DIRECTAPLUS
PARTNERS IN NANOTECHNOLOGY

Graphene is the material of **the future**

Annual Report & Accounts 2020

Directa Plus in 2020

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

€6.43 million sales

Proven, successful strategy maintained

- Target existing products and markets that can be significantly improved with the addition of Directa Plus products
- Working with established manufacturers and vendors worldwide, we are able to gain market insight and access, further develop our technologies, bring products to market faster, and capture maximum value from the supply chain by providing expertise, know-how and services as well as materials
- Focus on those markets in which the Company can gain strong traction – textiles, environmental remediation, composites and other verticals

Financial and operational highlights

- Product sales and service revenue increased by 144% to €6.43m (2019: €2.63m)
- Total income (including grants) increased by 141% to €6.78m (2019: €2.81m)
- LBITDA €2.62m (2019: €2.71m), in line with market expectations*
- Reported (basic) loss per share €0.07 (2019: €0.07)
- Cash and cash equivalents at year end of €7.08m (2019: €10.91m)
- Total patents granted at year end 38 (2019: 23)
- 2,018 metric tonnes of recovered hydrocarbons**
- 82k metres of textile printed, padded and laminated in 2020 (2019: 74k mt)

** LBITDA represents results from operating activities before tax, interest, depreciation and amortisation*
*** Only with reference to the two main projects with OMV Petrom and Lukoil*

Product sales and service revenue increased by 144% to €6.43m (2019: €2.63m)

€6.43 million

Total income (including grants) increased by 141% to €6.78m (2019: €2.81m)

€6.78 million

LBITDA €2.62m (2019: €2.71m), in line with market expectations

€2.62 million

82k metres of textile printed, padded and laminated in 2020 (2019: 74k mt)

82k metres

Cash and cash equivalents at year end of €7.08m (2019: €10.91m)

€7.08 million

Directa Plus has shown a remarkable growth and delivered a significant increase in sales compared to 2019

+144% increase

Chairman's review

"We have a clear, well-defined strategy and we are well positioned for further growth and increased traction in all areas. We are confident about our prospects and our future growth, as customer references are increasing and our product capability is proven and well recognised on the market."

2020 has been a year of undoubted challenges with the Covid-19 pandemic, but despite this Directa Plus has shown a remarkable growth and delivered a significant increase in sales (+144% compared to 2019), also thanks to the full year contribution of Setcar trading.

We are pleased at how the business has coped and responded to such difficulties and how the Group has organised itself. Directa Plus's graphene manufacturing operations and headquarters are located in Lomazzo, in the Lombardy region of Northern Italy, which was one of the earliest areas affected by Covid-19. I would like to thank the executives and staff for their efforts and hard work over the last year and for their continuing commitment to the Group's development.

Against this background the Group has explored ways that its technology could be applied to alleviate the effects of the pandemic. The work the Group undertook to design, test, produce and market Co-Masks™ within months of the initial concept, and to prove their efficacy in fighting Covid-19, is an outstanding example of how a nimble, innovative company can bring products to market and, in turn, provide a deeper understanding about graphene and its numerous applications.

In our environmental remediation vertical Directa is also achieving great success. Revenues from Setcar are growing consistently as more and more clean-up work is undertaken. It is really pleasing to see the Grafysorber® technology developed while I have been with Directa employed in real world settings. Directa is, making a meaningful difference to a cleaner marine environment, improving customers' processes, and generating meaningful revenues for the Group. With significant near-term growth opportunities there is every reason to expect even better results in future years.

We rely on an increasingly valuable intellectual property portfolio that continues to build and the benefits of our chemical-free production process that sets Directa Plus apart from its competitors in different areas, such as textiles and batteries, that are normally compromised by impurities.

We have a clear, well-defined strategy and we are well positioned for further growth and increased traction in all areas. We are confident about our prospects and our future growth, as customer references are increasing and our product capability is proven and well recognised on the market. We have plenty of opportunities in front of us: we remain disciplined in the selection of our commercial partners and focused on continually enhancing our capacity and capability.

Following the end of the period, in January 2021, Marco Ferrari, our Chief Financial Officer since October 2014, chose to resign to pursue another role. On behalf of the Board, I would like to thank Marco for his work during his time with Directa Plus and wish him well for the future.

Looking forward, we are very pleased to announce that Giorgio Bonfanti will be joining the Group as our new CFO. He will take up his role on 31 May 2021 and is a very talented young man, bringing a welcome range of experience to Directa.

Despite the disruptions of Covid-19, 2020 was a hugely positive year in Directa Plus's development and the Group's future prospects have never looked stronger. The Board of Directors is confident about the future and excited for the challenges and growth opportunities to come.

Sir Peter Middleton
Chairman
14 May 2021

At a glance

Core focus 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.

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 Composites

Introducing the next generation of graphene-enhanced asphalts for a lower carbon world.

4 Other verticals

Exploring and launching a wide range of new applications for our technology.

Target market progress

1

Environmental remediation (68% of revenue (2019: 33%))

- Frost and Sullivan Technology Innovation Award granted to Directa Plus in May 2020 for remarkable Grafysorber® performances in sustainable environmental remediation.
- In February 2020, Setcar won a c.€5.0 million contract to supply environmental services to GSP Offshore, part of the Romanian oil services group GSP, with a value of c.€0.7 million p.a. over seven years.
- New contract to supply total waste management services to Cummins Generator Technologies Romania S.A., with Setcar worth c. US$3 million over a period of three years, commencing 1 October 2020.
- Extension of the collaboration between Setcar and OMV Petrom S.A., the largest energy company in Southern and Eastern Europe, for the treatment of waters and the recovery of crude oil.
- Agreement with Petrotel Lukoil S.A. for the draining, cleaning and washing of a first oil storage unit, completed in March 2021 for a total amount of c. €0.4 million of services.
- Established pipeline of active contract tenders across Europe, including a number of high value opportunities.

2

Textiles (30% of revenue (2019: 63%))

- In a rapid response to the global crisis, Directa Plus launched in June 2020 a G+® graphene enhanced facemask, branded Co-Mask™, which significantly reduces the measured incidence of SARS-Cov-2, as confirmed by a team at the Department of Neuroscience, Catholic University of Rome, operating in conjunction with the Gemelli Hospital in Roma.
- €0.1million grant received from European Union's Horizon 2020 research and innovation programme to explore the potential of Co-Mask™ in a clinical setting.
- In August 2020, signed a collaboration agreement with Poltrona Frau S.p.A., for an initial two years, to develop a sustainable and high-tech leather enhanced by the properties of Directa Plus's proprietary graphene technology
- OEKO-TEX® independent non-toxic certification (an Eco Passport) received in February 2020 for our G+® printing paste technology.
- Our technology is chemical free and has been fully demonstrated to have significant anti-viral properties without any issue or potential damage on the human body. We foresee a wide range of potential additional applications of our technology in the future.

Left: In a rapid response to the global crisis, Directa Plus launched in June 2020 a G+® graphene enhanced facemask, branded Co-Mask™, which significantly reduces the measured incidence of SARS-Cov-2.

Co-Mask™

Frost and Sullivan Technology Innovation Award granted to Directa Plus in May 2020 for remarkable Grafysorber® performances in sustainable environmental remediation.

Innovation award

Above left: White Grafysorber® barriers used in environmental remediation.

Right: The G+ Cosmic Collection tech t-shirt and jacket.

Target market progress

3
Composites

- Asphalt additive Gipave®, developed by Directa Plus and Iterchimica and containing the Company's G+® graphene, was installed at Rome's airport in January 2020.
- Signed a 3-year agreement with Iterchimica for the exclusive supply of G+® graphene product in the asphalt and bitumen sector worldwide.
- New San Giorgio Bridge in Genoa which opened in August 2020, was constructed using Gipave® asphalt supermodifier.
- The asphalt applications of our G+® graphene technology is proving exceptional results, and the interest on the market of our product is also growing internationally. We have an enriched pipeline and we expect further projects and success in the near future.

4
Other verticals

- In November 2020 NexTech Batteries and Directa Plus announced that a prototype Lithium-Sulphur battery had exceeded 400Wh/kg which compares to Lithium-Ion of typically between 100-265 Wh/kg.
- Post-period end, signed a partnership, 3-year supply agreement and a joint R&D collaboration with NexTech for the supply and development of new grades of G+® graphene nanoplatelets for the production of Lithium Sulphur batteries.
- Technical and commercial agreement signed in July 2020 with Italdesign S.p.A. to jointly develop a wide range of automotive components enhanced by Directa Plus's graphene technology.
- In December 2020 Directa signed a development agreement with the Soft Goods Division of a major international developer and manufacturer of consumer electronics, personal computers and related services for the potential application of G+® graphene on covering materials.

Signed a 3-year joint R&D collaboration with NexTech for the supply and development of new grades of G+® graphene nanoplatelets in the production of Lithium-Sulphur batteries.

NexTech

Above: Laying Gipave® asphalt on the San Giorgio Bridge in Genoa.

Above right: San Giorgio Bridge in Genoa which opened in August 2020.

Left: R&D collaboration with NexTech for the supply and development of new grades of G+® graphene nanoplatelets for the production of Lithium-Sulphur batteries.

Signed a 3-year agreement with Iterchimica for the exclusive supply of G+® graphene product in the asphalt and bitumen sector worldwide.

3-year agreement

How we create value

Our strategy

Welcome to the Graphene Age.
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, 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 European 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.
- The commercialisation model we follow is based on capturing for our shareholders a proportion of customers' additional revenues and profits.
- This could be royalty payments, upfront enabling licence payments, joint-ventures to get closer to end-users or a combination of all three.
- As a company, we are committed to sharing in the proceeds of customers' growth from new products, rather than merely supplying an essential ingredient.

Market review

How we do it

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.

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, tyres, asphalts 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.

The Starship Jacket is the perfect multi-purpose jacket: from extreme situations to daily urban use.

Starship Jacket

The sports Tech-Shirt is made of recycled nylon, recycled elastane jersey and a technical mesh. The ergonomic fit is designed to help and follow the body's movements.

Tech T-shirt

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.

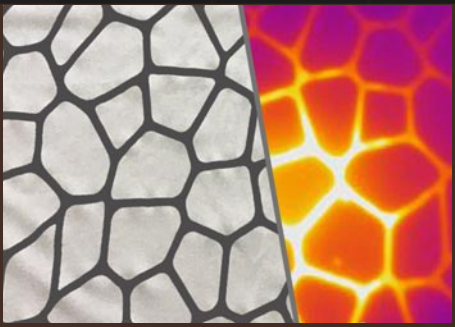
We partner with customers to develop bespoke graphene blends that have just the right morphology for their particular application. We produce the precise ingredient to make our customer's product stand out from the competition.

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 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.

Nanoplatelets



Above left: Laying Gipave® asphalt on the San Giorgio Bridge in Genoa.

Right: The new G+® Cosmic Collection combines the highest quality materials and design standards with nano-technology and textile engineering.

Chief Executive Officer's review

Giulio Cesareo
CEO

Introduction

Despite the economic implications of the Covid-19 pandemic on the markets, 2020 saw great progress for Directa Plus. Over the last 12 months we have significantly increased our revenues by c.+144%, thanks not only to the full year contribution of Setcar trading, which clearly played a key role in driving the revenue increase, but also to our key verticals of environmental remediation solutions and textiles, and to the other industrial sectors where we have developed graphene enhanced products and services where we see material opportunities. We are particularly excited about the possibilities for Lithium-Sulphur batteries and our partnership with NexTech is progressing rapidly.

Strategy and business model

Working with established industrial businesses to collaborate on development and manufacturing to bring graphene enhanced products to market, with sustainability always in mind, remains the heart of our model. Directa Plus has developed a proprietary scalable, modular manufacturing process to produce and supply high quality engineered modular graphene materials at low production costs and 100% chemical free.

We build on the expertise of our partners for product development and enhancement, and we leverage on their existing customer relationships to gain market penetration. This allows us to explore a greater number

"Despite the impact of Covid-19, 2020 saw great progress for Directa Plus not only in our key verticals of environmental remediation and textiles, but also in the other industrial sectors such as composites, batteries and consumer electronics. We have an excellent pipeline of opportunities and our proprietary scalable, modular manufacturing process allows us to produce high quality engineered graphene materials at an attractive price point."

of industries, applications, and products both more quickly and in greater depth.

Indeed, when we have proof of the effectiveness of graphene in enhancing jointly developed products our partners are always keen to open more doors alongside Directa, helping spread the word about the Group further.

We consider the health and safety of all stakeholders and environmental protection as top priorities. Since our company was established, we implement a proactive approach to health, safety and environmental protection by monitoring our production process and products. In seven years, we have collected 28 certificates proving the absence of negative impacts of G+® graphene on biological systems.

Our key verticals remain environmental remediation and textile production and we can point to great success in those areas in 2020. This has not been to the detriment of our work with other materials and sectors however as our advances with Lithium-Sulphur batteries, polymers and elastomers, and in growing out intellectual property portfolio show.

Environmental remediation

Now deployed at a range of real world sites by the Company's subsidiary Setcar S.A. ("Setcar"), Directa's Grafysorber® technology is rapidly gaining acceptance in the Oil & Gas industry as a step change improvement from existing water treatment products and services. Reusable and sustainably produced Grafysorber® is five times more effective at hydrocarbon clean-up than competitors and allows recovery of financially valuable oils and sludges. With this range of product advantages Directa was able to deliver increasing commercial success in this vertical in 2020.

The post-acquisition integration of Setcar continues to progress well. 2020 was the first year of control of the company and we have performed and almost completed an important exercise of coordination and realignment to the Group. The Group continues to invest to reshape the Setcar business to ensure it is better positioned to capture growth opportunities. In 2020 Setcar signed 208 new contracts; participated in 115 tenders, of which it won 62; and generated €4.3 million in sales (€4.0 million in 2019, including the pre-acquisition period).

Setcar has a healthy and encouraging pipeline of contract tenders across Europe, including a number of high value tenders, with two in the private oil and gas sector and another in a state infrastructure network.

On 3 February 2020, Directa Plus announced that Setcar had been awarded a significant contract win to supply environmental services to GSP Offshore, part of the Romanian oil services group, GSP. This marked the second major contract win for Setcar since the completion of the acquisition by Directa Plus and the contract has a value to Setcar of approximately €0.7 million per annum over a period of seven years for a total value of approximately €5 million, commencing in February 2020.

Directa Plus's success in developing Grafysorber® was recognised in May 2020 when the Company received a Technology Innovation Award 2020 from global consultants Frost & Sullivan for innovative product and processing technology for treating waters and sludges contaminated by hydrocarbons. In the report, titled 'Graphene for the Environmental Remediation Industry', the authors point out that, *"the technology is a remarkable step toward attaining sustainable and cost-effective environmental remediation."*

Setcar signed another significant contract, announced on 13 July 2020, to supply total waste management services to Cummins Generator Technologies Romania S.A., part of the Fortune 500 group Cummins Inc. The value of the contract to Setcar is estimated to be approximately US$3 million over a period of three years, commencing 1 October 2020.

In 2020 working with OMV Petrom S.A., one of the largest energy companies in Southern and Eastern Europe, Setcar treated c. 2,500 cubic metres of emulsion generated by the up-stream extraction process. This led to the recovery of c. 550 metric tonnes of crude oil, with impurities below 1%, which were returned to the refinery for processing. We have been requested to raise to 2,000 metres per month the production capacity in 2021.

In January 2021 the contract with OMV Petrom was extended to June 2021, with the total value rising to up to €0.4 million.

Over the last 12 months revenues increased by c. +144%, due to Setcar's trading,and also to our key verticals of environmental remediation, textiles and other industrial sectors where we have developed graphene enhanced products.

c.+144% revenue

In 2020 Setcar signed 208 new contracts; participated in 115 tenders, of which it won 62; and generated €4.3m in sales (€4.0m in 2019).

€4.3m in sales

Setcar won a significant contract to supply environmental services to GSP Offshore, part of the Romanian oil services group, GSP. The contract has a value of approximately €5 million over a period of seven years.

c.€0.7m p.a.

Above: Left to right - Alessandra Bambini, Sales & Marketing Director, Giulio Cesareo, CEO and Laura Giorgia Rizzi, Chief Technical Officer.

Left: The Directa Plus team wearing the new Tremezzo masks.

Chief Executive Officer's review continued

Working with Petrotel Lukoil S.A., part of LUKOIL Company, Setcar is completing the draining, cleaning and washing of an oil storage tank, beginning in November 2020. Using Grafysorber® technology, Setcar is recovering hydrocarbons by treating the sludge settled on the tank's bottom. This process will also restore the tank to factory nameplate capacity, optimising ongoing operational use by the customer. The project has been completed by the end of March 2021 and Setcar expects to treat c.3,200 cubic metres of sludge recovering more than 2,000 metric tonnes of hydrocarbons including oil and paraffins that can be sent back to the refinery.

Environmental remediation solutions are amongst Directa Plus's most commercially advanced activities. The projects the Group is working on are demonstrating the immense potential that our proprietary Grafysorber® technology embeds. The Group is successfully gaining and fulfilling contracts that clearly demonstrates the high effectiveness of this product. Those recent outcomes are demonstrating that we will expand our market reach, making great progress with an improved product and gaining reputation, which is reflected in an enriched opportunity pipeline for the upcoming months.

Textiles

Our understanding of the possibilities offered by our textiles vertical is always improving. We are looking at a number of ways to apply G+® graphene to a wide range of materials, the performance benefits we can derive, and further potential applications.

In 2020, we operated in a year affected by Covid-19, thus we have explored all possible ways that the Group's technology could be used to alleviate the effects of the pandemic. Directa Plus has had to adapt working patterns, including changes to the use of office and laboratory space, to help prevent the further spread of Covid-19. The Group's graphene manufacturing operations and headquarters are located in Lomazzo in the Lombardy region of Northern Italy, which was one of the earliest affected areas for Covid-19. Much of our focus in 2020 was on the development of the Co-Mask™ and we believe that work can now have broader applications. In the meanwhile, we are proud to have developed a number of key further applications to other materials, such as garments and furniture manufacture.

We have launched an own brand line of performance sportswear for sale online to demonstrate consumer demand and provide focus for our product development. Our partnerships continue to offer promising outcomes for 2021 and beyond.

As part of a partnership called GREEN.TEX, Directa Plus received a grant from the EU in January 2020, to develop an environmentally sustainable technology to digitally print its G+® graphene product on fabrics. The project partners are EFI Reggiani, the Italian subsidiary of global digital printing group Electronics For Imaging, Inc. ("EFI"), and IBS Consulting Group. Due to last for an initial 24 months, the project's aim of developing digital printing will offer improved fabric performance, much greater flexibility in production and will focus on environmental sustainability of processes and materials.

On 12 February 2020, the Company announced that had secured OEKO-TEX® certification for Directa Plus's proprietary G+® graphene printing paste technology. Eco Passport by OEKO-TEX® is an independent certification system for chemicals, colourants and auxiliaries used in the textile and leather industry. Operating since 1992 OEKO-TEX® offers testing and certification to companies worldwide.

By 19 June 2020, the Company was able to announce that the work it had undertaken in response to Covid-19 had led to the development of G+® graphene enhanced facemasks, branded Co-Mask™, and their availability for retail sale at a new, dedicated website: https://graphene-plus.com/. This product has proven very popular, with many orders received by the publication of this report, including 25,000 units by a leading Italian luxury sports car manufacturer.

The Group is proud to have been able to respond to a global crisis by quickly developing a product that can help a large number of people. Therefore it was very pleasing that the anti-viral properties of the Co-Mask™ were confirmed in August 2020 by a team at the Department of Neuroscience, Catholic University of Rome, operating in conjunction with the Gemelli Hospital in Rome. Tests showed that G+® graphene can improve textile properties and significantly reduce the measured incidence of

Left: Setcar trucks employed for the Grafysorber® transportation.

Potential of our proprietary Grafysorber® technology, the Group is successfully gaining and fulfilling contracts and is observing the real effectiveness of this product, which is proven to be five times more effective at clean-up than competitors.

x5 more effective

Working with Petrotel Lukoil S.A., Setcar is completing the cleaning and washing of an oil storage tank to treat c.3,200 cubic metres of sludge recovering more than 2,000 metric tonnes of hydrocarbons including oil and paraffins to be sent back to the refinery.

c.3,200 cubic meters

Left: Bellagio Co-Mask™ and G+ Upgraded T-shirt

SARS-CoV-2 when the virus is deposited or filtered through functionalised cotton or a non-woven fabric (polyurethane). A scientific paper containing the full details of the trial and the results is underway and is expected to be published shortly.

Sales of the Company's G+® enhanced face masks continued to grow in the second half of the year, contributing meaningfully to top line revenue, totalling c.€0.6 million in 2020.

The Company is exploring the potential of Directa's facemask to be used in clinical settings with a €0.1 million grant from the European Union's Horizon 2020 research and innovation programme, as part of the Inno4Cov-19 Project. The research will also include work to develop biodegradable G+® enhanced filters and sanitisation process for the face-mask using household items such as an iron or a hairdryer.

On 10 August 2020 the Company announced the signing of a new collaboration agreement with Poltrona Frau S.p.A., a global leader in high-end furniture manufacture for residential, bespoke and commercial use. The agreement is for an initial two years with the aim of developing a new sustainable and high-tech leather enhanced by the properties of Directa Plus's proprietary graphene technology. It is anticipated that G+® enhanced leather will provide antimicrobial and antiviral properties, improved thermal regulation, electrical conductivity, and mechanical properties such as abrasion resistance and UV resilience.

In March 2021, Directa Plus was able to announce another test result relating to the absence of absorption of its pristine graphene nanoplatelets powder (Pure G+®) through human skin. A total of eight in vitro test results now show that Pure G+® has no potential negative impact on human health.

We are extremely proud of our great developments in our textiles products. Our technology has been fully demonstrated to have significant anti-viral properties without any issue or potential damage on the human body. Our chemical free production process allows it to be effective and totally safe for the customers. Our G+® graphene enhanced facemasks represented our initial response to the Covid-19 pandemic and application launched on the market, and we foresee a wide range of potential additional applications of our technology in the future.

Composites

The Group has made significant strides elsewhere in our deployment of our graphene technology in certain composite materials, with great achievements in asphalt applications.

A six-month trial was announced on 8 January 2020 that has seen graphene enhanced asphalt used for the first time at an airport. The asphalt additive Gipave®, developed by Directa Plus and Iterchimica and containing the Company's G+® graphene, was installed at taxiway Alpha at Rome's Fiumicino airport. The project is in collaboration with G.ECO S.r.l., part of Italy's largest multi-utility company Gruppo A2A, and the University of Milan-Bicocca.

January also saw the signing of an agreement between Directa Plus and Comerio Ercole S.p.A. to pursue joint research and development projects using the Company's G+® technology to develop products in the rubber and tyres, plastic and non-woven materials industries.

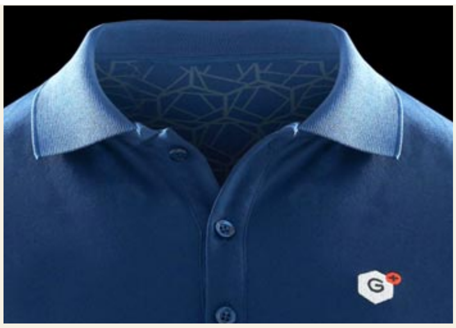
April 2020 saw the announcement of an agreement with established industrial partner, Iterchimica, for the supply of a special grade of the Company's G+® graphene product, known as ITC1, the graphene modifier component of the jointly developed Gipave® road surface. The Agreement provides for the exclusive supply of the G+ graphene product to Iterchimica in the asphalt and bitumen sector worldwide and is for an initial duration of three years, with growing interest from potential customers in Italy, the UK, and the United States.

Another road trial of Gipave® was announced on 25 June 2020, in this instance in Kent, United Kingdom. The results of the trial will give further confidence to potential purchasers.

On 4 August 2020, the new San Giorgio Bridge in Genoa was opened by the President of Italy, Sergio Mattarella. The new bridge, replacing the old Morandi Bridge structure that collapsed on 14 August 2018, was completed just 22 months after the disaster to designs by Genoa born Renzo Piano. The road surface on the bridge was constructed using

Sales of the Company's G+® enhanced face masks continued to grow in the second half of the year, contributing to top line revenue, totalling c.€572 thousand in 2020.

c.€572,000



Response to Covid-19 led to the development of G+® graphene enhanced facemasks, branded Co-Mask™, for retail sale. This has proven very popular, including 25,000 units ordered by a leading Italian luxury sports car manufacturer.

25,000 order

Above: The Neptune Polo, the Cosmic Collection introduces a new direction for Graphene Plus and aims to build an innovative and technological experience around customers.

Above left: the new City-Life GPlus 'Cernobbio' mask.

Left: The Power G+® mask is the perfect device to keep students and children safe.

Chief Executive Officer's review continued

the Gipave® asphalt supermodifier, jointly developed by Iterchimica and Directa Plus.

The asphalt applications of our G+® graphene technology is providing exceptional results, and the interest in the market for our product is growing internationally. In the meanwhile, we are continuing to explore further potential applications in the composites vertical.

Additional industrial verticals

Lithium-Sulphur batteries

Lithium-Sulphur batteries are considered to be a superior battery technology to Lithium-Ion battery technology due to possessing a superior energy density, a significant cost advantage, a superior safety profile, and a less complex manufacturing process. With applications throughout the global supply chain, not least in electric vehicles, the scale of demand for these next generation batteries is likely to be enormous.

Directa's G+® pristine graphene nanoplatelets can be used as a raw material for manufacturing the cathode of Lithium-Sulphur batteries, and so there is the potential for Lithium-Sulphur batteries to become another key vertical for the Group.

In October 2020, Directa Plus signed a Memorandum of Understanding with NexTech Batteries ("NexTech"), a leading company in the field of Lithium-Sulphur batteries based in Nevada, USA, to collaborate on activities aimed at securing the supply to NexTech of Directa Plus's G+® nanoplatelets. This followed significant test work which validated the suitability of the Company's G+® materials for Lithium-Sulphur battery production.

By November 2020, Directa Plus and NexTech were able to announce that a prototype Lithium-Sulphur battery using the Directa's G+® pristine graphene nanoplatelets, had achieved above 400 Wh/kg (watt-hours per kilogram, the usual measure of energy density) in a practical system. For comparison, standard Lithium-Ion batteries have an energy density of 100-265 Wh/kg.

In February 2021, Directa Plus and NexTech agreed to form a deeper partnership, with a three year supply agreement for the provision of a specific grade of G+® pristine graphene nanoplatelets and a joint R&D collaboration to develop new specific grades of nanoplatelets. Both parties will dedicate selected scientists from their R&D teams and a joint laboratory has been established in Lomazzo.

Consumer electronics

In December 2020 Directa Plus signed a development agreement with the Soft Goods Division of a major international developer and manufacturer of consumer electronics, personal computers and related services. The agreement covers the potential application of G+® graphene on covering materials of consumer devices, exploiting the antiviral-antibacterial properties of G+® graphene as well as its thermal and electrical conductivity.

Automotive

Directa Plus made its first move into automotive design, in July 2020, signing a technical and commercial agreement with Italdesign S.p.A., a global leader in automotive design and engineering. Part of Volkswagen AG, Italdesign also specialises in styling, engineering, prototyping and testing services, and the manufacture of ULSP (ultra-low series production) vehicles. The agreement will allow Directa Plus and Italdesign to jointly develop a wide range of automotive components enhanced by Directa Plus's graphene expertise.

Other areas

The Company is continuing to work on additional opportunities in new high potential verticals including energy storage, golf balls, and paints. We are also exploring the developments within the rubber and tyres, plastic and non-woven materials industries.

Moreover, in February 2021, research undertaken by scientists at the Polytechnic of Turin was published in an article in the journal Polymers showing that the use of water-based G+® graphene ink to coat polymeric foam confers significant flame-retardant properties versus untreated polymeric foam. A simple application of G+® ink to the external faces of the foam provided good flame-retardant properties, tested in both horizontal and vertical conditions. Polymeric foams are used in many applications from roof insulation to

The new San Giorgio Bridge in Genoa was opened in August 2020. The road pavement on the bridge was constructed using the Gipave® asphalt supermodifier, jointly developed by Iterchimica and Directa Plus.

Gipave® asphalt

Right: Giulio Cesareo CEO and Laura Giorgia Rizzi Chief Technical Officer at the NexTech Joint Lab, both wearing the new Starship Jacket.

Below left: The San Giorgio Bridge in Genoa, the pavement was constructed using Gipave® asphalt.

In November 2020, Directa and NexTech announced a prototype Lithium-Sulphur battery using Directa's G+® pristine graphene nanoplatelets, achieved above 400 Wh/kg (watt-hours per kilogram, the usual measure of energy density).

400Wh/kg

furniture and are extremely flammable meaning that the potential market for G+® fire retardant technology is sizeable.

We are examining ways to realise the value of patents in the market, exploring potential license opportunities or royalty models that could be the most effective models for us at this stage.

Intellectual property

The Group continues to protect its intellectual property portfolio, which at the date of this report comprises 48 patents granted and 21 patents pending. The whole portfolio represents a significant value for the Group.

On 27 April 2020 Directa Plus was granted an EU-wide patent covering the use of its graphene based Grafysorber® technology for treating waters and sludges contaminated by hydrocarbons.

On 26 May 2020 the Company was granted an Italian patent for its Planar Thermal Circuit® invention. The patent covers the use of the G+® graphene circuit applied onto fabrics of any type and which is able to absorb body heat and move it from the hottest to the coldest point of the circuit, providing a significantly increased sense of comfort to the wearer or user.

On 22 June 2020 Directa Plus announced that the Company had been granted its sixth Chinese patent, covering the use of the Company's G+® graphene technology for bicycle, motorcycle and passenger car tyres as well as truck and bus radial tyres, specifically the tyre treads.

On 30 July 2020, Directa Plus was granted a patent by the Italian Patent Office for the Company's G+® graphene to improve the performance of rubber-based shoe outsoles. The patent covers both the formula containing G+® and the outsole made with the formula.

Directa Plus published a Scientific paper on Applied Polymer Science in September 2020, certifying the G+® nanoplatelets morphology in compliance with ISO/TS80004-13:2017. One more paper covering the antiviral properties of G+® treated fabrics was also submitted.

In December 2020 Directa Plus was granted a second patent on the equipment used for the super-expansion of intercalated natural graphite in the Group's core plasma technology. The new machinery has a production capacity at least five times higher, and is much more durable, than the Group's existing technology, resulting in an increase in manufacturing capability and lower maintenance costs. The grant of the new patent protects the Group's core production process for an additional 20 years.

Post-period in January 2021, Directa Plus received Notices of Allowance in respect of four patents, ahead of the formal grant: a US patent for the Group's Graysorber® environmental remediation technology; an EU patent for the Group's sustainable, chemical-free G+® production process; a US patent for the use of G+® graphene supermodifier to improve the performance of elastomers, specifically tyres; and an EU patent covering the same use of G+® supermodifier in tyres.

Environmental, Social and Governance policies

Environmental sustainability is at the heart of Directa Plus's business, our research, manufacturing, commercialisation, and purpose.

From the earliest stages of our research into graphene applications we were determined to design manufacturing processes for our pristine nanoplatelets that would avoid the need for chemical processes and so avoid wasteful by-products. We continue this approach now – always seeking to design the most efficient manufacturing and proving the safety and sustainability of our products working with recognised environmental organisations.

When deciding our commercialisation strategy, we made it a priority to work only 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.

Our commitment on this matter emerges also with our Grafysorber® based technology and products, which are environmentally friendly solutions aimed at solving both historical pollution problems and oil spills.

The Group continues to protect its intellectual property portfolio, which at the date of this report comprises 48 patents granted and 21 patents pending.

48 patents

Above right: The Directa Plus and Cocai Express Venice Clean Water team.

Right: We started a new project for Venice Clean Water. With the support of our local partner Cocai Express we will be using Grafysorber® to decontaminate Venice Lagoon.

Directa is granted its sixth Chinese patent, covering the use of the Company's G+® graphene technology for bicycle, motorcycle and passenger car tyres as well as truck and bus radial tyres.

6th China patent

Chief Executive Officer's review continued

Outlook

We are very proud at Directa Plus of the development that we have undertaken into real world graphene applications for consumers, and this is reflected in the strength of our intellectual property portfolio.

That said, I did not found Directa Plus purely to undertake research and testing. The Group is a commercial enterprise and we are focused on delivering increased value for our shareholders through selling the products and services we develop across all of the markets we work in. Today we are providing valuable services and products to a growing list of customers within our verticals and we believe we have an ever increasing opportunity to create value for the Group and to grow both operationally and financially.

Looking at another significant year-on-year growth in revenues we can now unequivocally state that the strategy is working. The R&D work we undertook in environmental remediation has directly led to the successes Setcar is enjoying today. With significant tender decisions concerning multi-million euro contracts due in the summer of 2021 the potential for continued rapid growth is clear.

Our ability to repeat that success across our other verticals is also looking extremely promising. In Textiles our performance sports and outwear is gaining significant traction with consumers; and we have seen very promising developments in mask tech and expanding the use case through clinical certification.

We are advancing the uptake of graphene composite enhanced asphalt with the results of year-long real world trials soon to complete. Our work with top quality partners in the automotive market is very exciting as we look at a number of different elements of cars we can work on. Lithium-Sulphur batteries also present a huge opportunity to improve upon nascent battery technology with a huge range of applications. The strategic R&D agreement with NexTech Batteries Inc. will allow us to initiate an exciting and promising collaboration in an industry with such a massive growth potential.

Delivering significant growth in a difficult year for the global economy is testament to the hard work of Directa Plus's employees. We believe that over the last 12 months we increased our reputation in the market, and existing and potential customers are gradually understanding and perceiving well the value of our products. We look forward to further growth and we are extremely positive on future success.

Financial review

At the end of March 2021 our Chief Financial Officer Marco Ferrari, working with us in Directa Plus since October 2014, has left the Group for pursuing another role. On behalf of the Board, I would like to thank Marco for his work during his time with Directa Plus and wish him well for the future.

I am very pleased to announce that Giorgio Bonfanti will be joining the Group as our new CFO. Giorgio is a highly competent young man with the right skills to tackle the significant opportunities that Directa Plus will face in the future.

Key Performance Indicators

The Board measures the performance of the Group through a number of important financial and non-financial KPIs to help shareholders understand the Group's progress. Our financial KPIs show significant improvement compared to 2019.

The table on the following page summarises the KPIs with further details contained later in this report.

Financial overview

2020 results reflect for the first time a full year contribution from Setcar S.A. that had a significant positive impact on our revenue from product sales and service, which grew to €6.43 million (€2.63 million in 2019).

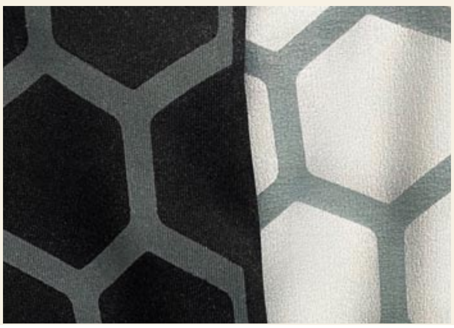
Revenue was also positively impacted also by the sales of our Co-Mask™ product, which contributed with c.€0.57 million of sales.

We continue to spend on research and development across our key industrial verticals as one would expect in a technology led, growth orientated business

Our patented technology, the Thermal Planar Circuit®, provides dynamic temperature control: it moves heat from the warmest to the coldest spot ensuring body temperature equalisation.

Heat control

Above: *Tremezzo G+® Co-Mask™.*



We are very proud at Directa of the development that we have undertaken into real world graphene applications for consumers, and this is reflected in the strength of our intellectual property portfolio.

Applications

and we are seeing positive outcomes as a result, with meaningful revenue growth in several categories.

LBITDA for the period was €2.62 million, showing a slight improvement compared to previous year (€2.71 million in 2019). Despite being still negative, EBITDA loss from Directa Plus S.p.A. improved by 17%, while Setcar showed a positive EBITDA of €0.12 million, compared to the €0.41 million last year contribution.

The Group loss after tax was in line with management expectations at €4.53 million. Adjusted loss after tax, which excludes depreciation and amortisation from the revaluation of acquired assets of Setcar and the cost of exchange rate changes, was €3.60 million and in line with previous year (€3.52 million in 2019).

The table below details the adjustments to loss after tax:

Adjusted loss after tax (€m)	2020	2019
Loss after tax	(4.53)	(3.40)
Depreciation and amortisation referred to revaluation of acquired assets	0.66	0.04
Exchange rate variances	0.27	(0.16)
Adjusted loss after tax (€m)	(3.60)	(3.52)

As of 31 December 2020, inventories increased up to €1.38 million (2019: €1.10 million), in line with the growth of the business and at a level that ensures that the Group can meet growing demand from key clients in a timely manner.

Total assets of the Group totalled €17.71 million (2019: €21.99 million) and the decrease compared to the previous year was mainly driven by the drop in cash and cash equivalents (€7.08 million vs €10.91 million as of 31 December 2019). The decrease was mainly driven by still negative cash-flows from operating activities, also affected by the partial repayment of the deferred consideration in connection with the Setcar acquisition (€0.21 million).

In 2020, the Group raised additional debt funds guaranteed by the Italian government for €0.33 million and Setcar increased its loan facility up to €0.69 million (2019: €0.35 million). Moreover, Setcar obtained an additional loan from its other main shareholder (GVC Investment Company) reaching a total amount of €0.98 million. Post period, such shareholder's loan was entirely converted into equity.

The Group has an ambitious long-term growth strategy and may in the future consider raising additional capital through an equity issue to capture additional opportunities and to accelerate its growth. In addition, it looks increasingly likely that the Group will have access to a €1.5-2 million loan backed by the Italian government, as part of the Covid-19 recovery programme, offered at competitive costs.

It is expected that the receipt of Italian government funding will help sustain the Group until it reaches anticipated cash flow break-even, and to assist the Group as it seeks to the exploit several significant commercial opportunities across an enriched pipeline, including Lithium-Sulphur batteries, further improvement in graphene production, the development of higher performing products and the maintenance of competitive advantage.

In the short term, the Group's priorities continue to be focused on a reduction in cash consumption and an improvement in profitability.

A description of the main risks and uncertainties facing the Group are described within the Directors' Report.

Giulio Cesareo
Chief Executive Officer
14 May 2021

KEY PERFORMANCE INDICATORS & FINANCIAL SUMMARY	2020	2019
Revenue from product and service sales (€'m)	6.43	2.63
Total income* (€'m)	6.78	2.81
LBITDA** (€'m)	(2.62)	(2.71)
Loss after tax*** (€'m)	(4.53)	(3.40)
Adjusted loss after tax**** (€'m)	(3.60)	(3.52)
Reported basic loss per share (€)	(0.07)	(0.07)
Cash and cash equivalents (€'m)	7.08	10.91
Total number of patents granted*****	38	23

** Total income comprises revenue from product and service sales (€6.43m), and other income including government grants (€ 0.16m) and RDEC – Research and Development Expenditure Credit (€0.10m)*

*** LBITDA represents results from operating activities before depreciation and amortisation of €1.69m (2019: €0.84m). Management believes that LBITDA provides a better reflection of operational performance by removing interest, tax, depreciation and amortisation. EBITDA is a non-GAAP measure.*

**** The loss for the year of €4.53m is split between a €4.19m loss owned by the Company and a €0.34m loss in respect of non-controlling interests.*

***** Excluding amortisation and depreciation relating to revaluation of acquired assets €0.66m (2019 €0.04m) and cost of exchange rate changes of €0.27m (2019 gain of €0.16m).*

****** Number of grants in portfolio at the end of the period.*

Directors' biographies

Sir Peter Middleton

Non-Executive Chairman

Relevant strengths

- Track record and credentials in financial markets
- Deep financial expertise
- Corporate governance and investors relations

Sir Peter Middleton GCB is Chairman of Burford Capital. He was Chairman of Marsh Ltd between 2005 and 2013, UK Chairman of Marsh & McLennan Companies between 2007 and 2014 and Chairman of Mercer Ltd between 2009 and 2014. He was also previously Chairman of Camelot Group plc and Chairman of the Centre for Effective Dispute Resolution. He was a Director, Chairman and Deputy Chairman of United Utilities from 1994-2007, a Board member of OJSC Mobile Telesystems from 2005-2007 and a board member of Bass plc from 1992-2001 and General Accident (later CGU) from 1992-1995.

Sir Peter spent nearly 30 years at HM Treasury, working closely with nine Chancellors, and was Permanent Secretary from 1983 to 1991. Sir Peter became Group Chairman of Barclays Bank plc in April 1999 and retired in August 2004. He joined Barclays in 1991 as Group Deputy Chairman and Executive Chairman of BZW, became Chairman of Barclays Capital following the reorganisation of BZW in October 1997 and was Group Chief Executive from November 1998 until October 1999. He was also President of the British Bankers Association from 2004-2006 and a member of the National Institute for Economic Research from 1996-2007.

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.

David Gann

Non-Executive Director

Relevant strengths

- Innovation management
- Business strategy
- Engineering expertise

David Gann CBE CEng FICE FCGI is a renowned expert on technological innovation and an accomplished business and academic leader. He is Chairman, UK Atomic Energy Authority. He is Pro-Vice-Chancellor, Development and External Affairs, at Oxford University. He was Professor of Innovation & Technology Management, Imperial College London and was Vice-President (Innovation) and member of the College's Executive Board. He has deep experience mentoring start-ups, supporting fast growth technology businesses and developing long-term strategic partnerships with multinational technology corporations. He has a PhD in Industrial Economics and is a Chartered Civil Engineer, a Fellow of the Institution of Civil Engineers, an Honorary Fellow of the Royal College of Art and Fellow, City & Guilds Institute. He was appointed Commander of the Order of the British Empire (CBE) in the 2010 Queen's Birthday Honours for services to engineering, and received the 2014 Tjalling C. Koopmans Asset Award for extraordinary contributions to the economic sciences. David is a senior government advisor. His industrial experience includes serving as Laing O'Rourke plc's Group Executive for research and innovation between 2007 and 2011. He advises executives and boards on innovation and technology management, including Citigroup, IBM, McLaren, NEC and Tata Group.

Neil Warner

Non-Executive Director

Relevant strengths

- Financial reporting and accounting
- Growing businesses and M&A
- Corporate governance

Neil Warner has strong financial and managerial experience in multinational businesses. He recently served as the senior independent director and chairman of the audit committee at Trifast plc and as a Non-Executive Director and audit committee Chairman of Vectura Group plc. He previously served as the senior independent director and audit committee chairman of Dechra Pharmaceuticals plc, and was Non-Executive Chairman of Enteq Upstream plc. He was Finance Director at Chloride Group plc, a position he held for 14 years until its acquisition by Emerson Electric. Prior to this, Neil spent six years at Exel plc (formerly Ocean Group plc and now part of DHL following its acquisition by Deutsche Post) where he held a number of senior posts in financial planning, treasury and control. He has also held senior positions in Balfour Beatty plc (formerly BICC Group plc), Alcoa and PricewaterhouseCoopers.

Richard Hickinbotham

Non-Executive Director

Relevant strengths

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

Richard Hickinbotham is an experienced City professional and Head of Equity Research at N+1 Singer, having served previously as Head of Equity Research at 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 is chairman of the nomination committee and a member of the audit and remuneration committees. Richard holds a BSc. in Mechanical Engineering from Imperial College and is a qualified Chartered Accountant.

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, in the same time, the consideration of long-term requirements of the stakeholders.

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

   Details of the Company'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 seek to manage its environmental responsibilities in a systematic and proactive manner both Directa Plus S.p.A. and Setcar implemented the ISO 14001 certification that 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 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 its security and health measures towards its employees and community in general. After a period of mandatory home working during the first outbreak, 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.

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. Ethical code and whistleblowing process are in place and reviewed regularly. Further details of the Company's Ethical value and behaviours are listed in the section "Ethical values and behaviours" of the Corporate Governance Statement at page 24.

f) The need to act fairly as between members of the Company. The Group's Board currently consists of four Non-Executive Directors, and one Executive Director. The Board considers it collectively has an appropriate balance of skills and experience, as well as an appropriate balance of personal qualities and capabilities to ensure that all decisions are made such that the impact toward the stakeholders is fairly 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 the following 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:

1. Launch of the new Co-Mask™ project

The year 2020 was characterised by the global emergency caused by the pandemic spread of the Covid-19 virus which required a review of development strategies, at least in the short term. In this sense Directa Plus, in March 2020, launched a project for the development of community masks with the aim of confirming the antiviral properties of G + graphene fabrics and packaging and marketing community masks useful for counteracting the virus diffusion using the properties of G + graphene. With the encouraging results relating to anti-virality obtained from the joint study between the Catholic University and the Gemelli Hospital in Rome, Directa Plus proceeded with the marketing of the face masks called Co-Mask™, noting a very positive response from the market with revenues generated close to € 0.6 million.

The Board believes that this project is aligned with the Group's strategy. The development and marketing initiative linked to face masks has actually determined the definition of a new market segment that has made it possible to offset the loss of revenue deriving from the economic contraction linked to the pandemic, ensuring Directa Plus growth in revenues during the year 2020.

2. Partnership with NexTech

In the third quarter of 2020 the Company has started a collaboration with NexTech Batteries, a leading company in the field of Lithium Sulphur batteries based in Nevada, USA. Initially the parties signed a Memorandum of Understanding to collaborate on activities aimed at securing the supply to NexTech of Directa's G+ nanoplatelets, which were validated to be suitable for their batteries.

Directa Plus and NexTech were able to announce that a prototype Lithium-Sulphur battery using the Directa's G+® pristine graphene nanoplatelets had achieved above 400 Wh/kg in a practical system, in comparison to 100-265 Wh/kg for standard Lithium-Ion batteries on average.

In February 2021, Directa Plus and NexTech agreed to form a deeper partnership, with a three year supply agreement for the provision of a specific grade of G+® pristine graphene nanoplatelets and a joint R&D collaboration to develop new specific grades of nanoplatelets.

The Board believes that this project is aligned with the Group's strategy. The Lithium-Sulphur batteries have a great potential to become deployed in multiple applications and also represent a more environmentally sustainable choice in keeping with our core values.

The Strategic report is approved by the board and it is signed on its behalf by:

Giulio Cesareo
Chief Executive Officer
14 May 2021

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 S.A., completed in November 2019, Directa Plus enters the environmental service market with the aim to supply a complete range of services, from chemical analyses for waste identification to water and soil treatment, leveraging on the unique properties of the graphene based products in 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 11-12 St. James's Square, London, SW1Y 4LB, UK.

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 2020, research and development, KPIs and the outlook for future years, are set out in the Chairman's Statement, Chief Executive Officer's Review and Financial Review on pages 2 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. Post balance sheet events are reported in note 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 2020 and up to the date of signing this report (where not specifically mentioned):

- Giulio Giuseppe Cesareo
- Sir Peter Middleton
- Marco Ferrari (resigned from the BoD on the 19th of March, 2021)
- David Michael Gann
- Neil William Warner
- Richard Hickinbotham

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 at 31 December 2020 are set out in note 17 to the consolidated financial statements. At 14 May 2021, a total of 61,365,459 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	17,603,440	28.77
Dompè Group	7,519,999	12.29
Unicorn Asset Management	5,333,333	8.72
Dr. Jean Marc Droulers / Finanziaria Le Perray *	4,093,794	6.78
Galbiga Immobiliare S.r.l.**	3,918,228	6.39
Schroders Investment Management	2,429,965	3.97
Ruffer	2,379,757	3.89

* *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 22 to the financial statements. The Directors continually considers 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 could have a serious adverse impact on Group's performance.

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 behavior and human supervision.

Directors' report
continued

Risk	Mitigation and management strategy	Likelihood*	Impact (on the Group)**	Change***
Covid-19 Covid-19 pandemic is materially affecting the worldwide market, causing a general deterioration of the economic outlook.	The Board and the Management are constantly monitoring the fast-evolving situation. Management has undertaken scenario based analysis on future financial projections. To mitigate the adverse effect of Covid-19 on revenues the Management decided to target the personal protective equipment market, leveraging on graphene G+ properties. Thanks to this new application revenues maintain a positive growth rate and can mitigate future adverse effect referred to the global pandemic.	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 subsidiaries Setcar S.A. 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 recent acquisition, considers that integration risks and issues could arise impacting the delivery of the expected benefit.	An integration plan is in place and skilled resources have been deployed to manage the post-acquisition integration. The Board of Directors is kept promptly up to date.	Unlikely	Moderate	↓
Brexit Directa Plus holds Sterling bank accounts. The Brexit could have a potential impact on currency risk, triggering sharp movement on Sterling value with an effect on Directa Plus' P&L.	News flow about Brexit is constantly monitored as well as the movement of the EUR-GBP exchange rate.	Possible	Minor	↓
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 content and technology without authorization. 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.	Risks is mitigated by providing share options to key employees, building a motivated management team, together with significant opportunities for carrier development.	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 (→)*

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 favorable 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 October 2019. In addition, the Group has access to potential additional sources of debt funding with major Italian banks, which could lessen any further funding risk. In 2020 the Group raised €0.3m additional debt funding backed by the Italian Government.	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 (→)*

Annual general meeting

The notice for the convening of the AGM 2020 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 International Financial Reporting Standards ("IFRSs") in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 IFRSs in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

14 May 2021

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 2020 financial year.

In 2020 we have started a review process of 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, and we are focusing our efforts on upgrading some operations in the accounting and finance division, which will play a central role in facilitating the collaboration and alignment among all the Company's divisions. In the first quarter of 2021 we have appointed a university professor as a consultant to support us in this process. 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 17.

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.

Due to the Covid-19 pandemic all the interactions with shareholders have been carried out through virtual meetings. However, this appears not to have interfered with the effectiveness of the discussions.

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. After a period of mandatory home working during the first outbreak, 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;
- 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 our 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, so they are in line with the latest research on nanomaterials. 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. Pages 21 to 23 set 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 of one Executive Director and four 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. The Board acknowledges that there are currently no appointed Female Directors, however, it will continue to review this moving forwards. Moreover, diversity will be strongly considered in further recruiting process ensuring the appropriate balance of the Board is developed.

Full biographies of each Director can be found on pages 18 to 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 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. The Board undertook a formal performance review through a questionnaire distributed to the Board members.

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 2020 financial year can be found on pages 30 and 31.

Corporate governance report
continued

Board

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

	Board appointments				Board committees as Chairman or member	
Name of Director	Executive Director	Non-Executive Director	Independent Director	Non-independent Director	Audit Committee	Remuneration Committee
Sir Peter Middleton		✓	✓		–	–
Giulio Giuseppe Cesareo	✓				–	–
Marco Ferrari	✓				–	–
David Michael Gann		✓	✓		Member	Member
Neil William Warner		✓	✓		Chairman	Member
Richard Hickinbotham		✓	✓		Member	Chairman

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 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 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 Peter Middleton, David Gann, Neil Warner and Richard Hickinbotham devote at least two days a month to the Company. Details of the Directors' attendance at each of the scheduled Board and Committee Meetings for the 2020 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	10	10	–	–	–	–
Giulio Cesareo	10	10	–	–	–	–
Marco Ferrari	10	10	–	–	–	–
David Michael Gann	10	9	4	3	2	2
Neil William Warner	10	9	4	4	2	2
Richard Hickinbotham	10	10	4	4	2	2

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 has had a significant, immediate impact on the global economies and on the operations and operational funding of participants in international supply chains.

The Covid-19 pandemic has not, to date, had a significant adverse impact on the Group's operations but the Directors are aware that if the current situation becomes prolonged then this may change. Further details of the current assessment of the impact on the business are set out in the strategic report. Based on very recent projections, the Directors believe that:

a) the demand for graphene products will be volatile, although the positive outlook and general market appetite is confirmed; and

b) the demand of environmental services will impacted in the next few months mainly in relation to the oil & gas segment due to the fact of the depressed oil price with the combined impact of Covid-19.

Management believes that the Group has the systems and protocols in place to address these challenges. 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.

As of 31 December 2020, the Group had net assets of €10.66m (2019: €15.17m) and cash and cash equivalent of €7.08m (2019: €10.91m).

The Directors prepare the three year plan 2021-2023 in order to ensure that they have sufficient liquidity in place in the business. In addition, in response to the Covid-19 situation, the Directors, in formulating the plan and strategy for the future development of the business, considered a reduction in forecast revenues from c.10% to 15%. The Group is projected to have the financial capacity to support its viability, following the uncertainties and challenges created by the Covid-19 pandemic, until at least the fourth quarter 2022.

The Directors review regularly updates to the scenario planning such that it can put in place mitigating actions and maintain the viability of the Company and will keep stakeholders informed as necessary.

The Directors have taken steps to use the various support mechanisms, such us redundancy funds or equivalent and soft loan specifically foreseen by governments to support companies during the general global economy slowdown due to Covid-19. Moreover, the Directors consider several options in terms of regional and European grants able to provide funding in the following months to sustain the R&D activities.

Having regard to the above, and based on their latest assessment of the budgets and forecasts for the business of the Company, the Directors consider that there are sufficient funds available to the Group and Company to enable it to meet its liabilities as they fall due for a period of not less than twelve months from the date of approval of the financial statements. The Directors therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Sir Peter Middleton
Non-Executive Chairman
14 May 2021

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 Board. 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.

The remuneration of the Directors, in Euros, for the year ended 31 December 2020 was as follows and is audited:

2020	Salary/Fees €'000	Bonus €'000	Share options** €'000	National Insurance contributions €'000	Pension contributions €'000	Total emoluments 2020 €'000
Non-Executive Chairman						
Sir Peter Middleton	56	–	–	–	–	56
Executive						
Giulio Cesareo	291	111	6	11	82	501
Marco Ferrari*	133	15	3	8	28	187
Non-Executive						
David Gann	34	–	–	–	–	34
Neil Warner	34	–	–	–	–	34
Richard Hickinbotham	34	–	–	–	–	34
Total	582	126	9	19	110	846

** Marco Ferrari retired as a Director of 18 March 2021.*
*** Non monetary cost refers to the share option scheme in place and not exercised yet.*

2019	Salary/Fees €'000	Bonus €'000	National Insurance contributions €'000	Pension contributions €'000	Total emoluments 2019 €'000
Non-Executive Chairman					
Sir Peter Middleton	57	–	–	–	57
Executive					
Giulio Cesareo	270	62	10	92	434
Marco Ferrari	131	15	8	28	182
Non-Executive					
David Gann	34	–	–	–	34
Neil Warner	34	–	–	–	34
Richard Hickinbotham	34	–	–	–	34
Total	560	77	18	120	775

At 14 May 2021 Directors' interest were the following:

Directors' interests

Director	Number of ordinary shares	Number of ordinary shares under option	Percentage of issued share capital
Sir Peter Middleton	38,000	100,000	0.06
Giulio Cesareo*	3,863,589	150,161	6.32
Marco Ferrari	52,546	73,111	0.09
David Gann	115,027	60,000	0.19
Neil Warner	26,730	60,000	0.04
Richard Hickinbotham	84,000	60,000	0.14

** Giulio Cesareo and his family are the sole beneficiaries of the 3,863,589 ordinary shares held by Galbiga Immobiliare S.r.l.*

Audit Committee report

Membership

The Board has established an Audit Committee with the appropriate Terms of Reference, which is comprised of Neil Warner (Chairman), David Gann and Richard Hickinbotham. The Committee reports to the Board in respect of its responsibilities.

Responsibilities

The Committee met four times in 2020 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;
- matching results against management forecasts for the year ended 31 December 2020; and
- meeting with management to discuss the Directors' plans for future actions in relation to its going concern assessment, taking into account any relevant events subsequent to the balance sheet date.

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.

Neil Warner
Chairman of the Audit Committee

Remuneration Committee report

Membership

The Board has established a Remuneration Committee with the appropriate Terms of Reference, which is comprised of Richard Hickinbotham (Chairman), Neil Warner, and David Gann. The Committee reports to the Board in respect of its responsibilities.

Responsibilities

The Committee met twice in 2020 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 executive officers of the Company.

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

- An annual review of remuneration for all Executive Directors and Senior Managers of the Company; and
- Approval of the grant of awards related to the new option plan for Executive Directors and employees of the Company.

Richard Hickinbotham
Chairman 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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 2020 which comprise of the Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, 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 the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 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.

Conclusions relating to going concern

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

While the Group is closer to reaching a break-even trading position, it still relies on equity raised to fund its project development and support the working capital of the Group. Trading has not been hindered from FY2020 and start of FY2021 despite the Global Covid-19 pandemic and resulting lockdowns, but there remains uncertainty in global markets.

Given the reliance on continual funding and the significant judgements in making the assessment as to whether it is appropriate to prepare the financial statements on a going concern basis we consider this to be a key audit matter.

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

- Critically assessing the Directors' and management's going concern assessment, including the reasonableness of assumptions applied and downside stress case sensitivities applied using both our underlying knowledge of the business and with regard to Covid-19 scenarios being applied across the market.
- Discussing the potential impact of Covid-19 with management and the Audit Committee including the impact on operations to date and their assessment of continued risks and uncertainties associated with areas such as the ability to obtain new revenue contracts in the pipeline, deliver into those contracts to realise the forecast operating results and maintain margins, meet committed spend and repay loan interest and principle as and when they fall due. We considered this against our own assessment of risks and uncertainties developed through our understanding of the business and the sector.
- Agreeing the opening cash position of the Group to support the opening cash position applied by the Directors' and management in their cash flow forecast.
- Comparing performance against budget in FY2020 and FY2021 year to date to assess the quality of management's budgeting process.
- Considering the key sensitivities applied in the cash flow model pertaining to revenue and cost base in regards to current trading since January 2021, the overall contract pipeline in place and management of the Group's and Parent Company's cost base.
- Assessing the completeness and accuracy of the matters covered in the going concern disclosure with reference to the Directors' and management's going concern assessment.

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

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

Overview

Coverage	• 99% (2019: 99%) of Group profit before tax • 100% (2019: 100%) of Group revenue • 98% (2019: 99%) of Group total assets		
Key audit matters		2020	2019
	Revenue Recognition	X	X
	Going Concern	X	X
	Valuation and accounting treatment of Setcar acquisition		X
	Valuation and accounting treatment of Setcar acquisition is no longer a KAM as this risk was only relevant for the year in which Setcar was acquired.		
Materiality	Group financial statements as a whole €210,000 (2019: €300,000) based on 2% (2019: 2%) of net assets.		

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 Setcar S.A. Specific audit procedures on significant risks were carried out on Directa Textiles Solutions Srl by BDO 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. 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 was principally subject to analytical review procedures performed by the Group team.

Our involvement with component auditors

For the work performed by 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 audit procedures to be performed, we held virtual meetings with management and component auditors during the planning and execution phases of the audit; and performed a detailed review of the component audit files.

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.

Independent auditor's report
continued

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition	
The Group earned revenue of €6.4m (2019: €2.6m) in the year ended 31 December 2020. A significant portion of the revenue generated related to two components, Directa Plus S.p.A. and Setcar S.A., as detailed in note 3. The applicable accounting policies are detailed in note 1 (j). 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 that exist within the Group as well as the wide geographic dispersion of sales and product range offered. Due to the fact that there are multiple revenue streams and the fact that 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.	We: • Tested the operating effectiveness of internal control over the completeness, accuracy and timing of revenue recognised within Directa Plus S.p.A. • In respect of Directa Plus S.p.A., agreed a sample of sales in the year to sales invoices issued to customers and goods delivery notes to check that revenue was recognised appropriately. • In respect of Setcar S.A., verified the key revenue contracts to check that the underlying performance obligations had been appropriately reflected in the Group's revenue recognition policy and confirmation of the services performed had been received from the customer for the revenue recognised. • 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 to check that sales were recognised in the correct period. • Inspected a sample of credit notes issued during the year and post year end to check that these had been issued appropriately. • Reviewed the disclosures pertaining to revenue in note 1 (j) and note 3 to the financial statements with reference to the requirements of applicable accounting standards.
Key observations	
There were no material issues identified by our testing of revenue recognition in the year.	

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	
	2020	2019	2020	2019
Materiality	€210,000	€300,000	€120,000	€200,000
Basis for determining materiality	2% of net assets	2% of net assets	2% of net assets capped at 57% of Group Materiality	2% of net assets capped at 67% of Group Materiality
Rationale for the benchmark applied	Net assets has been selected as we consider it to be the most relevant benchmark as the Group is still in a development stage and the net assets benchmark reflects a key measure of shareholder value.		Directa Plus Plc is a holding company with investments in subsidiaries. We have therefore considered to apply the same benchmark as the Group as an appropriate materiality basis but capping materiality to a percentage of Group materiality.	
Performance materiality	€160,000	€225,000	€90,000	€150,000
Basis for determining performance materiality	75% of materiality and considering the nature of activities and historic audit adjustments.		75% of materiality and considering the nature of activities and historic audit adjustments.	

Specific materiality
No specific materiality has been applied in 2020. In 2019, we determined that for the income statement and those working capital items on statement of the financial position that would impact the income statement, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. In 2019, this was determined to be €175,000 based on 5% of loss before tax.

Component materiality
We set materiality for each component of the Group based on a percentage of between 57% 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 €120,000 to €190,000. 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 the committee all individual audit differences identified during the course of our audit in excess of €5,000 (2019: €6,000). We also agreed to report differences below these thresholds 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;
- Testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud;
- 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 these transactions and the sources of 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.

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.

Matt Crane (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

55 Baker Street
London
W1U 7EU

14 May 2021

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 2020

	Note	31 Dec 2020 €	31 Dec 2019 €
Continuing operations			
Revenue	3	6,434,480	2,631,819
Other income	3/4	345,826	183,033
Changes in inventories of finished goods and work in progress		213,229	87,537
Raw materials and consumables used	6	(2,564,317)	(1,185,360)
Employee benefits expenses	7	(3,769,274)	(2,148,923)
Depreciation and amortisation	11/12	(1,690,872)	(837,055)
Other expenses	8	(3,279,927)	(2,286,054)
Results from operating activities		(4,310,855)	(3,555,002)
Finance income	9	1,175	164,536
Finance expenses	9	(347,707)	(35,972)
Net finance costs		(346,532)	128,563
Loss before tax		(4,657,387)	(3,426,439)
Tax expense	10	124,414	25,225
Loss after tax from continuing operations		(4,532,973)	(3,401,214)
Loss of the year		(4,532,973)	(3,401,214)
Other comprehensive income items that will not be reclassified to profit or loss			
Defined Benefit Plan re-measurement gains and losses	20	7,821	(12,802)
Other comprehensive income/(expense) for the year (net of tax)		7,821	(12,802)
Total comprehensive (expense)/income for the year		(4,525,152)	(3,414,016)
Loss attributable to			
Owner of the Parent		(4,195,011)	(3,585,215)
Non-controlling interests		(337,962)	184,001
		(4,532,973)	(3,401,214)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(4,187,190)	(3,598,017)
Non-controlling interests		(337,962)	184,001
		(4,525,152)	(3,414,016)
Loss per share			
Basic loss per share	23	(0.07)	(0.07)
Diluted loss per share	23	(0.07)	(0.07)

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 2020

		Group		Company	
	Note	31 Dec 20 €	31 Dec 19 €	31 Dec 20 €	31 Dec 19 €
Assets					
Intangible assets	11	2,042,767	2,202,452	–	–
Investments	13	–	–	23,680,336	21,180,336
Property, plant and equipment	12	4,209,267	4,730,752	–	–
Other receivables	14	140,649	109,698	–	–
Non-current assets		6,392,683	7,042,902	23,680,336	21,180,336
Inventories	5	1,375,947	1,095,936	–	
Trade and other receivables	14	2,857,460	2,943,286	166,262	203,404
Cash and cash equivalent	16	7,080,492	10,906,076	4,283,625	7,669,360
Current assets		11,313,899	14,945,298	4,449,887	7,872,765
Total assets		17,706,582	21,988,200	28,130,223	29,053,101
Equity					
Share capital	17	190,996	190,512	190,996	190,512
Share premium	17	31,395,612	31,395,612	31,395,612	31,395,612
Foreign currency translation reserve	17	(7,015)	4,147	–	–
Retained earnings	17	(21,824,229)	(17,656,325)	(3,573,130)	(2,616,723)
Equity attributable to owners of Group		9,755,364	13,933,946	28,013,478	28,969,401
Non-controlling interests	17	906,885	1,240,194	–	–
Total equity		10,662,249	15,174,140	28,013,478	28,969,401
Liabilities					
Loans and borrowings	18	1,017,716	–	–	–
Lease liabilities	19	627,138	439,690	–	–
Employee benefits provision	20	444,483	416,095	–	–
Other payables	21	65,397	196,690	–	–
Deferred tax liabilites	15	8,423	135,059	–	–
Non-current liabilities		2,163,157	1,187,534	–	–
Loans and borrowings	18	981,065	484,701	–	–
Lease liabilities	19	214,935	184,900	–	–
Trade and other payables	21	3,685,176	4,956,926	116,745	83,699
Current liabilities		4,881,176	5,626,527	116,745	83,699
Total liabilities		7,044,333	6,814,061	116,745	83,699
Total equity and liabilities		17,706,582	21,988,200	28,130,223	29,053,101

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 € 956,408 (2019: € 558,846).

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

Giulio Cesareo
Chief Executive Officer
14 May 2021

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 2020

	Share capital €	Share premium €	Foreign currency translation reserve €	Retained earnings €	Total €	Non-controlling interests €	Total equity €
Balance at 31 December 2018	154,465	22,104,240	–	(14,044,656)	8,214,049	27,361	8,241,410
Total comprehensive (expense)/income for the year							
Loss of the year	–	–	–	(3,585,215)	(3,585,215)	184,001	(3,401,214)
Total other comprehensive (expense)/income	–	–	–	(12,802)	(12,802)	–	(12,802)
Total comprehensive (expense)/income for the period	–	–	–	(3,598,017)	(3,598,017)	184,001	(3,414,016)
Capital raised	36,047	10,043,120	–	–	10,079,167	–	10,079,167
Expenditure related to the issuance of shares	–	(751,748)	–	–	(751,748)	–	(751,748)
Share-based payment	–	–	–	(13,652)	(13,652)	–	(13,652)
Setcar non-controlling interest of acquisition	–	–	–	–	–	1,028,831	1,028,831
Balance at 31 December 2019	190,512	31,395,612	4,147	(17,656,325)	13,933,946	1,240,194	15,174,140
Total comprehensive (expense)/income for the year							
Loss for the year	–	–	–	(4,195,011)	(4,195,011)	(337,962)	(4,532,973)
Total other comprehensive (expense)/income	–	–	–	7,821	7,821	–	7,821
Total comprehensive (expense)/income for the period	–	–	–	(4,187,190)	(4,187,190)	–	(4,525,152)
Capital raised	484	–	–	–	484	–	484
Translation reserve	–	–	(11,162)	–	(11,162)	–	(11,162)
Share-based payment	–	–	–	19,286	19,286	–	19,286
Increase in share capital of Directa Textile Solutions	–	–	–	–	–	4,653	4,653
Balance at 31 December 2020	190,996	31,395,612	(7,015)	(21,824,229)	9,755,364	906,885	10,662,249

Company statement of changes in equity

for the year ended 31 December 2020

	Share capital €	Share premium €	Retained earnings €	Total equity €
Balance at 31 December 2018	154,465	22,104,240	(2,055,143)	20,203,562
Loss for the year	–	–	(558,846)	(558,846)
Capital raised	36,047	10,043,120	–	10,079,167
Expenditure related to the issuance of shares	–	(751,748)	–	(751,748)
Share-based payment	–	–	(2,733)	(2,733)
Balance at 31 December 2019	190,512	31,395,612	(2,616,722)	28,969,402
Loss for the year	–	–	(956,408)	(956,408)
Capital raised	484	–	–	484
Expenditure related to the issuance of shares	–	–	–	–
Share-based payment	–	–	–	–
Balance at 31 December 2020	190,996	31,395,612	(3,573,130)	28,013,478

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 2020

	Note	Group 31 Dec 20 €	Group 31 Dec 19 €	Company 31 Dec 20 €	Company 31 Dec 19 €
Cash flows from operating activities					
Loss for the year before tax		(4,657,387)	(3,426,439)	(956,408)	(558,846)
Adjustments for:					
Depreciation	12	1,020,387	452,309	–	–
Amortisation of intangible assets	11	670,485	384,746	–	–
Share-based payment expense		19,286	(13,652)	–	(2,733)
Finance income	9	(1,175)	(164,535)	(867)	(164,529)
Finance expense		326,118	35,829	227,367	2,081
Interest of lease liabilities		21,589	–	–	–
		(2,600,697)	(2,731,742)	(729,908)	(724,028)
Increase/decrease in:					
– inventories	5	(280,011)	(79,451)	–	–
– trade and other receivables	14	179,292	240,963	37,142	(44,811)
– trade and other payables	21	(1,398,380)	(714,799)	33,047	(19,685)
– provisions and employee benefits	20	24,844	59,342	–	–
Net cash from operating activities		(4,074,952)	(3,225,687)	(659,720)	(788,524)
Cash flows from investing activities					
Interest received	9	1,175	2,874	867	3,982
Investment in intangible assets		(434,898)	(232,546)	–	–
Investment in subsidiary	13	–	–	(2,500,000)	(5,000,000)
Net cash arisen from business acquisition		–	(137,345)	–	–
Contingent consideration		(208,097)	–	–	–
Acquisition of property, plant and equipment		(195,991)	(161,589)	–	–
Net cash used in investing activities		(837,811)	(528,606)	(2,499,133)	(4,996,018)
Cash flows from financing activities					
Proceeds from Capital raise		484	10,079,167	484	10,079,167
Expenditure related to the issuance of shares		–	(751,747)	–	(751,747)
Interest paid		(45,647)	(9,773)	(2,148)	–
New borrowings		1,874,243	–	–	–
Repayment of borrowings	18	(360,164)	(190,193)	–	–
Interest of lease liabilities		(21,589)	(16,124)	–	–
Repayment of lease liabilities		(78,646)	(115,133)	–	–
Net cash from/(used in) financing activities		1,368,681	8,996,197	(1,664)	9,327,420
Net increase/(decrease) in cash and cash equivalent		(3,544,082)	5,241,904	(3,160,516)	3,540,797
Cash and cash equivalent at beginning of the year		10,906,076	5,503,884	7,669,360	3,968,016
Exchange (losses)/gains on cash and cash equivalents		(281,502)	160,548	(225,219)	160,548
Cash and cash equivalent at end of the year		7,080,492	10,906,076	4,283,625	7,669,360

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 2020

1. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and Interpretations (collectively "IFRS").

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 2020, the Group (including the Company) had net assets of €10.66m (2019: €15.17m) and cash and cash equivalent of €7.08m (2019: €10.91m).

The Directors are aware that there is an ongoing need to monitor the cash flow requirements of the Company and Group for the upcoming months, particularly in light of the recent developments in the markets due to the Covid-19 pandemic which has had a significant, immediate impact on global economies. In this regard, the Group prepares annual budgets and forecasts in order to ensure that they have 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 the appropriate mitigating actions within their control.

Based on the most recent projections, the Directors believe that the Group will have sufficient funds in place, up until at least the end of 2022, to meet liabilities as and when they fall due. Despite this, given the current global economic status, the Directors have carried out a downward sensitivity analysis stressing the base financial projections by applying a further material reduction in forecast revenues, and modelling mitigation or deferral of capital and operational expenditure within the control of Management and the Board. Based on these downward scenarios, the Directors believe that the Company will still have the funds to support the Group as a going concern until the end of 2022 and at least the next 16 months from the date this report is authorised. The Directors note however that the markets in which the company is engaged have significant growth potential and that thus far in 2021 the Company is performing well.

The Directors will continue to closely monitor performance and continue to review the funding necessary to exploit the growth opportunities in its markets and the Group is progressively improving its working capital funding need. Notwithstanding this, it is likely that in the future further funds will be needed to support and accelerate its ambitious growth. Based on current forecast, further funding is not required to support the going concern basis of preparation over the next 12 months from approving this report, however, as part of the continued improvement of the Group's funding position Management are currently seeking to raise supplementary subsidised financing for a total amount of €1.5-2m in 2021 that would further strengthen the cash funds available to the Group.

The Directors therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

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 result in the recognition of a deferred tax liability or asset.

Non-controlling interest arising from a business combination is measured either 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.

1. Basis of preparation continued

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.

III. Transaction 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 subsidiary is Euro ("€"). The functional currency of the Romanian subsidiary is RON.

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:

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 CGUs 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 three-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.

Notes to the consolidated financial statements

continued

1. Basis of preparation continued

III. Valuation and recoverability 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.

IV. Defined benefit scheme

Provision for benefits upon termination of employment related to amounts accrued by Italian companies for employment retirement. In determining this provision Management employs actuarial techniques, including the involvement of an external experts. All key estimates applied have been included in note 20.

V. Revenue recognition

Following the acquisition of Setcar in 2019, Management has reviewed the key contracts pertaining to the environmental services provided and determined that revenue is recognised over time rather than at a point in time as this is the best representation of when the performance obligations under the contracts is provided. This is considered a key judgement for this financial period as these revenue streams differ from those earned by the Group in the past.

VI. Business combination

Control assessments are performed by the management, per the requirements of IFRS 10, to establish control in the business combination. Accordingly, the concept of control is fundamental to consolidation and it exists when the investor concurrently:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to affect those returns through its power over the investee.

Management believe that Directa Plus S.p.A. has control of Setcar S.A. under IFRS 10 provisions based on the followings:

- Directa Plus S.p.A. owns directly 51% of the share capital issued by Setcar S.A.
- Based on the Articles of Association (“AoA”) in place, Directa Plus S.p.A. can control the General Meeting of Setcar S.A. From the control of the general meeting derives the control of the BoD.
- The operations of the Company are supervised and managed by Razvan Popescu, appointed as Director by Directa Plus.

Based on the control provided in the measures above:

- Directa Plus is exposed to variable returns from its involvement with the investee.
- Directa Plus has the ability to use its power over the investee to affect the amount of the investor’s returns.

2. Significant accounting policies

a) Functional and foreign 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 in to 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.

2. Significant accounting policies continued

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 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.

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 up to 3 months 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.

Notes to the consolidated financial statements
continued

2. Significant accounting policies continued

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.

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.

2. Significant accounting policies continued

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 and research and development costs 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, on a conservative basis, such costs are amortised over a period of 10 years.
- Brand: 25 years
- Orderbook: 1 year
- Others: 1 year

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.

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.

Notes to the consolidated financial statements
continued

2. Significant accounting policies continued

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.

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 sale of equipment (such as Mobile Production Units) are typically recognised at point in time when goods are delivered to the customers and site acceptance test is successfully performed.
- Revenues from services relates mainly to environmental services provided by Setcar which are recognised:
  - on an over time basis when contracts include an obligation to process waste once the process occurred according with the contract in place; and
  - at the point in time when the waste is delivered to our platform with no further performance obligations.

Where cost has been incurred to undertake a performance obligation but this has not been realised at the year end the attributable costs are carried forward as work in progress

2. Significant accounting policies continued

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).

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

New standards, interpretations and amendments effective from 1 January 2020

The disclosed policies have been applied consistently by the Group for both the current and previous financial year with the exception of the new standards adopted.

The IFRS financial information has been drawn up on the basis of accounting policies consistent with those applied in the financial statements for the year to 31 December 2019, except for the following:

a. Definition of Material – Amendments to IAS 1 and IAS 8;

b. Definition of a Business – Amendment to IFRS 3;

c. Interest Rate Benchmark Reform – Amendment to IFRS 7, IFRS 9 and IAS 39;

d. Revised Conceptual Framework for Financial Reporting; and

e. Covid-19-Related Rent Concession – Amendments to IFRS 16.

Notes to the consolidated financial statements

continued

2. Significant accounting policies continued

The application of the above standards has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

New standards, interpretations and amendments not yet effective

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions.

	Effective for annual periods beginning on or after
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	01-Jan-22
Reference to the Conceptual Framework – Amendments to IFRS 3	01-Jan-22
Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37	01-Jan-22
Annual Improvements to IFRS Standards 2018-2020	01-Jan-22
Classification of Liabilities as Current or Non-Current – Amendments to IAS 1	01-Jan-22
IFRS 17, "Insurance contracts"	01-Jan-22

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

In 2019 the Environmental segment was introduced to reflect the nature of the underlying business of Setcar. Textile and Environmental were considered by Management the strategic segments able to sustain the growth. 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

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.

2020	Textile €	Environmental €	Others €	Head office €	Consolidated €
Revenue	1,943,924	4,360,864	129,692	–	6,434,480
Cost of sales*	(1,221,579)	(1,971,859)	(74,872)	–	(3,268,310)
Gross profit	722,345	2,389,005	54,820	–	3,166,170
Other income	85,980	204,450	27,206	28,189	345,826
Other expenses:					
– R&D expense	(96,915)	(25,500)	–	–	(122,415)
– Advisory	(50,752)	(335,248)	–	(905,021)	(1,291,022)
– Operating expenses	(1,332,294)	(2,214,108)	(138,874)	(1,033,266)	(4,718,541)
– Depreciation and amortisation	(508,331)	(1,143,250)	(39,291)	–	(1,690,872)
Operating loss	(1,179,967)	(1,124,652)	(96,138)	(1,910,098)	(4,310,855)
Financial costs	–	–	–	(346,532)	(346,532)
Tax	–	–	–	124,414	124,414
Loss of the year	(1,179,967)	(1,124,652)	(96,138)	(2,132,216)	(4,532,973)
Total asset	5,609,005	11,083,261	1,014.317	–	17,706,582
Total liabilities	2,443,527	2,680,121	1,920,685	–	7,044,333

2019	Textile €	Environmental €	Others €	Head office €	Consolidated €
Revenue	1,650,534	876,398	104,888	–	2,631,819
Cost of sales*	(1,138,022)	(329,651)	10,450	–	(1,457,223)
Gross profit	512,512	546,747	115,337	–	1,174,596
Other income	116,062	9,180	57,792	–	183,033
Other expenses:					
– R&D expense	(240,592)	(149,165)	(110,960)	–	(500,718)
– Advisory	(58,504)	(1,696)	–	(1,018,924)	(1,079,124)
– Operating expenses	(945,743)	(682,113)	(556)	(867,322)	(2,495,734)
– Depreciation and amortisation	(525,334)	(263,345)	(48,376)	–	(837,055)
Operating loss	(1,141,599)	(540,393)	13,237	(1,886,246)	(3,555,002)
Financial costs	–	–	–	128,563	128,563
Tax	–	25,225	–	–	25,225
Loss of the year	(1,141,599)	(515,168)	13,237	(1,757,683)	(3,401,214)
Total asset	13,655,846	7,029,252	1,316,061	–	22,001,159
Total liabilities	(2,502,635)	(4,125,358)	(198,283)	–	(6,826,276)

**Includes changes in inventories of finished goods.*

Notes to the consolidated financial statements
continued

3. Operating segments continued

	2020 €	2019 €
Sale of products	2,137,289	1,732,074
Sale of services	4,297,191	899,746
Government grants	159,815	58,762
Other	186,011	124,271
Total income	6,780,306	2,814,853

Geographical breakdown of revenues is:

	2020 €	2019 €
Italy	1,555,622	1,642,122
Romania	4,495,661	850,738
Rest of the world	383,197	138,959
Total	6,434,480	2,631,819

The Group has transacted with one main customer in 2020, which account for more than 10% of Group revenues for sales of products and services. This largest customer's revenues amount to €1,323,623 (20%), whilst the next highest revenue earning customer provided €608,259 (9%).

Other Income of €345,826 includes Government Grants for €159,815, R&D Expenditure Credit (RDEC) for €102,988 and other income for € 83,022. 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:

	2020 €	2019 €
Grata	–	5,262
Ecopave	–	53,500
Green.Tex	54,278	–
Covid-19 related government grants	103,536	–
New plants grants	2,001	–
Total	159,815	58,762

The Group benefited from Covid-19 related government grants for a total amount of €103,536, of which €80,407 referred to unemployment grants in Romania and €23,129 referred to grants from the Italian Government. In this regard, the Group benefited by two assistance programs launched by the Italian Government to support local companies in the context of the Covid-19 crisis. Those programmes envisaged a 60% of tax credit on rental costs in case of decrease in monthly revenues higher than 50% (€14,935 of tax credit granted) and non-repayable grants as the 10% of the decrease in April 2020 revenues compared to the previous year (€8,194 granted).

4. Government grants continued

The key terms of government grants are:

	Green.Tex	Ecopave
Starting date	2020	2017
Ending date	2021	2021
Duration (months)	21	37
Total amount	96,192	214,000
Final report submitted and accepted	Project still on-going	Project still on-going

There are no capital commitments built into the ongoing grants. Government grants have been recognised in other income. Ecopave government grant has been extended to 2021, however no grants have been received in 2020.

5. Inventory

	2020 €	2019 €
Finished products	1,071,173	825,920
Spare parts	110,808	110,393
Raw material	97,712	19,162
Working in progress	96,254	140,461
Total	1,375,947	1,095,936

As of 31 December 2020, total inventory value is higher than 2019, the movement is mainly driven by the new line of face mask and filters included within finished products. 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

	2020 €	2019 €
Raw material & consumables	1,670,305	236,191
Textile products	894,012	949,169
Total	2,564,317	1,185,360

The increase in raw materials mainly refers to Setcar; the Company was acquired in November 2019 and in the previous year the profit and loss included only one month.

Notes to the consolidated financial statements
continued

7. Employee benefits expenses

	2020 €	2019 €
Wages and salaries	3,264,227	1,741,293
Social security costs	496,428	442,893
Employee benefits	89,169	94,239
Share option expense	19,286	(13,652)
Other costs	62,099	5,998
Total	3,931,208	2,270,771
Capitalised cost in "Intangible assets"	(161,935)	(121,848)
Total charged to the Income Statement	3,769,274	2,148,923

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

	2020	2019
Sales and administration	27	12
Engineering, R&D and production	166	26
Total	193	38

The total number of employees, employed by the Group on 31 December 2020 was 193 (2019: 169), 167 were Setcar's employees.

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

	2020 €	2019 €
Wages and salaries	836,709	775,708
Total	836,709	775,708

The aggregate emoluments of the highest paid Director totalled €501k (2019: €434k).

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

8. Results from operating activities:

Results from operating activities includes:

	2020 €	2019 €
Audit of the Group and Company financial statements	103,047	81,997
Audit of the subsidiaries' financial statements	37,968	31,500
Other non-audit services provided by Group's auditor	4,422	4,528
Tool manufacturing	508,363	280,083
Travel	78.012	221,397
Technical consultancies	223,732	406,105
Shipping and logistic expenses	365,317	105,211
Insurance	112,122	39,485
Marketing	27,866	26,804

Tool manufacturing expenses increase to €508,363 (2019: €280,083) and are mainly referred to Setcar's third parties services and Directa Plus S.p.A.'s fabrics printing service.

Technical consultancies decreased to €223,732 (2019: €406,105) thanks to the reorganisation of services.

The increase of shipping and logistics expenses to €365,317 (2019: €105,211) and in Insurance costs is mainly referred to Setcar, included full year in 2020.

Marketing expenses is approximately in line with previous year expenditure, meanwhile travel expenses decreased to €73,822 (2019: €221,397) due to the travel restrictions imposed after the outbreak of Covid-19 pandemic.

9. Net finance expenses

Finance expenses include:

	2020 €	2019 €
Interest Income	(1,175)	(3,988)
Interest on loans and other financial costs	45,719	10,454
Interest on financial leasing	21,589	16,700
Interest cost for benefit plan	10,131	8,819
Foreign exchanges losses/(gains)	270,268	(160,548)
Total	346,532	(128,563)

Foreign exchange losses of €270,268 (2019: €160,548) are mainly related to Sterling to Euro movement in the Group's Sterling bank account.

Notes to the consolidated financial statements

continued

10. Taxation

	2020 €	2019 €
Current tax expense	404	449
Deferred tax expense/(recovery)	(124, 818)	(25,674)
Total tax expenses	(124,414)	(25,225)

Reconciliation of tax rate

	2020 €	2019 €
Loss before tax	(4,657,387)	(3,426,439)
Italian statutory tax rate	24%	24%
	(1,117,773)	(822,345)
Impact of temporary differences	155,430	62,887
Losses recognised	(31,016)	(37,662)
Impact of tax rate in foreign jurisdiction	47,820	27,942
Losses not utilised	1,069,953	794,403
Total tax expenses	(124,414)	(25,225)

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 €27,762,446 (€ 24,040,737 in 2019).

11. Intangible assets

Cost	Development cost €	Patents €	Goodwill €	Others €	Brands €	Total €
Balance at 31/12/2018	2,631,411	321,912	22,268	44,901	–	3,020,492
Additions	121,848	116,021	–	14,600	–	252,469
Acquired through acquisition	11,765	–	281,284	190,079	384,124	867,252
Balance at 31/12/2019	2,765,023	437,933	303,552	249,580	384,124	4,140,213
Additions	379,998	111,151	–	35,814	–	526,963
Currency translation differences	(218)	(3,344)	(5,205)	(289)	(7,108)	(16,163)
Balance at 31/12/2020	**3,144,804**	**545,740**	**298,348**	**285,105**	**377,017**	**4,651,012**
Amortisation						
Balance at 31/12/2018	1,419,291	101,865	–	30,412	–	1,553,014
Amortisation 2019	312,504	43,483	–	22,357	6,402	384,746
Balance at 31/12/2019	1,713,795	145,348	–	52,769	6.402	1,937,760
Amortisation 2020	357,746	218,247	–	18,593	75,899	670,485
Balance at 31/12/2020	**2,089,541**	**363,595**	**–**	**71,362**	**82,301**	**2,608,245**
Carrying amounts						
Balance 31/12/2018	1,212,120	220,046	22,268	14,489	–	1,467,478
Balance 31/12/2019	1,033,228	292,584	303,552	196,811	377,722	2,202,452
Balance 31/12/2020	**1,055,262**	**182,145**	**298,348**	**213,743**	**294,715**	**2,042,767**

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, throughout the support of external experts, 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 2020 was estimated equal to €4,205k.

The recoverable amount was determined based on the Discounted Cash Flow ("DCF") method. Such method is based on the general concept that the value of a company is equivalent to the discounted amount of the cash flows it will generate in the future within the forecast horizon and the terminal value beyond.

It has been adopted a discount rate of 10.9% and an annual growth rate in perpetuity of 1.7%.

Based on such assumptions, the recoverable amount was estimated equal to €17,500k. In addition, it was performed a sensitivity analysis, 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 €16,500k and €18,700k.

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 2020.

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 at 31/12/2018	172,392	45,437	107,320	2,295,626	–	–	–	2,620,775
Additions	32,052	11,117	55,131	123,843	–	456,819	–	678,962
Acquired from acquisition	1,031,249	–	17,018	1,782,559	608,395	–	2,445	3,441,666
Balance at 31/12/2019	1,235,693	56,554	179,469	4,202,028	608,395	456,819	2,445	6,741,402
Additions	52,825	17,967	9,391	171,819	–	322,354	–	574,356
Disposals	–	–	–	(23,343)	–	–	–	(23,343)
Currency translation differences	(21,101)	–	(16,232)	(53,298)	(11,257)	(45)	–	(101,934)
Balance at 31/12/2020	1,267,415	74,521	172,627	4,297,207	597,138	779,128	2,445	7,190,481
Depreciation								
Balance at 31/12/2018	105,629	30,319	48,255	1,374,137	–	–	–	1,558,340
Depreciation 2019	89,702	5,794	19,332	263,345	–	76,136	–	452,309
Balance at 31/12/2019	193,331	36,113	67,587	1,637,482	–	76,136	–	2,010,649
Depreciation 2020	378,873	7,693	35,432	517,406	–	80,984	–	1,020,388
Currency translation differences	(17,894)	–	(2,356)	(30,851)	–	–	–	(51,101)
Balance at 31/12/2020	556,309	43,807	100,663	2,123,314	–	157,120	–	2,981,213
Carrying amounts								
Balance 31/12/2018	66,763	15,118	59,065	921,489	–	–	–	1,062,435
Balance 31/12/2019	1,042,362	20,440	111,882	2,564,546	608,395	380,683	2,445	4,730,752
Balance 31/12/2020	711,106	30,714	71,965	2,173,892	622,008	597,138	2,445	4,209,268

Asset held under financial leases with a net book value of € 703,122 are included in the above table within Plant & Machinery.

13. Investments in subsidiaries

Details of the Company's subsidiaries as at 31 December 2020 are as follows:

Subsidiaries	Country	Principal activity	Shareholding 2020	Shareholding 2019
Directa Plus S.p.A.	Italy	Producer and supplier of graphene based materials and related products	100%	100%
Directa Textile Solutions Srl	Italy	Commercialise textile membranes, including graphene-based technical and high-performance membranes	73.5%	60%
Setcar S.A.	Romania	Waste management and decontamination services business	51%	51%

Subsidiaries	Place of Business	Registered Office	Place of Business
Directa Plus S.p.A.	Italy	Via Cavour 2, Lomazzo (CO) Italy	See registered office
Directa Textile Solutions Srl	Italy	Via Cavour 2, Lomazzo (CO) Italy	See registered office
Setcar S.A.	Romania	Str. Gradinii Publice 6, Braila Romania	See registered office

13. Investments in subsidiaries continued

The Company's investment as capital contributions in Directa Plus S.p.A. are as follows:

	Directa S.p.A.
At 31 December 2018	16,180,336
Additions	5,000,000
At 31 December 2019	21,180,336
Additions	2,500,000
At 31 December 2020	**23,680,336**

14. Trade and other receivables

	Group		Company	
Current	2020 €	2019 €	2020 €	2019 €
Account receivables	2,174,967	2,169,307	–	–
Tax Receivables	443,857	460,521	23,265	44,117
Other receivables	238,636	313,458	142,997	159,287
Total	2,857,460	2,943,286	166,262	203,404

	Group		Company	
Non-current	2020 €	2019 €	2020 €	2019 €
Other receivables	140,649	109,698	–	–
Total	140,649	109,698	–	–

Group account receivables of €2,174,967 are mainly composed by eight major clients, which cover 67% of the total amount.

Group Tax Receivables are composed of Italian VAT receivables of €255,170, UK VAT receivables of €21,848, Romanian VAT receivables of €53,452 and a RDEC Tax Credit receivable of €102,988.

Other receivables are mainly composed of governments grants €96,992 and prepayments €121,490.

Non-current other receivables of €140,649 refer to specific projects where the collection of a certain amount, although due, is postponed to the end of the project itself.

As at 31 December 2020 the ageing of account receivables was:

Days overdue	2020 €	2019 €
0-60	1,895,323	1,929,268
61-180	50,372	154,397
181-365	231,109	103,782
365 +	57,786	20,710
Allowance of impairment	(59,623)	(38,849)
Total	2,174,967	2,169,308

Notes to the consolidated financial statements
continued

14. Trade and other receivables continued

At the end of each financial period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. Collective impairment allowances, with exception of receivables collected in 2021, are determined based on the following rules:

Days overdue	% allowance
0-60	0%
61-180	30%
181-365	60%
365+	100%

In 2020, 85% of account receivables have an ageing less of 60 days and refers to an order delivered close to the year end.

As at 31 December 2020 the Group recognised provision for €20,774 mainly referred to Setcar's overdue debts.

15. Deferred tax liabilities

	2020 €	2019 €
Deferred tax liabilities	138,147	294,191
Deferred tax assets – losses	(129,724)	(159,132)
Total	8,423	135,059

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:

	2020 €	2019 €
Deferred tax liabilities – cost capitalised	121,504	156,695
Deferred tax liabilities – other	8,220	2,437
Deferred tax liabilities arising from acquisition	8, 423	135,059
Deferred tax assets – losses exc. Setcar	(129,724)	(159,132)
Total	8,423	135,059

16. Cash and cash equivalents

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Cash at bank	7,075,447	10,890,718	4,283,625	7,669,360
Cash in hand	5,045	15,357	–	–
Total	7,080,492	10,906,075	4,283,625	7,669,360

17. Equity

	2020 €	2019 €
Share Capital	190,996	190,512
Share Premium	31,395,612	31,395,612
Foreign currency translation reserve	(7,015)	4,147
Retained earnings	(21,824,229)	(17,656,325)
Non-controlling interests	906,885	1,240,194
Balance at 31 December	10,662,249	15,174,139

Share capital	Number of ordinary shares	Share capital (€)
At 31 December 2018	48,468,827	154,465
Share issue on 9 January 2019 – capital raise*	2,647,609	7,350
Share issue on 21 October 2019 – capital raise**	9,882,547	28,697
At 31 December 2019	60,998,983	190,512
Share issue on 26 June***	111,980	309
Share issue on 30 June****	63,624	175
At 31 December 2020	61,174,587	190,996

** On 09 January 2019, 2,647,609 ordinary shares with a nominal value of £0.0025 each were issued as effect of the Company's capital raise.*
*** On 21 October 2019, 9,882,547 ordinary shares with a nominal value of £0.0025 each were issued as effect of the Company's capital raise.*
**** On 26 June 2020, 111,980 ordinary share with a nominal value of £0.0025 each were issued as effect of the exercise of options of ordinary shares for Directors and Senior Manager.*
***** On 30 June 2020, 63,624 ordinary share with a nominal value of £0.0025 each were issued as effect of the exercise of options of ordinary shares for Directors and Senior Manager.*

Share premium	Share premium €
At 31 December 2018	22,104,240
Shares issued on 18 January 2019	1,462,728
Expenditure relating to the raising of shares	(140,939)
Shares issued on 21 Octotber 2019	8,580,393
Expenditure relating to the raising of shares	(610,808)
At 31 December 2019	31,395,612
Shares issued	–
Expenditure relating to the raising of shares	–
At 31 December 2020	31,395,612

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 € 7,015.

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 2020 it's 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 2020 €	Group 2019 €	Company 2020 €	Company 2019 €
Non-current Loans and borrowings	1,017,716	–	–	–
Current Loans and borrowings	981,065	484,701	–	–
Total	1,998,781	484,701	–	–

	2020 €	Current €	Non current €	Repayment	Interest rate
Bank of Transilvania	692,716	–	692,716	36-months	Changeable 4.7% ROBOR 3M + 2.5%/year
GVC Investment Company LMT	977,385	977,385	–	12-months	1.5%/year
Intesa San Paolo	300,000	–	300,000	24-months	1.5%/year
Intesa San Paolo	25,000	–	25,000	72-months	1.5%/year

Reconciliation of liabilities arising from financing activities

	1 January 2020 €	Cash flows: Interest paid €	Cash flows: Capital repayment €	Non cash flows: Accrued interest €	Non cash flows: Liabilities acquired €	31 December 2020 €
Borrowings	484,701	–	(360,164)	11,822	1,862,422	1,998,781
Total	484,701	–	(360,164)	11,822	1,862,422	1,998,781

19. Leases liabilities

The following table details the movement in the Group's lease obligations for the period ended 31 December 2020:

	2020 €	2019 €
Non-current lease liabilities	627,138	439,690
Current lease liabilities	214,935	184,900
Total	842,073	624,590

20. Employee benefits provision

	2020 €	2019 €
Employee benefits	444,483	416,095
Total	444,483	416,095

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 1 January 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 2019 and 2020 is as follows:

	€
Amount at 31 December 2018	282,031
Service cost	65,788
Interest cost	8,819
Actuarial gain/losses	12,802
Past service cost	–
Benefit paid	(16,007)
Amount at 31 December 2019	406,534
Service cost	57,081
Interest cost	10,131
Actuarial gain/losses	(7,821)
Past service cost	–
Benefit paid	(21,442)
Amount at 31 December 2020	444,483

Variables analysis

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

	2020	2019
Annual rate interest	2.30%	2.30%
Annual rate inflation	1.10%	1.10%
Annual increase TFR	7.41%	7.41%
Tax on revaluation	17.00%	17.00%
Social contribution	0.50%	0.50%
Increase salary male	1.20%	1.20%
Increase salary female	1.15%	1.15%
Rate of turnover male	1.70%	1.70%
Rate of turnover female	1.50%	1.50%

Notes to the consolidated financial statements
continued

20. Employee benefits provision continued

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

Actuarial hypothesis – 2020

		Rate	Decrease 10% Variation DBO €	Rate	Increase 10% Variation DBO €
Increase salary	Male	1.08%	(2,900)	1.32%	4,087
	Female	1.04%	1.27%		
Turnover	Male	1.53%	(2,470)	1.87%	3,500
	Female	1.35%	1.65%		
Interest rate		2.07%	13,269	2.53%	(11,482)
Inflation rate		0.99%	(3,022)	1.21%	4,185

21. Trade and other payables

	Group		Company	
Non-current	2020 €	2019 €	2020 €	2019 €
Other payables	65,397	66,629	–	–
Contingent consideration at fair value through P&L	–	130,061	–	–
Total	65,397	196,690	–	–

	Group		Company	
Current	2020 €	2019 €	2020 €	2019 €
Trade payables	1,364,787	1,055,856	54,725	1,702
Employment costs	519,466	419,331	–	–
Other payables	1,228,655	2,831,436	62,020	81,997
Contingent consideration at fair value through P&L	572,268	650,303	–	–
Total	3,685,176	4,956,926	116,745	83,699

Other payables mainly refer to the remaining portion of debt due to Setcar's previous shareholders.

22. Financial instruments

Financial risk management

The Group's business activities expose the Group to a number of 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 2020 the Group is only exposed to variable interest rate risk for a short term revolving loan. If the interest rate had increased or decreased by 100 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, 85% of account receivables have an ageing less of 60 days and refers to orders delivered close to the year end. As at 31 December 2020 the Group recognised a bad debt provision for €20,774.

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.

d) Exposure to credit risk

Group	Note	2020 €	2019 €
Trade receivables	14	2,174,967	2,169,308
Cash and cash equivalent	16	7,080,492	10,906,076
Total		9,255,459	13,075,384

The largest customer within trade receivables account for 14% 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.

Notes to the consolidated financial statements
continued

22. Financial instruments continued

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.

2020	Carrying amount €	Up to 1 year €	1-5 years €
Financial liabilities			
Trade payables	1,364,787	1,364,787	–
Lease Liabilities	842,073	214,935	627,138
Loans	1,998,781	959,520	1,064,310
Total	4,205,641	2,539,242	1,691,448

2019	Carrying amount €	Up to 1 year €	1-5 years €
Financial liabilities			
Trade payables	1,055,856	1,055,856	–
Lease Liabilities	649,287	193,598	455,689
Loans	484,701	484,701	–
Total	2,189,844	1,734,155	455,689

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	3,552,791

As at 31 December 2020 if the exchange rate EUR/GBP increase by 10% the impact on P&L would be a loss equal to €0.32 million (if decrease by 10% would be a profit equal to €0.39 million).

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

23. Earnings per share

	Change in number of ordinary shares	Total number of ordinary shares	Days	Weighted number of ordinary shares
At 31 December 2017	–	44,212,827	365	44,212,827
Existing shares	–	44,212,827	351	42,516,993
Issued on 18 December 2018	4,256,000	48,468,827	14	1,859,078
At 31 December 2018	4,256,000	48,468,827	365	44,376,071
Existing shares	–	48,468,827	9	1,195,122
Issued on 9 Jan 2019	2,647,609	51,116,436	285	39,912,834
Issued on 21 Oct 2019	9,882,547	60,998,983	71	11,865,556
At 31 December 2019	12,530,156	60,998,983	365	52,973,511
Existing shares	–	60,998,983	181	30,248,811
Issued on 29 June 2020	111,980	61,110,963	2	334,855
Issued on 30 June 2020	63,624	61,174,587	182	30,503,493
At 31 December 2020	**175,604**	**61,174.587**	**365**	**61,087,158**

	Basic		Diluted	
	2020 €	2019 €	2020 €	2019 €
Loss attributable to the owners of the Parent	(4,195,011)	(3,585,215)	(4,532,973)	(3,401,214)
Weighted average number of ordinary shares in issue during the year	61,055,433	52,973,511	61,055,433	53,054,737
Fully diluted average number of ordinary shares during the year	61,055,433	52,973,511	61,055,433	53,054,737
Loss per share	(0.07)	(0.07)	(0.07)	(0.07)

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

Notes to the consolidated financial statements
continued

24. Share schemes

The Employees' Share Scheme is administered by the Remuneration Committee and the NED Share Scheme is administered by the Executive Directors.

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

Awards over a total of 1,675,609 Ordinary Shares were granted on or around the date of Admission (27 May 2016) and additional 60,000 Ordinary Shares were granted in May 2017. All those awards expired within May 2020. In November 2020 further 1,801,000 Ordinary Shares were granted to key employees and as of 31 December 2020 the total number of outstanding awards is 1,801,000. The main terms of the 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 Board may also grant market value share options to Non-Executive Directors under the NED Share Scheme. 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 performance conditions (if any) which must be achieved in order for the award to be exercisable.

Types of Award
Awards granted under the Employees' Share Scheme can take the form of performance shares and/or market value share options. "Performance shares" are share options with an exercise price equal to the nominal value of a share, while "Market value share options" are share options with an exercise price equal to the market value of a share at the date of grant. Outstanding shares as of 31 December 2020 are all "Market value share options". The right to exercise the award is generally dependent upon the participant remaining an officer or employee throughout the performance period and, except in the case of market value share options granted to the Chairman or Non-Executive Directors, the satisfaction of performance conditions. This is subject to the good leaver provisions described below. 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. The value of Ordinary Shares over which a Non-Executive Director may be granted market value share options under the NED Share Scheme in any financial year of the Company shall not exceed 150% of his annual rate of fees.

Performance Targets
The Remuneration Committee will impose objective targets which will determine the extent to which awards will vest. Targets for awards to be granted to Executive Directors and senior employees on or prior to Admission are based on growth in EBITDA, share price and production capacity targets in line with the Company's forecasts prior to Admission.

The Remuneration Committee may modify or amend the performance targets if changes to the Company or its business mean that the targets are no longer relevant or appropriate. However, any new or amended conditions will not be materially any more or less challenging than the original conditions were expected to be at the time they were imposed. The vesting of market value share options granted to Non-Executive Directors will not be subject to performance conditions.

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

24. Share schemes continued

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 (75% of vested shares, while the remaining 25% from the fourth) and tenth anniversaries from the date of grant.

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

	Monte-Carlo simulation		Black Scholes Model	
	31 Dec 2020 Market value shares	31 Dec 2020 Performance shares	31 Dec 2019 Market value shares	31 Dec 2019 Performance shares
Share price	60p	–	69p	–
Exercise price	66p	–	75p	–
Expected volatility	54%	–	36%	–
Compounded Risk-Free Interest Rate	0.10%	–	4.25%	–
Expected life	6 years	–	3 years	–
Number of options issued*	1,801,000	–	60,000	–

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

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

	Outstanding at start of period	Granted during the period	Cancelled during the period	Expired during the period	Vested during period	Outstanding at end of period	Exercisable period option price	Grant date	Exercisable date
31 December 2018	1,735,610	–	(95,733)	–	–	1,639,877	–	–	–
31 December 2019	1,639,877	–	(25,523)	(733,066)	(821,288)	60,000	75p	12 May 2017	12 May 2020
31 December 2020	60,000	1,801,000	–	–	(60,000)	1,801,000	66p	12 Nov 2020	12 Nov 2023

Cancellation of share options during the period relates to the resignation employees. Share options expired over the period refers to those performance share option that did not meet the performance criteria on the third anniversary of the granting. Vested share options are Market share options and Performance share options that met the criteria on the third anniversary. No vested options were exercised in the period.

Notes to the consolidated financial statements
continued

25. 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'.

	2020 €	2019 €
Short-term employee benefits and fees	278,619	251,353
Social security costs	68,576	69,037
	347,195	320,390

For Directors remuneration please see Director's Remuneration Report.

Transactions with shareholders

The following sales with shareholder of the Group were recorded, excluding VAT, during the year:

	2020 €	2019 €
Sale of products	3,948	–

Products are sold on normal commercial terms and conditions.

Other transaction Group

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

	2020 €	2019 €
Sale of products	15,886	–

Products are sold on normal commercial terms and conditions.

26. Contingent Liabilities and Commitments

The Group has the following contingent liabilities relating to bank guarantees on operating lease arrangements and government grants.

	2020 €	2019 €
Bank guarantees	141,553	114,440

27. Post balance sheet events

On 12 February 2021, the General Meeting of Setcar S.A. approved to increase the share capital of the Company through the conversion into shares of the loans granted by the two main shareholders (Directa Plus S.p.A. and GVC Investment Company Limited). Following the loan conversion into equity, the total share capital of Setcar S.A. will be 9.953.599 lei – Eur 2.041.931, fully subscribed and paid, divided into a total of 19.907.198 registered shares. The loan granted by Directa Plus S.p.A. amounted to Eur 1.040.485. As a result of the conversion, Directa Plus S.p.A. will increase its stake in Setcar S.A. from 51% to 52%.

Directors, secretary and advisers

Directors
Sir Peter Middleton – Non-Executive Chairman

Giulio Cesareo – CEO and Founder

David Gann – Non-Executive Director

Neil Warner – Non-Executive Director

Richard Hickinbotham – Non-Executive Director

Company Secretary
Paul Cooper

Registration number
04679109

Registered office
3rd Floor
11-12 St James's Square
London SW1Y 4LB
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
N+1 Singer
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 Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL
United Kingdom

Financial PR adviser
Tavistock
1 Cornhill
London EC3V 3ND
United Kingdom

Designed and produced by FourthQuarter®

MIX
Paper from responsible sources
FSC® C022913
FSC 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
3rd Floor
11-12 St. James's Square
London
SW1Y 4LB
United Kingdom

www.directa-plus.com