Welcome to the Graphene age

Annual Report & Accounts 2018

Directa Plus in 2018

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

Direct 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' 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-utilization. We are strongly committed to environmental sustainability and abided by a strong Code of Ethics in all aspects of our business practice.

Contents

Highlights

- We are a leading producer and supplier of branded G+ graphene based products with strong commercial momentum
- Our production process and products are low cost and chemical free
- We use our G+ graphene to improve existing products, creating next generation products for our customers with significantly enhanced properties
- We aim to share in our customers' growth via upfront licence fees and royalty payments, rather than merely supplying an additive material
- We target Italian companies with international reach as a bridge to global markets and collaborations to extend further into the value chain

€2.25m sales

Financial highlights

Product and service sales revenue more than doubled to €2.25m (2017: €0.95m).

€2.25m

Successful placing to raise €3.8m in December, with €1.47m received post period end.

€3.8m

Cash and cash equivalents at year end of €5.50m (2017: €6.93m), increased by placing proceeds of €1.47m received in January 2019.

€5.50m

Total income (including grants) also more than doubled to €2.50m (2017: €1.23m).

€2.50m

Target market progress

Moving forward

Textiles

- Workwear: new orders received from Alfredo Grassi
- Denim: new products launched with Arvind
- Ski wear: third collection launched with Colmar
- Cycling: launch of Aero Jersey with Oakley
- Luxury: new products to be developed with Loro Piana

Environmental

- Grafysorber® water treatment technology - moved into sales generation with integrated oil and gas services provider GSP
- Successful conclusion of field trials with OMV Petrom with commercial negotiations underway
- Successful participation in PDO (Oman's national oil company) Tier 2 Oil Spill Response Exercise
- Collaboration with Ambienthesis to investigate applications in remediation and reclamation markets

Elastomers

- Strategic agreement signed with Marangoni to enter automotive markets with the cold re-treading of bus and truck tyres

Composites

- Partnership with Iterchimica to use G+ products as an additive to extend the life and resilience of asphalts on roads and exclusivity agreement with global luxury accessories producer

Corporate

- Significant new patents filed or granted covering flame retardant properties and elastomeric formulae for tyres bringing the total number of patents to 18 granted and 23 pending
- CEO and Founder Giulio Cesareo joins the prestigious industry council of the US National Graphene Association
- New 19% shareholder, California based Nant Capital, controlled by well-known medical, science and media entrepreneur Patrick Soon-Shiong

Directa Plus named a National Champion for Italy in the 2016 European Business Awards, in the 'Environmental and Corporate Sustainability' category. Recognising Directa's innovation, ethics and success.

Directa Plus's graphene-enhanced fabrics, jointly developed with Colmar, were recognised by FabricLink.com as one of the Top 10 Textiles Innovations for 2015/2016.

Top 10

Sustainable development award at Ecomondo 2018 fair, recognised for the most advanced companies active in the green economy sector.

Green award

At a glance

4 core focus markets

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

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

G+ Technology

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

Benefits of our products

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

4 target vertical markets

1

Environment

Helping mainly Oil & Gas companies tackling environmental emergencies of pollution.

2

Textiles

Printing our nanoplatelets on fabrics, and enhanced membranes for sports, city, jeans and workwear.

3

Elastomers

Reducing the rolling resistance, consumption, for all road transport.

4

Composites

Reducing the weight and improving heat dissipation for eyewear, brake pads and asphalts.

Chairman's statement

Sir Peter Middleton
Chairman

I am pleased to be presenting the results of a very successful year, which has seen the Group gain significant commercial momentum as we advanced our operational and strategic targets, confirming our position as a leading producer and supplier of graphene-based products under our G+ brand. Our full year revenue of €2.5m reflects this progress – being more than double that of 2017.

This success has been due to the close working relationships we strive to maintain with our customers. A high degree of collaboration allows us to find and develop the best methods and applications for the use of G+ graphene to enhance products in our key industrial verticals: textiles; environmental improvement; elastomers; and composites – alongside customers' designers and engineers.

Treating sales and product development as part of the same ongoing process allows us to gain our customers' respect as a supplier and manufacturing partner, which is particularly important as a young company forging new commercial relationships. In addition, this partnership role allows us to establish Directa Plus higher in the manufacturing value chain – by moving closer to end users we are able to better understand consumer demand and capture a greater share of the profits

"We are creating a next generation of products with significantly enhanced properties for our customers. The best and fastest route to commercial success and profitability is to use G+ graphene to improve existing products and processes."

than would be the case if we were simply a commodity supplier.

We are creating a next generation of products with significantly enhanced properties for our customers, and the progress we have made in each business vertical is detailed in the Chief Executive's Review.

To take a slightly wider view of our commercialisation strategy – there are a number of criteria we look for in identifying the industries in which we want to operate and companies with whom we want to partner.

In our view the best and fastest route to commercial success and profitability is to use G+ graphene to improve existing products and processes, rather than trying to develop entirely new categories. With this in mind, we are seeking to target existing markets with clear potential for substantial revenues where products can be improved through graphene applications.

Similarly, in potential partners we look for leading international businesses with significant global footprints who have the capability to manufacture and deploy products on a large scale. The potential benefits that this can bring in terms of revenue are clear, but in addition, working with some of the world's leading manufacturers in one sector gives us significant additional credibility and exposure when approaching new potential partners in other sectors.

We can offer existing and potential partners, as well as shareholders, firm guarantees about the quality of our G+ graphene and our environmental and sustainability credentials. The Group's G+ graphene manufacturing capability uses proprietary patented technology based on a plasma super expansion process. Starting from natural graphite, each step of our production process – expansion, exfoliation and drying – creates graphene-based materials and hybrid graphene materials ready for a variety of uses and available in various forms such as powder, liquid and paste.

This proprietary production process uses heat, rather than a chemical process, to process graphite into pristine graphene nanoplatelets, which enables Directa Plus to offer a sustainable, non-toxic product, without unwanted by-products. As the process is low cost and, crucially, scalable – we do not foresee any issues in meeting customer demand for our product.

At a corporate level I would like to welcome new shareholders from our successful capital raise in December and thank existing shareholders for their support in this fundraise. I would also like to welcome a new shareholder, Patrick Soon-Shiong, who has recently bought, including through his controlled company Nant Capital, a 19% shareholding in Directa Plus.

Finally, I would like to thank our leadership team and our employees for their continued hard work. Directa Plus is enjoying an extremely exciting period of growth, with rapid developments in a wide number of areas, and the passion and energy that is contributed throughout the business is invaluable.

On behalf of the Board and myself I am confident in saying that Directa Plus is extremely well positioned for another year of growth and development, and I look forward to the Group's future success.

Sir Peter Middleton
Chairman
16 April 2019

A high degree of collaboration allows us to find and develop the best methods and applications for the use of G+ graphene to enhance products.

The G+ graphene manufacturing capability uses proprietary patented technology based on a plasma super expansion process.

Our strategy

How we create value

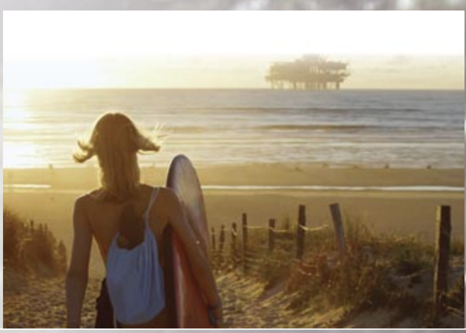
Welcome to the Graphene Age.

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.



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 contaminated water treatment 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

Directa Plus saw another year of significant progress during 2018, improving its position in key markets and making strides in the commercialisation strategy through new products and partnerships, clear vision and discipline in execution.

The two primary markets we focus on are textiles and environmental, followed by elastomers and composites. The majority of the Directa Plus' R&D resources are focused on the two primary markets to develop the next generation of G+ products to enhance performance, while in elastomers and composites, the goal of the Group is to market the G+ products already engineered for those markets.

Strategy and Business model

The Group is well placed to take advantage of market momentum, leveraging on the unique G+ graphene properties. By incorporating Directa Plus' unique graphene blends, identified by the G+ brand, our customers can revolutionise the performance, increase the competitiveness and extend the life cycle of their own end products.

Integrating our intellectual property into new products allows our customers to gain significant competitive advantage and as outlined in the Chairman's Statement, as a Group, we are committed to sharing in the proceeds of customers' growth from new

"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 in our customers' markets and by the number of agreements already signed which are generating revenue. There is every reason to look forward with great excitement to the coming year's activity at Directa Plus as we move forward on a number of extremely promising fronts."

products, rather than merely supplying an essential ingredient. The commercialisation model we follow is based on capturing for our shareholders a proportion of these additional revenues and profits. This could take the form of royalty payments, upfront enabling licence payments, joint-ventures to get closer to end-users, or a combination of all three.

We seek to embed our products first with Italian (and regional) companies with large international footprints proving the business cases to provide reference customers, before rolling out globally. The success of this strategy can be seen in our progress in each of our key sectors, where we have established strong commercial advantage through developing and launching products with a technological lead:

+ Textiles, based on our G+ Planar Thermal Circuit technology;
+ Environmental, based on our Grafysorber® product for treating oil contaminated water;
+ Elastomers, based on our G+ product specifically engineered to enhance tyre performances; and
+ Composite materials, based on our G+ products specifically engineered to enhance composite materials, mechanical performances, and to improve asphalt's life cycle.

Expanded partnership and product lines

Textiles

There are broad market applications for the integration of G+ graphene products into textiles across multiple segments, as our Planar Thermal Circuit® revolutionises temperature control for natural and synthetic fabrics, and so for the end consumers of garments. These benefits are delivered via our G+ printing paste which can be printed on customers' fabrics and via our graphene enhanced membranes which can be laminated on customers' fabrics. Moreover, during the period, a testing phase started with a major world-wide membrane producer.

Our present subsectors of focus are workwear, denim, sportswear and luxury goods, where partners are already finding that G+ products that are non-toxic, dermatologically tested and hypoallergenic can significantly augment their product ranges.

Alfredo Grassi

In July 2018, Alfredo Grassi S.p.A (Grassi), placed an order with Directa Plus worth €0.70 million which we believe represents one of the largest amount of textile material to be treated with graphene nanoplatelets by any company in the world to date.

This new order followed Grassi's successful public tender to provide workwear incorporating G+ to an Italian government agency. This is the second such tender to be won by Grassi, having already supplied G+-enhanced workwear to an Italian state-owned company.

Workwear represents a significant target market for the Group's G+ technology and in Italy alone there are approximately 250,000 law enforcement, fire and safety and military personnel whose clothing needs to be renewed every three years. Directa Plus and Grassi continue to work together to develop and market new product lines in areas where Grassi is has a commercial presence.

In October, we received two more orders for the workwear market with an aggregate value for Directa Plus of approximately €500,000 of which €150,000 was delivered in FY18 and €350,000 is expected to be delivered in this financial year.

The Board remains excited about the future opportunities that workwear business could bring to Directa Plus on a global basis.

Arvind

It has been a pleasure to work closely with Arvind Limited, India's leading textile-to-retail-and-brands conglomerate, since we signed our first agreement covering textiles in May 2018, and in particular with the CEO of Arvind Denims, Mr Aamir Akhtar.

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Chief Executive Officer's review continued

The May agreement set out an exclusive collaboration, to infuse the high-performance benefits of our graphene-based products into Arvind's denim fabrics. Arvind Denim produces over 100 million metres of fabrics and six million pairs of jeans per year, and supplies a portfolio of brands that are distinctive and relevant across diverse consumers, including Cherokee, Excalibur, Flying Machine, Gant, Levi's, Nautica, Pierre Cardin Paris, Tommy Hilfiger, and Wrangler.

Directa Plus' G+ Planar Thermal Circuit application can be printed directly onto denim to significantly increase comfort via heat dissipation, with additional benefits including energy harvesting, data transmission and a reduced odour effect. Arvind and Directa Plus jointly launched the world's first graphene enhanced G+ jeans, shirt and jackets at the Kingpins Show in Amsterdam in October 2018 – an invitation-only denim conference and trade show attended by all the key market players with the objective of shaping the future of denim. A further joint presentation entitled 'Graphene Plus upgraded for Functional Denim' was given by both companies at the Denim Première Vision event in London in December 2018.

Directa Plus and Arvind believe that the 'smart denim' that will result from the collaboration will yield some of the most innovative, widely-used fabrics in the denim market in the years ahead.

Colmar

Colmar, the high-end sports and activewear company launched its Winter 2018/19 collection, marking Colmar's third skiwear range with Directa Plus. The new collection has been expanded to consist of 31 garments incorporating G+, including male and female ski jackets and, for the first time, graphene-enhanced ski trousers. It follows the commercial success of two previous ski collections, as well as spring/summer garments.

Oakley

July saw the launch of a New Aero Jersey enhanced with Directa Plus' G+ graphene – a first of its kind cycling garment. Designed by Oakley®, in collaboration with Bioracer, a designer and manufacturer of innovative, customised clothing for cycling teams and individuals, as well as for other sporting activities. The Aero Jersey incorporates our G+ planar thermal circuit to distribute the heat generated by the cyclist's body and dissipates it when needed to significantly improve the comfort of the wearer and enable riders to use less energy to regulate their body temperature. We are already analysing with the Oakley's innovation team further potential development and opportunities.

Environmental remediation

We established a number of key new relationships in our environmental vertical this year and demonstrated commercial viability most clearly by moving beyond proof of concept and testing into revenue generation with one of our customers.

Our proprietary Grafysorber® technology is a commercially-available graphene-based solution for treating 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. In addition, Grafysorber® is sustainably produced, non-flammable and reusable, with the adsorbed hydrocarbons recoverable.

Ambienthesis

The potential to expand our environmental remediation processes beyond hydrocarbons would add a new dimension to the vertical and greatly expand the industries and geographies we could service.

To that end we have signed a collaboration agreement with Ambienthesis S.p.A. a specialist in the reclamation, environmental remediation and treatment, recovery and disposal of hazardous and non-hazardous waste, listed on the Milan Stock Exchange.

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July saw the launch of a New Aero Jersey enhanced with Directa Plus' G+ graphene - a first of its kind cycling garment. The Aero Jersey incorporates our G+ planar thermal circuit to distribute the heat generated by the cyclist's body.

1st

Our proprietary Grafysorber® technology is a commercially-available graphene-based solution for treating water contaminated by hydrocarbons and is at least five times more effective than current technologies.

Phase One of the agreement consists of the testing of products, plants and services, using the Group's G+ graphene products for the remediation of soil and groundwater and industrial waste waters at Ambienthesis' plant in Orbassano, Turin. The testing will start in the first half of 2019 and will take place using a mobile treatment plant provided by Directa Plus, specifically engineered for the project.

The outcome of Phase One will then define the basis of a potential commercial agreement between the parties as the second phase of the process. In line with our strategy, the collaboration with Ambienthesis allow us to prove a new business case in the environmental area that could be replicated and open very important commercial opportunities.

GSP

GSP is an integrated services provider to the Oil & Gas industry, with a global presence. It operates a diversified fleet which includes mobile offshore drilling rigs, offshore support vessels, construction vessels, heavy lift crane barges, ROVs and a Saturation Diving System. In November we announced the signing of a €200,000 contract to supply GSP with a graphene-based Grafysorber® mobile production unit and a set of G+ oil adsorption barriers.

The first sale of our Grafysorber® technology for environmental remediation represents a significant development for Directa Plus. We are committed to developing both new products and processes to capture significant revenue from the value chain and this contract is a key indicator of the potential of the vertical.

OMV Petrom

Industrial field testing of Grafysorber® was successfully completed in April last year at an oil treatment plant operated by OMV Petrom, a leading Romanian integrated Oil & Gas company and one of the largest in Southern Europe.

The purpose of the field tests was to trial the ability of Directa Plus – Grafysorber®, which was used in a dedicated treatment facility on an OMV Petrom site to remove petroleum hydrocarbons from produced water and sludges. We are now in the final negotiation phase with OMV Petrom for a multi-year commercial agreement for our water treatment solutions.

PDO

In December we successfully participated in a Tier 2 Oil Spill Response Exercise undertaken by Petroleum Development Oman, the leading exploration and production company in the Sultanate of Oman.

The Gulf Region is a key area for the further development of our environmental business based on the Grafysorber® product, and so this represents an important opportunity.

Elastomers

As demonstrated through our activity on cycle tyres, the incorporation of G+ is expected to materially enhance the performance of retreaded automotive tyres by increasing grip, durability and fuel efficiency as well as extending lifespan and addresses a much larger market. We are strengthening our business relationship with the main players in the tyre industry to commercially exploit the unique properties G+, leveraging on Directa Plus' IP.

Marangoni

A strategic agreement with Marangoni S.p.A., signed in April 2018, allows us, thanks to the unique properties of the G+ based product, to improve the performance of Marangoni compounds in truck and bus tyre retreading. On November 2018 G+ enhanced rings have been mounted on bus tire and installed on Milan ATM bus for field test; results of G+ tread durability versus reference are expected by June 2019. In the meanwhile the technical teams are working on an industrial assessment of the project with the goal to optimize all the relevant aspects of the G+ re-treading process – production process, tread design, formulation fine tuning, to be ready for industrial production by the end of 2019.

Based in Italy, Marangoni is an international group with 10 production facilities and 1,300

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Chief Executive Officer's review continued

employees worldwide and is the market leader in the supply of technologies and materials for the cold retreading of truck and bus radial tyres.

Composites

The applications for composite materials are extremely broad and encompass a huge array of products providing a clear example of the benefits we can derive through entering the market via partnerships with existing large companies.

At present we are working on two main partnerships in the composites space – one with a global luxury accessories provider and another with Iterchimica S.p.A. one of the largest Italian companies in the field of additives for asphalt and paving technologies.

Fashion accessory producer

In April 2018, we entered into a 12-month exclusivity agreement and nine-month development agreement with an existing customer, a global luxury accessories producer, to produce accessories with increased mechanical properties derived from our G+ graphene-based products. Directa Plus has commenced work with the client at our Advanced Development Area facility, which has the added benefit of reducing the time it will take to bring the product to market.

The value of the exclusivity and the development agreement, ahead of entering into an anticipated commercial contract, amounts to approximately €130,000 in 2018.

Iterchimica

In partnership with Iterchimica we can report that we have laid the first road surface in the world with a supermodifier containing graphene, on a section of Rome's Strada Provinciale Ardeatina – a famously busy route.

This real-world application is part of a commercial test of Ecopave – based on Directa Plus's graphene product – Ecopave has been developed by Directa Plus with Iterchimica, to provide better roads, that are more sustainable and with less maintenance needs, with consequent benefits for public authorities, citizens and general contractors.

Ecopave materially increases the surface's physical and mechanical performance by increasing resilience to deformation and by decreasing sensitivity to variations in ambient temperature. Successful laboratory tests showed that Ecopave can increase fatigue resistance up to 250 per cent, extending significantly the service life of the road surface at a lower life cycle cost than existing tarmacs.

Additionally, once laid, Ecopave can be 100 per cent recycled which can reduce the extraction of new materials from quarries and first-use bitumen.

Test results received and disclosed post period end have proven the unique properties of Ecopave, exceeding the expectations. We are very confident on future market opportunities and conversation are ongoing with players in UK, USA and Oman.

Intellectual Property

Expanding and protecting our intellectual property is rightly a central element of our commercial strategy since the Directa Plus' foundation. We are at the forefront of the commercialisation of graphene and at the year end had 18 patents granted with an additional two granted post period end and 23 patents pending (plus 1 filed post period) in respect of our G+ technology covering process, applications and products.

Significant new patents this year cover flame retardant compositions of G+ without the addition of toxic chemicals and G+ elastomeric compositions for tyres.

Post period

Our senior management team has significant experience of operating in the United States and our reputation in this important market continues to grow. This was illustrated by my joining the influential and prestigious

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World 1st

Expanding and protecting our intellectual property is a central element of our commercial strategy. At the year end we had 18 patents granted and 23 patents pending.

18 patents

Industry Council of the US National Graphene Association in February of 2019. Moreover, I will take part in the "Graphene on Capitol Hill" event keynoted by senator Roger Wicker, chairman of the Senate Commerce Committee, on May 22nd 2019 in Washington D.C. Representatives from the Department of Defense (DOD), Department of Energy (DOE), National Aeronautics and Space Administration (NASA), and Economic Development Administration (EDA), as well as state legislators, members of the Congress, and international dignitaries will be in attendance to discuss invigorating graphene-focused collaborations between business and government in the national and international verticals.

I relish the opportunity to contribute to what is likely the world's leading forum on the development of graphene and its use in an increasing number of products.

The arrival of Dr. Patrick Soon-Shiong as a new shareholder is a significant endorsement for Directa Plus. Going forward we intend to explore any potential synergy with his company Nant to penetrate the US market to support G+ graphene momentum.

Finally, I would also like to note an exclusivity agreement signed with Loro Piana for the commercialisation of fabrics and garments enriched by our G+ technology. Loro Piana is one of the world's most renowned fabric manufacturers and it is a real privilege to be able to work together. The agreement is on a worldwide basis with an initial duration of three years for a minimum value of €800,000.

Outlook

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 in our customers' markets and by the number of agreements already signed which are generating revenue.

We have increasingly well-established relationships in all of our key target verticals: textiles; environmental remediation industries; elastomers; and composites verticals, with a number of globally recognised corporate leaders. Pleasingly, our commercialisation strategy of adding value and capturing value in the supply chain is working well – helping to strengthen our relationships with our customers.

As result of the continuous improvement project called "Throughput Project" we will be able to improve industrial layout to increase production efficiency, driving industrial margin.

As a company we always value practice over theory, recognising that in a fast-evolving future there will be a higher cost waiting and planning than doing.

There is every reason to look forward with great excitement to the coming year's activity at Directa Plus as we move forward on a number of extremely promising fronts.

Guilio Cesareo
Chief Executive Officer
16 April 2019

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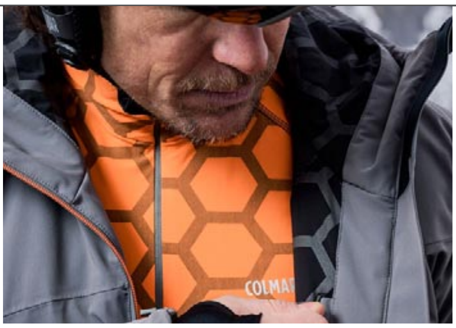
€800,000



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Market review

How we do it

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

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

By incorporating Directa Plus' 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-utilization.

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

Directa Plus has received ISO 9001:20015 accreditation for the production and commercialisation of pristine graphene nanoplatelets and graphene-based products of different morphologies.

Directa Plus gets REACH registration from the Graphite Consortium for exports between 10 and 100 tonnes and the chemical-free process for GNPs production.

REACH

26 employees

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
+ Abudant, safe and non-toxic raw material

Patented, modular process

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

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

Tailor-made for customer needs

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

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

Scalable, portable production

Our factory near Milan can produce industrial quantities of graphene nanoplatelets-based products each year to supply large supply chains. In addition, we can set up production directly at customer locations, thus adding scalable capacity and reducing transport costs, waste and time-to-utilization.

Directa Plus is the first company in the world in its field to have conducted, and published the results of a series of toxicology screening tests to independently certify the non-toxicity and non-cytotoxicity of its products.

World 1st

Chief Financial Officer's review

Marco Ferrari
Chief Financial Officer

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 client 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 2017.

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

Financial Review

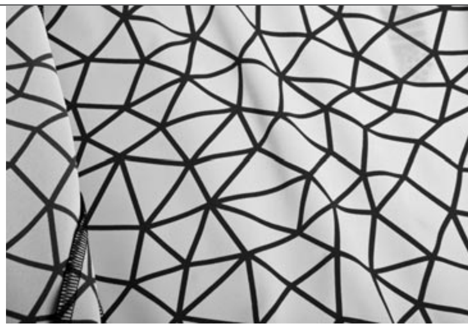
Total Income increased by 108% to €2.5 million (2017: €1.2 million).

Revenue from product and service sales grew by 137% to €2.25 million (2017: €0.95 million) with the increase coming mainly from higher revenue in our textiles segment to €1.66 million (2017: €0.77 million).

Other income, which mainly includes grants and R&D Expenditure Credit (RDEC) received by the Group, was €0.25 million (2017: €0.28 million). RDEC is an Italian government incentive scheme designed to encourage companies to invest in R&D by providing a tax credit and accounted for €0.10 million (2017: € 0.08 million).

Income from Government grants was driven by grants that are directly supporting key

"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."



Revenue from product and service sales €2.25m.

137%+

development activities, namely the GRATA textiles project and the Eco Pave asphalts project, as described in the CEO review, which accounted for €0.06 million (2017: € 0.03 million) and €0.07 million (2017: 0.04 million) respectively.

The EBITDA loss for the period was in line with management expectation and was slightly higher at €3.24million compared with a €3.16 million loss for 2017, primarily due to increased raw materials and consumables costs, and a change in the inventory that partially offset the increase of the top line. Over the period, we remained focused on improving the value captured within the textile supply chain and managing relationships and agreements with clients and suppliers, to lay the foundations for improving margins in the next future.

The loss after tax for the year was flat at €3.96 million compared with €3.95 million for 2017. This reflects both the increase in revenue and higher expenditure on raw materials, and changes in inventories and other expenses.

Across the Group we have continued to invest in new equipment and technology. We invested €0.12 million (2017: €0.34 million) related mainly to the purchase of industrial equipment to improve our manufacturing process. Moreover, laboratory equipment to support the development of applications, particularly in our textile and environmental markets, were also acquired during the period. Investment in intangible assets of €0.21 million (2017: €0.12 million) mainly related to capitalised development costs and IP activity.

As at 31 December 2018, inventories totalled €0.86 million (2017: €1.0 million), ensuring that Directa Plus can supply key clients in a timely manner as it receives increasing orders.

In the short term the Group's priorities continue to focus on the reduction in cash consumption and improvement in profitability. Cash and cash equivalents at 31 December 2018 were €5.5 million (2017: €6.9 million) with the reduction principally due to:

+ increased cash outflow from operating activities totalling €3.0 million (2017: €2.8 million);
+ modest investments in tangible and intangible assets of €0.3 million (2017: €0.5 million) for reasons set out above; and
+ cash in from financing activities equal to €2.0 million (2017: expense of €0.3 million) which includes borrowing repayments, interest costs and the Firm Placing undertaken in December 2018 and concluded in January 2019, of which the details of which are set out below.

Details about Patents granted are covered in the CEO's statement.

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

KEY PERFORMANCE INDICATORS	2018	2017
Revenue from product and service sales (€'m)	**2.25**	0.95
Total Income* (€'m)	**2.50**	1.23
EBITDA** (€'m)	**(3.24)**	(3.16)
Loss after tax (€'m)	**(3.96)**	(3.95)
Reported basic loss per share	**(0.09)p**	(0.09)p
Cash and cash equivalents*** (€'m)	**5.50**	6.93
Total number of patents granted	**18**	15

* Total Income comprises revenue from product and service sales (€2.25m), and other income including government grants (€ 0.13m) and RDEC and other income (€0.12)

** EBITDA represents results from operating activities before depreciation and amortisation of €0.67m (2017: €0.63m). This is a non-GAAP measure. Management decided to use EBITDA to provide a clearer reflection of operations by stripping out interests, tax, depreciation and amortization.

*** Before receipt of £1.32m (€1.47m) following completion in January 2019 of the Conditional Placing and Open Offer announced in December 2018

Capital Raise

The capital raise was undertaken between December 2018 and January 2019 raising the total gross amount of £3.45 million, with the Company's joint brokers Cantor Fitzgerald Europe and N+1 Singer responsible for placing the shares. The capital raise consisted of a placing and an open offer.

The placing of 6,300,000 new Ordinary Shares issued at price of 50 pence per share raising gross proceeds of £3.15 million was divided in two steps:

+ a Firm Placing on 17 December 2018 raising £2.13 million (gross), through the placing of 4,256,000 ordinary shares with a nominal value of £0.0025 each, to be reported in FY18 accounts. Proceeds of capital raise are reported in Euro and are equal to €2.37 million of gross proceeds and €2.14 million of net proceeds; and
+ a post period end Conditional placing (being subject to shareholder approval at general meeting) settled on 9 January 2019 raising£1.02 million (€1.14 million) equal to 2,044,000 ordinary shares with a nominal value of £0.0025 each with the proceeds to be shown on the 2019 balance sheet.

The post period Open Offer in early January 2019 in which shareholders were invited to participate raised an additional £0.30 million (€0.33 million) that will be shown on the 2019 balance sheet.

The funds will help sustain the Group until we reach cash flow break-even, and specifically the Board intends to use the proceeds of the Placing to:

+ exploit commercial opportunities across a developing pipeline;
+ build sales and marketing reach;
+ develop the next generation of higher performing products;
+ improve industrial layout to drive industrial margin; and
+ maintain competitive advantage and barriers to entry.

Marco Ferrari
Chief Financial Officer
16 April 2019

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 & 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 he 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.

Directors' report

Principal activities

Directa Plus is a technological company 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. 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 2018, 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. Post balance sheet events are reported in note 27.

Dividends

The Directors' current intention is that for the foreseeable future, all future earnings of the Group 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 2018 and up to the date of signing this report:

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

Directors' remuneration and interests

The Directors' Remuneration Report is set out on pages 27 to 28. 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 23 to 26.

Share capital and substantial shareholdings

Details of the share capital of the Company as at 31 December 2018 are set out in note 18 to the consolidated financial statements. At 7 February 2019, a total of 51,116,436 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	9,688,440	18.95
Dompè Group	6,926,666	13.55
Unicorn Asset Management	4,800,000	9.39
Dr. Jean Marc Droulers / Finanziaria Le Perray *	4,093,794	8.01
Galbiga Immobiliare S.r.l.**	3,448,791,	6.75
Ruffer	2,216,500	4.34
Schroders Investment Management	2,000,000	3,91

** 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 22 to the financial statements. The Directors continually considers how to identify and mitigate the key business risks. 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.

Risk	Mitigation and management strategy	Likelihood*	Impact (on the Group)**	Change***
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’ P&L.	Newsflow 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	Limited to Moderate	↑
Technological risk Directa Plus operates in an industry where competitive advantage has a certain dependency on the technology adopted. It is possible that future technological development or potential substitute materials may affect the acceptance of, and the attribution of value to the Group’s graphene production technology and Group’s graphene based products.	Directa Plus continually monitors the market and its competition and has resources to invest in technological development and product development as appropriate.	Possible	Critical	→
Intellectual property protection risks Failure to protect the Group’s IP may result in another party copying, using or taking advantage from Group’s proprietary 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	Major	→
Key employees risks The Group depends upon the continued service and performance of the Executive Officers and key employees. The loss of the services of any of Executive Officers or other key employees could have an adverse impact on the Group’s operations, reputation and business activities.	Risks is mitigated by providing share options to key employees, building a motivated management team, together with significant opportunities for carrier development.	Possible	Major	→
Funding risk The Group’s growth requires access to funding. It is possible that the Group will need to raise extra capital in the future to continue to develop the Group’s business or to take advantage of future acquisition opportunities. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Group or to the Group’s shareholders.	Risk is mitigated by maintaining good relationships with the Group’s main shareholders.	Possible	Major	→

** Unlikely, Possible, Likely, Certain*

*** None, Minor, Moderate, Major, Critical*

**** Defines the direction on the change in the risk: risk increased (↑), risk decreased (↓), no change (→)*

Directors' report
continued

Annual General Meeting

The notice for the convening of the AGM 2019 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.

By order of the Board

16 April 2019

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 2018 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 2019 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 Chief Executive Officer's review on pages 8 to 13.

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; and
- partners – we engage with commercial and scientific partners and we work with them to develop new applications, building strong and long-lasting relationships.

The Company obtains feedback from stakeholder groups by way of:

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

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

Corporate governance report
continued

Risk management
The Directors are responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. Page 21 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 26 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 25.

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. In March 2019, the Board undertook a formal performance review through a questionnaire distributed to the Board members. Results, once reviewed, will be timely disclosed on the corporate website.

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 2018 financial year can be found on pages 29 and 30.

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:

Name of Director	Board appointments: Executive director	Non-executive director	Independent director	Non-independent director	Board committees as Chairman or member: 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

** Luca Lodi-Rizzini served as a Non-Executive Director until 26 April 2018.*

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

Committees

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

Time commitments

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

The time commitments of the Non-executive Directors are carefully reviewed by the Board and it is noted that Peter Middleton, David Gann, Neil Warner and Richard Hickinbotham devote 2 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:

	Board meetings		Audit Committee meetings		Remuneration Committee meetings	
Name of Director	No. held	No. attended	No. held	No. attended	No. held	No. attended
Sir Peter Middleton	6	6	–	–	–	–
Giulio Cesareo	6	6	–	–	–	–
Marco Ferrari	6	6	–	–	–	–
David Michael Gann	6	4	3	2	1	1
Neil William Warner	6	5	3	3	1	1
Richard Hickinbotham	6	6	3	2	0*	0

** Richard Hickinbotham was appointed as Chairman of the Remuneration Committee on 25th April 2018*

Corporate governance report

continued

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

As at 31 December 2018, the Group had net assets of €8.2m (2017: €9.9m) and cash and cash equivalent of €5.50m (2017: €6.9m) as set out in the consolidated statement of financial position. The Directors have prepared and reviewed forecasts of the Group's financial performance. After due consideration of forecast and current cash position, the Directors believe that the Group has sufficient resources and working capital to meet their present and foreseeable obligations for a period of at least twelve months from approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Group financial statements.

Sir Peter Middleton
Non-Executive Chairman

16 April 2019

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 2018 was as follows and is audited:

2018	Salary/Fees €'000	Bonus €'000	National Insurance contributions €'000	Pension contributions €'000	Total emoluments 2018 €'000	Share based payment** €'000
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.*

Directors' remuneration report

continued

2017	Salary/Fees €'000	Bonus €'000	National Insurance contributions €'000	Pension contributions €'000	Total emoluments 2017 €'000	Share based payment** €'000
Non-Executive Chairman						
Sir Peter Middleton	64	–	–	–	64	17
Executive						
Giulio Cesareo	272	98	9	65	444	74
Marco Ferrari	133	27	8	27	195	36
Non-Executive						
David Gann	38	–	–	–	38	10
Neil Warner	38	–	–	–	38	10
Luca Lodi-Rizzini*	38	–	–	–	38	10
Richard Hickinbotham	24	–	–	–	24	6
Elizabeth Robinson	5	–	–	–	5	–
Total	612	125	17	92	846	163

** 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 7 February 2019 Directors' interest were the following:

Directors' interests

Director	Number of ordinary shares	Number of ordinary shares under option	Percentage of issued share capital
Sir Peter Middleton	25,000	100,000	0.05
Giulio Cesareo*	3,448,791	545,176	6.75
Marco Ferrari	25,666	265,176	0.05
David Gann	83,379	60,000	0.16
Neil Warner	22,000	60,000	0.04
Richard Hickinbotham	69,000	60,000	0.07

** Giulio Cesareo and his family are the sole beneficiaries of the 3,448,791 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 three times in 2018 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 2018.
- 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 maintaining a relationship 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 once in 2018 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 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and the company statements of changes in equity, the consolidated and the 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 Group 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 2018 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's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Revenue recognition

The Group earned revenue of €2.3m in the year-ended 31 December 2018. Most of the Group's sales are made through Directa Plus S.p.A. and Directa Textile Solutions S.r.l.

Revenue is a significant risk area given the Group's different revenue streams, geographic dispersion of sales and product ranges offered. Moreover, this was the first accounting period in which IFRS 15 was adopted and the revenue recognition policy was updated to reflect this. There was a new sales contract relating to the sale of the mobile processing unit ("MPU") entered into in the year, which included bundled sale of goods and services. Since there are multiple performance obligations relating to this contract, there is a risk that revenue from this type of contract may not be recognised correctly with regards to IFRS 15. In addition, there is a risk that disclosures to the financial statements are not prepared in line with the requirements of IFRS 15.

Management has included detail regarding their considerations around revenue recognition and IFRS 15 in note 2 (j).

How our audit addressed the key audit matter

Our audit work on revenue included the following procedures:

- We obtained and read the terms of key sales contracts and assessed the impact of the contract terms on Management's determination of the Group's revenue recognition policy.
- Reviewing the contract relating to the sale of a MPU in the year and analysed it under the requirements of IFRS 15. Three performance obligations were identified, being the sale of equipment, a training course, and a two year warranty. We have reviewed Management's assessment of the transaction price of each performance obligation and agreed this back to supporting documentation including payroll records and invoices to support maintenance costs which fall under the two year warranty. We have verified documents signed by the customer confirming delivery of the MPU and on site training, which demonstrates the Group has met performance obligations in the year.

Independent auditor's report

continued

- Verifying a sample of revenue recognised in the year to supporting evidence (including sales invoices and delivery documentation) and the receipt of payments for sales to bank statements, to confirm that revenue was appropriately recognised.
- Performing cut-off procedures on revenue recorded around the year end by testing a number of pre and post year end transactions to supporting documentation in order to ensure the transactions had been recorded in the correct accounting period.
- Reviewing the disclosures in the financial statements to ensure that they were prepared in accordance with the requirements of the accounting standards, with a particular focus on the IFRS 15 first time adoption disclosures.

Our application of materiality

Group materiality FY2018	Company materiality FY2018
€300k	€225k
Group materiality FY2017	**Company materiality FY2017**
€300k	€80k
Basis for materiality	**Basis for materiality**
3% of net assets (2017: 3% of net assets)	3% of net assets capped at 75% of Group materiality (2017: 3% of net assets)

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 into 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 continue to consider net assets as an appropriate benchmark to determine materiality. We consider net assets to be the most relevant consideration as the Group and Parent Company are still in the development stage and net assets reflects movement in overall shareholder value. We have applied a percentage of 3% to net assets in 2018 (2017: 3%) which is consistent with the prior year for the Group. Parent Company materiality was changed from 1.5% of total assets to 3% of net assets in order to bring the materiality methodology in line with Group.

Whilst materiality for the financial statements as a whole was €300k, each significant component of the Group was audited to a lower level of materiality, being 75% of Group materiality, which is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes used during the audit.

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 set at 75% (2017: 75%) of the above materiality levels on the basis that we have not identified high volumes or values of misstatements in prior year audits, and that the Group has few areas requiring significant judgement or estimates.

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 €6k (2017: €15k). We also agreed to report differences below these thresholds that, in our view, warranted reporting 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 and Directa Plus Spa. We have identified both entities as significant components for the purposes of our financial statement audit, based on their relative share of total net assets. We have performed a full scope audit for these components, having performed substantive procedures over 99% of net assets.

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.

All audit work (full scope or review work) was conducted by BDO LLP and another BDO member firm. The audit of Directa Plus S.p.A was performed in Italy by the component auditors, BDO Italia S.p.A.

As part of our audit strategy members of the Group audit team were embedded into the Italian audit team and were present onsite in Italy during the local audit, performing an onsite review and attending completion meetings with the component auditor and local management. BDO LLP had full access to all audit working papers of the significant component audited by BDO Italia S.p.A.

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 Directors' responsibilities statement set out on page 22, 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: 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

16 April 2019

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 2018

	Note	31 Dec 2018 €	31 Dec 2017 €
Continuing operations			
Revenue	3	2,253,293	952,199
Other income	3/4	248,695	281,493
Changes in inventories of finished goods and work in progress	5	(133,382)	390,291
Raw materials and consumables used	6	(1,299,078)	(607,338)
Employee benefits expenses	7	(2,112,650)	(2,203,558)
Depreciation and amortisation	12/13	(674,919)	(633,784)
Other expenses	8	(2,197,670)	(1,973,687)
Results from operating activities		(3,915,711)	(3,794,384)
Finance income	10	4,440	5,501
Finance expenses	10	(45,143)	(157,309)
Net finance costs		(40,703)	(151,808)
Loss before tax		(3,956,414)	(3,946,192)
Tax expense	11	(414)	(1,239)
Loss after tax from continuing operations		(3,956,828)	(3,947,431)
Loss of the year		(3,956,828)	(3,947,431)
Other comprehensive income items that will not be reclassified to profit or loss			
Defined Benefit Plan re-measurement gains and losses	20	1,219	(4,704)
Other comprehensive (expense)/income for the year (net of tax)		1,219	(4,704)
Total comprehensive (expense)/income for the year		(3,955,609)	(3,952,135)
Loss attributable to:			
Owner of the Parent		(3,961,259)	(3,948,133)
Non-controlling interests		4,431	702
		(3,956,828)	(3,947,431)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(3,960,040)	(3,952,837)
Non-controlling interests		4,431	702
		(3,955,609)	(3,952,135)
Loss per share			
Basic loss per share	23	(0.09)	(0.09)
Diluted loss per share	23	(0.09)	(0.09)

The notes on pages 38 to 62 form part of these financial statements.

Consolidated and company statement of financial position

for the year ended 31 December 2018

		Group		Company	
	Note	31 Dec 18 €	31 Dec 17 €	31 Dec 18 €	31 Dec 17 €
Assets					
Intangible assets	12	1,467,478	1,572,309	–	–
Investments	14	–	–	16,180,336	14,180,336
Property, plant and equipment	13	1,062,435	1,284,412	–	–
Non-current assets		2,529,913	2,856,721	16,180,336	14,180,336
Inventories	5	862,284	995,666	–	–
Trade and other receivables	15	2,059,217	1,161,711	158,594	109,240
Cash and cash equivalent	17	5,503,884	6,929,446	3,968,016	4,493,006
Current assets		8,425,385	9,086,823	4,126,610	4,602,246
Total assets		10,955,298	11,943,544	20,306,946	18,782,582
Equity					
Share capital	18	154,465	142,628	154,465	142,628
Share premium	18	22,104,240	19,973,996	22,104,240	19,973,996
Retained Earnings	18	(14,044,656)	(10,250,225)	(2,055,143)	(1,380,478)
Equity attributable to owners of Group		8,214,049	9,866,399	20,203,562	18,736,146
Non-controlling interests		27,361	22,930	–	
Total equity		8,241,410	9,889,329	20,203,562	18,736,146
Liabilities					
Loans and borrowings	19	57,011	211,791	–	–
Employee benefits provision	20	335,132	282,031	–	–
Non-current liabilities		392,143	493,822	–	–
Loans and borrowing	19	226,823	244,780	–	–
Trade and other payables	21	2,094,922	1,315,613	103,385	46,436
Current liabilities		2,321,745	1,560,393	103,385	46,436
Total liabilities		2,713,888	2,054,215	103,385	46,436
Total equity and liabilities		10,955,298	11,943,544	20,306,947	18,782,582

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

Neil Warner, Chairman of the Audit Committee

16 April 2019

The notes on pages 38 to 62 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Share capital €	Share premium €	Retained earnings €	Total €	Non-controlling interests €	Total equity €
Balance at 31 December 2016	142,628	19,973,996	(6,552,965)	13,563,659	22,228	13,585,887
Total comprehensive (expense)/income for the year	–	–	–	–	–	–
Loss for the year	–	–	(3,948,133)	(3,948,133)	702	(3,947,431)
Total other comprehensive (expense)/income	–	–	(4,704)	(4,704)	–	(4,704)
Total comprehensive (expense)/income for the period	–	–	(3,952,837)	(3,952,837)	702	(3,952,135)
Share-based payment	–	–	255,578	255,578	–	255,578
Non-controlling interests on Directa Textiles Solutions	–	–	–	–	–	–
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**

Company statement of changes in equity

for the year ended 31 December 2018

	Share capital €	Share premium €	Retained earnings €	Total €
Balance at 31 December 2016	142,628	19,973,996	(766,745)	19,349,879
Loss for the year	–	–	(900,374)	(900,374)
Share-based payment reserve	–	–	286,641	286,641
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**

The notes on pages 38 to 62 form part of these financial statements.

Consolidated statement of cash flow

for the year ended 31 December 2018

	Note	Group 31 Dec 18 €	Group 31 Dec 17 €	Company 31 Dec 18 €	Company 31 Dec 17 €
Cash flows from operating activities					
Loss for the year before tax		(3,956,414)	(3,946,191)	(779,197)	(900,374)
Adjustments for:					
Depreciation	13	357,014	347,042	–	–
Amortisation of intangible assets	12	317,905	286,742	–	–
Share-based payment expense		165,610	255,578	104,532	163,743
Finance income	10	(4,440)	(5,501)	(3,194)	–
Finance expense	10	45,143	157,309	22,610	131,647
Tax expenses		–	(1,239)	–	–
		(3,075,182)	(2,906,260)	(655,249)	(604,984)
Increase/decrease in:					
– inventories	5	133,382	(390,291)	–	–
– trade and other receivables	15	(897,506)	13,344	(49,354)	203,854
– trade and other payables	21	758,397	442,867	56,949	14,094
– provisions and employee benefits	20	47,175	44,051	–	–
Net cash from operating activities		(3,033,734)	(2,796,291)	(647,654)	387,036
Cash flows from investing activities					
Interest received	10	4,440	5,501	3,194	–
Investment in intangible assets	12	(207,158)	(122,347)	–	–
Investment in subsidiary		–	–	(2,000,000)	(3,000,000)
Loan to associate		–	–	–	–
Acquisition of property, plant and equipment	13	(120,456)	(340,071)	–	–
Net cash used in investing activities		(323,174)	(456,917)	(1,996,806)	(3,000,000)
Cash flows from financing activities					
Proceeds from capital raise		2,367,385	–	2,367,385	–
Expenditure related to the issuance of shares		(225,304)	–	(225,304)	–
Interest paid on loans and borrowings	10	(16,329)	(20,481)	(941)	(3,378)
New borrowings		66,607	–	–	–
Repayment of borrowings	19	(239,344)	(236,164)	–	–
Net cash from/(used in) financing activities		1,953,015	(256,645)	2,141,140	(3,378)
Net increase/(decrease) in cash and cash equivalent		(1,403,893)	(3,509,853)	(503,320)	(3,390,414)
Cash and cash equivalent at beginning of the year		6,929,446	10,570,211	4,493,006	8,011,689
Exchange (losses)/gains on cash and cash equivalents		(21,669)	(130,912)	(21,669)	(128,269)
Cash and cash equivalent at end of the year		5,503,884	6,929,446	3,968,016	4,493,006

The notes on pages 38 to 62 form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2018

1. Basis of preparation

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006.

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 ("€").

b) Basis of consolidation

i. 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.

ii. 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.

iii. 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 operating subsidiary is Euro ("€").

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.

1. Basis of preparation continued

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:

i. Carrying value of capitalised development costs

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.

Intangible assets are amortised over their expected or known useful lives on a straight-line basis beginning from the point they are available for use. The estimated useful life is the lower of the legal duration (term of patents – usually 20 years) and the useful economic life. The estimated useful lives of intangible assets are regularly reviewed. Management currently estimates based on the development program the estimated useful life for intangible assets is currently 10 years. The useful economic life is based on management's estimate of the time period over which the assets will generate future cash flows.

ii. Valuation and recoverability of Inventory

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

iii. Defined benefit scheme

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

iv. Revenues recognition

The revenues recognition in conformity with IFRS 15 requires management to make judgements, estimates and assumptions. Regarding the sale of equipment in the year the Management have reviewed the contract and analysed it with reference to IFRS 15. Three performance obligations were identified including the sale of equipment, the provision of training and a two year warranty. The cost of the training was determined based on the average cost per hour of the employees providing the training while the warranty costs calculation was based on internal calculation and historical maintenance data. The consideration relating to the warranty has been deferred and will be recognise in line with the performance obligation.

e) New standards adopted for the period

i. IFRS 9 – Financial instruments

IFRS 9 'Financial Instruments' was published in July 2014 and was effective and adopted on 1 January 2018. It is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and de-recognition of financial assets and financial liabilities together with a new hedge accounting model. The Group's financial assets comprise trade and other receivables and cash and short-term deposits.

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets in the scope of IFRS 15.

As all of the Group's trade receivables and other current receivables which the Group measures at amortised cost are short-term (i.e., less than 12 months) and considering the client's credit rating and risk management policies in place, the change to a forward-looking ECL approach did not have a material impact on the amounts recognised in the financial statements. Adoption of IFRS 9 has also not resulted in any restatement of comparative balances.

Notes to the consolidated financial statements

continued

1. Basis of preparation continued

ii. IFRS 15 – Revenues form contract with customers

IFRS 15 is effective for the year beginning 1 January 2018, therefore it has been adopted for the period. IFRS 15 provides a single principles based five-step model to be applied to all sales contracts, where the key focus is on the transfer of control of goods and services to customers. It replaces models included in IAS 11 (Construction Contracts) and IAS 18 (Revenue). Management decided to implement new internal procedures and controls in order to prevent any potential revenue recognition issues arising. Particular attention was given to contracts which bundled both the sale of goods and on-going services including after sales warranties.. Management has put controls in place to both identify each performance obligation in the sales contracts, how the consideration is derived and ensuring revenue is only recognised when control is passed. The company adopted a modified retrospective approach whereby the comparatives are not restated and are presented using the principals set out in IAS 18. Adopting IFRS 15 did not have an impact on revenue recognised in the current period. Initial application of IFRS 15 did also not have any impact on brought forward reserves.

New standards and interpretations not yet adopted

iii. IFRS 16 – Leases

IFRS 16 is effective for the year beginning 1 January 2019. IFRS 16 provides a single lessee accounting model, requiring companies to recognise right of use assets and lease liabilities for all applicable leases. Therefore existing operating leases will be accounted for similarly to finance leases under the current IAS 17, resulting in the recognition of additional assets within property, plant and equipment in respect of the right of use of the lease assets, and additional lease liabilities. The operating leases charges currently reflected within operating expenses (and EBITDA) will be eliminated and instead depreciation and finance charges will be recognised in respect of the lease assets and liabilities. On adoption of IFRS 16, the adjustments expected is an increase of Asset and Debt of circa €0.56 million.

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 receivables are recognised and carried at the original invoice amount less any provision for impairment. Other receivables and amounts due from subsidiaries are recognised and measured at the original invoice amount less any provision for impairment. The Group and Company apply the expected credit loss model in respect of trade receivables. The Group and Company track changes in credit risk and recognise a loss allowance based on lifetime ECLs for each customer at each reporting date.

ii. Cash and cash equivalents

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

2. Significant accounting policies continued

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) Leases
a. Finance leases
At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

b. Operating leases
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

d) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

e) Property, plant and equipment
a. 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.

b. 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.

c. 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.

Notes to the consolidated financial statements

continued

2. Significant accounting policies continued

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

- Computer equipment 20% yearly.
- Industrial equipment, office equipment and plant and machinery 15% yearly.

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

f) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and Government grants received (where applicable).

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.

a. 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.

- 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.
- Other intangible assets 5 years.

g) Inventories

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

h) Impairment

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent of the impairment, if any. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their 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 assets. An impairment loss is recognised in operations if the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. 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 or amortisation, if no impairment loss had been recognised.

2. Significant accounting policies continued

i) Employee benefits

Defined benefit scheme surpluses and deficits are measured at:

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

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

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

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

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

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

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

For more information please see note 20.

j) Revenues

The majority of the Group's revenue is derived from a single performance obligation, being the sale of goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. 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. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains no control of the goods in question. If other performance obligations are identified Management will deploy the required process to identify the value of each obligation to allow the recognition in line with IFRS 15. The Group also has revenue from contracts with bundled performance obligations, being the sale of goods, the provision of training, and a two-year warranty. The cost of the training was determined based on the average cost per hour of the employees providing the training while the warranty costs calculation was based on internal calculation and historical maintenance data. The consideration relating to the warranty has been deferred and will be recognise in line with the performance obligation.

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 utilized. 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
- Others

For 2018 this breakdown was appropriate for the nature on the underlying businesses. Textile was considered by the Management the strategic segment 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 the segment have been allocated using the revenues as main driver.

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. Comparative figures have been calculated in 2018 on the basis that the operating segments existed in the previous financial despite in 2017 a proper segment analysis was not in place.

3. Operating segments continued

2018	Textile €	Others €	Head office €	Consolidated €
Revenue	1,664,847	588,446	–	2,253,293
Cost of sales*	(1,426,378)	(229,203)	–	(1,655,581)
Gross profit	238,469	359,243	–	597,712
Other income	57,899	71,334	119,462	248,695
Other expenses:				
– R&D expense	(226,744)	(220,940)	–	(447,684)
– Advisory	(187,362)	(62,086)	(656,597)	(906,045)
– Operating expenses	(798,009)	(305,623)	(1,626,254)	(2,729,886)
– Depreciation and amortisation	(490,609)	(187,894)	–	(678,503)
Operating loss	(1,406,357)	(345,966)	(2,163,388)	(3,915,711)
Financial costs	–	–	(40,703)	(40,703)
Tax	(414)	–	–	(414)
Loss of the year	(1,406,771)	(345,966)	(2,204,091)	(3,956,828)
Total assets	7,969,050	2,986,248	–	10,955,298
Total liabilities	(2,234,212)	(479,676)	–	(2,713,888)

2017	Textile €	Others €	Head office €	Consolidated €
Revenue	765,182	187,017	–	952,199
Cost of sales*	(391,323)	119,523	–	(271,800)
Gross profit	373,859	306,540	–	680,399
Other income	63,158	133,684	84,651	281,493
Other expenses:				
– R&D expense	(246,236)	(209,422)	–	(455,658)
– Advisory	(25,293)	(16,733)	(617,306)	(659,332)
– Operating expense	(1,427,294)	(552,592)	(1,027,616)	(3,007,502)
– Depreciation and amortisation	(456,893)	(176,891)	–	(633,784)
Operating loss	(1,718,698)	(515,414)	(1,560,272)	(3,794,384)
Financial cost	–	–	(151,808)	(151,808)
Tax	(1,239)	–	–	(1,239)
Loss of the year	(1,719,937)	(515,414)	(1,712,080)	(3,947,431)
Total asset	8,641,783	3,301,761	–	11,943,544
Total liabilities	(1,600,701)	(453,513)	–	(2,054,215)

** Includes Changes in inventories of finished goods*

Notes to the consolidated financial statements

continued

3. Operating segments continued

	2018 €	2017 €
Sale of products	2,066,876	858,218
Sale of services	186,417	93,981
Government grants	129,232	196,842
Other revenue	119,463	84,651
Total income	2,501,988	1,233,692

Geographical breakdown of revenues are:

	2018 €	2017 €
Italy	1,840,139	786,400
Rest of the world	413,154	165,799
Total	2,253,293	952,199

The Group has transacted with two main customers in 2018, which account for more than 10% of Group revenues for sales of products and services. This largest customer's revenues amount to €939,752 (42%), whilst the next highest revenue earning customer provided €242,517 (11%).

Other revenues of €119,463 includes R&D Expenditure Credit (RDEC) for €101,267. The RDEC is an Italian incentive scheme (art.3 DL 145/2013) designed to encourage companies to invest in research and development. The credit can be used to reduce corporation tax or to offset outstanding payables related to social security.

4. Government grants

Information regarding government grants:

	2018 €	2017 €
MAT4BAT	–	62,351
Grata	57,899	63,158
Ecopave	71,333	71,333
Total	129,232	196,842

In relation to government grants (Grata and Ecopave), the operational activities refer to FY18 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:

	MAT4BAT	Grata	Ecopave
Starting date	2013	2017	2016
Ending date	2017	2019	2019
Duration (months)	42	31	36
Total amount	304,700	126,324	214,100
Final report submitted and accepted	Yes	Project still on-going	Project still on-going

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

5. Change in inventories

	2018 €	2017 €
Finished products	750,853	877,082
Spare parts	102,400	102,400
Raw material	9,031	16,184
Total	862,284	995,666

As at 31 December 2018 total inventory value is lower than 2017, the movement is mainly driven by the reduction of finished products inventory due to the increasing sales during the year. 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. The spare parts inventory value is maintained steady in 2018.

6. Raw materials and consumables

	2018 €	2017 €
Raw material and consumables	170,007	127,052
Textile products	1,129,071	480,286
Total	1,299,078	607,338

Total raw materials and consumables are €1,299,078 (2017: €607,338) of which €1,129,071 (2017: €480,286) refers to textile products. The movement is mainly driven by the increasing sales in textile segment.

7. Employee benefits expenses

	2018 €	2017 €
Wages and salaries	1,557,471	1,585,058
Social security costs	384,998	346,515
Employee benefits	84,779	75,519
Share option expense	165,611	255,578
Other costs	18,346	22,952
Total	2,211,205	2,285,622
Capitalised cost in “Intangible assets”	(98,555)	(82,064)
Total charged to the Income Statement	2,112,650	2,203,558

The average number of employees (excluding non-executive directors) during the period was as follows:

	2018	2017
Sales and administration	8	8
Engineering, R&D and production	17	17
Total	25	25

The total number of employees, employed by the Group on 31 December 2018 was 26 (2017: 24).

Notes to the consolidated financial statements

continued

7. Employee benefits expenses continued

The Directors' emoluments (including non-executive directors) are as follows:

	2018 €	2017 €
Wages and salaries	828,311	845,847
Total	828,311	845,847

8. Results from operating activities

Results from operating activities includes:

	2018 €	2017 €
Audit of the Group and Company financial statements	41,180	34,927
Audit of the subsidiaries' financial statements	18,000	18,000
Other non-audit services provided by Group's auditor	2,292	30,188
Tool manufacturing	282,352	145,597
Operating leases	154,046	210,083
Travel	193,771	153,640
Marketing	172,382	58,072

Tool manufacturing expanses are referred mainly to fabrics printing service and increased to €282,352 (2017: €145,597) for the effect of the increasing sales in textile sector. Operating leases includes the renting of the Italian production facility (€129,806) and office rent of the Parent company (€14,341). Marketing expenses increased to 172,382 (2017: 58,072) during the period due to increased marketing activities related to G+ brand.

9. Leases

Operating leases relate to the Group's Head Office and plant and machinery held on operating leases.

Future minimum lease payments	2018 €	2017 €
Less than one year	59,083	59,092
Between one and five years	–	–
More than five years	–	–
Total	59,083	59,092

9. Leases continued

Finance lease liabilities are payable as follows:

Future minimum lease payments	2018 €	2017 €
Less than one year	61,735	61,735
Between one and five years	59,570	121,305
More than five years	–	–
Total	121,305	183,040

Present value of minimum lease payments	2018 €	2017 €
Less than one year	59,898	59,898
Between one and five years	54,567	108,369
More than five years	–	–
Total	114,465	168,267

10. Net finance expenses

Finance expenses include:

	2018 €	2017 €
Interest Income	(4,440)	(5,501)
Interest on loans and other financial costs	8,499	9,715
Interest on financial leasing	7,830	10,766
Interest cost for benefit plan	7,145	5,918
Foreign exchanges losses	21,669	130,910
Total	40,703	151,808

At 31 December 2018 interest on loans and other financial costs amount to €8,499 (2017: €9,715). The slight reduction is a consequence of debt repayments made in the year. Foreign exchange losses of €21,669 (2017: €130,910) are mainly related to Sterling to Euro movement in the Group's Sterling bank account.

Notes to the consolidated financial statements
continued

11. Taxation

	2018 €	2017 €
Current tax expenses	414	1,239
Deferred tax expenses	–	–
Total tax expenses	414	1,239

Reconciliation of tax rate	2018 €	2017 €
Loss before tax	(3,956,414)	(3,946,191)
Italian statutory tax rate	24%	24%
	(949,539)	(947,086)
Impact of temporary differences	42,327	38,880
Losses recognised	(41,913)	(37,641)
Impact of tax rate in foreign jurisdiction	38,960	49,610
Losses not utilized	910,579	897,476
Total tax expenses	414	1,239

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 €20,467,507 (€16,791,913 in 2017).

12. Intangible assets

Cost	Development cost €	Patents €	Goodwill €	Others €	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
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	–	30,312	1,553,014
Carrying amounts					
Balance 31/12/2016	1,543,141	152,040	22,268	9,153	1,726,602
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

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.

13. Property, plant and equipment

Cost	Industrial equipment €	Computer equipment €	Office equipment €	Plant & machinery €	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**
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**
Carrying amounts					
Balance 31/12/2016	85,307	12,508	65,153	1,120,216	1,283,184
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**

Assets held under financial leases with a net book value of €146,879 are included in the above table within plant & machinery.

14. Investments in subsidiaries

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

Subsidiaries	Country	Principal activity	Shareholding 2018	Shareholding 2017
Directa Plus Spa	Italy	Producer and supplier of graphene based materials and related products	100%	100%
Directa Textile Solutions Srl	Italy	Commercialise textile membranes, including graphene-based technical and high-performance membranes	60%	60%

Notes to the consolidated financial statements
continued

14. Investments in subsidiaries continued

Subsidiaries	Place of Business	Registered Office	Place of Business
Directa Plus Spa	Italy	Via Cavour 2, Lomazzo (CO) Italy	See registered office
Directa Textile Solutions Srl	Italy	Via Cavour 2, Lomazzo (CO) Italy	See registered office

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

	Directa Spa €
At 31 December 2016	11,057,438
Additions	3,122,898
At 31 December 2017	14,180,336
Additions	2,000,000
At 31 December 2018	**16,180,336**

15. Trade and other receivables

	Group		Company	
Current	**2018 €**	2017 €	**2018 €**	2017 €
Account receivables	**1,367,425**	552,612	**–**	34,345
Tax receivables	**374,673**	397,305	**30,609**	24,219
Other receivables	**317,119**	211,794	**127,985**	50,676
Total	**2,059,217**	1,161,711	**158,594**	109,240

Group tax receivables are composed of Italian VAT receivables of €241,772, UK VAT receivables of €31,634 and a RDEC Tax Credit receivable of €101,267.

Other receivables are mainly composed of governments grants €151,986 and prepayments €160,298.

As at 31 December 2018 the ageing of account receivables was:

Days overdue	**2018 €**	2017 €
0-30	**1,263,847**	539,015
31-180	**97,554**	7,878
181-365 +	**6,024**	5,719
Total	**1,367,425**	552,612

In 2018, 92% of account receivables have an ageing of 30 days and relate to an order delivered close to the year end. The total trade receivables write-off for the year was €3,584 (0.3% of the gross account receivables).

16. Deferred tax liabilities

	2018 €	2017 €
Deferred tax liabilities	195,504	237,831
Deferred tax assets – losses	(195,504)	(237,831)
Total	–	–

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 on the capitalisation of development costs and the accounting for the defined benefit scheme. The deferred tax liabilities are detailed below:

	2018 €	2017 €
Capitalised development costs	191,885	227,076
Other	3,619	10,755
Total	195,504	237,831

	Net balance 1 Jan 2017 €	Recognised in profit or loss €	Recognised in OCI €	Net balance 31 Dec 2017 €	Deferred tax liabilities €
Capitalised development costs	262,266	(35,191)	–	227,075	227,075
Other	14,445	(3,689)	–	10,756	10,756
Total	276,711	(38,880)	–	237,831	237,831

	Net balance 1 Jan 2018 €	Recognised in profit or loss €	Recognised in OCI €	Net balance 31 Dec 2018 €	Deferred tax liabilities €
Capitalised development costs	227,075	(35,190)	–	191,885	191,885
Other	10,756	(7,137)	–	3,619	3,619
Total	237,831	(42,327)	–	195,504	195,504

17. Cash and cash equivalents

	Group		Company	
	2018 €	2017 €	2018 €	2017 €
Cash at bank	5,503,568	6,929,012	3,968,016	4,493,006
Cash in hand	316	434	–	–
Total	5,503,884	6,929,446	3,968,016	4,493,006

Notes to the consolidated financial statements
continued

18. Equity

	2018 €	2017 €
Share Capital	154,465	142,628
Share Premium	22,104,240	19,973,996
Retained earnings	(14,044,656)	(10,250,225)
Non-controlling interests	27,361	22,930
Balance at 31 December	8,241,410	9,889,329

Share capital	Number of ordinary shares	Share capital (€)
At 1 January 2016	503,100	503,100
Share reduction on 25 April 2016*	–	(439,649)
Share sub-division on 19 May 2016**	19,620,900	–
Share issue on 27 May 2016 – convertible loans***	7,055,493	23,191
Share issue on 27 May 2016 – IPO***	17,033,334	55,986
At 31 December 2016	44,212,827	142,628
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

** On 25 April 2016, the issued ordinary shares were redenominated from EUR to GBP into an aggregate nominal value of £398,908, comprising 503,100 ordinary shares of £0.7929 each, at the spot rate of exchange of 0.7929. The aggregate nominal value of the issued ordinary shares was then reduced to £50,310 comprising 503,100 ordinary shares of £0.10 each.*

*** On 19 May 2016, each ordinary share of £0.10 in the issued share capital of the Company was sub-divided into 40 ordinary shares resulting in 20,124,000 shares of £0.0025 each.*

**** On 27 May 2016, 24,088,827 ordinary shares with a nominal value of £0.0025 each were issued at the Company's initial public offering. Of the 24,088,827 new ordinary shares, 7,055,493 shares were issued through the exercise of convertible loan notes. The remaining 17,033,334 shares were issued to institutional and other investors.*

***** 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.*

Share premium	Share premium €
At 1 January 2016	3,885,816
Cancellation of share premium account on 25 April 2016	(3,885,816)
Shares issued on 27 May 2016	21,934,648
Expenditure relating to the raising of shares	(1,960,652)
At 31 December 2016	19,973,996
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

On 25 April 2016, the share premium account of the Company was cancelled and the amount of €3,885,816 was credited to a distributable reserve. Expenditure of €1,960,652 relating to the raising of shares has been deducted from the share premium.

On 18 December 2018, 4,256,000 ordinary shares with a share premium value of £0.4975 each were issued as effect of the Company's capital raise and the amount of €2,355,548 was credit to Share premium reserve.

Expenditure of €225,304 referred to direct cost related to the raising of shares was deducted from the share premium.

18. Equity continued

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.

19. Loans and borrowings

	Group		Company	
Non-current	**2018 €**	2017 €	**2018 €**	2017 €
Finance leases	**57,011**	115,132	**–**	–
Loans	**–**	96,659	**–**	–
Total	**57,011**	211,791	**–**	–

	Group		Company	
Current	**2018 €**	2017 €	**2018 €**	2017 €
Finance leases	**58,122**	53,906	**–**	–
Loans	**168,701**	190,874	**–**	–
Total	**226,823**	244,780	**–**	–

	2018 €	Current €	Non-current €	Repayment	Interest rate
Intesa San Paolo	**50,798**	50,798	–	6-months	EURIBOR 3M + 2.5%
Finlombarda (Atanor)	**45,860**	45,860	–	3- months	Fixed 0.5%
Intesa San Paolo	**66,607**	66,607	–	3-months	Fixed 3.6%

All of the above loans are unsecured.

Notes to the consolidated financial statements
continued

19. Loans and borrowings continued

Net debt reconciliation	1 January 2018 €	Cash flows Accrued interest €	Capital repayment €	Interest paid €	Cash inflow from short-term loan €	31 December 2018 €
Borrowings	287,533	8,499	(185,439)	(8,499)	66,607	**168,701**
Lease liabilities	169,038	7,830	(53,905)	(7,830)	–	**115,133**
Total	456,571	16,329	(239,344)	(16,329)	66,607	**283,834**

20. Employee benefits provision

	2018 €	2017 €
Employee benefits	**335,132**	282,031
Total	**335,132**	282,031

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 2017 and 2018 is as follows:

	€
Amount at 31 December 2016	227,358
Service cost	44,764
Interest cost	5,918
Actuarial gain/losses	4,704
Past service cost	–
Benefit paid	(714)
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**

20. Employee benefits provision continued

Variables analysis

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

	2018	2017
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%

Sensitivity analysis

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

Actuarial hypothesis – 2018

		Rate	Decrease 10% Variation DBO €	Rate	Increase 10% Variation DBO €
Increase salary	Male	1.08%	(2,868)	1.32%	2,934
	Female	1.04%	1.27%		
Turnover	Male	1.53%	(2,088)	1.87%	2,386
	Female	1.35%	1.65%		
Interest rate		2.07%	10,099	2.53%	(9,561)
Inflation rate		0.99%	(2,816)	1.21%	2,8561

21. Trade and other payables

	Group		Company	
Non-current	2018 €	2017 €	2018 €	2017 €
Trade payables	1,459,732	768,016	15,397	23,403
Employment costs	482,357	397,567	–	–
Other payables	152,833	150,030	87,988	23,033
Total	2,094,922	1,315,613	103,385	46,436

Notes to the consolidated financial statements
continued

22. Financial instruments

Financial risk management
The Group's business activities expose the Group to a number of financial risks:

a) Market risk
Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in interest rates or foreign exchange rates. As at 31 December 2018 the Group is only exposed to variable interest rate risk on the Intesa San Paolo 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. 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 where a customer has a low credit rating. The Group's standard payment terms are 30 to 60 days from date of invoice.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Group works with leading banks and financial institutions, both in UK and in Italy, independently rated with the equivalent of investment grade and above.

d) Exposure to credit risk

Group	*Note*	2018 €	2017 €
Trade receivables	*15*	1,367,425	552,6012
Cash and cash equivalent	*17*	5,503,884	6,929,012
Total		6,871,309	7,481,624

The largest customer within trade receivables account for 45.6% 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.

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.

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

22. Financial instruments continued

2017	Carrying amount €	Up to 1 year €	1 -5 years €
Financial liabilities			
Trade payables	768,016	768,016	–
Debts for financial leasing	180,060	61,735	118,325
Loans	287,533	190,874	96,659
Total	1,235,609	1,020,625	214,984

f) Currency risk

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

	EUR
Cash held in EUR	2,804,659
Cash held in GBP	2,699,225

As at 31 December 2017 if the exchange rate EUR/GBP increase by 10% the impact on P&L would be a loss equal to €0.25 million (if decrease by 10% would be a profit equal to €0.3 million).

23. Earnings per share

	Change in number of ordinary shares	Total number of ordinary shares	Days	Weighted number of ordinary shares
At 1 January 2015	–	503,100	–	20,124,000
At 30 June 2015	–	503,100	–	20,124,000
At 31 December 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**

Notes to the consolidated financial statements
continued

23. Earnings per share

	Basic		Diluted	
Non-current	2018 €	2017 €	2018 €	2017 €
Loss for the year	(3,956,828)	(3,947,431)	(3,956,828)	(3,947,431)
Weighted average number of ordinary shares in issue during the year	44,376,071	44,212,827	44,376,071	44,212,827
Fully diluted average number of ordinary shares during the year	44,376,071	44,212,827	44,376,071	44,212,827
Loss per share	(0.09)	(0.09)	(0.09)	(0.09)

24. 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 percent of his annual rate of fees.

24. Share Schemes continued

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.

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 2018 Market value shares	31 Dec 2018 Performance shares
Share price	75p	75p
Exercise price	75p	0.25p
Expected volatility	70%	70%
Compounded Risk-Free Interest Rate	4.25%	4.25%
Expected life	3 years	3 years
Number of options issued*	540,337	1,099,540

**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	Cancelled during the period	Outstanding at end of period	Exercisable period option price	Grant date	Exercisable date
31 December 2016	–	1,675,609	–	1,675,609			
	1,099,540	–	–	1,099,540	0.25p	12 May 2017	12 May 2020
	576,070	60,000	–	636,070	75.00p	12 May 2017	12 May 2020
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			

Cancellation of share options during the period relates to the resignation of two employees and one Non-Executive Director.

Notes to the consolidated financial statements
continued

25. Related parties

The below figures represent remuneration of key management personnel for Directa Plus Spa, 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'.

	2018 €	2017 €
Short-term employee benefits and fees	235,646	227,162
Social security costs	64,819	46,498
	300,465	273,660

For Directors remuneration please see Director's Remuneration Report in the Annual Report.

26. Contingent liabilities

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

	2018 €	2017 €
Operating leases	105,640	105,640
Total	105,640	105,640

27. Post balance sheet events

As part of the capital raise that was undertaken in December 2018, a Conditional placing occurred post period, on 9 January 2019, to raise £1.02 million equal to 2,044,000 ordinary shares with a nominal value of £0.0025 each. That will be shown on the 2019 balance sheet. As part of the same process, the Company undertook an Open Offer in early January 2019 in which shareholders will have been invited to participate. The Open Offer raised an additional £0.3 million that will be shown on the 2019 balance sheet.

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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