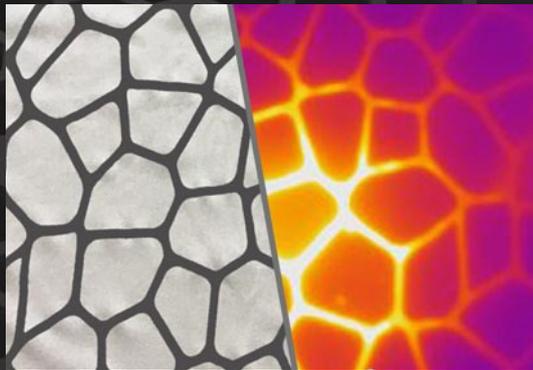


Graphene is the material of **the future**



Directa Plus in 2019

Discover how we are using graphene to help customers' revolutionize 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 revolutionize the performances of their own end products in commercial applications such as textiles, tyres, 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.



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€2.63 million sales

Highlights

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 vertical markets in which the Company can gain strong traction – textiles, environmental remediation, elastomers and composites

COVID-19

- The Company has been concerned first and foremost with the health and well-being of our employees as well as those of our industrial partners and the wider community
- We have been able to maintain production and remain effective as a business through remote working
- A new Emergency COVID-19 project, using G+® graphene, could offer the right balance of filtration and breathability in masks whilst providing similar anti-bacterial performance to gowns and gloves. We are currently undertaking studies to investigate the potential of a new anti-viral molecule coupled with G+® graphene

Financial highlights

<p>Product sales and service revenue increased to €2.63 million (2018: €2.25 million).</p> <p>€2.63million</p>	<p>Total income (including grants) increased to €2.81m (2018: €2.50 million).</p> <p>€2.81million</p>	<p>Loss after tax €3.40 million (2018: €3.96 million), in line with market expectations.</p> <p>(€3.4million)</p>
<p>Successful placing to raise €8.52m (€7.41 million) in October.</p> <p>€8.52million</p>	<p>Acquisition of a 51 per cent majority holding in Setcar S.A. completed in November and has been earnings accretive.</p> <p>51%</p>	<p>Cash and cash equivalents at year end of €10.91 million (2018: €5.50 million), providing the Group with the financial capacity to support our growth ambitions and to withstand at least until the end of 2021 the uncertainties and challenges created by the COVID-19 pandemic.</p> <p>€10.91million</p>

Target market progress

Textiles

- New agreement signed with partner and customer Alfredo Grassi covering workwear and military outerwear in Europe and North Africa
- Potential new alliances for the workwear and transportation markets on a worldwide basis under evaluation, with a specific focus on the UK and the US
- Exclusive agreement with Loro Piana for the commercialisation of Loro Piana fabrics and garments enriched by G+® technology, with an initial duration of three years and a minimum value of €800,000

Environmental Remediation

- Award of first Grafysorber® full service contract in July to treat sludges and by-products for an international oil and gas company operating European onshore wells
- Transformational acquisition of a 51 per cent majority holding in Setcar S.A. completed in November has been earnings accretive
 - a further 47 per cent was acquired by the parent company of our industrial partner GSP Group, a leading provider of offshore integrated services for the oil and gas industry with rigs operating in Romania, Turkey, Greece and Mexico
 - a well regarded business, established in 1994, that fulfils our key strategic objective of fully integrating into the value chain in one of our most important verticals
- Under the new partners' ownership, Setcar gained its first contract in December to provide a suite of environmental decontamination services on the Trinity - 1X gas project in Block 30 offshore Romania for approximately US\$1 million
- In February 2020, Setcar gained a contract to supply environmental services to GSP Offshore, part of GSP, with a value of approximately €700,000 per annum over seven years
- Grant of European patent in April 2020 covering the use of Grafysorber® to decontaminate water containing hydrocarbons resulting from the production of oil

Asphalt

- Successful real world trials of G+® enhanced asphalt supermodifier, Gipave, developed with partner Iterchimica, on public roads in Rome and Oxfordshire in the UK
- Post year end, in January 2020, six-month trial began on a high traffic taxiway used for intercontinental aircraft at Rome's Fiumicino airport
- Agreement signed in April 2020 covering the exclusive supply of G+® graphene to Iterchimica in the asphalt and bitumen sector worldwide for an initial duration of three years

Corporate

Current patent portfolio increased to 30 patents granted, seven of which were granted post year-end, with important grants and filings in both the US and China in 2019.

>30 Patents

EU grant received in January 2020 to develop an environmentally sustainable technology to digitally print G+® graphene on fabrics.

OEKO-TEX® independent non-toxic certification (an Eco Passport) received in February 2020 for our G+® printing paste technology.



Frost and Sullivan Technology Innovation Award granted to the Company in May 2020 for unique Grafysorber® performances in environmental remediation industry.

Grafysorber®

Moving forward

At a glance

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

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

G+® Technology

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

Benefits of our products

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

4 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

Elastomers

Improving the efficiency and longevity of tyres for all road transport.

4

Composites

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



Chairman's statement



Sir Peter Middleton
Chairman

I am pleased to report that 2019 was a transformational year for Directa Plus. Towards the end of the year, we completed the purchase of a 51.0% interest in the environmental services company Setcar and further strengthened the Group's balance sheet through an oversubscribed Placing and Open Offer. Despite the added demands of our acquisition of Setcar, strong commercial momentum was sustained across the business, re-enforcing our position as a leading producer and supplier of differentiated graphene-based products under our G+® brand. Our full year revenue of €2.81m was up 17% over the prior year including a €0.88m contribution from Setcar since its acquisition in November 2019. We have a robust balance sheet with year-end net cash of €10.9m that provides us with the financial capacity to support our growth ambitions and to withstand the uncertainties and challenges created by the COVID-19 pandemic.

The Group's graphene manufacturing operations and headquarters are located in Lomazzo in the Lombardy region of Northern Italy, which has been one of Europe's worst affected areas for COVID-19. As such the Board has been concerned first and foremost with the health and well-being of our employees as well as those of our industrial partners and the wider community in which we operate. It is a testament to our executive team that the decision was taken early to reduce the headcount at our factory to a minimum and to move all remaining staff to work remotely.

"We now have a strong confirmed forward order book for 2020 and a growing number of differentiated products across large, diverse end markets. In environmental services, we expect to continue to make progress this year. In textiles, new product launches, as well as geographical expansion, place the Group in a good position to support textile producers in meeting the needs triggered by COVID-19."

As a result, our manufacturing operations are continuing with the production of G+® products and our development activities continue apace. On behalf of the Board I would like particularly to thank our leadership team and our employees for their dedication and hard work in a difficult and very challenging environment.

The benefits of our G+® graphene are becoming increasingly well recognised by our existing and potential partners with whom we are closely engaged. Our low cost, scalable manufacturing plant uses a proprietary and patented chemical-free process to produce pristine graphene-based materials and hybrid graphene materials for a variety of uses. Our G+® product is proven to be non-toxic and is available in various forms such as powder, liquid and paste and can be tailored to optimise the performance and characteristics of our partners end products. We are creating a generation of new products with exceptional properties and the progress we are making in our targeted business verticals is detailed within the Chief Executive's Review.

The acquisition of Setcar was an important milestone for the Group in our commercialisation strategy for our patented Grafysorber® oil decontamination and remediation product. Our partner GSP has extensive operations with an established infrastructure, including strong third party customer relationships, to promote the unparalleled benefits of Grafysorber®. The acquisition of Setcar has enabled the Group

to capture additional value for shareholders through the provision of added value upstream services and by moving away from the provision of Grafysorber® alone. We are delighted to welcome the Setcar team to Directa Plus and look forward to delivering on our ambitions in this key market vertical alongside further progress in textiles, our other key vertical.

Our reputation is of course fundamental to our future success and set alongside our growing knowledge pool and technical ability, our forward-thinking approach continues to create new opportunities. Post year-end we signed a worldwide agreement with asphalt additive company Iterchimica following four years of investment in R&D and extensive trials of Gipave, the asphalt additive based on G+® graphene. The Board believes there is a significant opportunity for Gipave to capture a material share of the asphalt and bitumen paving market based on its proven real-world performance. Extensive work is currently being undertaken also to assess the potential for G+® to be incorporated into medical devices such as masks, gowns and gloves. We have long known of the strong anti-bacterial and thermal properties of our graphene but there may be a similar anti-viral effect also and we hope that G+® may be able to assist in the fight against COVID-19.

In closing, I should like to thank our shareholders, new and old, for their continued loyalty and support. Directa Plus continues to

position itself for a strong future and our ability to grow which reflects our stakeholders' confidence in the business and strategy. 2020 brings with it greater challenges and uncertainties than usual as a result of COVID-19. We shall not escape its impact, particularly in fashion related textiles, but there are also reasons to be optimistic. We now have a strong confirmed forward order book for 2020 and a growing number of differentiated products across large, diverse end markets. In environmental services, we expect to continue to make progress this year through Setcar providing growing revenues and profits that will enable us to invest further in the business. In textiles, new product launches, potentially including bacteria and virus inhibiting materials, as well as geographical expansion, place the Group in a good position to support textile producers in meeting the needs triggered by COVID-19. The Board remains confident that 2020 will see further positive progress and developments.

Sir Peter Middleton

Chairman
20 May 2020

The acquisition of Setcar was an important milestone for the Group in our commercialisation strategy for our patented Grafysorber® oil decontamination and remediation product.

Grafysorber®



Strong commercial momentum was sustained across the business, re-enforcing our position as a leading producer and supplier of graphene-based products under our G+® brand. Full year revenue of €2.81m was up 17%.

€2.81 million



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.

How we create value



Business model

We seek to embed our products first with Italian (and regional) companies with large international footprints to provide reference customers, before rolling out globally. The success of this strategy can be seen in our progress in the textiles and environmental remediation markets.



- + 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.

Chief Executive Officer's review



Giulio Cesareo
CEO

Introduction

2019 saw great progress for Directa Plus not only in our key verticals of environmental remediation solutions and textiles, but also in the other industrial sectors where we have developed graphene enhanced products and services where we see material opportunities.

Strategy and Business model

We continue to believe that successful innovations are collaborative, starting from existing ideas, resources and contacts and facilitated through the introduction of competencies and assets from partners. These are then combined together in a new market context, resulting in new next generation products or significant improvements to existing products.

We believe that our commercial strategy has been validated as the best path for Directa Plus. By working with established manufacturers and vendors, 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.

We always seek to develop the right business model to suit the product and partnership. This ethos means that we retain and actively promote flexibility and optionality throughout our Company.

“2018 has seen accelerating commercial traction with agreements and collaborations signed, and orders received, for products to be delivered over the next twelve months. We are gaining real, measurable commercial traction and maintaining our technological and commercial lead over our competitors, demonstrated by the number of products launched.”

Our R&D efforts throughout 2019 supported our strategy and we have generated significant new intellectual property assets, across our industrial landscape. We continue to find new ways to improve and optimise products and services for end users with the use and development of our graphene based technology.

Directa Plus's stature as a differentiated producer and supplier of graphene continues to build strongly and during the year this was additionally recognised through an invitation to join the Industry Council of the US National Graphene Association (NGA), the main body in the US advocating and promoting the commercialisation of graphene. Membership of the NGA's Industry Council is available to a select group of influential graphene companies that are positioned to assume a leading role in the development of the global graphene market. Directa Plus is very proud to be part of the organisation.

Potential for G+® to protect against the spread of COVID-19

As you will know, Northern Italy, where our graphene manufacturing facility and corporate offices are situated has been badly impacted by COVID-19 and the measures necessary to prevent its spread. Despite this,

I am pleased to report that the Group have been able to maintain production and remain effective as a business through remote working. Keeping all our employees safe and ensuring their well-being is of the utmost importance to us.

Against this backdrop, Directa Plus has been dedicating R&D efforts to find ways to help alleviate the spread of COVID-19. Whilst we have known of graphene's strong bacteriostatic properties for some time, there are indications that there may similarly be an anti-viral effect that can be utilised by applying graphene to fabric. As such, we have been working on a new project, Emergency COVID, which uses graphene in the production of medical devices such as masks, gloves and gowns to provide enhanced prevention properties that could make an important contribution in the easing of restrictions in the second phase response to the pandemic.

We believe that Personal Protective Equipment, enhanced appropriately by G+® graphene, could offer the right balance of filtration and breathability in masks whilst providing anti-bacterial and potentially anti-viral performance that would also be effective in clothing such as gowns and gloves. This could result in a safer "go to work" and "go to sport" environment for all citizens and I hope to be able to report this time next

year that Directa Plus has been able to play its part in turning the tide against COVID-19.

Textiles

The intelligent use of graphene in modifying fabrics can provide a variety of performance benefits to the wearer of garments made using these enhanced fabrics. Improved thermal regulation delivers much higher levels of comfort and, for example, more efficient output for sportspeople, manual or physical workers, and can expand the range of fabrics suitable to different climactic conditions. Graphene is applied to garments through our proprietary fabric printing technology and through laminated graphene membranes. We are also working on novel ways to introduce graphene to the weave of fabrics themselves.

Directa Plus's progress in the period was extremely pleasing, in particular the partnership with Alfredo Grassi and our exclusive agreement with Loro Piana, as further detailed below.

Alfredo Grassi

Our long-standing industrial partnership with Alfredo Grassi S.p.A (Grassi), was deepened in May 2019 with an agreement to collaborate in the further development of graphene enhanced workwear and to expand into military outerwear.



We have been working on a new project, 'Emergency COVID', which uses graphene in the production of medical devices such as masks, gloves and gowns to provide enhanced prevention properties. This could result in a safer "go to work" and "go to sport" environment for all citizens.



ABOVE LEFT / ABOVE: Samples of our new G+® COVID prevention masks and a weekly filter pack.

RIGHT: Giulio Cesareo with Riccardo Comerio CEO of rubber machinery manufacturer, Comerio Ercole, agreeing an R&D tie-up to co-develop tire mixing techniques and technologies for processing formulations containing graphene.

Our R&D efforts throughout 2019 supported our strategy and we have generated significant new intellectual property assets, across our industrial landscape. We continue to find new ways to improve and optimise products and services for end users.



Chief Executive Officer's review continued

The agreement between Directa Plus and Grassi provides for exclusive co-operation in these key sectors, leveraging on the established advantages of our Planar Thermal Circuit™. The main objectives are:

- + To promote the uptake of graphene enhanced, advanced workwear and military outerwear in Italy, most of Europe and North Africa;
- + To develop new products suitable for end users in relevant industrial verticals;
- + To build a greater joint understanding of market trends and drivers affecting demand for such products; and
- + To offer end users the maximum level of sustainability along the entire supply chain.

We are also evaluating potential new alliances for the workwear vertical on a global basis with a specific focus on the UK and the US and will update shareholders at the appropriate time.

Loro Piana

In March 2019 we announced an exclusive agreement with Loro Piana for the commercialisation of Loro Piana fabrics and garments enriched by Directa Plus's G+® technology, with an initial duration of three years and a minimum value of €800,000.

Loro Piana is renowned for the quality of its fabrics and garments, even amongst the global luxury fashion industry, and for its extreme sensitivity to the environment along its entire value chain. These principles align perfectly with Directa Plus's own culture and we look forward to jointly developing and achieving significant innovations in high quality fabrics.

Environmental remediation

Environmental remediation solutions are amongst Directa Plus's most commercially advanced activities. The Group is successfully gaining and fulfilling contracts using our proprietary Grafysorber® technology. Grafysorber® is used to treat water contaminated by hydrocarbons and is at least five times more effective than current technologies, adsorbing more than 100 times its own weight of oil-based pollutants. Furthermore, Grafysorber® is sustainably produced in common with all our products, and it is non-flammable and reusable, with the adsorbed hydrocarbons recoverable.

Oil & Gas supply and service contract

In July, Directa was awarded an environmental remediation contract worth approximately €150,000 to treat several thousand cubic meters of sludges and by-products for an international oil and

gas company, operating European onshore wells. Directa Plus is providing a full service to the customer through the supply of a mobile treatment unit and operating the recovery process.

Setcar S.A.

The key development in the year was the announcement of our acquisition of a 51 per cent majority holding in Setcar S.A. in September 2019, with completion finalised in November 2019. Setcar was established in 1994 and is a highly regarded environmental remediation services business based in Braila, Romania, and operating in the Black Sea region. Setcar has been a commercial partner of Directa Plus since 2014 and previously has contributed to the industrial development of our Grafysorber® mobile decontamination units, so we are familiar with their capabilities and clear sighted on the potential opportunities.

The acquisition fulfils our key strategic objective of fully integrating into the value chain in one of our most important verticals. We are working with established industrial partners to provide a service solution to take advantage of their expertise and existing commercial relationships, whilst also capturing maximum value from the supply chain.



The agreement between Directa Plus and Alfredo Grassi provides for exclusive co-operation in key sectors, leveraging on the established advantages of our Planar Thermal Circuit™.

RIGHT: Giulio Cesareo (second left) and COO Razvan Popescu (left) at Setcar.



In February 2020 we signed an exclusive agreement with Loro Piana for the commercialisation of Loro Piana fabrics and garments enriched by Directa Plus's G+® technology, with an initial duration of three years and a minimum value of €800,000.

The key development in the year was the announcement of our acquisition of a 51% majority holding in Setcar S.A., a commercial partner of Directa Plus and contributor to the industrial development of our Grafysorber® mobile decontamination units.

€800,000

51% holding

Directa Plus acquired 51 per cent of Setcar with a further 47.03 per cent acquired by the parent company of our industrial partner GSP Group, a leading provider of offshore integrated services for the oil and gas industry with rigs operating in Romania, Turkey, Greece and Mexico, for a combined total consideration of €4.1 million and we expect the acquisition has been earnings accretive. The acquisition was funded out of the proceeds of a £7.4 million capital raise that is detailed in our Chief Financial Officers report.

Following its acquisition, Setcar gained its first contract to provide a suite of environmental decontamination services on the Trinity – 1X gas project in Block 30 offshore Romania. The value of the Contract is estimated to be approximately US\$1 million invoiced between 2019 and first quarter 2020 and evidences the first step in what we envisage to be a highly successful relationship for Setcar, Directa, and our partner GSP. Post year-end, in February 2020, Setcar also signed a contract to supply environmental services to GSP Offshore, part of GSP, to the value of approximately €700,000 per annum over a period of seven years. We are pleased with the integration of Setcar into the Group and look forward to achieving further progress.

Other applications for G+®

The Group has made significant strides elsewhere in our deployment of our graphene technology in other industrial verticals, particularly in elastomers and composite materials.

Iterchimica

Last year we reported that as part of our partnership with Iterchimica we had jointly undertaken the first real world trials of a road surface enhanced with a supermodifier containing G+® graphene, on a section of Rome's Strada Provinciale Ardeatina. This and subsequent trials have been highly successful and the product has now been branded as Gipave. Gipave works by increasing a road surface's resistance to deformation through its ability to manage temperature fluctuations, leading to less cracking and warping. The useful life of a Gipave road surface is extended and there is a material reduction in the maintenance requirement, ultimately saving money for public highways agencies, road users, and taxpayers. Once laid, Gipave can be 100 per cent recycled which can reduce the extraction of new materials from quarries and first-use bitumen.

In April 2019 we able to report on the Rome trial, comparing asphalt concrete with the super modifier to a traditional asphalt surfacing, noting impressive results:

- + Enhanced service life – fatigue resistance improvement was measured at over 250 per cent;
- + Improved resistance to the passage of vehicles – mechanical tests showed an Indirect Tensile Strength increase of 35 per cent;
- + Greater resistance to deformation at the same load – Stiffness Modulus was measured at different temperatures, showing an improvement of 46 per cent at 40°C; and
- + Lower permanent plastic deformation – rutting values (track left by tyres) was 35 per cent lower at 60°C.

Following the success of the Italian trial, Gipave was deployed in November 2019 on a busy section of road in Curbridge, Oxfordshire in the UK and is helping to prove the benefits of the product in different climatic conditions.

After the year end, in January 2020, a six-month trial also began at Rome's Fiumicino airport on taxiway Alpha Alpha,

Setcar gained its first contract In December 2019 to provide a suite of environmental decontamination services on the Trinity - 1X gas project in Block 30 offshore Romania. The value of the Contract is estimated to be approximately US\$1 million.

US\$1million



First real world trials of a road surface enhanced with a supermodifier containing G+® graphene, on a section of Rome's Strada Provinciale Ardeatina. This and subsequent trials have been highly successful and the product has now been branded as Gipave.

World 1st

ABOVE: Federica Giannattasio, Iterchimica's CEO with Giulio Cesareo, launching the joint Cooperation Agreement. Directa Plus signed a worldwide cooperation agreement with Iterchimica, covering the exclusive supply of G+® graphene to Iterchimica.

Chief Executive Officer's review continued

a high traffic taxiway used for intercontinental aircraft such as Boeing 777s and Airbus A380s. In view of COVID-19 restrictions we will be working with the airport to assess and evaluate the on-going parameters of the trial. In April 2020, Directa Plus signed a worldwide cooperation agreement with Iterchimica, covering the exclusive supply of G+® graphene to Iterchimica in the asphalt and bitumen sector worldwide for an initial duration of three years.

Intellectual Property

Our culture of R&D and our vision to bring the benefits of graphene to industrial sectors where we see the greatest opportunity ensures that Directa Plus is constantly growing its suite of intellectual property assets. Our patent portfolio is currently composed of 30 patents (seven of which were granted post year-end) and 24 pending patents. In 2019 we were granted five patents.

Achievements in 2019:

- + An Italian patent covering the use of G+® graphene in the manufacture of golf balls was granted in May 2019;
- + A Chinese patent, covering Directa Plus's unique process for manufacturing pristine graphene nanoplatelets, was granted in April 2019;
- + Directa Plus's unique exfoliation technology is chemical free, has an extremely high yield, and can be varied to produce graphene nanoplatelets with specific morphologies, with high production volume capability. This technology and process is protected under granted patents in Europe. In October 2019 we successfully gained a United States patent and continue to look to expand IP protection worldwide;
- + A further US patent was awarded in July 2019 covering the technology that allows Directa Plus to create an ink based on its G+® graphene product. In addition to its thermal properties, the G+® ink can be used in textile applications to provide flame retardant properties or electrical conductivity, as well as for coating applications in, for example, the production of battery electrodes; and
- + In September 2019, we were granted an Italian patent for polyurethane film containing G+® graphene nanoplatelets, developed with the Company's membrane partner, Novaresin. We are currently in the process of extending this patent protection internationally. The new membrane will be marketed under the brands Grafytherm™ and Grafyshield™ and provides water protection as well as breathability alongside G+® performance in respect of thermal and electrical conductivity,

infrared absorption and bacteriostaticity. The membrane will be deployed initially in the apparel industry.

Post year-end

- + In January 2020, Directa Plus signed an agreement with Comerio Ercole S.p.A. (Comerio) 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;
- + Also in January 2020, the Company received an EU grant to develop an environmentally sustainable technology to digitally print its G+® graphene on fabrics;
- + The Group secured an OEKO-TEX® certification in February 2020 for Directa Plus's proprietary G+® graphene printing paste technology. An Eco Passport by OEKO-TEX® is an independent non-toxic certification system for chemicals, colourants and auxiliaries used in the textile and leather industry; and
- + In April 2020, we were granted a European patent covering Grafysorber's use to decontaminate water containing hydrocarbons resulting from the production of oil. This significantly increases our potential addressable market in Europe in our environmental vertical.

Our culture of R&D and our vision ensures that Directa Plus is constantly growing its suite of intellectual property assets. Our patent portfolio is currently composed of 30 patents.

30 patents

RIGHT: Oil adsorption device made with Grafysorber® and produced by Directa Plus.



OEKO-TEX® independent non-toxic certification (an Eco Passport) received in February 2020 for our G+® printing paste technology.

Eco Passport

In April 2020, we were granted a European patent covering Grafysorber's use to decontaminate water containing hydrocarbons resulting from the production of oil.

Outlook

Without question, 2019 was a landmark year for Directa Plus with the Group making great strides, in particular in our key textile and environmental remediation verticals. The acquisition of Setcar has bedded in well into the Group and is proving to be as transformative as we expected. We continue to make strong progress in other sectors, such as asphalts, where our G+® technology and partnerships also bring material opportunities.

It is extremely sad therefore that 2020 has started with such uncertainty for the global economy and the global community due to the spread of COVID-19. We have nevertheless responded quickly to the crisis to ensure the absolute safety and wellbeing of our employees and to protect our business. Whilst we are well positioned in our key verticals with a growing recognition for Directa Plus and for the outstanding benefits of our G+® technology, we do not expect to be entirely immune from the effects of COVID-19 and as a result of heightened uncertainties have withdrawn forward guidance to stakeholders at this time until volatility in related markets reduces.

Nevertheless, I am pleased to report that our April year to date revenues of €1.8m are

almost treble those of the same period last year and we have a strong order book. Under our COVID-19 scenario planning, our base case scenario shows a notable near trebling of revenue for the year, albeit a reduction against initial expectations. In addition to this we hope to benefit from a number of attractive prospects, not least in COVID-19 related applications. We have a robust balance sheet with year-end net cash of €10.9m that additionally provides us with the financial capacity to support our growth ambitions and to withstand the uncertainties and challenges created by the COVID-19 pandemic.

The concept of “lean into the future” is key to us and we shall continue to look to understand new market needs and to leverage on the incredible enabling properties of our G+® graphene in order to satisfy them. In this respect, we hope to be able to play a meaningful role in the provision of Personal Protection Equipment, taking advantage of the bacteriostatic and potential antiviral properties of our G+® graphene. We will of course keep stakeholders apprised of the new opportunities we will target and on the likely impacts of COVID-19 as the situation becomes clearer.

Directa Plus seeks to be a farsighted company, helping to build a better future and our ambition as a Group remains undimmed. We do not intend to let COVID-19 prevent us from capturing new opportunities across all of our key markets.

Giulio Cesareo

Chief Executive Officer
20 May 2020

Without question 2019 was a landmark year for Directa Plus in so many respects with the Group making great strides, in particular in our key textile and environmental remediation verticals.

Landmark year



The concept of “lean into the future” is key to us and we shall continue to look to understand new market needs and to leverage on the incredible enabling properties of our G+® graphene in order to satisfy them.

Market review

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.

How we do it

G+



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.

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.

Unique 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

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.

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.

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.

We partner with customers to develop bespoke graphene blends that have just the right morphology for their particular application.

Tailor-made

Right: CTO Laura Giorgia Rizzi and Sales Director Alessandra Bambini in the Directa Plus booth at 'Première Vision Paris', the global event for fashion professionals. Particular focus at Première Vision has been on sustainability and technology in fashion.



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

Chief Financial Officer's review



Marco Ferrari
Chief Financial Officer

"I am pleased to present the results of what has been another busy and important year for the Group. We have continued to shape and improve the finance team, focusing our activities on accuracy, timing and efficiency of the internal reporting to support our commercial and strategic decision-making. In addition, I can report that the managing the acquisition of Setcar S.A. and the post-acquisition finance and accounting activities went smoothly."

Key Performance Indicators

The Board measures the performance of the Group through a number of important financial and non-financial KPIs. In a young business with a number of sector verticals, identifying measurable data that will provide useful insight year-on-year is not always straightforward but the KPIs below should help shareholders understand the Group's progress. Our financial KPIs show significant improvement compared to 2018.

The table below summarises the KPIs with further details contained later in my report:

Financial review

Revenue from product and service sales grew by 17 per cent to €2.63 million (2018: €2.25 million) with the increase driven from higher revenue in our environmental remediation segment, occurred following the acquisition of Setcar, of €0.88 million (2018: €0.22 million). Revenues in our textile segment were flat at €1.65 million (2018: €1.66 million) consolidating on the significant progress that was made in 2018.

Other income, which mainly includes grants and R&D Expenditure Credit (RDEC) received by the Group, was €0.16 million (2018: €0.13 million). RDEC is an Italian government incentive scheme designed to encourage companies to invest in R&D by providing a tax credit and this accounted for €0.10 million (2018: €0.10 million). Income from Government grants was driven by grants that are directly supporting key development



Revenue from product and
service sales **€2.63 million.**

€2.63million

activities, namely the GRATA textiles project and the Gipave asphalts project and accounted for €0.06 million in total. As a result, Directa Plus's total income increased by 12% to €2.81 million (2018: €2.50 million).

The EBITDA loss for the period was in line with management expectation at €2.71 million compared with a €3.24 million loss for 2018 and reflects both the increase in revenue and higher expenditure on raw materials, and also changes in inventories and other expenses. The loss after tax reduced to €3.40 million compared with €3.96 million for 2018.

As at 31 December 2019, inventories totalled €1.10 million (2018: €0.86 million), a level that ensures that the Group can meet growing demand from key clients in a timely manner.

In the short term the Group's priorities continue to be focused on a reduction in cash consumption and an improvement in profitability. Cash and cash equivalents at 31 December 2019 were €10.91 million (2018: €5.5 million).

A description of the principal risks and uncertainties facing the Group is included within the Directors' Report.

Acquisition of Setcar S.A.

On 25 November 2019 Directa Plus S.p.A. acquired 51 per cent of Setcar S.A., Setcar has been jointly acquired with GVC, a company ultimately owned by the GSP group, a leading

provider of offshore integrated services for the oil and gas industry with rigs in operation in Romania, Turkey, Greece and Mexico, who acquired 47.03 per cent holding. The total consideration is €4.1 million of which the consideration payable by the Company is €2.1 million.

Of the total consideration of €4.1 million, €2.1 million is to be paid in cash to the owners of Setcar as follows:

- + €0.6 million upon Completion
- + €0.4 million on 30 April 2020
- + €0.85 million on the first anniversary of Completion
- + €0.25 million on the second anniversary of Completion

Immediately following Completion, Directa Plus and GVC provided a loan to Setcar, in proportion to their respective shareholdings, in order to facilitate the payment of a €2 million dividend to the vendors of Setcar.

The total consideration for the acquisition of Setcar is allocated to the identifiable assets acquired and liabilities assumed at fair value (Purchase Price Allocation or PPA). The identifiable finite-lived assets are then depreciated/amortised over their remaining useful lives. The Company used an independent specialist to provide the fair value on a per asset basis. The revaluation amounted to the fair value uplift of assets is

€1.6 million (excluding deferred tax liabilities) with total assets after the revaluation to €5.6 million (excluding deferred tax liabilities) and Net Assets to €3.8 million.

Capital raise

During the financial year the Group benefited from the proceeds of two separate capital raises for total gross proceeds of £8.73 million:

- + £1.32 million (approximately €1.47 million) in respect of a conditional placing and open offer (disclosed in the 2018 Annual Report) which settled on 9 January 2019; and
- + £7.41 million (approximately €8.61 million) in respect of a placing and open offer of 9,882,547 ordinary shares in aggregate (comprising 9,648,000 Placing Shares and 234,547 Open Offer Shares) with a nominal value of £0.0025 each and a price of 75p that settled on 21 October 2019.

Proceeds from the placing and open offer and conditional placing and open offer will be applied as follows:

- + €2.1 million in respect of the completion of the acquisition of the Group's 51 per cent. interest in Setcar S.A.; and
- + €7.9 million to sustain the Group to cash flow break-even, and specifically to:
 - exploit commercial opportunities across a developing pipeline, including the fast-growing environmental remediation market;
 - build the Group's sales and marketing reach;
 - develop Directa Plus's next generation of higher performing products;
 - improve graphene production layout to drive margin growth; and
 - maintain competitive advantage; and barriers to entry.

Marco Ferrari

Chief Financial Officer
 20 May 2020

KEY PERFORMANCE INDICATORS & FINANCIAL SUMMARY	2019	2018
Revenue from product and service sales (€'m)	2.63	2.25
Total income* (€'m)	2.81	2.50
LBITDA** (€'m)	(2.71)	(3.24)
Loss after tax*** (€'m)	(3.40)	(3.96)
Reported basic loss per share (€)	(0.07)	(0.09)p
Cash and cash equivalents (€'m)	10.91	5.50
Total number of patents granted****	23	18

* Total Income comprises revenue from product and service sales (€2.63 million), and other income including government grants (€0.06 million) and RDEC – Research and Development Expenditure Credit (€0.10 million).

** LBITDA represents results from operating activities before depreciation and amortisation of €0.84 million (2018: €0.67 million). Management believes that EBITDA 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 €3.40 million is split between a €3.58 million loss owned by the Company and a €0.18 million profit in respect of non-controlling interests.

**** 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.



Marco Ferrari

Chief Financial Officer

Relevant strengths

- Financial reporting and accounting
- Growing businesses and funding
- M&A and business planning

Prior to joining Directa Plus, Marco was a financial advisor at EY, involved in several M&A transactions, with a focus on energy, renewable energy and oil & gas industries. Other experience includes Deutsche Bank, Deloitte and Dezan Shira & Associates in China. Marco holds a degree in Business Administration and Master of Science in Accounting, Finance and Control from Università Commerciale 'Luigi Bocconi'. Marco is member of the Corporate Finance Committee of the ANDAF – Italian national association of accounting and finance directors.



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 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 is the Senior Independent Director and Chairman of the Audit Committee at Trifast plc and he is also a Non-Executive Director of Vectura Group plc where he is Chairman of the Audit Committee. Formerly he served as Non-Executive Chairman of Enteq Upstream plc and as 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 in December 2005) 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 and was Non-Executive Director of Dechra Pharmaceuticals plc where he was the senior independent director and Chair of the Audit Committee.



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 Report on 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 Report on 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 organization 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.

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 behaviors" of the Corporate Governance Report on 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 two Executive Directors. The Board considers it collectively has an appropriate balance of skills and experience, as well as an appropriate balance of personal qualities and capabilities 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: Acquisition of Setcar.

The Company agreed to acquire 51 per cent of Setcar. Setcar is being jointly acquired with GVC, a company owned by the ultimate beneficial owner of the GSP group, a leading provider of offshore integrated services for the oil and gas industry with rigs in operation in Romania, Turkey, Greece and Mexico, who have conditionally agreed to acquire 47.03% of Setcar. The total consideration payable by the Company and GVC, in proportion to their shareholdings in Setcar, is €4.1 million. An existing shareholder in Setcar will remain a minority shareholder and immediately following Completion will hold 1.97%. The Company signed the Sale and Purchase agreement in September 2019 and finalized the acquisition in November 2019.

The Board believes that the acquisition is aligned with the Company's strategy and it will:

- create a business case in a European country with a real need for environmental clean-up, which could be replicated in other countries;
- provide a significant business opportunity within captive off-shore applications generated through partnership with GVC. The combined company is entitled to participate in international tenders;
- present the opportunity to control a direct commercial channel capable of significantly improving the Grafysorber® commercial ramp-up on the market and to fulfil the market expectations in one of the main company verticals; and
- further the development of technologies and equipment that use Grafysorber® as a base material, combined with the opportunity to deal directly with the end-user will give Directa Plus the possibility to increase revenues and margins, protecting the know-how).

In making the above principal decisions, the Directors believe that they have considered all relevant stakeholders, potential impact and conflicts, the Company's business model and its long-term strategic objectives, and have acted accordingly to promote the success of the Company for the benefit of its members as a whole.

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

Giulio Cesareo
Chief Executive Officer
20 May 2020

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 2019, principal risks and uncertainties, research and development, KPIs and the outlook for future years, are set out in the Chairman's Statement, Chief Executive Officer's Review and Chief Financial Officer's Review on pages 4 to 17 (The Strategic Report), and in this Directors' Report. 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 29.

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 2019 and up to the date of signing this report:

- Giulio Giuseppe Cesareo
- Sir Peter Middleton
- Marco Ferrari
- David Michael Gann
- Neil William Warner
- Richard Hickenbotham

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 2019 are set out in note 19 to the consolidated financial statements. At 20 April 2020, a total of 60,998,983 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	28.86
Dompè Group	7,519,999	12.33
Unicorn Asset Management	5,333,333	8.74
Dr. Jean Marc Droulers / Finanziaria Le Perry S.p.A.*	4,093,794	6.71
Galbiga Immobiliare S.r.l.**	3,804,791	6.24
Ruffer	2,866,500	4.70
Schroder Investment Management	2,377,334	3.90

* Finanziaria Le Perry 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 24 to the financial statements. The Directors continually consider how to identify and mitigate the key business risks. Directors ensure that the management of the Company provides 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 behaviour 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 as discussed in the Chairman's review and in the Chief Executive Officer's review.	The Board and the Management are constantly monitoring the fast-evolving situation. Management has undertaken scenario based analysis on future financial projections and adopted a strategy to reduce overheads. Moreover, in order to try to mitigate the impact of the COVID-19 on the revenues, the Management decided to target the personal protective equipment market, leveraging on graphene G+® properties. Moreover, with Setcar, the Management is assessing the opportunity to provide sanitizing services in Romania with the aim of diversifying the top line.	Certain	Moderate	New
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	New
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.	Possible	Moderate	New
Brexit Directa Plus holds Sterling bank accounts. The "hard Brexit" or "no deal" could have a potential impact on currency risk, triggering sharp movement on Sterling value with an effect on Directa Plus's P&L.	News flow about Brexit is constantly monitored as well as the movement of the EUR-GBP exchange rate. On average more than 50% of cash and cash equivalent are held in Euro to be used on Euro denominated costs and expenses. Cash and cash equivalent in Sterling are held to be used on Sterling denominated costs and expenses.	Likely	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 authorisation. There may not be adequate protection for IP in every country in which the Group's products are or will be made available.	The Group monitors scientific papers, news flow and graphene products brought to the market as far as reasonably possible and will take cost-effective legal action if required. The Group is advised by suitably qualified and experienced patent agents and meetings with the patent agents are scheduled regularly.	Possible	Moderate	→
Key employees risks The Group depends upon the continued service and performance of the Executive Officers and key employees. The loss of the services of any of the 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***
<p>Funding risk</p> <p>The Group's growth requires access to funding. It is possible that the Group will need to raise extra capital in the future to continue to develop the Group's business or to take advantage of future acquisition opportunities. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Group or to the Group's shareholders.</p>	<p>Risk is mitigated by maintaining good relationships with the Group's main shareholders. The Company successfully concluded a capital raise in October 2019.</p>	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 Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. 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 as adopted by the European Union, 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 Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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

20 May 2020



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 2019 financial year.

A review of the Company's culture, how it is consistent with the company's objectives, strategy and business model will be reviewed during the 2020 financial year. Compliance with each of the principles set out in the QCA code is summarised 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 Strategic Report on pages 4 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.

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;
- **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;
- **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. Page 22 and 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 23 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 two Executive Directors 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 and 19.

The Board keeps under review the skills required to effectively pursue the Company's strategy and discharge its duties. The Chief Financial Officer is also 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 2019 financial year can be found on pages 30 and 31.

Board

The Board consists of two executive Directors 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:

Corporate governance report

continued

Name of Director	Board appointments				Board committees as Chairman or member	
	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 six 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 2018 financial year are listed below:

Name of Director	Board meetings		Audit Committee meetings		Remuneration Committee meetings	
	No. held	No. attended	No. held	No. attended	No. held	No. attended
Sir Peter Middleton	9	5	–	–	–	–
Giulio Cesareo	9	9	–	–	–	–
Marco Ferrari	9	9	–	–	–	–
David Michael Gann	9	7	4	2	2	2
Neil William Warner	9	7	4	4	2	2
Richard Hickinbotham	9	9	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 Directors. 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 be 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 at 31 December 2019, the Group had net assets of €15.17m (2018: €8.2m) and cash and cash equivalent of €10.91m (2018: €5.50m).

The Directors prepare annual budgets and forecasts in order to ensure that they have sufficient liquidity in place in the business. In addition, in response to the rapidly evolving COVID-19 situation, the Directors, in formulating the plan and strategy for the future development of the business, considered a base case scenario involving c.25% reduction in forecast revenues. The Directors have also stress tested the base case scenario by applying a further material reduction in forecast revenues, and mitigation or deferral of capital and operational expenditure. In both these scenarios, 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 end of 2021.

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 utilise the various support mechanisms, such as 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. Operational and financial KPIs are strictly monitored.

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 to enable it to meet its liabilities as they fall due for a period of not less than 12 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
20 May 2020

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 2019 was as follows and is audited:

	Salary/Fees €'000	Bonus €'000	National Insurance contributions €'000	Pension contributions €'000	Total emoluments 2019 €'000
2019					
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 Hickenbotham	34	-	-	-	34
Total	560	77	18	120	775

	Salary/Fees €'000	Bonus €'000	National Insurance contributions €'000	Pension contributions €'000	Total emoluments 2017 €'000	Share based payment** €'000
2018						
Non-Executive Chairman						
Sir Peter Middleton	56	–	–	–	56	17
Executive						
Giulio Cesareo	267	98	9	91	466	51
Marco Ferrari	130	27	9	28	193	25
Non-Executive						
David Gann	34	–	–	–	34	10
Neil Warner	34	–	–	–	34	10
Luca Lodi-Rizzini*	11	–	–	–	11	–
Richard Hickinbotham	34	–	–	–	34	9
Total	566	125	18	119	828	122

* Luca Lodi-Rizzini retired as a Director of 26 April 2018.

** Non monetary cost refers to the share option scheme in place and not exercised yet.

At 20 April 2019 Directors' interests 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*	3,804,791	181,707	6.24
Marco Ferrari	29,799	88,471	0.05
David Gann	101,311	60,000	0.17
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 3,804,791 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 2019 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 31st December 2019.
- 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 2019 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.

Richard Hickinbotham

Chairman of the Remuneration Committee

Independent auditor's report

to the members of Directa Plus Plc

Opinion

We have audited the financial statements of Directa Plus Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Statements 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 financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs" (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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) 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.

Key audit matter identified	How our audit responded to the risk
<p>Revenue recognition</p> <p>The Group earned revenue of €2.6m (2018: €2.3m) in the year ended 31 December 2019.</p> <p>A significant portion of the revenue raised 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).</p> <p>In accordance with applicable auditing standards, revenue recognition was presumed to be a significant risk. 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.</p> <p>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.</p> <p>Key observations</p> <p>There were no material issues identified by our testing of revenue recognition in the year.</p>	<ul style="list-style-type: none"> • Tested the operating effectiveness of relevant 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., inspected 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. • We 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.
<p>Valuation and accounting treatment of Setcar acquisition</p> <p>On the 25 of November 2019, the Group acquired 51% of the ordinary share capital of Setcar S.A., as detailed in note 4 to the financial statements. The applicable accounting policies are detailed in note 1.</p> <p>There were a number of key estimates and judgements applied by Management when accounting for the acquisition of Setcar S.A.. These included:</p> <ul style="list-style-type: none"> • an assessment that the Group has the ability to control the Company; • the completeness, existence and accuracy of the opening balance sheet and the valuation of the underlying assets and liabilities acquired in the business as part of the purchase price allocation undertaken by managements independent expert; and • the assessment of the consideration paid. <p>Given the significance of these transactions to the Group in the year, this represented a significant audit risk and a key focus area for our audit.</p> <p>Key observation</p> <p>From our testing performed, there were no material issues identified in the valuation and accounting treatment of the acquisition of Setcar S.A..</p>	<ul style="list-style-type: none"> • Reviewed Management’s assessment of control and assessed this against legal documents such as the company’s articles of association, shareholder agreement and underlying Share Purchase agreement (“SPA”). • For the Purchase Price Allocation undertaken by Management’s expert, we compared the valuation techniques applied to industry benchmarks and agreed key estimates such as discount rates, royalty rates, property plant and land valuations and underlying cash flow forecasts to both empirical data and historical performance of the business. We engaged our own internal expert to assist with these procedures. • Assessed the independence and competency of Management’s expert; • Agreed the consideration included in the acquisition accounting to the terms of the SPA; • Visited the underlying operations in Romania to understand the business, physically inspect the key assets on site and agree this to Management’s assessment of intangible assets (brand, order backlog) and tangible assets accounted for as part of the transaction; • Challenged Management over the completeness of the acquisition balance sheet through substantive testing procedures and review of legal and tax due diligence performed as part of the acquisition process; and • Reviewed the adequacy and accuracy of the disclosures in the financial statements.



Independent auditor's report

continued

Key audit matter identified	How our audit responded to the risk
<p>Going concern</p> <p>The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Parent Company. The Board's consideration of going concern, including the potential impacts of COVID-19, are disclosed in note 1.</p> <p>That judgement is based on an evaluation of the inherent risks to the Group's and Parent Company's business model and how those risks might affect the Group's and Parent Company's financial resources and ability to continue operations over a period of at least 12 months from the date of approval of the financial statements.</p> <p>The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.</p>	<p>Agreed the current cash position of the group to support the opening cash position applied by the Directors and Management in their cash flow forecast.</p> <p>Critically assessed 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.</p> <p>Considered the key sensitivities applied in the cash flow model pertaining to revenue and cost base giving regarding to current trading since March 2020, the overall contract pipeline in place and management of the Group's and Parent Company's cost base.</p> <p>Assessed the completeness and accuracy of the matters covered in the going concern disclosure with reference to the Director's and Management's going concern assessment.</p>

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. 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.

We determined materiality for the financial statements as a whole to be €300,000 based on a 2% of net assets.

We determined that for the income statement and those working capital items on the balance sheet that would impact the profit or loss, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. This was determined to be €175,000 based on 5% of loss before tax (2018: No specific materiality applied).

In the prior year, a basis of 3% net assets was applied to both the statement of financial position and to the income statement (€300k). The shift to utilising specific materiality for this financial year reflects the changes to the Group, in particular the acquisition of Setcar S.A. at the end of the financial year. The impact of the acquisition has materially increased the Group's overall net assets but only one month of trading has been included in the Income statement. Alongside this, the reduction in the materiality applied to the Income statement and those working capital items on the balance sheet that would impact the profit or loss also highlights the development of the Group and the focus of the users of the financial statements on the key trading KPIs rather than the underlying balance sheet. In line with the auditing standards we continue to reassess this each year. Parent Company materiality has been applied €200,000 (2018: €225,000) and all other components have been audited using a range of €80,000 – €140,000 in relation to specific materiality for the profit or loss and €150,000-€250,000 in relation to the component financial statements as a whole.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was determined based on 75% of materiality being €230,000 (financial statement) and €130,000 (specific) (2018: €230,000) on the basis that we have not identified high volumes or values of misstatements in the prior year audits.

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 €6,000 (€6,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

There were no uncorrected misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

Our Group audit scope focused on the Group's principal operating entities, Directa Plus Plc, Directa Plus S.p.A. and Setcar S.A.. We have identified these entities as significant components for the purposes of our financial statement audit, based on their relative share of total net assets and contribution to the statement of comprehensive income.

All audit work (full scope or review work) was conducted by the Group audit team and other BDO member firms. The audit of Directa Plus Plc was performed by the Group audit team, whilst the audit of Directa Plus S.p.A. was performed in Italy by the component auditors, BDO Italia S.p.A and the audit of Setcar S.A., was performed in Romania by component auditors, BDO Romania. This resulted in substantive procedures being performed over 99% of net assets and loss before tax. The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures, together with additional substantive testing over the risk areas detailed above where applicable to that component.

As part of our audit strategy members of the Group audit team issued detailed group reporting instructions, directed and supervised both the Italian and Romanian audit teams and conducted onsite visits during the planning stage. The Group team also attended the remote completion meetings with both component teams. The Group audit team had full access to all audit working papers of the significant components and undertook remote reviews of the underlying audit work performed.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the 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.

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, within the Directors' report, set out on page 21, 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.

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

Use of our report

This report is made solely to the 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
London, UK

20 May 2020

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 2019

	Note	31 Dec 2019 €	31 Dec 2018 €
Continuing operations			
Revenue	3	2,631,819	2,253,293
Other income	3/5	183,033	248,695
Changes in inventories of finished goods and work in progress	6	87,537	(133,382)
Raw materials and consumables used	7	(1,185,360)	(1,299,078)
Employee benefits expenses	8	(2,148,923)	(2,112,650)
Depreciation and amortisation	13/14	(837,055)	(674,919)
Other expenses	9	(2,286,054)	(2,197,670)
Results from operating activities		(3,555,002)	(3,915,711)
Finance income	11	164,536	4,440
Finance expenses	11	(35,972)	(45,143)
Net finance costs		128,563	(40,703)
Loss before tax		(3,426,439)	(3,956,414)
Tax expense	12	25,225	(414)
Loss after tax from continuing operations		(3,401,214)	(3,956,828)
Loss of the year		(3,401,214)	(3,956,828)
Other comprehensive income items that will not be reclassified to profit or loss			
Defined Benefit Plan re-measurement gains and losses	22	(12,802)	1,219
Other comprehensive (expense)/income for the year (net of tax)		(12,802)	1,219
Total comprehensive (expense)/income for the year		(3,414,016)	(3,955,609)
Loss attributable to			
Owner of the Parent		(3,585,215)	(3,961,259)
Non-controlling interests		184,001	4,431
		(3,401,214)	(3,956,828)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(3,598,017)	(3,960,040)
Non-controlling interests		184,001	4,431
		(3,414,016)	(3,955,609)
Loss per share			
Basic loss per share	25	(0.07)	(0.09)
Diluted loss per share	25	(0.07)	(0.09)

The notes on pages 40 to 68 form part of these financial statements.

Consolidated and company statement of financial position

for the year ended 31 December 2019

	Note	Group		Company	
		31 Dec 19 €	31 Dec 18 €	31 Dec 19 €	31 Dec 18 €
Assets					
Intangible assets	13	2,202,452	1,467,478	–	–
Investments	15	–	–	21,180,336	16,180,336
Property, plant and equipment	14	4,730,752	1,062,435	–	–
Trade and other receivables	16	109,698	–	–	–
Non-current assets		7,042,902	2,529,913	21,180,336	16,180,336
Inventories	6	1,095,936	862,284	–	–
Trade and other receivables	16	2,943,286	2,059,217	203,404	158,594
Cash and cash equivalent	18	10,906,076	5,503,884	7,669,360	3,968,016
Current assets		14,945,298	8,425,385	7,872,765	4,126,610
Total assets		21,988,200	10,955,298	29,053,101	20,306,946
Equity					
Share capital	19	190,512	154,465	190,512	154,465
Share premium	19	31,395,612	22,104,240	31,395,612	22,104,240
Foreign currency translation reserve		4,147	–	–	–
Retained earnings	19	(17,656,325)	(14,044,656)	(2,616,723)	(2,055,143)
Equity attributable to owners of Group		13,933,946	8,214,049	28,969,401	20,203,562
Non-controlling interests	19	1,240,194	27,361	–	–
Total equity		15,174,140	8,241,410	28,969,401	20,203,562
Liabilities					
Lease liabilities	21	439,690	57,011	–	–
Employee benefits provision	24	416,095	335,132	–	–
Other payables	24	196,690	–	–	–
Deferred tax liabilities	17	135,059	–	–	–
Non-current liabilities		1,187,534	392,143	–	–
Loans and borrowing	20	484,701	168,701	–	–
Lease liabilities	21	184,900	58,121	–	–
Trade and other payables	24	4,956,926	2,094,922	83,699	103,385
Current liabilities		5,626,527	2,321,745	83,699	103,385
Total liabilities		6,814,061	2,713,888	83,699	103,385
Total equity and liabilities		21,988,200	10,955,298	29,053,101	20,306,947

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 €558,846 (2018: €779,197).

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

Giulio Cesareo
Chief Executive Officer
20 May 2020

Marco Ferrari
Chief Financial Officer

The notes on pages 40 to 68 form part of these financial statements.



Consolidated statement of changes in equity

for the year ended 31 December 2019

	Share capital €	Share premium €	Foreign currency translation reserve €	Retained earnings €	Total €	Non-controlling interests €	Total equity €
Balance at 31 December 2017	142,628	19,973,996	-	(10,250,224)	9,866,400	22,930	9,889,329
Total comprehensive (expense)/income for the year							
Loss of the year	-	-	-	(3,961,259)	(3,961,259)	4,431	(3,956,828)
Total other comprehensive (expense)/income	-	-	-	1,219	1,219	-	1,219
Total comprehensive (expense)/income for the period	-	-	-	(3,960,040)	(3,960,040)	4,431	(3,955,609)
Capital raised	11,837	2,355,548	-	-	2,367,385	-	2,367,385
Expenditure related to the issuance of shares	-	(225,304)	-	-	(225,304)	-	(225,304)
Share-based payment	-	-	-	165,610	165,610	-	165,610
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)
Translation reserve	-	-	4,147	-	4,147	-	4,147
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

Company statement of changes in equity

for the year ended 31 December 2019

	Share capital €	Share premium €	Retained earnings €	Total equity €
Balance at 31 December 2017	142,628	19,973,996	(1,380,478)	18,736,146
Loss for the year	-	-	(779,197)	(779,197)
Capital raised	11,837	2,355,548	-	2,367,385
Expenditure related to the issuance of shares	-	(225,304)	-	(225,304)
Share-based payment	-	-	104,532	104,532
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

The notes on pages 40 to 68 form part of these financial statements.

Consolidated and company statement of cash flows

for the year ended 31 December 2019

	Note	Group		Company	
		31 Dec 19 €	31 Dec 18 €	31 Dec 19 €	31 Dec 18 €
Cash flows from operating activities					
Loss for the year before tax		(3,426,439)	(3,956,414)	(558,846)	(779,197)
Adjustments for:					
Depreciation	14	452,309	357,014	-	-
Amortisation of intangible assets	13	384,746	317,905	-	-
Share-based payment expense		(13,652)	165,610	(2,733)	104,532
Finance income	11	(164,535)	(4,440)	(164,529)	(3,194)
Finance expense		35,829	45,143	2,081	22,610
		(2,731,742)	(3,075,182)	(724,028)	(655,249)
Increase/decrease in:					
- inventories	6	(79,451)	133,382	-	-
- trade and other receivables	16	240,963	(897,506)	(44,811)	(49,354)
- trade and other payables	24	(714,799)	758,397	(19,685)	56,949
- provisions and employee benefits	22	59,342	47,175	-	-
Net cash from operating activities		(3,225,687)	(3,033,734)	(788,524)	(647,654)
Cash flows from investing activities					
Interest received	11	2,874	4,440	3,982	3,194
Investment in intangible assets	13	(232,546)	(207,158)	-	-
Investment in subsidiary	15	-	-	(5,000,000)	(2,000,000)
Net cash arisen from business acquisition		(137,345)	-	-	-
Acquisition of property, plant and equipment	14	(161,589)	(120,456)	-	-
Net cash used in investing activities		(528,606)	(323,174)	(4,996,018)	(1,996,806)
Cash flows from financing activities					
Proceeds from Capital raise		10,079,167	2,367,385	10,079,167	2,367,385
Expenditure related to the issuance of shares		(751,747)	(225,304)	(751,747)	(225,304)
Interest paid		(9,773)	(16,329)	-	(941)
New borrowings	20	-	66,607	-	-
Repayment of borrowings		(190,193)	(239,344)	-	-
Interest of lease liabilities		(16,124)	-	-	-
Repayment of lease liabilities		(115,133)	-	-	-
Net cash from/(used in) financing activities		8,996,197	1,953,015	9,327,420	2,141,140
Net increase/(decrease) in cash and cash equivalent		5,241,904	(1,403,893)	3,540,797	(503,320)
Cash and cash equivalent at beginning of the year		5,503,884	6,929,446	3,968,016	4,493,006
Exchange (losses)/gains on cash and cash equivalents		160,548	(21,669)	160,548	(21,669)
Cash and cash equivalent at end of the year		10,906,076	5,503,884	7,669,360	3,968,016

The notes on pages 40 to 68 form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2019

1. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRSs") as adopted for use in the European Union and with those parts of Company Act 2006 to companies preparing their financial statements under the adopted IFRS.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, unless otherwise stated.

The financial statements have been prepared on a going concern basis as since the Directors believe that the Group has adequate resources to remain in operation for the foreseeable future.

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

1. Going concern

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 for environmental services will be 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 at 31 December 2019, the Group had net assets of €15.17m (2018: €8.2m) and cash and cash equivalent of €10.91m (2018: €5.50m). The Directors prepare annual budgets and forecasts in order to ensure that they have sufficient liquidity in place in the business. In addition, in response to the rapidly evolving COVID-19 situation, the Directors, in formulating the plan and strategy for the future development of the business, considered a base case scenario involving c.25% reduction in forecast revenues. The Directors have also stress tested the base case scenario by applying a further material reduction in forecast revenues, and mitigation or deferral of capital and operational expenditure. In both these scenarios, 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 end of 2021.

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 utilise the various support mechanisms, such as 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. Operational and financial KPI are strictly monitored.

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 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.

1. Basis of preparation continued

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.

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, as adopted by the EU, 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, 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 assumptions 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:



Notes to the consolidated financial statements

continued

1. Basis of preparation continued

I. Carrying value of capitalised development costs

The carrying value of capitalised development costs is reviewed whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable and at a minimum at each reporting date. The Group capitalises development costs provided the recognition conditions meet the criteria set out in IAS 38. During the year costs have been capitalised in relation to projects to enhance and develop the production process and the industrial application for G+® Graphene. The majority of the capitalised costs relate to internal employee costs and Management are able to separately identify time spent on these projects through the group's internal time card management program. Management and the Directors continually assess the commercial potential of the technology and products in development. The costs capitalised in period have resulted in the development of new IP and Management has assessed that there is sufficient evidence to support that economic benefit will flow.

II. 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 22.

III. Revenues recognition

Following the acquisition of Setcar during the year, 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.

IV. Business combination

Control assessments are performed by the management, per the requirements of IFRS 10, to establish control in the business combination. 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.

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value of acquired assets and liabilities often requires Management to make estimates and assumptions. The excess of the purchase price over the estimated fair value of the net assets acquired is then assigned to goodwill. Goodwill is assigned to individual CGUs based on the relative fair value and/or the CGUs that are expected to benefit from the synergies of the business combination. Refer to note 4 for further details in acquisitions.

Sales order backlog has been recognised as an intangible. Whilst there are long term framework agreements in place with customers, Management have considered a short useful economic life to reflect that purchase orders can vary annually and there are no guaranteed orders for longer than one year.

e) New standards adopted for the period

I. IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 "Leases" ("IFRS 16"), which requires entities to recognise right-of use ("ROU") assets and lease obligations on the statement of financial position. The Group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information, instead recognising the cumulative effect as an adjustment to the opening retained earnings and the Group applied the standard prospectively.

The Group has applied the standard while using the following optional expedients permitted under the standard:

- Short-term leases – those with terms of 12 months or less at date of adoption.
- Low-value leases.

On 1 January 2019, the Group recognised a cumulative increase to ROU assets of €0.57 million for leases previously classified as operating leases, directly offset to the lease obligations. The weighted average borrowing rate used to determine the lease obligation at adoption was approximately 2.5%. The assets and lease obligations related to the adoption of IFRS 16, relate to the production facility.

1. Basis of preparation continued

The Company depreciates the ROU assets on a straight-line basis over the length of the lease unless management determines this is not representative of the useful life, in which case, management will estimate the useful life of the asset to be used.

	€
Minimum operating lease commitments as at 31 December 2018	59,083
Less: short-term leases not recognised under IFRS 16	(5,083)
Plus: effect of extension options reasonably certain to be exercised	438,000
Undiscounted lease payments	492,000
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(35,181)
Lease liabilities for leases classified as operating type under IAS 17	456,819
Plus: leases previously classified as finance type under IAS 17	115,132
Lease liability as at 1 January 2019	571,951

II. IFRIC 23

IFRIC 23 interpretation addresses the accounting for income taxes when there is uncertainty over tax treatments. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination. In such a case, the income taxes shall be determined in line with the income tax filings. The adoption of this standard has had no effect on the financial results of the Group.

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.

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.

Notes to the consolidated financial statements

continued

2. Significant accounting policies continued

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. 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.

c) Share capital

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

d) Property, plant and equipment

I. Recognition and measurement

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

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

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

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

II. Subsequent costs

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

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.

2. Significant accounting policies continued

e) Intangible assets

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

Patent rights acquired and development expenditure are recognised at cost.

Expenditure on internally developed products is capitalised if it can be demonstrated that:

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

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

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

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

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

l. 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, are amortised over the lower of the legal duration of the patent (typically 20 years) and the economic useful life. These are currently amortised over 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 unsaleable inventory and are reviewed on a six months basis.

Notes to the consolidated financial statements

continued

2. Significant accounting policies continued

g) Goodwill

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

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

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

h) Impairment

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

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

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

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

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

i) Employee benefits

Defined benefit scheme surpluses and deficits are measured at:

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

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

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

2. Significant accounting policies continued

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 22.

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.
 - 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.

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.

Notes to the consolidated financial statements

continued

2. Significant accounting policies continued

m) Investments in subsidiaries (Company only)

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

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.

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

- Textile.
- Environmental.
- Others.

For 2019 the Environmental segment was introduced to reflect the nature of the underlying business of Setcar. Textile and Environmental were considered by the 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.

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.

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)

2018	Textile €	Environmental €	Others €	Head office €	Consolidated €
Revenue	1,664,847	382,931	205,515	–	2,253,293
Cost of sales*	(1,426,378)	(84,137)	(145,066)	–	(1,655,581)
Gross profit	238,469	298,793	60,449	–	597,712
Other income	57,899	71,334	–	119,462	248,695
Other expenses:					
– R&D expense	(226,744)	(101,400)	(119,540)	–	(447,684)
– Advisory	(187,362)	(46,674)	(15,412)	(656,597)	(906,045)
– Operating expenses	(798,009)	(184,027)	(83,256)	(1,626,254)	(2,729,886)
– Depreciation and amortisation	(490,609)	(129,367)	(58,527)	–	(678,503)
Operating loss	(1,406,357)	(91,341)	(216,286)	(2,163,388)	(3,915,711)
Financial costs	–	–	–	(40,703)	(40,703)
Tax	(414)	–	–	–	(414)
Loss of the year	(1,406,771)	(91,341)	(216,286)	(2,204,091)	(3,956,828)
Total asset	7,969,050	278,190	2,708,058	–	10,955,298
Total liabilities	(2,234,212)	(11,604)	(468,072)	–	(2,713,888)

*Includes Changes in inventories of finished goods

Notes to the consolidated financial statements

continued

3. Operating segments continued

	2019 €	2018 €
Sale of products	1,732,074	2,066,876
Sale of services	899,746	186,417
Government grants	58,762	129,232
Other	124,271	119,463
Total income	2,814,853	2,501,988

Geographical breakdown of revenues are:

	2019 €	2018 €
Italy	1,642,122	1,840,139
Romania	850,738	192,840
Rest of the world	138,959	220,314
Total	2,631,819	2,253,293

The group has transacted with two main customers in 2019, which account for more than 10% of Group revenues for sales of products and services. This largest customer's revenues amount to €947,828 (33%), whilst the next highest revenue earning customer provided €413,851 (15%). 23% of the Group's revenues for sales of products and services were recognised on an over time basis.

Other Income of €183,033 includes Government Grants for €58,762 and R&D Expenditure Credit (RDEC) for €100,706. 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. Business combination

On 25 November 2019 Directa Plus S.p.A. ("DP") acquired 51% of the issued share capital of Setcar S.A. ("Setcar") in order to integrate the control over the environmental services value chain becoming able to provide directly, as Group, waters treatment and soil treatment services.

DP management has performed a control assessment as required under IFRS10 – Consolidated Financial Statement and concluded that DP directs the relevant activities of Setcar and, by virtue of this, has control over Setcar (details covered in the "Key Judgement" section).

Setcar's Balance sheet	Book value €'000	Adjustment €'000	Fair value €'000
Non-current assets			
Setcar brand	68	317	385
Order backlog	–	181	181
Other intangible assets	–	17	17
PPE	2,329	1,118	3,447
Non-current receivables	118	–	118
Total non-current assets	2,514	1,633	4,147
Total current assets	1,448	–	1,448
Total assets	3,962	1,633	5,595
Net assets	2,337	1,472	3,810
Non-current liabilities			
Loans and Borrowings non-current	90	–	90
Provisions non-current	67	–	67
Deferred tax liabilities	–	161	161
Total non-current liabilities	157	161	318
Total current liabilities	1,467	–	1,467
Total liabilities	1,625	161	1,785

Current assets include cash and cash equivalent at the date of acquisition equal to €174,801. On Completion, Directa Plus Plc paid their share (51%) of €600,000. Total cash paid less cash and cash equivalent acquired is €137,345.

4. Business combination continued

Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Asset	Valuation technique
Property – Office buildings	Income approach – rent capitalisation
Property – Industrial platform and land	Market approach
Plant and equipment	Cost approach
Orderback log	Income approach – MEEM (Multiperiod excess earnings method)
Brand	Royalties method

The Company used an independent specialist to assist the Management with the calculation of the fair value on a per asset basis. The revaluation amounted to the fair value uplift of assets is €1.6 million (excluding deferred tax liabilities) with fair value of net assets acquired of €3.8 million and goodwill of €0.3 million.

Consideration transferred

The Setcar's assets and liabilities were acquired for a consideration price of €2.1 million paid in cash to the Sellers as follows:

- €0.6 million upon Completion.
- €0.4 million on 30 April 2020 – Payment of the Second Instalment will be subject to maintaining the Net Asset Value of the Company as of Completion Date at a level at least equal to the Net Asset Value of the Company from the date of the Accounts.
- €0.85 million on the first anniversary of Completion – The payment of the Third Instalment will be performed provided that within one year after the Completion Date it is not proven that any of the Seller's Warranties listed in Annex 2 of this Agreement was incorrect, inaccurate, incomplete or misleading;
- €0.25 million on the second anniversary of Completion – representing a security for Warranty Claims that may be raised against the Company and/or the Sellers.

Following completion, the DP and GVC provide a €2 million loan to Setcar, in proportion to their respective shareholdings in the company, in order to facilitate the payment of a €2 million dividend to the vendors of Setcar.

The total purchase consideration is therefore equal to a €4.1 million, of which the consideration payable by the Company is €2.1 million.

Based on the financial due diligence undertaken, Management has estimated that the full contingent consideration will be paid as no expectation of the decline in the Net Asset Value in Setcar or any warranties have arisen.

Detailed calculation as follows:

Purchase goodwill calculation

	Indicative fair value €'000
Total purchase consideration	2,107
Consideration paid by NCI	1,985
Book value of assets acquired	3,962
Fair value adjustment on assets acquired	1,633
Fair value of assets acquired	5,595
Book value of liabilities assumed	(1,624)
Contingent and unrecorded liabilities assumed	-
Indicative net deferred tax adjustment	(161)
Fair value of liabilities assumed	(1,785)
Fair value of net assets acquired	3,810
Indicative purchase goodwill	282

If the acquisition would have occurred on 1 January 2019:

- increase of consolidated revenue for the eleven months ended 25 November 2019 would have been €3.2 million; and
- increase of consolidated loss for the eleven months ended 25 November 2019 would have been €0.3 million.



Notes to the consolidated financial statements

continued

5. Government Grants

Information regarding government grants:

	2019 €	2018 €
Grata	5,262	57,899
Ecopave	53,500	71,333
Total	58,762	129,232

In relation to government grants (Grata and Ecopave), the operational activities refer to FY19 and related to these projects have been completed. Company has complied with the relevant conditions of the grants.

The key terms of Government grants are:

	Grata	Ecopave
Starting date	2017	2017
Ending date	2019	2020
Duration (months)	31	36
Total amount	126,324	214,000
Final report submitted and accepted	Yes	Project still on-going

There are no capital commitments built into the ongoing grants. Government grants have been recognised in Other Income.

6. Inventory

	2019 €	2018 €
Finished products	825,920	750,853
Spare parts	110,393	102,400
Raw material	19,162	9,031
Working in progress	140,461	-
Total	1,095,936	862,284

As at 31 December 2019 total inventory value is higher than 2018, the movement is mainly driven by Setcar's working in progress which refers to cost and services sustained for ongoing projects. 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.

7. Raw materials and consumables

	2019 €	2018 €
Raw material and consumables	236,191	170,007
Textile products	949,169	1,129,071
Total	1,185,360	1,299,078

Total raw materials and consumables are €1,185,360 (2018: €1,299,078) of which €949,169 (2018: €1,129,071) refers to textile products.

8. Employee benefits expenses

	2019 €	2018 €
Wages and salaries	1,741,293	1,557,471
Social security costs	442,893	384,998
Employee benefits	94,239	84,779
Share option expense	(13,652)	165,611
Other costs	5,998	18,346
Total	2,270,771	2,211,205
Capitalised cost in "Intangible assets"	(121,848)	(98,555)
Total charged to the Income Statement	2,148,923	2,112,650

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

	2019	2018
Sales and administration	12	8
Engineering, R&D and production	26	17
Total	38	25

The total number of employees, employed by the Group on 31 December 2019 was 169 (2018: 27), 143 were Setcar's employees.

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

	2019 €	2018 €
Wages and salaries	775,708	828,311
Total	775,708	828,311

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

Notes to the consolidated financial statements

continued

9. Results from operating activities:

Results from operating activities includes:

	2019 €	2018 €
Audit of the Group and Company financial statements	81,997	41,180
Audit of the subsidiaries' financial statements	31,500	18,000
Other non-audit services provided by Group's auditor	4,528	2,292
Tool manufacturing	179,614	282,352
Travel	221,397	193,771
Technical consultancies	427,362	478,879
Marketing	26,804	172,382

Tool manufacturing expenses are referred mainly to fabrics printing service and decreased to €179,614 (2018: €282,352) thanks to the negotiation of new contracts with the suppliers. Technical consultancies and travel are approximately in line with previous year expenditure, meanwhile Marketing expenses decreased to €26,804 (2018: €172,382) due to the suspension of the relationship with the existing agency in Italy in 2019 to remap marketing activities for the 2020 year.

11. Net finance expenses

Finance expenses include:

	2019 €	2018 €
Interest Income	(3,988)	(4,440)
Interest on loans and other financial costs	10,454	8,499
Interest on financial leasing	16,700	7,830
Interest cost for benefit plan	8,819	7,145
Foreign exchanges losses/(gains)	(160,548)	21,669
Total	(128,563)	40,703

Foreign exchange income of €160,548 (2018: €21,669) are mainly related to Sterling to Euro movement in the Group's Sterling bank account.

12. Taxation

	2019 €	2018 €
Current tax expense	449	414
Deferred tax expense/ (recovery)	(25,674)	-
Total tax expenses	(25,225)	414

12. Taxation continued

	2019 €	2018 €
Reconciliation of tax rate		
Loss before tax	(3,426,439)	(3,956,414)
Italian statutory tax rate	24%	24%
	(822,345)	(949,539)
Impact of temporary differences	62,887	42,327
Losses recognised	(37,662)	(41,913)
Impact of tax rate in foreign jurisdiction	27,942	38,960
Losses not utilised	794,403	910,579
Total tax expenses	(25,225)	414

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 €24,040,737 (€20,467,507 in 2018).

13. Intangible assets

Cost	Development cost €	Patents €	Goodwill €	Others €	Brands €	Total €
Balance at 31/12/2016	2,426,042	197,250	22,268	29,408	–	2,674,968
Additions	82,064	47,394	–	2,393	–	132,450
Balance at 31/12/2017	2,508,106	244,643	22,268	32,401	–	2,807,418
Additions	123,305	77,269	–	12,500	–	213,074
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
Amortisation						
Balance at 31/12/2016	882,901	45,210	–	18,811	–	948,367
Amortisation 2017	257,101	24,464	–	5,177	–	286,742
Balance at 31/12/2017	1,140,002	69,674	–	23,988	–	1,235,109
Amortisation 2018	279,289	32,191	–	6,424	–	317,905
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	1,731,795	145,348	–	52,769	6,402	1,937,760
Carrying amounts						
Balance 31/12/2017	1,368,104	174,969	22,268	6,969	–	1,572,309
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

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 has assessed the goodwill for impairment as at 31 December 2019. Given the short period between the valuation of acquisition and the year-end, no impairment has been noted.



Notes to the consolidated financial statements

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14. Property, plant and equipment

Cost	Industrial equipment	Computer equipment	Office equipment	Plant & machinery	Land	Asset right of use	Under construction	Total
	€	€	€	€	€	€	€	€
Balance at 31/12/2016	138,660	33,646	84,171	1,880,994	-	-	-	2,137,471
Additions	21,909	2,218	19,549	304,591	-	-	-	348,267
Balance at 31/12/2017	160,570	35,864	103,720	2,185,585	-	-	-	2,485,739
Additions	11,822	9,573	3,600	110,041	-	-	-	135,036
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
Depreciation								
Balance at 31/12/2016	53,353	21,138	19,018	760,778	-	-	-	854,287
Depreciation 2017	25,615	4,324	14,092	303,008	-	-	-	347,039
Balance at 31/12/2017	78,968	25,462	33,110	1,063,786	-	-	-	1,201,326
Depreciation 2018	26,661	4,857	15,145	310,351	-	-	-	357,014
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
Carrying amounts								
Balance 31/12/2017	81,601	10,402	70,610	1,121,799	-	-	-	1,284,412
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	4,730,753

Asset held under financial leases with a net book value of €533,957 are included in the above table within Plant & Machinery.

15. Investments in subsidiaries

Details of the Company's subsidiaries as at 31 December 2018 are as follows:

Subsidiaries	Country	Principal activity	Shareholding	
			2019	2018
Directa Plus S.p.A.	Italy	Producer and supplier of graphene based materials and related products	100%	100%
Directa Textile Solutions S.r.l.	Italy	Commercialise textile membranes, including graphene-based technical and high-performance membranes	60%	60%
Setcar S.A.	Romania	Waste management and decontamination services business	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 S.r.l.	Italy	Via Cavour 2, Lomazzo (CO) Italy	See registered office
Setcar S.A.	Romania	Str. Gradinii Publice 6, Braila Romania	See registered office

15. Investments in subsidiaries continued

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

	Directa Spa
At 31 December 2017	14,180,336
Additions	2,000,000
At 31 December 2018	16,180,336
Additions	5,000,000
At 31 December 2019	21,180,336

16. Trade and other receivables

	Group		Company	
	2019 €	2018 €	2019 €	2018 €
Current				
Account receivables	2,169,307	1,367,425	–	–
Tax receivables	460,521	374,673	44,117	31,634
Other receivables	313,458	317,119	159,287	129,960
Total	2,943,286	2,059,217	203,404	158,594
	Group		Company	
	2019 €	2018 €	2019 €	2018 €
Non-current				
Other receivables	109,698	–	–	–
Total	109,698	–	–	–

Group account receivables of €2,169,308 are mainly composed by three major clients, which cover 77% of the total amount.

Group Tax Receivables are composed of Italian VAT receivables of €177,952, UK VAT receivables of €44,117, Setcar VAT receivables of €137,746 and a RDEC Tax Credit receivable of €100,706.

Other receivables are mainly composed of governments grants €182,715 and prepayments €126,704.

Non-current other receivables of €109,698 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 2019 the ageing of account receivables was:

	2019 €	2018 €
Days overdue		
0-60	1,929,268	1,306,070
61-180	154,397	54,418
181-365 +	124,492	26,569
Allowance of impairment	(38,849)	(19,631)
Total	2,169,308	1,367,425

In 2019, 89% 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 2019 the Group recognised provision for €19,218.

Notes to the consolidated financial statements

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17. Deferred tax liabilities

	2019 €	2018 €
Deferred tax liabilities	294,191	195,504
Deferred tax assets – losses	(159,132)	(195,504)
Total	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, defined benefit scheme and from the acquisition of Setcar. The deferred tax liabilities are detailed below:

	2019 €	2018 €
Deferred tax liabilities – Cost Capitalised	156,695	191,885
Deferred tax liabilities – Other	2,437	3,619
Deferred tax liabilities arising from acquisition	135,059	–
Deferred tax assets – losses exc. Setcar	(159,132)	(195,504)
Total	135,059	–

18. Cash and cash equivalents

	Group		Company	
	2019 €	2018 €	2019 €	2018 €
Cash at bank	10,890,718	5,503,568	7,669,360	3,968,016
Cash in hand	15,358	316	–	–
Total	10,906,076	5,503,884	7,669,360	3,968,016

19. Equity

	2019 €	2018 €
Share Capital	190,512	154,465
Share Premium	31,395,612	22,104,240
Foreign currency translation reserve	4,147	–
Retained earnings	(17,656,325)	(14,044,656)
Non-controlling interests	1,240,194	27,361
Balance at 31 December	15,174,140	8,241,410

19. Equity continued

Share capital	Number of ordinary shares	Share capital (€)
At 31 December 2017	44,212,827	142,628
Share issue on 17 December 2018 – capital raise *	4,256,000	11,837
At 31 December 2018	48,468,827	154,465
Share issue on 09 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

* On 17 December 2018, 4,256,000 ordinary shares with a nominal value of £0.0025 each were issued as effect of the Company's capital raise.

** 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.

Share premium	Share premium €
At 31 December 2017	19,973,996
Shares issued on 18 December 2018	2,355,548
Expenditure relating to the raising of shares	(225,304)
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 October 2019	8,580,393
Expenditure relating to the raising of shares	(610,808)
At 31 December 2019	31,395,612

On 09 January 2019, 2,647,609 ordinary shares with a share premium value of £0.7475 each were issued as effect of the Company's capital raise and the amount of €1,462,728 was credit to Share premium reserve.

Expenditure of €140,939 referred to direct cost related to the raising of shares was deducted from the share premium.

On 21 October 2019, 9,882,547 ordinary shares with a share premium value of £0.7475 each were issued as effect of the Company's capital raise and the amount of €8,580,393 was credit to Share premium reserve.

Expenditure of €610,808 referred to direct cost related to the raising of shares was deducted from the share premium.

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 €4,147.

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 at 31 December 2019 it's composed by 49% of Setcar S.A. and 40% of Directa Textile Solutions S.r.l..



Notes to the consolidated financial statements

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20. Loans and borrowings

	Group		Company	
	2019 €	2018 €	2019 €	2018 €
Loans and borrowings	484,701	168,701	–	–
Total	484,701	168,701	–	–

	2019 €	Current €	Non current €	Repayment	Interest rate
Bank of Transilvania	353,506	353,506	–	12-months	ROBOR 6M + 6.52%/year
GVC Investment Company LMT	124,537	–	–	12-months	6%/year

Reconciliation of liabilities arising from financing activities

	Cash flows			Non cash flows		31 December 2019 €
	1 January 2019 €	Interest paid €	Capital repayment €	Accrued interest €	Liabilities acquired €	
Borrowings	168,701	(1,167)	(162,043)	1,167	478,043	484,701
Total	168,701	(1,167)	(162,043)	1,167	478,043	484,701

21. Leases liabilities

The following table details the movement in the Group's lease obligations for the period ended 31 December 2019:

	2019 €	2018 €
Non-current lease liabilities	439,690	57,011
Current lease liabilities	184,900	58,121
Total	624,590	115,133

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17, 'Leases'; according to the new adoption of IFRS 16 in FY2019 the group has also realised additional Right of use assets, liabilities and depreciation expenses. The assets are presented in property, plant and equipment in note 14.

22. Employee benefits provision

	2019 €	2018 €
Employee benefits	416,095	335,132
Total	416,095	335,132

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

The breakdown for 2018 and 2019 is as follows:

	€
Amount at 31 December 2017	282,031
Service cost	52,059
Interest cost	7,145
Actuarial gain/losses	(1,219)
Past service cost	-
Benefit paid	(4,883)
Amount at 31 December 2018	335,132
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

Variables analysis

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

	2019	2018
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

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22. Employee benefits provision continued

Sensitivity analysis

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

Actuarial hypothesis – 2019

		Rate	Decrease 10% Variation DBO €	Rate	Increase 10% Variation DBO €
Increase salary	Male	1.08%	(3,079)	1.32%	3,119
	Female	1.04%	1.27%		
Turnover	Male	1.53%	(2,724)	1.87%	2,619
	Female	1.35%	1.65%		
Interest rate		2.07%	11,201	2.53%	(10,631)
Inflation rate		0.99%	(3,203)	1.21%	3,219

23. Trade and other payables

	Group		Company	
	2019 €	2018 €	2019 €	2018 €
Non-current				
Other payables	66,629	–	–	–
Contingent consideration at fair value through P&L	130,061	–	–	–
Total	196,690	–	–	–

	Group		Company	
	2019 €	2018 €	2019 €	2018 €
Current				
Trade payables	1,055,856	1,459,732	1,702	15,397
Employment costs	419,331	482,357	–	–
Other payables	2,831,436	152,833	81,997	87,988
Contingent consideration at fair value through P&L	650,303	–	–	–
Total	4,956,926	2,094,922	83,699	103,385

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

24. 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 2019 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.

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, 89% of account receivables have an ageing less of 60 days and refers to orders delivered close to the year-end. As at 31 December 2019 the Group recognised a bad debt provision for €19,218.

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	2019 €	2018 €
Trade receivables	16	2,169,308	1,367,425
Cash and cash equivalent	18	10,906,076	5,503,884
Total		13,075,384	6,871,309

The largest customer within trade receivables account for 18.6% of debtors. Management continually monitor 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

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24. 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.

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 and bank overdrafts	484,701	484,701	–
Total	2,189,844	1,734,155	455,689
2018	Carrying amount €	Up to 1 year €	1-5 years €
Financial liabilities			
Trade payables	1,459,732	1,459,732	–
Debts for financial leasing	118,325	61,735	56,590
Loans	168,701	168,701	–
Total	1,746,758	1,690,168	56,590

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 the UK. The cash held in Sterling continues to be subject to currency risk.

EUR

Cash held in GBP	4,483,520
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As at 31 December 2019 if the exchange rate EUR/GBP increase by 10% the impact on P&L would be a loss equal to €0.41 million (if decrease by 10% would be a profit equal to €0.50 million).

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

25. Earnings per share

	Change in number of ordinary shares	Total number of ordinary shares	Days	Weighted number of ordinary shares
At 01 January 2015	–	503,100	–	20,124,000
Existing shares	–	503,100	140	7,697,705
Share sub-division on 19 May 2016	19,620,900	20,124,000	8	439,869
Issued on 27 May 2016	24,088,827	44,212,827	218	26,334,416
At 31 December 2016	43,709,727	44,212,827	366	34,471,990
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 January 2019	2,647,609	51,116,436	285	39,912,834
Issued on 21 October 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

	Basic		Diluted	
	2019 €	2018 €	2019 €	2018 €
Loss attributable to owners of the Parent	(3,585,215)	(3,961,259)	(3,401,214)	(3,956,828)
Weighted average number of ordinary shares in issue during the year	52,973,511	44,376,071	53,054,737	44,376,071
Fully diluted average number of ordinary shares during the year	52,973,511	44,376,071	53,054,737	44,376,071
Loss per share	(0.07)	(0.09)	(0.07)	(0.09)

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

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26. Share Schemes

The Company established the Employees' Share Scheme for employees and Executive Directors and the NED Share Scheme for the Chairman and Non-Executive Directors on 19 May 2016. The Employees' Share Scheme is administered by the Remuneration Committee. 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). No awards have yet been exercised, leaving a total of 1,639,877 outstanding as at the year end, as cancellation occurred for those employees who left the Group in 2018. 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. 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 per cent 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.

26. Share Schemes continued

Vesting of awards

Awards will vest on the third anniversary of the date of grant to the extent that the performance targets have been met. Vested awards may generally be exercised between the third and tenth anniversaries from the date of grant.

The inputs to the Black-Scholes model were as follows:

Black Scholes Model	31 Dec 2019 Market value shares	31 Dec 2019 Performance shares
Share price	69p	–
Exercise price	75p	–
Expected volatility	36%	–
Compounded Risk-Free Interest Rate	4.25%	–
Expected life	3 years	–
Number of options issued*	60,000	–

*Number of options issued is an input of the Black-Scholes model 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 2017	1,675,610	60,000	–	–	–	1,735,610			
	–	–	(95,733)	–	–	(95,733)			
31 December 2018	1,735,610	–	(95,733)	–	–	1,639,877			
	–	–	(25,523)	(733,066)	(821,288)	–			
31 December 2019	1,639,877	–	(25,523)	(733,066)	(821,288)	60,000	75p	12 May 2017	12 May 2020

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

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27. Related parties

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':

	2019 €	2018 €
Short-term employee benefits and fees	251,353	235,646
Social security costs	69,037	64,819
	320,390	300,465

For Directors remuneration please see Director's Remuneration Report.

28. Contingent liabilities and commitments

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

	2019 €	2018 €
Bank guarantees	114,440	105,640
Total	114,440	105,640

29. Post balance sheet events

The COVID-19 pandemic has had a significant, immediate impact on the global economies and on the operations. It is considered a non-adjusting post balance sheet event as the WHO called the Pandemic on 11 March 2020.

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. 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.

Directors, secretary and advisers

Directors

Sir Peter Middleton – Non-Executive Chairman
Giulio Cesareo – CEO and Founder
Marco Ferrari – Chief Financial Officer
David Gann – Non-Executive Director
Neil Warner – Non-Executive Director
Richard Hickinbotham – Non-Executive Director

Company Secretary

Marco Ferrari

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