham*	–	✓	✓	–	–	Member
Wesley Clark	–	✓	✓	–	Member	–
Sarah Cope	–	✓	✓	–	Chair	Chair

**Richard Hickinbotham holds a total of 60,000 vested ordinary shares under a previous share option plan, a legacy from the initial remuneration package assigned following his appointment in 2017. The Remuneration Committee has no intention to issue any options to NED in the future. Based on this, he is considered an independent Director.*

The Board recognises the importance of ensuring the flow of complete, adequate and timely information on an ongoing basis to enable decisions to be made on an informed basis and to enable the Board to effectively discharge their duties and responsibilities. To allow Directors sufficient time to prepare for the meetings, all Board and board committee papers are distributed to Directors a week in advance of the meetings, with any additional material or information provided on request. Directors have unrestricted access to management and receive briefings from them, which enable the Directors to keep abreast of the latest developments. Furthermore, the Company has implemented the appropriate procedures to support Directors in obtaining independent professional advice at the expense of the Company as and when required. Directors receive regular updates in relation to changes in UK adopted accounting standard and regulation.

Committees

The Board has delegated certain functions to its two committees, the Audit Committee and the Remuneration Committee. These committees have their own written terms of reference and their actions are reported to and monitored by the Board. The Board accepts that while these committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board. The functions that typically refer to the Nomination Committee currently remain with the Board.

Time commitments

The Directors devote a sufficient amount of time in order to discharge their duties to the Company both at and outside of Board Meetings. In order to ensure continue this commitment the Board meet at least 6 times a year. In addition to the formal Board Meetings the Board will meet throughout the year as and when required for specific matters.

The time commitments of the Non-executive Directors are carefully reviewed by the Board and it is noted that Richard Hickinbotham, Sarah Cope and Wesley Clark devote at least 2 days a month to the Company. Details of the Directors' attendance at each of the scheduled Board and Committee Meetings for the 2022 financial year are listed below:

	Board meetings		Audit Committee meetings		Remuneration Committee meetings	
Name of Director	No. held	No. attended	No. held	No. attended	No. held	No. attended
Sir Peter Middleton	6	6	N/A	N/A	N/A	N/A
Giulio Cesareo	12	12	N/A	N/A	N/A	N/A
Giorgio Bonfanti	12	12	N/A	N/A	N/A	N/A
David Michael Gann	10	8	4	4	2	2
Neil William Warner	11	10	4	4	2	2
Richard Hickinbotham	12	12	2	2	1	1
Wesley Clark	2	2	N/A	N/A	N/A	N/A
Sarah Cope	1	1	N/A	N/A	N/A	N/A

Internal control

The Directors are responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The main features of the internal control system are as follows:

- close management of the business by the Executive Director. There are clearly delineated approval limits throughout the Company and a well-defined organisational structure. Controls are monitored at the appropriate level;
- monthly management accounts are prepared and reviewed by the Board, including reviewing variances against prior months and against budgets;
- clear segregation of duties within the Company's finance function help ensure the Company's assets are safeguarded and that proper financial records are maintained; and
- a list of matters is reserved for the approval of the Board.

The Company has adopted a share dealing code for the Directors and certain applicable employees, which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules for Companies) and the Company takes all reasonable steps to ensure compliance by the Directors and any relevant employees.

Going concern

The Group meets its working capital requirements through the receipt of revenues from the provision of its services and sale of products mainly in Europe, the management of capital and operating expenditure, from the working capital and other borrowing facilities available to it and from the issue of equity capital.

The Covid-19 pandemic and the conflict in Ukraine have been an additional cause of uncertainty over the macro-economic outlook, affecting both the political and business environment. These events have had a significant impact on global economies and markets, and on the operations and operational funding of companies experiencing widespread inflationary cost pressures and supply chain disruption.

In line with the global macro-economic environment and with its peers, the Group has been affected in 2022 by significant cost increases, primarily due to the direct and indirect impacts from energy costs, and also from supply chain disruption affecting customer scheduling. However, there are increased signs of a stabilising environment in 2023, with inflation forecast to fall materially and global supply chains normalising.

Management believes that the Group has the systems and protocols in place to address the challenges, however at the date of approval of these financial statements it is not clear how long the current circumstances are likely to last and what the long-term impact will be.

The Group's held cash and cash equivalents of Euro 5.73 million at 31 December 2022 and is currently funded through Euro 39.39 million of shareholder equity and Euro 2.15 million of loans and bank debt, which is repayable in five years.

The Directors prepared a cash flow forecast for the period to December 2024 to assess if there is sufficient liquidity in place to support the plan and strategy for the future development of the business. This forecast showed that the Group will have sufficient financial headroom for the entire forecast period.

The Directors also modelled reasonably plausible downside scenarios. These include scenarios which reflect the loss of major contracts, reduction in margin and delays contracts being executed. Each of these scenarios could adversely impact the Group. Management also modelled the impact of mitigating factors within their control, including delaying capital expenditure and additional reductions in costs in order to maintain sufficient liquidity. Under these reasonably plausible downsides, the Group would expend its cash resources before December 2024 and require additional funding. While the Group successfully raised £7m in 2021 that was fully subscribed by existing and new investors, there is no certainty that the Group will be able to raise further funds through the issue of equity in the future. As a consequence, this represents a material uncertainty that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Based on the analysis above, the Directors have a reasonable expectation that the Group has adequate resources to support the Group's activities for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Richard Hickinbotham
Non-Executive Chairman
9 May 2023

Directors' remuneration report

The Company is not required to prepare a Directors' remuneration report for each financial year and so the Company makes the following disclosure voluntarily.

The Remuneration Committee is responsible for recommending the remuneration and other terms of employment for the Executive Directors of Directa Plus plc.

In determining remuneration for the year, the committee has given consideration to the requirements of the QCA code.

Remuneration policy

The objective of the remuneration policy is to attract, retain and motivate high calibre executives to deliver outstanding shareholder returns and at the same time maintain an appropriate compensation balance with the other employees of the Group.

Directors' remuneration

The normal remuneration arrangements for Executive Directors consists of base salary, performance bonuses and other benefits as determined by the Remuneration Committee. Each of the Executive Directors has a service agreement that can be terminated at any time by either party giving notice, the length of such notice period being determined pursuant to the applicable National Collective Bargaining Agreement (NCBA), governed by Italian law, depending upon accrued length of service.

Non-Executive Directors are remunerated solely in the form of Director fees determined by the Board and are not entitled to pensions, annual bonuses or employee benefits. Each of the Non-Executive Directors' appointment may be terminated by either party giving three months' prior written notice.

Directors are not involved in specific discussions on their own remuneration.

Given the adverse market conditions, inflation cost pressures and issues on the supply chain experienced during the year, in 2022 the Remuneration Committee, in agreement with Management, decided not to pay any bonus awards to the Group's executive team. Despite some personal targets being achieved during the year, the Group deemed it to be a proper decision in order not to overload the cost structure even more.

The remuneration of the Directors, in Euros, for the year ended 31 December 2022 was as follows:

2022	Salary/Fees €'000	Bonus €'000	National Insurance contributions €'000	Pension contributions €'000	**Total emoluments 2022 €'000**
Non-Executive Chairman					
Sir Peter Middleton*	35	–	–	–	**35**
Richard Hickinbotham	61	–	–	–	**61**
Executive					
Giulio Cesareo	296	–	11	99	**406**
Giorgio Bonfanti	122	–	8	29	**159**
Non-Executive					
David Gann*	46	–	–	–	**46**
Neil Warner*	46	–	–	–	**46**
Wesley Clark*	10	–	–	–	**10**
Sarah Cope*	5	–	–	–	**5**
Total	621	–	19	128	**768**

** Sir Peter Middleton resigned from the Board on 17 June 2022*
David Gann resigned from the Board on 17 October 2022
Neil Warner resigned from the Board on 21 November 2022
Wesley Clark was appointed as a Board member on 17 October 2022
Sarah Cope was appointed as a Board member on 21 November 2022

2021	Salary/Fees €'000	Bonus €'000	National Insurance contributions €'000	Pension contributions €'000	Total emoluments 2021 €'000
Non-Executive Chairman					
Sir Peter Middleton	71	–	–	–	71
Executive					
Giulio Cesareo	292	129	11	95	527
Giorgio Bonfanti*	14	29	1	3	47
Non-Executive					
David Gann	43	–	–	–	43
Neil Warner	43	–	–	–	43
Richard Hickinbotham	43	–	–	–	43
Total	506	158	12	98	774

** Giorgio Bonfanti was appointed as a Board member on 16 November 2021. The emoluments shown refer to the period of Directorship between 16 November 2021 and 31 December 2021*

At 31 December 2022 the Directors' interests in the ordinary share capital of the Company were as follows:

Directors' interests

Director	Number of ordinary shares	Percentage of issued share capital	Number of vested ordinary shares under option	Number of unvested ordinary shares under option
Giulio Cesareo*	3,958,228	5.99	400,000	200,000
Giorgio Bonfanti	–	–	34,000	116,000
Richard Hickinbotham	100,000	0.15	60,000	–
Wesley Clark	–	–	–	–
Sarah Cope	–	–	–	–

** Giulio Cesareo and his family are the sole beneficiaries of 3,958,228 ordinary shares held by Galbiga Immobiliare S.r.l. that are included in the above holding of ordinary shares.*

The Chairman holds a total of 60,000 vested ordinary shares under a previous share option plan, a legacy from the initial remuneration package assigned to Non-Executive Directors in the context of the Company's IPO in 2016 and following his appointment as a Non-Executive Director in 2017. There have been no additional option awards under the NED share scheme which was subject only to market conditions, with an exercise price of 75 pence/share. The Remuneration Committee and the Board of Directors have no intention of issuing share options to Non-Executive Directors in the future.

The terms of the share options plans in place are reported in Note 25.

Audit Committee report

Membership

The Board has established an Audit Committee with the appropriate Terms of Reference, which is comprised of Sarah Cope (chair) and Wesley Clark. The Committee reports to the Board in respect of its responsibilities.

Responsibilities

The Committee met four times in 2022 to discuss its ongoing responsibilities, including such matters as the existing risk management and internal control systems in place, its financial reporting obligations and external audit findings.

An outline of the key responsibilities undertaken by the Committee in the year are set out below:

- review of the Annual and Interim Accounts;
- review of the Auditor's Report and meeting with the Auditor;
- review of the going concern assumption in line with management's cash flow forecasts;
- performance of sensitivity analysis on the assumptions included within the forecast; and
- matching results against management forecasts for the year ended 31 December 2022.

Internal controls

The Committee continues to monitor and review the Company's financial reporting and internal control procedures. It has been concluded that a separate internal audit function is not justified at this time because of the size and scope of the Company's business activities. However, as the company continues to grow the need for this function will be regularly assessed.

External audit

The Board understands the importance of engaging with the external auditors and in order to support this relationship the external auditor is invited to attend at least one meeting of the Audit Committee each year.

The Committee maintains the responsibility of making recommendations to the Board in respect of the appointment, reappointment and removal of the external auditors. In the reappointment of the Committee the Board carefully considers their performance in discharging the audit, the terms of engagement, and their independence.

Sarah Cope
Chair of the Audit Committee

Remuneration Committee report

Membership

The Board has established a Remuneration Committee with approved Terms of Reference, which is comprised of Sarah Cope (Chair) and Richard Hickinbotham. The Committee reports to the Board in respect of its responsibilities.

Responsibilities

The Committee met twice in 2022 to discuss its ongoing responsibilities, including such matters as recommendations to the Board on all aspects and policies relating to the remuneration of Executive Directors and Senior Managers of the Company.

An outline of the key responsibilities undertaken by the Committee in the year are set out below:

- the setting of financial and personal performance targets for the Executive Directors and Senior Managers of the Company;
- approval of annual bonus awards, determined against Company (60% of total) and individual performance targets. Despite some individual performance targets were met at year end, the Remuneration Committee, in agreement with Management, decided not to pay any bonus awards in order not to overload the Group's cost structure;
- an annual review of remuneration for all Executive Directors and Senior Managers of the Company; and
- a review of the terms of the NED Share Option Scheme to include provisions for good leavers and illness.

Sarah Cope
Chair of the Remuneration Committee

Independent auditor's report

to the members of Directa Plus Plc

Opinion on the financial statements

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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and 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.

We have audited the financial statements of Directa Plus Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated Statement of changes in Equity, the Company Statement of changes in Equity, the Consolidated and Company statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements that indicates that under reasonably plausible downside scenarios the Group could exhaust its cash resources before December 2024, and therefore be required to raise additional funding, which has been successfully raised through equity in recent years. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We have highlighted going concern to be a key audit matter having considered the Group is loss making, utilised Euro 5.4 million of cash in 2022 and had a cash balance at 31 December 2022 of Euro 5.7 million.

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

Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- We obtained management's cash flow forecast for the period to 31 December 2024, and through recalculation tested the integrity of their model;
- We validated the €4.2 million March 2023, cash position by agreeing it to bank statement, to test management's accuracy in forecasting cash reserves;
- We confirmed amounts drawn on the revolving credit line to be €408k, providing a buffer of another €392k available to the Group to draw upon;
- We assessed the consistency of the cash flow forecast with the Board approved budget and challenged the key assumptions used to prepare the forecast;
- We challenged managements accuracy on forecasting assumptions in the model to assess the Group's future ability to generate cash flows by comparing forecast Earnings Before Interest and Tax ("EBIT") to 2022 actuals and obtained explanation for variances;
- We obtained and challenged Management's sensitivities and reverse stress tests against our own downside scenarios, which were performed to determine the point at which liquidity breaks. The key inputs and assumptions assessed included reducing and delaying future revenue and reducing margin;
- We discussed the potential impact of the Ukrainian conflict with management and the Audit Committee including the impact on operations to date and their assessment of the associated continued risks and uncertainties to ensure these were appropriately factored into sensitivities and reverse stress tests; and
- We reviewed the adequacy and completeness of disclosures in the consolidated financial statements in respect of going concern based on the management's going concern assessment.

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

Overview

Coverage	• 98% (2021: 99%) of Group profit before tax • 99% (2021: 100%) of Group revenue • 96% (2021: 97%) of Group total assets		
Key audit matters		2022	2021
	Revenue Recognition	X	X
	Going Concern	X	
Materiality	Group financial statements 2022: €150,000 based on 1.5% of revenue (2021: €129,000 based on 1.5% of revenue) The materiality benchmark has been applied consistently with the last year.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group comprises of the UK Parent Company and a number of subsidiaries, which are incorporated in Italy and Romania. Full scope audits were performed over the Group's significant components comprising Directa Plus PLC, Directa Plus S.p.A and Sectar S.A. Specific audit procedures on significant risks were carried out on Directa Textiles Solutions Srl by a local BDO network member firm in Italy under our instructions. The audits of the Italian and Romanian significant components were performed in Italy and Romania respectively by local BDO network member firms under our instruction as outline below. The audits of the Parent Company and Group consolidation were performed in the United Kingdom by the Group audit team.

The remaining component of the Group was considered non-significant and its financial information was principally subject to analytical review procedures and obtaining bank confirmation, which was performed by the Group team.

Our involvement with component auditors

For the work performed by the component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- The Group audit team was actively involved in the direction and supervision of the audits performed by the component auditors along with the consideration of findings and determination of conclusions drawn;
- As part of our audit strategy, we issued detailed group instructions to component auditors detailing the our risk assessment and audit procedures to be performed; and
- We visited the Italy Component where we performed a detailed review of their audit files and attended local clearance meetings with them and management.

We performed a detailed review of the Romanian component auditor working papers and attended local clearance meetings with them and management remotely.

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, including 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.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Independent auditor's report

continued

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition The applicable accounting policies are detailed in Note 2 (j) and disclosures in Note 3 and the applicable judgements applied in Note 1(d).	
The Group earned revenue of €10.86m (2021: €8.62m) in the year ended 31 December 2022. A significant portion of the revenue generated relates to two components, Directa Plus S.p.A and Setcar S.A. In accordance with applicable auditing standards, revenue recognition was presumed to be a matter giving rise to significant risk of material misstatement in the financial statements. This consideration was further heightened by the fact that there are various revenue streams, being the sale of goods and the provision of environmental service, which exist within the Group as well as the wide geographic dispersion of sales. Due to the fact there are multiple revenue streams and revenue is recognised both at a point in time and over time, revenue recognition represented a significant audit risk and a key focus area for our audit.	Our procedures included the following: • We reviewed the Group revenue recognition policy to confirm that this is in line with both IFRS 15 Revenue from Contracts with Customers and industry practices; • We reviewed consistency of application of methods of revenue recognition in accordance with Group's accounting policies; • In respect revenue from the sale of products that is recognised at a point in time, we agreed a sample of sales in the year to sales invoices issued to customers and goods delivery notes to check revenue was recognised appropriately; • In respect of revenue from services provided, that is recognised over time, we obtained evidence from customers, such as receipt and acceptance of contractors' reports that performance obligations had been met for revenue recognised; • We selected a sample of recorded sales from either side of the year-end for purposes of cut-off testing and agreed these to sales invoices, delivery documents and customer confirmation of service completed to check that sales were recognised in the correct period; and • Inspected a sample of credit notes issued during the year and post year end to check that these had been issued appropriately against revenue recorded in the period the credit note related to.
Key observations Overall, based on these procedures, we consider revenue recognition to be appropriate.	

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2022	2021	2022	2021
Materiality	€150,000	€129,000	€60,000	€55,000
Basis for determining materiality	1.5% of revenue at the planning stage	1.5% of revenue	2% of net assets capped at 40% of Group Materiality	2% of net assets capped at 43% of Group Materiality
Rationale for the benchmark applied	Revenue has been selected as we consider it to be the most relevant benchmark as the Group has entered into mainstream trading and service related business activities.		Directa Plus Plc is a holding company with investments in subsidiaries. We have therefore considered net assets to be the most appropriate benchmark. Materiality was capped at a percentage of Group materiality given the assessment of the component's aggregation risk.	
Performance materiality	€110,000	€100,000	€45,000	€41,000
Basis for determining performance materiality	75% of materiality and considering factors such as the nature of activities and historic audit adjustments.			

Component materiality

We set materiality for each component of the Group based on a percentage of between 40% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from €60,000 to €140,000. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of €3,000 (2021: €3,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the consolidated financial statements 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Independent auditor's report

continued

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below:

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and 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. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which 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 Directors

As explained more fully in the Statement of Directors' responsibilities, 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 the 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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:

- Holding discussions with management and the audit committee to consider any known or suspected instances of non-compliance with laws and regulations or fraud identified by them;
- Gaining an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, through discussion with management and the audit committee and our knowledge of the industry;
- Considering the significant laws and regulations of Italy, Romania and the UK to be those relating to the industry, financial reporting framework, tax legislation and the listing rules;

- Assessing the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur and determined these areas to be management override of control, bias in accounting estimates and the risk of fraud in revenue recognition;
- In response to the risk of fraud in revenue recognition, the procedures set out in the key audit matters section above;
- Testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud, obtaining support for the transactions under the criteria applied and considering the nature of the transaction;
- Performing a detailed review of the Group's year-end adjusting entries and investigating any that appear unusual as to nature or amount and agreeing to supporting documentation;
- For significant and unusual transactions, particularly those occurring at or near year-end, obtaining evidence for the rationale of transactions and agreeing them to the financial resources supporting the transactions;
- Assessing whether the judgements made in accounting estimates were indicative of a potential bias;
- Reviewing minutes from board meetings of those charges with governance to identify any instances of non-compliance with laws and regulations; and
- Directing the auditors of the significant components to ensure an assessment is performed on the extent of the components compliance with the relevant local and regulatory framework. Reviewing this work and holding meetings with relevant internal management and external third parties to form our own opinion on the extent of Group wide compliance.

We also communicated relevant identified laws and regulations and identified fraud risks to all engagement team members and component auditors who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Acloque (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kindgom

9 May 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Note	31 Dec 2022 €	31 Dec 2021 €
Continuing operations			
Revenue	3	10,856,144	8,615,098
Other income	3/4	424,926	831,405
Changes in inventories of finished goods and work in progress		(191,510)	12,960
Raw materials and consumables used	6	(5,856,661)	(3,634,311)
Employee benefits expenses	7	(4,424,087)	(4,296,955)
Depreciation and amortisation	11/12	(1,403,933)	(1,543,567)
Other expenses	8	(4,421,177)	(3,516,424)
Results from operating activities		(5,016,298)	(3,531,794)
Finance income	9	5,904	221,622
Finance expenses	9	(317,804)	(74,681)
Net finance costs		(311,900)	146,941
Loss before tax		(5,328,198)	(3,384,853)
Tax (expense)/income	10	53,197	(44,620)
Loss after tax from continuing operations		(5,275,001)	(3,429,473)
Loss of the year		(5,275,001)	(3,429,473)
Other comprehensive income items that will not be reclassified to profit or loss			
Defined Benefit Plan re-measurement gains and losses	20	(6,790)	(6,457)
Other comprehensive expense for the year (no tax impact)		(6,790)	(6,457)
Total comprehensive expense for the year		(5,281,791)	(3,435,930)
Loss attributable to			
Owner of the Parent		(4,822,044)	(3,652,364)
Non-controlling interests		(452,957)	222,891
		(5,275,001)	(3,429,473)
Total comprehensive expense attributable to:			
Owners of the Company		(4,828,834)	(3,658,821)
Non-controlling interests		(452,957)	222,891
		(5,281,791)	(3,435,930)
Loss per share			
Basic loss per share	24	(0.07)	(0.06)
Diluted loss per share	24	(0.07)	(0.06)

The notes on pages 42 to 70 form part of these financial statements.

Consolidated and Company statement of financial position

for the year ended 31 December 2022

		Group		Company	
	Note	31 Dec 22 €	31 Dec 21 €	31 Dec 22 €	31 Dec 21 €
Assets					
Intangible assets	11	1,664,666	1,792,277	–	–
Investments	13	–	–	30,260,336	25,680,336
Property, plant and equipment	12	3,861,151	3,982,966	–	–
Other receivables	14	69,720	185,623	–	–
Non-current assets		5,595,537	5,960,866	30,260,336	25,680,336
Inventories	5	1,121,912	1,370,875	–	–
Trade and other receivables	14	4,115,846	3,305,493	114,884	205,291
Cash and cash equivalent	16	5,727,768	11,130,468	3,787,989	9,430,364
Current assets		10,965,526	15,806,836	3,902,873	9,635,655
Total assets		16,561,063	21,767,702	34,163,209	35,315,991
Equity					
Share capital	17	205,469	205,393	205,469	205,393
Share premium	17	39,181,789	39,159,027	39,181,789	39,159,027
Foreign currency translation reserve	17	(39,161)	(23,109)	–	–
Retained earnings	17	(30,069,844)	(25,352,139)	(5,346,322)	(4,220,247)
Equity attributable to owners of Group		9,278,253	13,989,172	34,040,936	35,144,173
Non-controlling interests	17	1,546,887	2,041,938	–	–
Total equity		10,825,140	16,031,110	34,040,936	35,144,173
Liabilities					
Loans and borrowings	18	1,378,141	2,403,881	–	–
Lease liabilities	19	395,260	463,047	–	–
Employee benefits provision	20	554,444	500,535	–	–
Other payables	21	64,366	64,357	–	–
Deferred tax liabilities	15	33,095	89,497	–	–
Non-current liabilities		2,425,306	3,521,317	–	–
Loans and borrowings	18	767,677	65,840	–	–
Lease liabilities	19	239,068	217,537	–	–
Trade and other payables	21	2,112,875	1,931,898	122,273	171,818
Provision	22	190,997	20,000	–	–
Current liabilities		3,310,617	2,215,275	122,273	171,818
Total liabilities		5,735,923	5,736,592	122,273	171,818
Total equity and liabilities		16,561,063	21,767,702	34,163,209	35,315,991

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company loss after tax for the year was €1,200,138 (2021: €709,825).

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

Giulio Cesareo
Chief Executive Officer
9 May 2023

Company registered number: 04679109

The notes on pages 42 to 70 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2022

	Share capital €	Share premium €	Foreign currency translation reserve €	Retained earnings €	Total €	Non-controlling interests €	Total equity €
Balance at 31 December 2020	190,996	31,395,612	(7,015)	(21,824,229)	9,755,364	906,885	10,662,249
Total comprehensive (expense)/income for the year							
Loss of the year	–	–	–	(3,652,364)	(3,652,364)	222,891	(3,429,473)
Total other comprehensive (expense)/income	–	–	–	(6,457)	(6,457)	–	(6,457)
Total comprehensive (expense)/income for the period	–	–	–	(3,658,821)	(3,658,821)	222,891	(3,435,930)
Capital raised	14,397	8,306,293	.-	–	8,320,690	–	8,320,690
Expenditure related to the issuance of shares	–	(542,878)	–	–	(542,878)	–	(542,878)
Translation reserve	(16,094)	–	(16,094)	–	(16,094)		
Share-based payment	–	–	–	130,910	130,910	–	130,910
Increase in share capital of Setcar	–	–	–	–	–	912,162	912,162
Balance at 31 December 2021	205,393	39,159,027	(23,109)	(25,352,139)	13,989,172	2,041,938	16,031,110
Total comprehensive (expense)/income for the year							
Loss of the year	–	–	–	(4,822,044)	(4,822,044)	(452,957)	(5,275,001)
Total other comprehensive (expense)/income	–	–	–	(6,790)	(6,790)	–	(6,790)
Total comprehensive (expense)/income for the period	–	–	–	(4,828,834)	(4,828,834)	(452,957)	(5,281,791)
Capital raised and exercise of share option	76	22,762	.	22,838	–	22,838	
Expenditure related to the issuance of shares	–	–	–	–	–	–	–
Translation reserve	–	–	(16,052)	–	(16,052)	–	(16,052)
Share-based payment	–	–	–	111,130	111,130	–	111,130
Increase in share capital of Setcar	–	–	–	–	–	(42,094)	(42,094)
Balance at 31 December 2022	**205,469**	**39,181,789**	**(39,161)**	**(30,069,844)**	**9,278,253**	**1,546,887**	**10,825,140**

Company statement of changes in equity

for the year ended 31 December 2022

	Share capital €	Share premium €	Retained earnings €	Total equity €
Balance at 31 December 2020	190,996	31,395,612	(3,573,130)	28,013,478
Loss for the year	–	–	(709,825)	(709,825)
Capital raised	14,397	8,306,293	–	8,320,690
Expenditure related to the issuance of shares	–	(542,878)	–	(542,878)
Share-based payment	–	–	62,708	62,708
Balance at 31 December 2021	205,393	39,159,027	(4,220,247)	35,144,173
Loss for the year	–	–	(1,200,138)	(1,200,138)
Capital raised and exercise of share option	76	22,762	–	22,838
Expenditure related to the issuance of shares	–	–	–	–
Share-based payment	–	–	74,063	74,063
Balance at 31 December 2022	**205,469**	**39,181,789**	**(5,346,322)**	**34,040,936**

The notes on pages 42 to 70 form part of these financial statements.

Consolidated and Company statement of cash flows

for the year ended 31 December 2022

		Group		Company	
	Note	31 Dec 22 €	31 Dec 21 €	31 Dec 22 €	31 Dec 21 €
Cash flows from operating activities					
Loss for the year before tax		(5,328,198)	(3,384,853)	(1,200,138)	(709,825)
Adjustments for:					
Depreciation	12	861,127	994,021	–	–
Amortisation of intangible assets	11	542,806	549,547	–	–
Disposal loss on tangible assets		20,508	–	–	–
Share-based payment expense	7	111,130	130,910	74,063	62,708
Finance income	9	(5,904)	(221,622)	207,776	(211,056)
Finance expense		303,044	56,524	2,042	988
Interest of lease liabilities	9	14,760	18,157	–	–
Other provision	21	190,997	–	–	–
		(3,289,730)	(1,857,316)	(916,257)	(857,185)
(Increase)/decrease in:					
– inventories		248,963	5,072	–	–
– trade and other receivables	14	(694,450)	(493,008)	90,407	(39,029)
– trade and other payables		120,918	(1,207,601)	(49,545)	55,073
– provisions and employee benefits		28,819	37,457	–	–
Net cash from operating activities		(3,585,480)	(3,515,396)	(875,395)	(841,141)
Cash flows from investing activities					
Interest received	9	5,904	1,616	–	–
Investment in intangible assets		(415,195)	(299,056)	–	–
Investment in subsidiary	13	–	–	(4,580,000)	(2,000,000)
Contingent consideration	21	–	(572,268)	–	–
Acquisition of property, plant and equipment		(759,821)	(767,719)	–	–
Net cash used in investing activities		(1,169,112)	(1,637,427)	(4,580,000)	(2,000,000)
Cash flows from financing activities					
Proceeds from Capital raise and exercise of share options	17	22,838	8,320,690	22,838	8,320,690
Expenditure related to the issuance of shares	17	–	(542,878)	–	(542,878)
Interest paid	9	(97,456)	(45,426)	(2,042)	(988)
New borrowings	18	988,938	1,511,719	–	–
Repayment of borrowings	18	(1,312,840)	(81,666)	–	–
Repayment of lease liabilities		(223,197)	(179,646)	–	–
New lease liabilities		191,700	–	–	–
Net cash from/(used in) financing activities		(430,017)	8,982,793	20,796	7,776,824
Net increase/(decrease) in cash and cash equivalent		(5,184,609)	3,829,970	(5,434,599)	4,935,683
Cash and cash equivalent at beginning of the year		11,130,468	7,080,492	9,430,364	4,283,625
Exchange (losses)/gains on cash and cash equivalents		(218,091)	220,006	(207,776)	211,056
Cash and cash equivalent at end of the year		5,727,768	11,130,468	3,787,989	9,430,364

The notes on pages 42 to 70 form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2022

1. Basis of preparation

a) Statement of compliance

These consolidated and parent Company financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IFRSs). The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, unless otherwise stated.

All notes, except as otherwise indicated, are presented in Euros ("€").

I. Going Concern

As of 31 December 2022, the Group (including the Company) had net assets of €10.83m (2021: €16.03m) and cash and cash equivalent of €5.73m (2021: €11.13m).

The Directors are aware that there is an ongoing need to monitor closely the cash flow requirements of the Company and Group, particularly in light of the recent developments in the markets due to the Covid-19 pandemic, the war in Ukraine and inflation trends, which have had a significant impact on global economies and could affect the business. In this regard, the Group prepares annual budgets and forecasts in order to ensure that there is sufficient liquidity to meet liabilities and commitments as they fall due. The Directors regularly review updates to the scenario planning such that the Board can put in place appropriate mitigating actions that are within their control.

The Directors prepared a cash flow forecast for the period 2023-2024 to ensure that there is sufficient liquidity in place to support the plan and strategy for the future development of the business. This forecast showed that the Group will have sufficient financial headroom for the entire forecast period.

The Directors also modelled reasonably plausible downside scenarios. These include scenarios which reflect the loss of major contracts, reduction in margin and delays contracts being executed. Each of these scenarios could adversely impact the Group. Management also modelled the impact of mitigating factors within their control, including delaying capital expenditure and additional reductions in costs in order to maintain sufficient liquidity. Under these reasonably plausible downsides, the Group would utilise its cash resources before December 2024 and require additional funding. While the Group successfully raised £7m in 2021 that was fully subscribed by existing and new investors, there is no certainty that the Group will be able to raise further funds through the issue of equity in the future. As a consequence, this represents a material uncertainty that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Based on the analysis above, the Directors have a reasonable expectation that the Group has adequate resources to support the Group's activities for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

b) Basis of consolidation

I. Business combination

The Group accounts for business combination using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair value of the assets acquired, liabilities incurred or assumed, and equity instruments issued. Costs attributable to the business combination are expensed as incurred.

The acquiree's identifiable assets and liabilities which meet the recognition conditions are recognised at the fair values at the acquisition date.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date that arises from past events and its fair value can be measured reliably.

Any difference arising between the fair value and the tax base of the acquiree's assets and liabilities that give rise to a taxable or deductible difference results in the recognition of a deferred tax liability or asset.

Non-controlling interest arising from a business combination is measured at their share of the fair value of the assets and liabilities of the acquiree.

Goodwill is not amortised, but it is tested on an annual basis for impairment.

II. Subsidiaries

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

1. Basis of preparation continued

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

IV. Non-controlling interest
Non-controlling interest in the net assets of the consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share changes in equity since the date of the combination. The non-controlling interest's share of losses, where applicable, are attributed to the non-controlling interests irrespective of whether the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

c) Functional and presentation currency
These financial statements are presented in Euro ("€") and is considered by the Directors to be the most appropriate presentation currency to assist the users of the financial statements. The functional currency of the Company and of the Italian operating subsidiaries is Euro ("€"). The functional currency of the Romanian subsidiary is Romanian Leu.

d) Use of estimates and judgements
The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period.

Critical estimates and judgements that have the most significant effect on the amounts recognised in the financial statements and/or have a significant risk of resulting in a material adjustment within the next financial year are as follows.

e) Estimates

I. Valuation of share based payments
The estimation related to share-based payment expenses includes the selection of an appropriate valuation option pricing model, consideration as to the inputs necessary for the valuation model chosen, and the estimation of the number of awards that will ultimately vest. Inputs subject to estimation relate to the future volatility of the share price which has been estimated based on the historical observed volatility from trading in the Company's shares, over a historical period of time between the date of the grant and the date of exercise. Management has used a Monte-Carlo model to calculate the fair value of the awards which include market based performance conditions. Further disclosure of inputs relevant to the calculations is set out in Note 24 to the financial statements.

II. Carrying value of goodwill
The carrying value of goodwill, and the cash generating units (CGUs) to which it relates, is assessed annually for impairment through comparing the recoverable amount to the CGU's carrying value. The value in use calculations require estimates in relation to uncertain items, including management's expectations of future revenue growth, operating costs, profit margins, operating cash flows and the discount rate applied. Future cash flows used in the value in use calculations are based on our latest two-year financial plans. Expectations about future growth reflect expectations of growth in the markets applicable to the group. The future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money. The discount rate used is adjusted for the specific risk to the group, including the countries to which cash flows will be generated. Further disclosure of evaluations is set out in Note 11 to the financial statements.

III. Valuation of inventory
Inventories are stated at the lower of cost or net realisable value. The cost of inventories comprises of net prices paid for materials purchased, production labour cost and factory overhead. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Inventory provisions are recognised for slow-moving, obsolete or unsalable inventory and are reviewed on a six-monthly basis. The valuation of Inventory includes key estimates and judgments made by Management including normal production capacity, market demand and selling opportunities. If actual demand or usage were to be lower than estimated, inventory provisions for excess or obsolete inventory may be required.

Notes to the consolidated financial statements

continued

1. Basis of preparation continued

IV. Investments

Judgement is required over the recoverability of any amounts invested into subsidiary companies, management estimates the expected future cash flows that might be generated by the underlying operations and the potential value of the assets owned and managed by these subsidiaries. As each of the subsidiaries are owned (directly or indirectly) by the Company the creditworthiness of the subsidiary is the same as the creditworthiness of the Company. Further details are set out in Note 13.

V. Revenue recognition and long-term contract accrued income

The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors.

The determination of anticipated revenues includes the contractually agreed revenue and may also involve estimates of future revenues from claims and unapproved variations, if such additional revenues can be reliably estimated and it is considered probable that they will be recovered.

A variation results from a change to the scope of the work to be performed compared to the original contract signed. An example of such contract variation could be a change in the project specification, whereby costs related to such variation might be incurred prior to the client's formal contract amendment signature. A claim represents an amount expected to be collected from the client or a third party as reimbursement for costs incurred that are not part of the original contract.

A modification is only then accounted for as a separate contract if the goods and services are distinct in that the customer can benefit from the good or service on its own. In both cases, management's judgments are required in determining the probability that additional revenue will be recovered from these variations and in determining the measurement of the amount to be recovered. As risks and uncertainties are different for each project, the sources of variations between anticipated costs and actual costs incurred will also vary for each project. The long-term nature of certain arrangements usually results in significant estimates related to scheduling and prices. The determination of estimates is based on internal policies as well as historical experience. Furthermore, management regularly reviews underlying estimates of project profitability.

VI. Onerous contract provision

The determination of the minimum unavoidable loss to complete a contract is based on estimates that could be affected by a variety of factors including cost of materials, cost of labour, productivity and variations. Management reviews all contracts on a regular basis to identify indications that a contract may be onerous. Where sufficient evidence exists that a contract will be onerous Management provide for the total anticipated loss on the contract immediately

2. Significant accounting policies

a) Functional currency

The financial statements of each Group company are measured using the currency of the primary economic environment in which that company operates (the functional currency). The consolidated financial statements record the results and financial position of each Group company in Euro, which is the functional currency of the Company and the presentational currency for the consolidated financial statements.

I. Transaction and balances

Transactions in foreign currencies are converted into the respective functional currencies at initial recognition, using the exchange rates at the transaction date. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling at the reporting date. Non-monetary assets and liabilities are not retranslated. All exchange differences are recognised in profit or loss. On consolidation, the results of overseas operations not in Euro are translated at the rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at closing rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

b) Financial instruments

There are no other categories of financial assets other than those listed below:

I. Trade and other receivables and amounts due from subsidiaries

Trade and other receivables and amounts due from subsidiaries are recognised and carried at the original invoice amount less any provision for impairment.

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets that are measured at amortised cost which comprise mainly of trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

2. Significant accounting policies continued

The Group always recognises lifetime ECL on trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

II. Cash and cash equivalents

Cash and cash equivalents comprise demand deposits with an original maturity of up to 3 months which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

There are no other categories of financial liabilities other than those listed below:

III. Trade and other payables

Trade payables are stated at their amortised cost.

IV. Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. At initial recognition, financial liabilities are measured at their fair value, minus transaction costs that are directly attributable, and are subsequently measured at amortised cost.

An equity instrument is any contract that evidences a residual interest in the asset of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

V. Leases

On commencement of a contract which gives the Group the right to use assets for a period of time in exchange for consideration, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payment made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payment unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reducing for payment made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

c) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are netted off against share premium.

d) Property, plant and equipment

I. Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation, Government grants received (where applicable) and accumulated impairment losses.

Costs capitalised include expenditure that are directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) are recognised in profit or loss.

II. Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Notes to the consolidated financial statements
continued

2. Significant accounting policies continued

III. Depreciation
Items of property, plant and equipment are depreciated on a straight-line basis in the statement of comprehensive income over the estimated useful lives of each component.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives of significant items of property, plant and equipment are as follows:

- IT equipment from 3 to 5 years.
- Industrial equipment, office equipment and plant and machinery from 5 to 10 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted where appropriate.

e) Intangible assets
Intangible assets are measured at cost less accumulated amortisation and Government grants received (where applicable). The carrying value of intangible assets is reviewed annually for impairment.

Patent rights acquired and development expenditure are recognised at cost.

Expenditure on internally developed products is capitalised if it can be demonstrated that:
- it is technically feasible to develop the product;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the period the Group expects to benefit from selling the products developed (Useful Economic Life). The amortisation expense is included within the cost of sales in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

I. Amortisation
- Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful lives of significant intangible assets are as follows:
- Patents concerning G+® technology generate significant value to the Group over a period of 20 years, in line with the legal duration of the patent and their useful lives. However, given the risk of technical obsolescence, such costs are amortised over a period of 10 years.
- Brand: 5 years.
- Development costs concerning personnel capitalised: 5 years.
- Others: 5 years.

f) Inventories
Inventories are stated at the lower of cost or net realisable value. The cost of inventories comprises of net prices paid for materials purchased, production labour cost and factory overhead. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Inventory provisions are recognised for slow-moving, obsolete or unsalable inventory and are reviewed on a six months basis.

2. Significant accounting policies continued

g) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

h) Impairment

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGUs). The Group's CGUs generally align with each subsidiary. The recoverable amount is then estimated. The recoverable amount of an asset or a CGU is the greater of its net present value and its fair value less costs to sell.

Net present value is generally computed as the present value of the future cash flows, discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

i) Employee benefits

Defined benefit scheme surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- Unrecognised past service costs; less
- The effect of minimum funding requirements agreed with scheme trustees.

Remeasurements of the net defined obligation are recognised directly within equity. The remeasurements include:

- Actuarial gains and losses.
- Return on plan assets (interest exclusive).
- Any asset ceiling effects (interest exclusive).

Service costs are recognised in profit or loss and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (income) is recognised in profit or loss and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Notes to the consolidated financial statements
continued

2. Significant accounting policies continued

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

For more information please see Note 20.

j) Revenues

The Group operates diverse businesses and accordingly applies different methods for revenue recognition, based on the principles set out in IFRS 15.

The revenue and profits recognised in any reporting period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer. In determining the amount of revenue and profits to record, and associated balance sheet items, management is required to review performance obligations within individual contracts. This may involve some judgemental areas.

Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Group has promised to transfer to the customer.

- Revenues from sale of graphene-based products are typically recognised at a point in time when goods are delivered to the customer as with this, the customer gains the right of control over the goods. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer.
- Revenues from services relates mainly to environmental services provided by Setcar which are recognised:
  - At a point in time basis when contracts include an obligation to process waste once the process occurred according with the contract in place.
  - At the point in time when the waste is delivered to our platform with no further performance obligations.
  - Over time in accordance with agreed project milestones being delivered.

Fixed price long-term service agreements are recognised over time according to the stage of completion reached in the contract by measuring the proportion of costs incurred for work performed relative to the total estimated costs.

The Group excludes the measure of progress of any goods or services for which the entity has not transferred control to a customer, such as costs which are excluded from the progress measurement including those costs related to inefficiencies or unproductive time.

Contract costs are recognised in the income statement when incurred. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised immediately. As per IAS 37 an onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In line with the principles of IAS 37 the loss will be recognised if there is a present obligation, payment is probable and the amount can be estimated reliably. The amount recognised will be the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

k) Government grants

Government grants are recognised when there is reasonable assurance that the entity will comply with the relevant conditions and the grant will be received. Grants are recognised in profit or loss on a systematic basis where the Group has recognised the initial expenses that the grants are intended to compensate. Where a grant has been received as a contribution for property, plant and equipment, or capitalised development costs, the income received has been credited against the asset in the statement of financial position.

l) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised in the profit or loss, using the effective interest method. Finance costs comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

m) Investments in subsidiaries (Company only)

Investments are stated at their cost less any provision for impairment (for details refer to Note h).

2. Significant accounting policies continued

n) Taxation

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in the profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Adoption of new and revised standards

a) New standards, interpretations and amendments effective from 1 January 2022

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2022. See the applicable notes for further details on how the amendments affected the Group.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- the incremental costs of fulfilling that contract- e.g. direct labour and material; and
- an allocation of other costs that relate directly to fulfilling contracts: e.g. Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

The Group, prior to the application of the amendments, did not have any onerous contracts.

As a result of the amendments, certain other directly related costs have now been included by the Group in determining the costs of fulfilling the contracts. The Group has therefore recognised an additional onerous contract provision as at 1 January 2022.

Notes to the consolidated financial statements
continued

2. Significant accounting policies continued

In accordance with the transitional provisions, the Group applies the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2); Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the period beginning 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback);
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current); and
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

3. Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers (CEO, CFO, COO and CTO), as defined in IFRS 8, in order to allocate resources to the segments and to assess its performance.

For management purposes, also considering the materiality the Group is organised into the following segments:

- Textile
- Environmental
- Others

Textile and Environmental were considered by Management the most advanced strategic segments in terms of commercial readiness. Management's strategic needs are constantly monitored and an update of the segments will be provided if required. Any further update of the segment analysis will be reflected in this section.

Segment profit/(loss) represents the profit/(loss) earned by each segment, including all the direct costs that are directly correlated with the segment. Overhead, assets and liabilities not directly attributable to a specific segment have been allocated as Head Office.

As the business evolves this is an area that will be assessed on a regular basis and additional segmental reporting will be provided at the appropriate time.

3. Operating segments continued

2022	Textile €	Environmental €	Others €	Head office €	Consolidated €
Revenue	2,460,398	8,136,050	259,696	–	10,856,144
Cost of sales*	(1,677,952)	(5,281,884)	(157,619)	–	(7,117,456)
Gross profit	782,446	2,854,165	102,077	–	3,738,688
Other income	161,271	113,865	23,415	126,375	424,926
Other expenses:					
– R&D expense	(186,587)	(420)	(76,988)	–	(263,995)
– Advisory	(94,784)	(421,042)	(45,000)	(1,055,002)	(1,615,828)
– Operating expenses	(411,727)	(3,057,472)	(90,439)	(2,336,519)	(5,896,157)
– Depreciation and amortisation	(329,964)	(1,038,337)	(35,632)	–	(1,403,933)
Operating loss	(79,345)	(1,549,240)	(122,568)	(3,265,145)	(5,016,298)
Net financial costs	–	–	–	(311,900)	(311,900)
Tax	–	53,197	–	–	53,197
Loss of the year	(79,345)	(1,496,042)	(122,568)	(3,577,046)	(5,275,001)
Total assets	4,582,368	11,164,786	813,909	–	16,561,063
Total liabilities	1,849,107	3,633,655	253,161	–	5,735,923

2021	Textile €	Environmental €	Others €	Head office €	Consolidated €
Revenue	1,843,506	6,560,771	210,821	–	8,615,098
Cost of sales*	(1,002,845)	(3,030,602)	(107,310)	–	(4,140,757)
Gross profit	840,661	3,530,169	103,511	–	4,474,341
Other income	174,484	607,049	–	49,872	831,405
Other expenses:					
– R&D expense	(317,422)	(45,450)	(25,966)	–	(388,838)
– Advisory	(50,004)	(481,992)	–	(887,722)	(1,419,718)
– Operating expenses	(536,615)	(2,519,008)	(135,782)	(2,294,012)	(5,485,417)
– Depreciation and amortisation	(331,492)	(1,177,445)	(34,630)	–	(1,543,567)
Operating loss	(220,388)	(86,677)	(92,867)	(3,131,862)	(3,531,794)
Net financial costs	–	–	–	146,941	146,941
Tax	–	(44,620)	–	–	(44,620)
Loss of the year	(220,388)	(131,297)	(92,867)	(2,984,921)	(3,429,473)
Total assets	5,642,443	15,086,933	1,038,326	–	21,767,702
Total liabilities	1,746,301	3,739,745	250,546	–	5,736,592

**Includes changes in inventories of finished goods.*

Notes to the consolidated financial statements
continued

3. Operating segments continued

	2022 €	2021 €
Sale of products	3,171,133	2,898,224
Sale of services	7,685,011	5,716,874
Government grants	171,135	166,112
Other	253,791	665,293
Total income	11,281,070	9,446,503

Geographical breakdown of revenues is:

	2022 €	2021 €
Italy	2,663,918	1,755,329
Romania	8,096,804	6,563,839
Rest of the world	95,422	295,930
Total	10,856,144	8,615,098

The group has transacted with 3 main customers in 2022, which accounted for more than 10% of Group revenues for sales of products and services. This largest customer accounted for 13% of revenues (€1,382,080), the second largest to 11% (€1,143,446), whilst the third for 9% (€954,663).

Other Income of €424,926 mainly include Government Grants for €171,135 and R&D Expenditure Credit (RDEC) for €80,000. The RDEC is an Italian incentive scheme (art.3 DL 145/2013) designed to encourage companies to invest in research and development. The credit can be used to reduce corporation tax or to offset outstanding payables related to social security.

4. Government grants

Information regarding government grants:

	2022 €	2021 €
Innodriver	–	25,000
Inno4covid	–	99,889
Green.Tex	11,299	30,616
Techfast	136,421	10,607
Filiere	23,415	–
Total	171,135	166,112

In 2022 Directa Plus concluded the activities related to the Green.Tex and Techfast projects.

Moreover, in October 2022 the Company was awarded with the inclusion in the Filiere project, fostered by Regione Lombardia for funding part of Directa Plus' activities in the paints vertical over 12 months. For this project the Company budgeted an overall value of approximately €270,000, financed at 50%.

4. Government grants continued

The key terms of government grants are:

	Green.Tex	Tech fast	Filiere
Starting date	2020	2021	2022
Ending date	2022	2022	2023
Duration (months)	21	12	12
Total amount	96,192	147,028	135,930
Final report submitted	Yes	Yes	on-going

There are no capital commitments built into the ongoing grants. Government grants have been recognised within other income.

5. Inventory

	2022 €	2021 €
Finished products	917,280	1,141,372
Spare parts	93,292	76,663
Raw material	111,340	93,798
Working in progress	–	59,042
Total	1,121,912	1,370,875

As of 31 December 2022, the total inventory value decreased compared to 2021. This effect was partially driven by a c. €112,000 write-off of the Co-Masks value still in stock, as the gradual Covid-19 pandemic de-escalation has slowed down the sales of Directa Plus' face masks. However, the Company is exploring any opportunity to exploiting its R&D developments on the Co-Mask project to a number of new applications, such as the air filtering industry.

The finished products mainly referred to Directa Plus SpA. Spare parts inventory was required to enhance maintenance efficiency and is composed of a small number of critical items with a material cost per unit.

6. Raw materials and consumables

	2022 €	2021 €
Raw material and consumables	4,796,333	2,711,528
Textile products	1,060,328	922,783
Total	5,856,661	3,634,311

The increase in raw material & consumable costs was mainly driven by the business growth and the cost increases experienced over the year due to inflation on the markets.

Notes to the consolidated financial statements
continued

7. Employee benefits expenses

	2022 €	2021 €
Wages and salaries	3,578,948	3,525,876
Social security costs	573,778	559,856
Employee benefits	144,277	111,964
Share option expense	111,130	130,910
Other costs	146,116	103,877
Total	4,554,249	4,432,483
Capitalised cost in "Intangible assets"	(130,162)	(135,528)
Total charged to the Income Statement	4,424,087	4,296,955

The average number of employees (excluding Non-Executive Directors) during the period was as follows:

	2022	2021
Sales and Administration	32	30
Engineering, R&D and production	159	165
Total	191	195

The total average number of employees of the Group as at 31 December 2022 was 191 (2021: 195), of which 162 were employed by Setcar.

The Directors' emoluments (including Non-Executive Directors) are as follows:

	2022 €	2021 €
Wages and salaries	768,055	773,683
Total	768,055	773,683

The aggregate emoluments (wages, salaries and social contributions) of the highest paid Director totalled €406k (2021: €527k).

Share-base payment expenses were €111,130, of which €74,063 accounted for in the Parent Company accounts as directly attributable to the Executive Directors.

A detailed analysis of the remuneration of the Directors is detailed within the Directors' Remuneration Report on pages 28 to 29.

8. Other expenses

Other expenses include:

	2022 €	2021 €
Audit of the Group and Company financial statements	108,525	81,991
Audit of the subsidiaries' financial statements	37,735	36,230
Other non-audit services provided by Group's auditor	7,780	5,978
Tool manufacturing	504,411	296,965
Analyses & tests	224,451	377,028
Travel	145,045	69,659
Technical consultancies	316,966	277,117
Shipping and logistic expenses	446,894	260,014
Insurance	186,145	165,347
Marketing	15,718	32,989
Legal, tax and administrative consultancies	1,286,662	1,252,410

The inflation trends on the global markets in the year in some cases materially affected the Group's cost base. Major effects were experienced in transportation costs (Travel, Shipping and Logistic expenses) and outsourced and professional services (Audit, Legal, tax and administrative consultancies).

Other costs, such as the Tool Manufacturing expenses (€504,411), increased in line with the Group business growth.

Analyses & tests expenses (€224,451) and technical consultancies (€316,966) refer to R&D activities outsourced to external labs and universities.

9. Net finance expenses

Finance expenses include:

	2022 €	2021 €
Interest Income	(5,904)	(1,616)
Interest on loans and other financial costs	82,696	45,426
Interest on lease liabilities	14,760	18,157
Interest cost for benefit plan	18,309	11,098
Foreign exchanges losses/(gains)	202,039	(220,006)
Total	311,900	(146,941)

Foreign exchange losses of €202,039 (2021: €220,006 gains) includes €207,776 of Sterling to Euro movement in the Group's Sterling bank accounts.

Notes to the consolidated financial statements

continued

10. Taxation

	2022 €	2021 €
Current tax expense	(1,581)	(1,727)
Deferred tax expense/(recovery)	54,778	(42,893)
Total tax income/(expenses)	53,197	(44,620)

Reconciliation of tax rate

	2022 €	2021 €
Loss before tax	(5,328,198)	(3,384,853)
Italian statutory tax rate	24%	24%
	(1,278,768)	(812,365)
Impact of temporary differences	93,175	4,431
Losses recognised	(39,978)	(49,052)
Impact of tax rate in foreign jurisdiction	(60,007)	(35,491)
Losses not utilised	1,338,775	847,857
Total tax (expenses)/income	53,197	(44,620)

Tax losses carried forward have been recognised as a deferred tax asset up to the point that they are recoverable against taxable temporary differences. All other tax losses are carried forward and not recognised as a deferred tax asset due to the uncertainty regarding generating future taxable profits. Tax losses carried forward are €35,720,602 (€31,494,057 in 2021).

11. Intangible assets

	Development cost €	Patents €	Goodwill €	Others €	Brands €	Total €
Cost						
Balance at 31/12/2020	3,144,804	545,740	298,348	285,105	377,017	4,651,014
Additions	135,527	172,307	–	(1,063)	–	306,771
Currency translation differences	(184)	–	(4,391)	(3,059)	(5,996)	(13,630)
Balance at 31/12/2021	3,280,147	718,047	293,957	280,983	371,021	4,944,154
Additions	130,162	274,740	–	9,974	–	414,876
Currency translation differences	2	–	38	25	52	117
Balance at 31/12/2022	**3,410,311**	**992,787**	**293,995**	**290,982**	**371,073**	**5,359,146**
Amortisation						
Balance at 31/12/2020	2,089,541	363,596	–	72,807	82,301	2,608,245
Amortisation 2021	389,299	71,829	–	13,797	74,621	549,547
Currency translation differences	(271)	–	–	(3,313)	(2,330)	(5,914)
Balance at 31/12/2021	2,478,569	435,425	–	83,291	154,592	3,151,877
Amortisation 2022	371,719	81,670	–	14,964	74,454	542,806
Currency translation differences	2	–	–	25	(230)	(203)
Balance at 31/12/2022	**2,850,290**	**517,094**	–	**98,280**	**228,816**	**3,694,480**
Carrying amounts						
Balance at 31/12/2020	1,055,262	182,145	298,348	212,297	294,715	2,042,767
Balance at 31/12/2021	801,578	282,623	293,957	197,692	216,428	1,792,277
Balance at 31/12/2022	**560,021**	**475,693**	**293,995**	**192,702**	**142,256**	**1,664,666**

As disclosed in Note 1(d) development costs capitalised in the year are mainly based on time spent by employees who are directly engaged in the development of the G+® technology.

Management carried out an impairment test on goodwill accounted following the acquisition of Setcar S.A. in 2019.

The CGU is represented by Setcar itself, whose carrying amount as of 31 December 2022 was estimated equal to €5.4m.

The impairment review of the CGU is based on an assessment of the CGU's value in use ("VIU"). In calculating VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 11.9% that reflects current market assessments of the time value of money and the risks specific to the asset/CGU and a perpetual annual growth rate of 2.3% on a terminal EBIT of €5.4 million.

Based on such assumptions, the recoverable amount was estimated equal to €33.7m. In addition, a sensitivity analysis was performed, assuming a +/- 0.5% variation in the discount rate and a +/- 0.5% variation in the perpetuity growth rate. This led to a recoverable amount estimated in the range of €31m and €36m.

As a conclusion, the verifications have shown that the book values can be fully recovered and no goodwill impairment is required as of 31 December 2022.

Notes to the consolidated financial statements
continued

12. Property, plant and equipment

Cost	Industrial equipment €	Computer equipment €	Office equipment €	Plant & machinery €	Land €	ROU assets €	Under construction €	Total €
Balance 31/12/2020	1,267,415	74,521	172,627	4,297,207	597,138	779,128	2,445	7,190,481
Additions	392,141	10,095	13,934	416,922	–	–	–	833,092
Disposals	(6,435)	–	(3,143)	(31,124)	–	–	–	(40,703)
Currency translation differences	(32,070)	–	(2,228)	(50,895)	(9,498)	–	(38)	(94,728)
Balance at 31/12/2021	1,621,051	84,616	181,189	4,632,110	587,640	779,128	2,407	7,888,141
Additions	430,272	2,477	8,737	317,042	–	–	–	758,528
Disposals	(39,333)	–	(48,935)	(206,642)	–	–	–	(294,910)
Currency translation differences	(261)	–	160	786	83	–	(45)	723
Balance at 31/12/2022	2,011,729	87,093	141,151	4,743,296	587,723	779,128	2,362	8,352,481
Depreciation								
Balance 31/12/2020	556,309	43,807	100,663	2,123,314	–	157,120	–	2,981,213
Depreciation 2021	287,741	9,312	49,791	544,774	–	102,402	–	994,021
Currency translation differences	(21,983)	–	(4,986)	(43,089)	–	–	–	(70,059)
Balance at 31/12/2021	822,067	53,119	145,468	2,624,999	–	259,522	–	3,905,175
Depreciation 2022	267,411	10,211	38,873	442,228	–	102,402	–	861,127
Disposal 2022	(23,926)	(1,591)	(47,378)	(201,507)	–	–	–	(274,402)
Currency translation differences	(637)	–	120	(52)	–	–	–	(569)
Balance at 31/12/2022	1,064,915	61,740	137,082	2,865,669	–	361,924	–	4,491,330
Carrying amounts								
Balance 31/12/2020	711,106	30,714	71,965	2,173,892	597,138	622,008	2,445	4,209.268
Balance 31/12/2021	798,985	31,496	35,722	2,007,110	587,640	519,606	2,407	3,982,966
Balance 31/12/2022	946,814	25,353	4,068	1,877,628	587,723	417,204	2,362	3,861,151

Asset held under financial leases with a net book value of €400,634 are included in the above table within Plant & Machinery.

13. Investments in subsidiaries

Details of the Company's subsidiaries as at 31 December 2022 are as follows:

			Shareholding	
Subsidiaries	Country	Principal activity	2022	2021
Directa Plus S.p.A.	Italy	Producer and supplier of graphene-based materials and related products	100%	100%
Directa Textile Solutions S.r.l.	Italy	Commercialise textile membranes, including graphene-based technical and high-performance membranes	73.5%	73.5%
Setcar S.A.	Romania	Waste management and decontamination services business	51%	52%

Subsidiaries	Place of Business	Registered Office and place of business
Directa Plus S.p.A.	Italy	Via Cavour 2, Lomazzo (CO) Italy
Directa Textile Solutions S.r.l.	Italy	Via Cavour 2, Lomazzo (CO) Italy
Setcar S.A.	Romania	Str. Gradinii Publice 6, Braila Romania

13. Investments in subsidiaries continued

The Company's investment as capital contributions in Directa Plus Spa are as follows:

	Directa S.p.A.
At 31 December 2020	23,680,336
Additions	2,000,000
At 31 December 2021	25,680,336
Additions	4,580,000
At 31 December 2022	**30,260,336**

14. Trade and other receivables

	Group		Company	
Current	**2022 €**	2021 €	**2022 €**	2021 €
Account receivables	**2,964,480**	2,339,369	**–**	–
Tax receivables	**687,670**	465,953	**24,230**	49,539
Other receivables	**463,696**	500,171	**90,654**	155,752
Total	**4,115,846**	3,305,493	**114,884**	205,291

	Group		Company	
Non-current	**2022 €**	2021 €	**2022 €**	2021 €
Other receivables	**69,720**	185,623	**–**	–
Total	**69,720**	185,623	**–**	–

Group account receivables of €2,964,480 are mainly composed by six major clients, covering 60% of the total amount.

Group Tax Receivables are composed of Italian VAT receivables of €348,109, UK VAT receivables of €24,230, Romanian VAT receivables of €89,898, RDEC Tax Credit receivables of €124,562 and other Italian Tax receivables of €100,872.

Other receivables are mainly composed of governments grants for €266,630 and prepayments for €185,551.

Non-current other receivables of €69,720 refer to specific projects where the collection of a certain amount, although due, is postponed to the end of the project itself.

Notes to the consolidated financial statements
continued

14. Trade and other receivables continued

As at 31 December 2022 the ageing of account receivables was:

Days overdue	2022 €	2021 €
0-60	2,841,939	1,771,113
61-180	69,607	251,458
181-365	13,465	101,450
365 +	39,469	215,348
Total	2,964,480	2,339,369

The Group recognises a loss allowance for expected credit losses on trade receivables. As at 31 December 2022 the Group recognised provision for €15,181 mainly referred to Setcar's overdue debts.

15. Deferred tax liabilities

	2022 €	2021 €
Deferred tax liabilities	98,694	174,158
Deferred tax (assets)	(65,599)	(84,661)
Total	33,095	89,497

Deferred tax assets have been recognised on losses brought forward to the extent that they can be offset against taxable temporary differences in line with the requirements of IAS 12.

The deferred tax liabilities arise from the capitalisation of development costs and defined benefit scheme are detailed below:

	2022 €	2021 €
Deferred tax liabilities – cost capitalised	48,269	86,313
Deferred tax liabilities – other	(9,788)	(1,652)
Deferred tax liabilities arising from acquisition	33,095	89,497
Deferred tax assets – losses exc. Setcar	(38,481)	(84,661)
Total	33,095	89,497

16. Cash and cash equivalents

	Group		Company	
	2022 €	2021 €	2022 €	2021 €
Cash at bank	5,721,538	11,126,683	3,787,989	9,430,364
of which restricted cash	–	40,000	–	–
Cash in hand	6,230	3,785	–	–
Total	5,727,768	11,130,468	3,787,989	9,430,364

In 2021 the Company holds €40,000 of restricted cash as a guarantee for a performance bond provided by a bank for a major contract in the Environmental vertical.

17. Equity

	2022 €	2021 €
Share capital	205,469	205,393
Share premium	39,181,789	39,159,027
Foreign currency translation reserve	(39,161)	(23,109)
Retained earnings	(30,069,844)	(25,352,139)
Non-controlling interests	1,546,887	2,041,938
Balance at 31 December	10,825,140	16,031,110

Share capital	Number of ordinary shares	Share capital (€)
At 31 December 2020	61,174,587	190,996
Share issue on 14 January*	190,872	535
Share issue on 29 December – capital raise**	1,670,518	4,962
Share issue on 30 December – capital raise**	2,996,149	8,900
At 31 December 2021	66,032,126	205,393
Share issue on 28 February***	25,523	76
At 31 December 2022	66,057,649	205,469

On 14 January 2021, 190,872 ordinary shares with a nominal value of £0.0025 each were issued as effect of the exercise of options of ordinary shares for Directors and Senior Managers.
*** On 29 and 30 December 2021, 4,666,667 ordinary shares with a nominal value of £0.0025 each were issued as effect of the Company's capital raise.*
****On 28 February 2022, 25,523 ordinary shares with a nominal value of £0.0025 each were issued as effect of the exercise of option of ordinary shares for a Directa Plus SpA employee.*

Share premium	Share premium €
At 31 December 2020	31,395,612
Shares issued	8,306,293
Expenditure relating to the raising of shares	(542,878)
At 31 December 2021	39,159,027
Shares issued	22,762
Expenditure relating to the raising of shares	–
At 31 December 2022	39,181,789

On 28 February 2022, 25,523 ordinary shares were issued as effect of the exercise of option of ordinary shares for a Directa Plus SpA employee, at a price of £0.75 each. The Company accounted for €22,762 of gross share premium reserve.

Share capital
Financial instruments issued by the Directa Plus Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Directa Plus Group's ordinary shares are classified as equity instruments.

Share premium
To the extent that the company's ordinary shares are issued for a consideration greater than the nominal value of those shares (in the case of the company, £0.0025 per share), the excess is deemed Share Premium. Costs directly associated with the issuing of those shares are deducted from the share premium account, subject to local statutory guidelines.

Foreign currency translation reserve
Exchange differences resulting from the consolidation process of Setcar are recognised in the translation reserve for an amount of € 39,161.

Non- controlling interest
Non-controlling interest refers to the minority shareholders of the company who own less than 50% of the overall share capital.

As of 31 December 2022, non-controlling interest is composed by 49% of Setcar S.A. and 26.46% of Directa Textile Solutions Srl.

Notes to the consolidated financial statements

continued

18. Loans and borrowings

	Group 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
Non-current loans and borrowings	1,378,141	2,403,881	–	–
Current loans and borrowings	767,677	65,840	–	–
Total	2,145,818	2,469,721	–	–

	2022 €	Current €	Non-current €	Repayment	Interest rate
Bank of Transilvania	407,908	407,908	–	36-months	Variable 4.7% ROBOR 3M + 2,5%/year
Bank of Transilvania IMM INV	436,817	113,933	322,884	60-months	Variable 4.11% ROBOR 3M +2.11%/ year+2%
Intesa San Paolo	281,607	74,043	207,564	72-months	1.5%/year + EURIBOR 3M
Intesa San Paolo	21,924	6,194	15,730	72-months	1.5%/year + EURIBOR 3M
Intesa San Paolo	500,000	61,248	438,752	72-months	1.5%/year + EURIBOR 3M
Banca Popolare di Sondrio	491,970	98,759	393,211	72-months	1.5%/year + EURIBOR 3M

Reconciliation of liabilities arising from financing activities

		Cash flows		Non cash flows		
	1 January 2021 €	Capital repayment €	Liabilities acquired €	Accrued interest €	Liabilities acquired €	31 December 2022 €
Borrowings	2,469,721	(1,296,210)	988,938	–	(16,630)	2,145,818
Total	2,469,721	(1,296,210)	988,938	–	(16,630)	2,145,818

Net debt reconciliation

	2022 €	2021 €
Loans and borrowings	2,145,818	2,469,721
Lease liabilities	634,328	680,584
Less: cash and cash equivalent	(5,727,768)	(11,130,468)
Net debt	(2,947,622)	(7,980,163)
Total equity	10,825,140	16,031,110
Debt to capital ratio (%)	(27.23%)	(49.78%)

19. Leases liabilities

The following table details the movement in the Group's lease obligations for the period ended 31 December 2022:

	2022 €	2021 €
Non-current lease liabilities	395,260	463,047
Current lease liabilities	239,068	217,537
Total	634,328	680,584

20. Employee benefits provision

	2022 €	2021 €
Employee benefits	554,444	500,535
Total	554,444	500,535

Provisions for benefits upon termination of employment primarily related to provisions accrued by Italian companies for employee retirement, determined using actuarial techniques and regulated by Article 2120 of the Italian Civil code. The benefit is paid upon retirement as a lump sum, the amount of which corresponds to the total of the provisions accrued during the employees' service period based on payroll costs as revalued until retirement. Following the changes in the law regime, from January 1 2007 accruing benefits have been contributing to a pension fund or a treasury fund held by the Italian administration for post-retirement benefits (INPS). For companies with less than 50 employees it will be possible to continue this scheme as in previous years. Therefore, contributions of future TFR provisions to pension funds or the INPS treasury fund determines that these amounts will be treated in accordance to a defined contribution scheme, not subject to actuarial evaluation. Amounts already accrued before 1 January 2007 continue to be accounted for a defined benefit plan and to be assessed on actuarial assumptions.

The breakdown for 2021 and 2022 is as follows:

	€
Amount at 31 December 2020	444,483
Service cost	47,536
Interest cost	11,098
Actuarial gain/losses	6,457
Benefit paid	(9,039)
Amount at 31 December 2021	500,535
Service cost	76,108
Interest cost	18,309
Actuarial gain/losses	6,790
Benefit paid	(47,298)
Amount at 31 December 2022	554,444

Notes to the consolidated financial statements
continued

20. Employee benefits provision continued

Variables analysis

Detailed below are the key variables applied in the valuation of the defined benefit plan liabilities.

	2022	2021
Annual rate interest	3.3%	2.30%
Annual rate inflation	2.10%	1.10%
Annual increase TFR	7.41%	7.41%
Tax on revaluation	17.00%	17.00%
Social contribution	0.5%	0.50%
Increase salary male	2.2%	1.20%
Increase salary female	2.10%	1.15%
Rate of turnover male	2.00%	1.70%
Rate of turnover female	1.80%	1.50%

Sensitivity analysis

Detailed below are tables showing the impact of movements on key variables:

Actuarial hypothesis – 2022

		Decrease 10%		Increase 10%	
		Rate	Variation DBO €	Rate	Variation DBO €
Increase salary	Male	1.98%	(5,302)	2.42%	5,844
	Female		1.89%		2.31%
Turnover	Male	1.80%	(4,968)	2.20%	5,153
	Female		1.62%		1.98%
Interest rate		2.97%	18,239	3.36%	(16,643)
Inflation rate		1.89%	(7,979)	2.31%	8,555

21. Trade and other payables

	Group		Company	
Non-current	2022 €	2021 €	2022 €	2021 €
Other payables	64,366	64,357	–	–
Total	64,366	64,357	–	–

	Group		Company	
Current	2022 €	2021 €	2022 €	2021 €
Trade payables	1,088,849	946,694	28,915	93,332
Employment costs	264,627	520,380	–	–
Other payables	759,399	444,824	93,358	78,486
Total	2,112,875	1,911,898	122,273	171,818

22. Provision

Current	Group 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
Provision	190,997	20,000	–	–
Total	190,997	20,000	–	–

In compliance with IAS 37, the Group accounted for a provision relating to the expected loss on an onerous contract in Guatemala, where the recovery of excess costs is deemed uncertain under IFRS15. The Group is currently in discussion with the customer to seek an acceptable resolution.

23. Financial instruments

Financial risk management

The Group's business activities expose the Group to the following financial risks:

a) Market risk

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in interest rates or foreign exchange rates. As at 31 December 2022 the Group is exposed to variable interest rate risk for a short term revolving loan and for the loans issued by Directa Plus SpA under the Italian Government Covid-19 Recovery Plan. Those loans, being 90% guaranteed by the Italian Government, bear a low interest rate (1.5% + EURIBOR) and, if the interest rate had increased or decreased by 200 basis points during the year the reported loss after taxation would not have been materially different to that reported.

b) Capital risk

The Group's objectives for managing capital are to safeguard the Group's ability to continue as going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. There were no changes in the Group's approach to capital management during the year.

c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its trade receivables that the Company consider defaulted if any instalment is unpaid more than sixty (60) days past its original due date or where there is evidence that identifies the debtor's state of insolvency.

The Group's cash and cash equivalents and restricted cash are held with major financial institutions. The Group monitors credit risk by reviewing the credit quality of the financial institutions that hold the cash and cash equivalents and restricted cash.

The Group's trade receivables consist of receivables for revenue mainly in Italy and Romania. Management believes that the Group's exposure to credit risk is manageable and currently the Group's standard payment terms are 30 to 60 days from date of invoice are largely met from the clients. At the end of the period, 95% of account receivables have an ageing less of 60 days and refers to orders delivered close to the year end. As at 31 December 2022 the Group recognised a cumulated bad debt provision for €15,181.

Every new customer is internally analysed for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Advance payment usually applies for the first order and the exposure to credit risk is approved and monitored on an ongoing basis individually for all significant customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Group does not require collateral in respect of financial assets.

Notes to the consolidated financial statements

continued

23. Financial instruments continued

d) Exposure to credit risk

Group	Note	2022 €	2021 €
Trade receivables	*14*	2,964,480	2,339,369
Cash and cash equivalent	*16*	5,727,768	11,130,468
Total		8,692,248	13,469,837

The largest customer within trade receivables accounts for 23% of debtors. Management continually monitors this dependence on the largest customers and are continuing to develop the commercial pipeline to reduce this dependence, spreading revenues across a variety of customers.

e) Liquidity risk

It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows. The Board reviews regularly the cash position to ensure there are sufficient resources for working capital requirements and to meet the Group's financial commitments.

2022	Carrying amount €	Up to 1 year €	1-5 years €
Financial liabilities			
Trade payables	1,088,849	1,088,849	–
Lease liabilities	634,328	239,068	395,260
Loans	2,145,818	2,469,721	760,206
Total	3,868,995	3,797,638	1,155,466

2021	Carrying amount €	Up to 1 year €	1-5 years €
Financial liabilities			
Trade payables	946,694	946,694	–
Lease liabilities	680,584	217,537	463,047
Loans	2,469,721	65,840	2,403,881
Total	4,096,999	1,230,071	2,866,928

f) Currency risk

The Group usually raises money issuing shares in pounds, it follows that the Group usually holds sterling bank accounts as result of capital raise. Sterling bank accounts are mainly used to manage expenses of the Company (such as UK advisors, LSE fees and costs related to the Board) in UK. The cash held in Sterling continues to be subject to currency risk.

	EUR
Cash held in GBP	3,225,304

As of January 2022, in light of the favourable exchange rates and to reduce the exposure to liquidity risk, Directors decided to translate GBP 4.5 million into EUR, which supported the operating activities of Directa Plus over the year. As at 1st March 2023 the total cash held in GBP is equal to £2.8 million. If the exchange rate EUR/GBP increase by 10% the impact on P&L would be a loss equal to €0.3 million (if decrease by 10% would be a profit equal to €0.3 million).

The Group holds accounts also in other currency (such as USD and RON) but just for business purposes and for not material amount.

24. Earnings per share

	Change in number of ordinary shares	Total number of ordinary shares	Days	Weighted number of ordinary shares
At 31 December 2021	4,857,539	66,032,126	365	61,380,599
Existing shares	–	66,032,126	58	10,492,776
Issued on 28 February 2022	25,523	66,057,649	307	55,560,817
At 31 December 2022	**25,523**	**66,057,649**	**365**	**66,053,593**

	Basic		Diluted	
	2022 €	2021 €	2022 €	2021 €
Loss attributable to the owners of the Parent	(4,822,044)	(3,652,364)	(4,822,044)	(3,652,364)
Weighted average number of ordinary shares in issue during the year	66,053,593	61,380,599	–	–
Fully diluted average number of ordinary shares during the year	–	–	67,189,085	61,649,085
Loss per share	(0.07)	(0.06)	(0.07)	(0.06)

The effect of anti-dilutive potential ordinary shares is ignored in calculating the diluted loss per share.

25. Share schemes

The 2020 Employees' Share Scheme is administered by the Remuneration Committee.

The Directors are entitled to grant awards over up to 10 per cent of the Company's issued share capital from time to time.

Under the 2020 Employees' Share Scheme, in November 2020 1,801,000 options over Ordinary Shares were granted to key employees and additional 150,000 options were granted to an Executive Director in June 2021 under the same Scheme. As of 31 December 2022, the total number of outstanding Ordinary Shares awards is 567,000.

At the date of this report, an additional 539,080 share options had vested in 2020 under the 2016 Employees' and NED Share Schemes that have not yet been exercised.

Notes to the consolidated financial statements
continued

25. Share schemes continued

The main terms of the 2020 Employee's Share Schemes are set out below:

Eligibility
All persons who at the date on which an award is granted under the Employees' Share Scheme are employees (or employees who are also office-holders) of a member of the Group and are eligible to participate. The Remuneration Committee decides to whom awards are granted under the Employees' Share Scheme, the number of Ordinary Shares subject to an award, the exercise date(s) (subject to the below) and the conditions which must be achieved in order for the award to be exercisable.

Types of Award
Awards granted under the Employees' Share Scheme have the form of market value share options. "Market value share options" are share options with an exercise price equal to the market value of a share at the date of grant. The right to exercise the award is generally dependent upon the participant remaining an officer or employee throughout the performance period. This is subject to the good leaver provisions. Awards granted under the Share Schemes will not be pensionable.

Individual Limits
The value of Ordinary Shares over which an employee or Executive Director may be granted awards under the Employees' Share Scheme in any financial year of the Company shall not exceed 200 per cent of his basic rate of salary at the date of grant.

Variation of share capital
Awards granted under the Share Schemes may be adjusted to reflect variations in the Company's share capital.

Vesting of awards
Outstanding awards will vest over three years in equal one third tranches on each anniversary of the grant date to the extent that the market-based performance targets have been met. Vested awards may generally be exercised between the third and tenth anniversaries from the date of grant. 75% of vested shares can be exercised after the third anniversary, while the remaining 25% from the fourth.

The inputs to the Monte-Carlo simulation were as follows:

Monte-Carlo simulation	Market value shares (1st granting Nov20)	Market value shares (2nd granting Jun21)
Share price	60p	127p
Exercise price	66p	118.20p
Expected volatility	54%	61%
Compounded Risk-Free Interest Rate	0.10%	0.16%
Expected life	6 years	6 years
Number of options issued*	1,801,000	150,000

**Number of options issued is an input of the Monte-Carlo simulation and refers to the total options granted by the Company in November 2020 and June 2021. This is not representing any option issued in the period.*

25. Share schemes continued

Details of the number of share options outstanding are as follows:

	2020	2021	2022
Outstanding at start of period	60,000	1,801,000	1,175,333
Granted during the period	1,801,000	150,000	–
Cancelled during the period	–	(263,000)	(123,333)
Expired during the period	–	–	–
Vested during the period	(60,000)	(512,667)	(485,000)
Outstanding at end of period	1,801,000	1,175,333	567,000
Exercisable period option price	66p	66p-118p	66p-118p
Grant date	12 Nov 20	12 Nov 20 – 15 Jun 21	12 Nov 20 – 15 Jun 21
Exercisable date	12 Nov 23	12 Nov 23 – 15 Jun 23	12 Nov 23 – 15 Jun 23

Cancellation of share options during the period relates to the resignation of employees. Share options expired over the period refer to those performance share options that did not meet the performance criteria on the third anniversary of their granting. Vested share options are Market share options that met the criteria on each anniversary.

26. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The below figures represent remuneration of key management personnel for the Group, who are part of the Executive Management Team but not part of the Board of Directa Plus PLC. The remuneration is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2022 €	2021 €
Short-term employee benefits and fees	227,159	407,451
Social security costs	74,423	102,469
	301,582	509,920

The decrease in the 2022 remuneration is mainly explained by the variable remuneration and the layoff of an executive manager.

For Directors remuneration please see Director's Remuneration Report.

Other transaction Group

Other related party transactions during the year under review are shown in the table below:

	2022 €	2021 €
Sale of products	6,625	19,395

Products are sold on normal commercial terms and conditions.

Notes to the consolidated financial statements
continued

27. Contingent liabilities and commitments
The group has the following contingent liabilities relating to bank guarantees on operating lease arrangements and government grants.

	2022 €	2021 €
Bank guarantees	38,435	163,340

Directors, secretary and advisers

Directors
Richard Hickinbotham – Non-Executive Chairman
Giulio Cesareo – CEO and Founder
Giorgio Bonfanti – Chief Financial Officer
Wesley K. Clark – Non-Executive Director
Sarah Cope – Non-Executive Director

Company Secretary
Giorgio Bonfanti

Registration number
04679109

Registered office
7th Floor
50 Broadway
London SW1H 0DB
United Kingdom

Principal place of business
Directa Plus Plc
ComoNExT Science Park
Via Cavour 2
22074 Lomazzo (Co)
Italy

Nominated adviser and joint broker
Cenkos Securities
6.7.8 Tokenhouse Yard
London EC2R 7AS
United Kingdom

Joint broker
Singer Capital Markets
1 Bartholomew Lane
London EC2N 2AX
United Kingdom

Auditors
BDO LLP
55 Baker Street
London W1U 7EU
United Kingdom

Legal advisers
Fox Williams LLP
10 Finsbury Square
London EC2A 1AF
United Kingdom

Registrar
Link Market Services Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

Financial PR adviser
Alma PR
71-73 Carter Lane
London EC4V 5EQ
United Kingdom

Designed and produced by FourthQuarter®

MIX
Paper from responsible sources
FSC® C022913
www.fsc.org

Printed sustainably in the UK by Pureprint, a CarbonNeutral® company with FSC® chain of custody and an ISO 14001-certified environmental management system recycling over 99% of all dry waste.

Directa Plus Plc
7th Floor
50 Broadway
London SW1H 0DB
United Kingdom

www.directa-plus.com