

Graphene is the material of **the future**



Directa Plus in 2021

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

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

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

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

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



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Highlights

Proven, successful strategy maintained

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

Financial and operational highlights

- Product sales and service revenue increased by 33.9% to €8.62m (2020: €6.43m), slightly above market expectations
- Total income (including grants) increased by 39.3% to €9.45m (2020: €6.78m)
- LBITDA* improved to €1.99m (2020: €2.62m)
- Reported (basic) loss per share was €0.06 (2020: €0.07)
- Cash and cash equivalents at year end of €11.13m (2020: €7.08m)
- Total patents granted at year end of 72 (2020: 38)
- Approximately 29k of cubic meters of sludge treated and 7k metric tonnes of hydrocarbons recovered **
- 63k metres of textile printed, dyed and laminated in 2021

* LBITDA represents loss from operating activities before tax, interest, depreciation and amortisation

** Only with reference to the main project with OMV Petrom

<p>Product sales and service revenue increased by 33.9% to €8.62m (2020: €6.43m).</p> <p>€8.62 million</p>	<p>Total income (including grants) increased by 39.3% to €9.45m (2020: €6.78m).</p> <p>€9.45 million</p>	<p>Cash and cash equivalents at year end of €11.13m (2020: €7.08m).</p> <p>€11.13 million</p>
<p>63k metres of textile printed, padded and laminated in 2021.</p> <p>63k metres</p>	<p>Approximately 29k of cubic meters of sludge treated and 7k metric tonnes of hydrocarbons recovered. **</p> <p>c.29k cubic meters</p>	<p>Total patents granted at year end 72 (2020: 38).</p> <p>72 patents</p>

Chairman's review



“Our robust and sustainable strategy remains at the centre of our operations. With strong foundations, laid over the last few years, we are well positioned for further growth and increased traction in all areas. We are encouraged by increased levels of interest in the Directa Plus offering, and we continue to gain wider recognition for our proven innovative products.”

The macro economic challenges of 2020 continued into 2021 and 2022 with the Covid-19 pandemic and the war in Ukraine. However, Directa Plus has continued to execute against its strategy and deliver growth, and continues to take actions to mitigate cost increases through price increases, expected productivity gains and cost reductions, whilst accelerating investments in key capabilities. Our teams have continued to perform above expectations throughout this prolonged period of volatility and I would like to share the Board's appreciation for their hard work and dedication. 2021 saw further strategic progress for the Company as new partnerships and new markets were established, supporting our long-term growth ambitions. I am pleased with the progress the business is making in refining the strategic plan to prioritise the verticals with higher potential in terms of commercialisation and financial returns.

2021 saw continued growth for the business with revenues from products and services increased by 33.9% to €8.62 million (2020: €6.43 million), and total income by 39.3% to €9.45 million (2020: €6.78 million).

In December 2021 we successfully raised £7 million from our supportive shareholder base to accelerate our goal to commercialise our graphene-based products with an ever increasing and diverse customer base. We enter the new financial year well capitalised and ready to continue executing on our strategy.

Giorgio Bonfanti joined the Company in May 2021 and we welcomed him to the Board in November. He brings with him a wealth of experience and has already delivered significant contributions to the Company in his first year of service.

In recognition of our strong environmental credentials and contribution to sustainable business practices, the London Stock Exchange awarded the Company the Green Economy Mark in November of 2021. This award is given to businesses across all industries that make significant contributions to the transition to a sustainable, low carbon economy.

Innovation remains at the heart of our product development and as an example, in December 2021 we were granted an EU-wide patent covering the use of the Company's G+[®] pristine graphene nanoplatelets to boost the performance of rubber-based shoe outsoles. Our IP portfolio now comprises 19 patent families with 72 patents granted and 27 patents pending and we continue to grow the portfolio.

We started the new financial year announcing that Oxfordshire County Council had started its second trial of a patented asphalt concrete modifier developed by Iterchimica and enhanced by the Company's G+[®]. This trial followed a successful pilot scheme in Curbridge, Oxfordshire in 2019.

At the end of March 2022, we announced that Grafysorber[®], our patented decontamination technology had been granted authorization for use in the United States by the US Environmental Protection Agency, paving the way for entry into one of the world's largest markets for decontamination of oil spills.

Our robust and sustainable strategy remains at the centre of our operations. With strong foundations, laid over the last few years, we are well positioned for further growth and increased traction in all areas. We are encouraged by increased levels of interest in the Directa Plus offering, and we continue to gain wider recognition for our proven innovative products. We have partnered with a number of new organisations in the year and we are confident in our future commercial opportunities.

I would like to take this opportunity to thank our team, customers and shareholders for their continued support. The Board looks forward to the new financial year and beyond with optimism, albeit tempered by the potential economic consequences of war and commodity price spikes.

Sir Peter Middleton
Chairman
4 May 2022

At a glance

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

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

G+® Technology

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

Benefits of our products

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

Target vertical markets

1

Environmental remediation

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

2

Textiles

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

3

Other verticals

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



1

Environmental remediation (76% of revenue (2020: 68%))

- In March 2021, completed the draining, cleaning and washing of a first oil storage unit for Petrotel Lukoil S.A. for a total amount of c. €0.4 million of services revenue.
- In early 2021, secured an extension and increase of the contract with OMV Petrom for the provision of decontamination and oil recovery services using Grafysorber® technology.
- In July 2021, won an additional tender with OMV Petrom for a four-year contract, with a total value of more than €3.2 million, to treat approximately 80,000 cubic meters of sludge and waste produced during the first upstream separation process.
- In April 2022, received authorisation from the United States Environment Protection Agency for the Company's Grafysorber® technology to be used on any oil contamination on US territory.
- In April 2022, received the first order of Grafysorber® based absorbent materials from a UK company.
- Established a pipeline of active contract tenders across Europe, including a number of high value opportunities.

2

Textiles (21% of revenue (2020: 30%))

- In the first half of 2021, launched Directa Plus' own line of performance sportswear, the Cosmic Collection, which provides a showcase for the versatility of G+® and increases brand awareness.
- In November 2021, won a project tender from the state of Lombardy's TECH FAST, for a total duration of 12 months and a total value of c. €0.3 million, of which 50 per cent is non-refundable. The programme will support the Company in developing applications for G+® graphene in industrial filtration, such as for air-conditioning or transportation filters.
- In December 2021, signed a Letter of Intent with Radici Group, an Italian-based global chemicals and materials group and a major player in the non-woven materials industry to collaborate on an exclusive basis to develop specific products for the global air and water filtration markets.



April 2022, authorisation from the United States Environment Protection Agency for the Company's Grafysorber® technology to be used on any oil contamination on US territory.

Grafysorber®

Left: Grafysorber®-based absorbing boom for oil recovery spills.

Right: Our technology is chemical free and has been fully demonstrated to have significant anti-viral properties without any issue or potential damage on the human body.

Won an additional tender with OMV Petrom for a four-year contract, with a total value of more than €3.2m, to treat approximately 80,000 cubic meters of sludge and waste.

€3.2 million



3

Other verticals

- In February 2021, signed a 3-year supply agreement and joint R&D collaboration with NexTech for the supply and development of new grades of G+[®] graphene nanoplatelets for the production of Lithium-Sulphur batteries.
- In March 2022, Oxfordshire County Council began its second trial of a patented asphalt concrete modifier enhanced by the Company's G+[®] graphene. Half of a 700-metre stretch of the road will be laid with Gipave[®], while the rest will be resurfaced using conventional asphalt, so that the two surfaces can be compared.
- In June 2021, NexTech's European subsidiary was established in Italy with the initial objective being to evaluate the feasibility of producing cathode active materials in Italy, using G+[®] graphene nanoplatelets.

4

Awards

- Awarded the London Stock Exchange's Green Economy Mark, which recognises Directa Plus as contributing to the global green economy.
- The Company received a special mention for Directa Plus as a Rising Star in the 2021 Company Excellence Awards hosted by the Italian Stock Exchange and sponsored by Harvard Business Review Italy, the management consultants GEA and the Milan based fund managers ARCA.

"I believe that Directa Plus is now at an inflection point - we are successfully transitioning from a research focused company into a commercial company with a number of exciting opportunities in our targeted markets. The Company operates in fast changing environment, and it is currently refining its strategic plan to prioritise the verticals with higher potential in terms of commercialisation and financial returns. The fundraise completed in December 2021 will allow us to accelerate growth in the most promising of these areas, where the Group continues to build an active pipeline of contract tenders."

Giulio Cesareo, Founder and CEO of Directa Plus



Above: A picture taken during the resurfacing of a 700-metre stretch of Marsh Lane in Oxford that will be laid with Gipave[®], a graphene-enhanced supermodifier for asphalt pavements, with the rest resurfaced using conventional asphalt, so that the two can be accurately compared.
Above right: Graphene nanoplatelets.



In June 2021, establishment of NexTech's European subsidiary in Italy with the initial objective being to evaluate the feasibility of producing cathode active materials in Italy, using G+[®] graphene nanoplatelets.

NexTech



Award of the London Stock Exchange's Green Economy Mark, which recognises Directa Plus by London Stock Exchange as contributing to the global green economy.

Green Economy Mark

Our strategy

Welcome to the Graphene Age.

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

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

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

Our Core Values

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

How we create value



Business model

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

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

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



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

Market review

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

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

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

Our company has a unique and patented technology process and a scalable and portable manufacturing model. We produce graphene nanoplatelets-based products at our own factory near Milan, Italy, and can set up additional production at customer locations to reduce transport costs, waste and time-to-utilisation.

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

How we do it



Left: G+® nanoplatelets, 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.

Nano-platelets

Chemical free production process

G+® Technology

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

Benefits of our products:

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

Tailor-made for customer needs

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

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

Patented, modular process

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

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

Scalable, portable production

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

Our production process is designed to meet the clients' requirements for volume, cost and quality control.

Unique patented technology



Left: Thermal camera attached to a pad to demonstrate the properties of our G+® Planar Thermal Circuit®.

Above: Printed denim used for aesthetic purposes by the designer Romy Calzado during the 2021 Milan Fashion Week.

Chief Executive Officer's review



Giulio Cesareo
CEO

Introduction

Directa Plus continued to grow during 2021 despite the headwinds created by the worldwide pandemic and associated lockdowns. The Company has become an acknowledged global leader in the production of graphene and its applications in existing and new products for consumers and industry. We expect global graphene demand to continue to increase significantly and intend to position Directa Plus at the forefront of development using our patented process for the production of pristine, chemical free graphene nanoplatelets, tailored to partners' and customers' requirements. We expect to build a substantial business by positioning Directa Plus in the verticals where technology capabilities, at attractive costs, meet with market opportunities and growing customer acceptance.

The fundraise we completed at the end of the year under review will allow the Company to undertake the next phase of growth and to take advantage of existing and new opportunities both in Europe and further afield.

Strategy and business model

Our strategy is primarily to target existing products and markets that can be significantly improved with the addition of Directa Plus products. The Company works with key partners, benefitting from their knowledge of the market, strong reputation and commercial channels.

Our proprietary scalable, modular manufacturing process to produce and supply high quality engineered tunable

"I believe that Directa Plus is now at an inflection point – we have many opportunities across many different vertical markets, diversifying our business risks. The recent fundraise will allow us to accelerate growth in the most promising of these vertical markets and to keep investing in high potential opportunities in other areas."

graphene materials at low production costs and 100% chemical free puts sustainability at the heart of our operations and acts as a powerful differentiator from competitors. We have amassed 43 certifications over the years, all reporting the absence of negative impacts on biological systems. We consider the health and safety of all stakeholders and environmental protection as top priorities and we have implemented a proactive approach by continuously monitoring our production process and products.

We currently target four key markets in which we already have cornerstone customers and partners:

- **Environmental remediation** – through our successful Setcar subsidiary, using Directa Plus' Grafysorber® technology to help the oil and gas industry to tackle environmental issues from hydrocarbon pollution;
- **Textiles** – printing nanoplatelets on fabrics, and graphene enhanced membranes for the sports, luxury, fashion, workwear and military markets;
- **Composites** – introducing the next generation of graphene-enhanced asphalts that are recyclable for a lower carbon world; and
- **Lithium-Sulphur batteries** – the development of a Lithium-Sulphur battery using the Directa Plus' G+® pristine graphene nanoplatelets as a key cathode component.

In addition to these key verticals, we continuously monitor other high potential markets where we believe that for a relatively small investment we can develop products that can generate high commercial traction and which have a fast time to market, such as paints, consumer electronics and filtration.

The Company operates in fast changing environment, and it is currently refining its strategic plan to prioritise the verticals with higher potential in terms of commercialisation and financial returns.

Environmental remediation

The Group's Setcar subsidiary has again delivered strong growth. It is leading the expansion of Directa Plus' Grafysorber® technology into new markets and is rapidly gaining traction in the global oil & gas industry as a step change improvement from existing water treatment products and services. Setcar has integrated well into the Group and is now examining opportunities to expand its service offering, based on our Grafysorber® products, internationally.

Reusable and sustainably produced, Grafysorber® is five times more effective at hydrocarbon clean-up than competitor products and allows for the recovery of financially valuable oils and sludges. In addition, Grafysorber® is sustainably produced, non-flammable and reusable, with the adsorbed hydrocarbons recoverable.

The Group continues to build an active pipeline of contract tenders, including high value opportunities.

In March 2021 we completed the draining, cleaning and washing of a first oil storage unit for Petrotel Lukoil S.A. for a total amount of c. €0.4 million of services.

In early 2021, the contract with OMV Petrom was extended and increased. Initially awarded in July 2019, the contract was for the provision of decontamination and oil recovery services using Grafysorber® technology. The initial value of the contract



Above: Setcar has again delivered strong growth, leading the expansion of Directa Plus' Grafysorber® technology into new markets.

was €150,000 and this was increased to €410,000 for a six-month services period. In July 2021, an additional tender with OMV Petrom was won for a four-year contract, with a total value of more than €3.2 million, to treat some 80,000 cubic meters of sludge and waste produced during the first upstream separation process. Up to 20,000 tons of crude oil with impurities below 1% will be recovered and sent to the refinery. At current oil prices (c. \$700-800 per ton) this is generating significant value for the client. Directa Plus will supply a total of 700 high-performance adsorbent devices containing Grafysorber® to OMV Petrom. As at the time of writing, we have treated 36,000 cubic meters of sludge and recovered 8,900 tons of crude oil.

We believe that Grafysorber® has significant export potential overseas and the Company continues to evaluate opportunities in discussion with possible partners focused on decontamination from hydrocarbons. A vital first step in addressing the US market was achieved in late March 2022 with the grant of authorisation by the United States Environment Protection Agency to use Grafysorber® at any oil spill on US territory.

c. +50% revenue from the environmental remediation services in 2021. Our subsidiary Setcar is playing a key role in expanding the Grafysorber applications, bringing significant value to the Group.

c. +50% revenue

Right: Reusable and sustainably produced, Grafysorber® is five times more effective at hydrocarbon clean-up than competitor products and allows for the recovery of financially valuable oils and sludges.



Directa Plus will supply a total of 700 high-performance adsorbent devices containing Grafysorber® to OMV Petrom. So far we have treated 36,000 cubic meters of sludge and recovered 8,900 tons of crude oil.

700 devices

An additional tender with OMV Petrom was won for a four-year contract, with a total value of more than €3.2m, to treat 80,000 cubic meters of sludge and waste produced during the first upstream separation process.

€3.2 million

Chief Executive Officer's review continued

In April 2022, the Company signed a first order of Grafysorber® based absorbing products with a major UK reselling company, with the aim to initially target mainly the northern European markets.

As announced at the time of the Fundraise in December, we plan to invest in the further development of Grafysorber® technology to broaden the number of applications we can offer. This will involve constructing a water treatment plant as well as providing dedicated equipment for in-house treatment of industrial water and for the removal of hydrocarbons and other organic pollutants. The Company also has recently located a Grafysorber® production unit in Sectar's premises in Romania, close to existing customers, and launched the production of absorbent materials such as Grafysorber®-made booms, pillows, socks and pads for the oil and gas industry.

Textiles

In 2020, the Covid-19 pandemic led Directa Plus to rapidly respond to the global crisis by developing the Co-mask™, a product to alleviate the effects of the pandemic by helping to reduce transmission of the virus. The development and commercialisation of the Co-mask™ accelerated studies around the filter applications of G+® technology, which is proven to have anti-viral properties, is non-toxic and has no negative impacts on human skin. This work is now producing additional applications which leverage the antimicrobial and antiviral properties of G+® and provides the basis for entry into the large global filter market.

In March 2021, Directa Plus announced a further test result relating to the absence of absorption of its pristine graphene nanoplatelets powder (Pure G+®) through

human skin. A total of eight in vitro test results now show that Pure G+® has no potential negative impact on human health.

In April 2021, the new G+® graphene coating for fabrics was tested by an independent third-party laboratory and found to be suitable for human skin contact. The results showed zero erythema and oedema reactions across all subjects participating in the test and the G+® coated fabric was reported to be 'dermatologically tested' and non-irritating.

In July 2021, the peer-reviewed interdisciplinary open-access journal iScience published a scientific paper titled "Graphene Nanoplatelet and Graphene Oxide Functionalization of Face Mask Materials Inhibits Infectivity of Trapped SARS-CoV-2". The paper provides scientific evidence that the Company's G+® graphene nanomaterials and those from graphene oxide present a critical opportunity to significantly increase face mask efficacy. In relation to the anti-SARS-CoV2 capability of Directa Plus' G+® graphene, the paper certifies that G+® filter fabric treated with PU G+® can inactivate 97% of the virus while G+® cotton can inactivate 99% of the virus.

The antibacterial and antiviral properties of the Company's G+® pristine graphene nanoplatelets represent significant opportunities for Directa Plus in textile and biomedical applications. The efficacy of G+® and its non-toxic and sustainable production characteristics overcome the problems of the current state-of-the-art solutions that are based on metal-ion or halogen treatments, which could be dangerous to human health and detrimental to the environment.

As a result of the fundraise we plan to advance the application of G+® technology to non-woven fabrics to confer antibacterial and antiviral properties for the industrial filtration



Above: Grafylon® 3D. The 3D printing filament, enhanced with G+®, is used by Playcast to produce customised medical casts.

market. In December, Directa Plus signed a Letter of Intent with Radici Group, an Italian-based global chemicals and materials group and a major player in the non-woven materials industry, to collaborate on an exclusive basis for an initial period of 12 months. The collaboration will see G+® technologies combined with those of the Radici to develop specific products for the global air and water filtration markets. If the technical results envisaged are achieved, the two companies will negotiate a technical and commercial partnership agreement with Directa Plus to benefit from a revenue-sharing business model.

In July 2021 members of the Dutch and Belgian cycling teams won four medals at the Tokyo Olympics (one gold, two silver and one bronze) in the road race event wearing a shirt printed with Directa Plus' patented and proprietary technology, the G+® Planar Thermal Circuit®. The shirts for the national cycling teams at the Games were made by premium cycling brand, Bioracer, using fabric supplied by Italian company, Taiana, with the unique and high-performance print made using Directa Plus' sustainable graphene. This is an additional illustration of how the Company's G+® graphene supports the natural



In the UK, Oxfordshire County Council has started its second Gipave® trial. Half of a 700-metre stretch of the road will be laid with Gipave®, while the rest will be resurfaced using conventional asphalt, so that the two surfaces can be compared.

700metre trial

Directa Plus launched its own line of performance sportswear, the Cosmic Collection, in the first half of 2021. The collection offers consumers advanced technology, which is also sustainable and provides a showcase for the versatility of G+® and its applications.

Cosmic collection

thermoregulation of the body, providing athletes with a competitive advantage.

In September 2021 Directa Plus' new G+[®] graphene coatings have been shown in two collections at the prestigious Milan Design Week. The Company's revolutionary new covering material has been selected for inclusion in collections being shown by two Italian companies. Plinio il Giovane is a central Milan based producer of high-end furniture and upholstery and is showcasing a collection of chairs and sofas with G+[®] coverings. Danese Milano, a subsidiary of lighting company Artemide S.p.A., is an innovative producer of interior design accessories and is showing a desk pad covered with the G+[®] coating. Plinio il Giovane and Danese Milano both selected Directa's innovative material technology as a result of its disruptive performance compared to traditional upholstery fabrics and coatings. G+[®] coatings on organic and non-organic fabrics are antibacterial and antiviral against SARS-CoV2; resistant to abrasion and wear and tear; resistant to UV light, and; thermally conductive for achieving the highest thermal comfort.

In April 2022 Directa Plus has signed a non-binding Letter of Intent with a leading worldwide supplier of automotive interiors to Tier 1 manufacturers. The partners intend to develop a suite of new products for the automotive industry based on the antimicrobial properties (antibacterial and antiviral), thermal comfort and electrical conductivity properties of the Company's G+[®] enhanced fabrics.

In November 2021, the Company announced that a specially developed graphene membrane is integrated into the lining of the norda™ 001 G+[®] Spike high performance trail shoes. Directa Plus was responsible for the

G+[®] membrane which is integrated into the Dyneema[®] one-piece woven upper lining in the toe box of the shoes. This provides the runner with additional comfort due to the thermal conductivity and abrasion resistance of the graphene G+[®] membrane while adding almost zero additional weight. Gear Patrol, the influential buying magazine, ranked norda™ 001 the most innovative trail running shoe of 2022.

We continue to strengthen our relationships with existing important customers in the workwear and luxury segments and to promote our presence in the textiles vertical. Directa Plus launched its own line of performance sportswear, the Cosmic Collection, in the first half of 2021. This collection aims to offer consumers advanced technology, which is also sustainable. The Cosmic Collection provides a showcase for the versatility of G+[®] and its applications and will help to increase awareness of the Company and our technologies.

Composites

The asphalt and bitumen applications of G+[®] graphene technology is generating considerable traction, and the interest in the market for Iterchimica's Gipave[®] product, developed with Directa Plus, is growing internationally. We have signed a three-year agreement with Iterchimica for the exclusive supply of G+[®] graphene products for the sector worldwide and have extended the partnership with a significant pipeline of opportunities.

In the UK, Oxfordshire County Council has now started its second trial to further test the benefits that Gipave[®] can bring. The new trial will see two identical stretches of Marsh Lane in Oxford, which carries around 10,000 vehicles a day along a key city route,



Above: Microfiber substrate coated with G+[®] Graphene Plus coating, presented by Plinio il Giovane at the Milan Design Week 2021.

resurfaced with different materials. Half of a 700-metre stretch of the road will be laid with Gipave[®], while the rest will be resurfaced using conventional asphalt, so that the two surfaces can be compared. This second trial follows a successful first pilot scheme in Curbridge, Oxfordshire in 2019. Analysis of this scheme showed Gipave[®] increases the lifespan of the surface by up to 70% compared to conventional resurfacing methods.

Lithium-Sulphur Batteries

Next generation Lithium-Sulphur battery chemistry offers advantages over Lithium-Ion as it has a superior energy density, significant cost advantages and a superior safety profile. Our collaboration with NexTech, a leading company in the field of Lithium-Sulphur batteries based in Nevada, USA, is making strong progress.

In November 2020, a memorandum of understanding was signed with NexTech. In February 2021, both parties agreed to form a stronger partnership, with a three-year supply agreement for the provision of a specific grade of G+[®] pristine graphene nanoplatelets and a joint R&D collaboration to develop new specific

Directa Plus continues to invest in Italdesign, (part of Volkswagen AG) a global leader in automotive design and engineering to jointly develop a wide range of automotive components. In April 2022 Directa Plus signed a LOI with a leading worldwide supplier of automotive interiors to Tier 1 manufacturers.

Automotive applications

The Company is close to starting to commercialise graphene-based paints with significant anti-flame and anti-corrosion properties.

Paints



Above: G+[®] coating on microfiber substrate for vegan leather applications.

Left: Grafyshield[®] is a semi-finished product: an additive for the paint production.



Chief Executive Officer's review continued

grades of nanoplatelets. A joint laboratory has been established in Lomazzo, where Directa Plus is located and both parties will dedicate selected scientists from their respective R&D teams.

We continue to support NexTech in the development of this disruptive technology, in which G+® will play a key role in terms of technical properties and the supply of our product at the scale necessary to satisfy the needs of the market. In June 2021, NexTech established its European subsidiary in Italy ("NexTech Italia SpA"), with the initial objective being to evaluate the feasibility of producing cathode active materials in Italy, using our G+® graphene nanoplatelets, for the manufacture of Lithium-Sulphur (Li-S) batteries throughout Europe.

The Company is now ready to target other Lithium-Sulphur battery producers to accelerate the technology's commercialisation.

Other verticals

Consumer electronics

In December 2020, Directa Plus signed a development agreement with the soft goods division of a major international developer and manufacturer of consumer electronics and related services. The agreement covers the potential application of G+® graphene as a protective covering for consumer devices, exploiting the antiviral-antibacterial properties of G+® graphene as well as its thermal and electrical conductivity. The partnership has delivered exceptional results to date. In 2021 we received some promising orders for our G+® graphene and this collaboration continues to demonstrate the potential for significant volumes in the coming years.

Automotive

Directa Plus continues to invest in the technical and commercial agreement with Italdesign, part of Volkswagen AG, a global leader in automotive design and engineering. The agreement will see Directa Plus and Italdesign jointly develop a wide range of automotive components enhanced by the Company's graphene expertise.

Paints

In February 2021, research undertaken by scientists at the Polytechnic of Turin was published in an article in the journal *Polymers* showing that the use of water-based G+® graphene ink to coat polymeric foam confers significant flame-retardant properties. A simple application of G+® ink to the external faces of the foam provided good flame-retardant properties, tested in both horizontal and vertical planes.

Using this study as a base, the Company is close to starting the commercialisation of graphene-based paints with significant anti-flame and anti-corrosion properties compared to normal paints. We see great potential in this developing technology.

Intellectual property

As at March 2022, the Group's patent portfolio comprised 72 patents granted and 27 pending, grouped into 19 families.

In March 2021, Directa Plus was granted an EU-wide patent covering the use of its G+® graphene in golf ball applications. The patent covers a family of formulations and compounds containing G+® graphene nanoplatelets. Using these compounds at different loadings provides the basis for developing a new generation of high-performance golf balls aimed at both the professional and recreational markets.



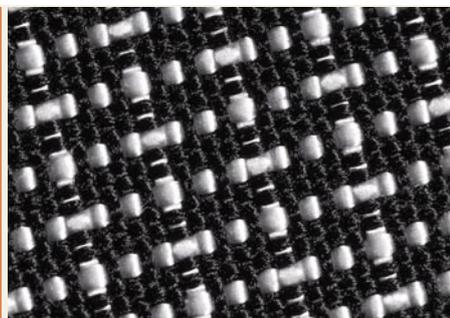
Above: Sport jersey made by EE Sport, pinnacle for cycling technologies with an integrated app for SOS emergency calls.

In May 2021, Directa Plus was granted an EU-wide patent covering the production process for its G+® graphene nanoplatelets. The patent, titled 'Process for Preparing Graphene Nanoplatelets' covers the use of Directa Plus' unique water-based exfoliation technology for converting super-expanded graphite to pristine graphene nanoplatelets using no chemicals and with a very high conversion yield.

In December 2021 the Company has been granted an EU-wide patent covering the use of the Company's G+® pristine graphene nanoplatelets to boost the performance of rubber-based shoe outsoles. The patent, titled 'Shoe sole comprising graphene', covers G+® graphene embedded in outsoles. The specific formulation of G+® graphene for soles provides the ability to balance opposite performance characteristics such as durability and grip, in both dry and wet conditions. This ability to balance opposing performance traits is unique to Directa Plus' G+® graphene and becomes markedly apparent on rubber-based technical shoe soles such as those used for running, trail

A specially developed graphene membrane is integrated into the lining of the norda™ 001 G+® Spike high performance trail shoes. Gear Patrol, the influential buying magazine, ranked norda™ 001 the most innovative trail running shoe of 2022.

norda™ trainers



Above: Directa Plus membrane integrated into the Dyneema® one-piece woven upper lining in the toe box of the shoes. Providing the runner with additional comfort due to the thermal conductivity and abrasion resistance of the graphene G+®.

Right: Printed with the G+® Planar Thermal Circuit®.





Above: A desk pad designed by Giulio Iacchetti, well known designer from Danese, realised with a G+® coating for antibacterial property and aesthetic effect.

running, hiking, and on motorbikes. The patent covers both the formula for the compound and the final product outsole made with the compound.

Environmental, Social and Governance policies

Environmental sustainability is at the heart of Directa Plus' business – our research, manufacturing, commercialisation, and purpose – and we have been ISO 14001 certified since 2016, which have been recently renovated.

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

When deciding our commercialisation strategy, we made it a priority to work only with environmentally responsible industrial

partners, and to seek to improve on products in existing markets. This means that we can help produce and sell better quality products than are currently available, with better performance and longer life for end-users.

We monitor all applicable performance indicators. In our production process we consider raw materials supply chains, energy consumption, water and wastewater, atmospheric emissions, the production of waste and any effect on biodiversity. Our commitment to sustainability is also demonstrated by our Grafysorber® based technology and products, which are environmentally friendly solutions aimed at solving both historical pollution problems and oil spills.

In Social and Governance, Directa Plus has held certifications ISO 9001 (for quality management standards) and ISO 14001 (environmental management systems) since 2016, successfully renewed annually. We are also committed to identifying suppliers and partners who share the same sensitivity on sustainability issues as we do. We carefully consider all aspects of employee rights, equal opportunities, health and safety at work and training and education.

Finally, with respect to our local community, Directa Plus is well-known and deeply rooted in the Milan area. We promote our regional economy by identifying local suppliers, with whom it is possible to structure lasting partnerships. We believe it is essential to actively contribute to initiatives that can have a positive impact on the social fabric of the area and in 2021, through the sale of CO-Mask™ face masks, we financed the Christmas meal for the Opera San Francesco in Milan.

Outlook

I believe that Directa Plus is now ready to enter into a new stage of growth. We have many opportunities across different vertical markets, diversifying our business risks. The recent fundraise will allow us to accelerate growth in the most promising of these vertical markets and to keep investing in high potential opportunities in other areas.

We are closely monitoring and assessing possible impacts from the war in Ukraine and will adjust our strategy if necessary. We do no business in Russia or Ukraine and so we are not directly exposed to this region, and we believe the rise in the oil prices may increase demand for our decontamination and recovery services.

Year to date, the Company is trading in line with FY2021, with an expected acceleration through the second quarter and into the second half of the year. Accordingly, we are confident of the Company's continued growth trend, and we remain comfortable with current consensus forecasts for FY2022. In addition, we are waiting on the final decision on the award of a significant tender in Romania for our Environmental Remediation services, which is expected to be communicated shortly and, if awarded, to start in the second half of 2022.

In summary, despite the challenges faced by all businesses, we retain a positive outlook for growth and our future success.

Giulio Cesareo

Chief Executive Officer
4 May 2022

The Company's G+® graphene coatings are being shown in two collections at the prestigious Milan Design Week held from 5 to 10 September 2021.

Milan Fashion Week

Right: Dress created by the designer Romy Calzado for the 2021 Milan Fashion Week. This dress was named Naomi 1.5 in honour of Naomi Campbell who wore it during the exhibition.



Directa Plus is well-known and deeply rooted in the Como area. We believe it is essential to contribute to initiatives that have a positive impact on the social fabric of the area and in 2020, through the sale of CO-Mask™ face masks, we financed the Christmas meal for the Opera San Francesco in Milan.

CO-Mask™

Chief Financial Officer's review



Giorgio Bonfanti
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 different vertical markets, 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 2020.

The table below summarises the financial KPIs with further details contained later in this report.

- Product sales and service revenue increased by 33.9% to €8.62m (2020: €6.43m), slightly above market expectations.
- Total income (including grants) increased by 39.3% to €9.45m (2020: €6.78m).
- LBITDA* improved to €1.99m (2020: €2.62m).
- Reported (basic) loss per share was €0.06 (2020: €0.07).
- Cash and cash equivalents at year end of €11.13m (2020: €7.08m).

** LBITDA represents loss from operating activities before tax, interest, depreciation and amortisation.*

"I am pleased to report the results of another important year of progress for the Group. During 2021, the finance team has worked hard to support our strategic decision-making and to manage efficiently our financial resources. The successful capital raise in December 2021 will be key in accelerating our business growth in the Group's next phase of development in 2022 and beyond."

Financial review

2021 represented another year of continued growth for the business. Revenues from products and services increased by 33.9% to €8.62m (2020: €6.43 million), and total income +39.3% to €9.45m (2020: €6.78 million).

The increase in revenues was mainly driven by growth in the environmental remediation services of 50% to €6.56m. The Group's Romanian subsidiary Setcar, acquired in November 2019, is playing a key role in the growth of our environmental services offering and is delivering excellent results for the Group.

Other income increased by 140% to €0.83m. This result was positively affected by a €0.50 million one-off income from Setcar, as a result of the release of an undue obligation. The remainder consists of grants and R&D expenditure credits, specific incentives and financing schemes that support the Group in its R&D activities.

The EBITDA loss for the period was €1.99m, decreasing by 24.1% compared to 2020 (loss of €2.62 million). The Group is closely monitoring increases in energy and transportation costs and the effects of increased inflation were seen in the second half of 2021 and this trend is intensifying into 2022, as a consequence of the war in Ukraine. The Group is taking all possible measures to avoid margin reduction and is reacting promptly to increase product prices to reduce any impact on profitability.

Net loss for the period was reduced by 24.3% to €3.43m (2020: €4.53m).

At the end of 2021 the Group strengthened its funding position, and cash and cash equivalents at year end were €11.13m (2020: €7.08m). In addition, during the year, Directa Plus raised a total of €1 million of bank loans, provided by two major Italian banks, under the Italian Government's Covid-19 Recovery Plan. The loans are 80-90% guaranteed by the Italian Government and have allowed the Company to take advantage of the low-cost liquidity offered.

In December 2021, the Group completed a fundraising with gross proceeds of £7 million, by way of a placing and subscription. Directa Plus issued 4,666,667 new Ordinary Shares at a price of 150p each, with almost no discount to the market price at the time of transaction.

The proceeds from the capital raise will be used for:

- funding two significant future growth opportunities in the main existing verticals;
- development of Grafysorber® to broaden the number of applications offered.

The Group is locating a Grafysorber® production unit in Setcar's premises in Romania to:

- construct a water treatment plant, providing dedicated equipment for in-house treatment of industrial water and for the removal of hydrocarbons and other organic pollutants using its Grafysorber® technology, and

– produce absorbent materials such as Grafysorber®- made booms, pillows, socks and pads.

- advance the application of Directa Plus' G+® technology to non-woven fabrics to confer antibacterial and antiviral properties. The Company has signed a Letter of Intent with Radici Group to collaborate on an exclusive basis to develop specific products for the global air and water filtration markets.
- providing the financial strength necessary to fund the Company's continued investment in exploring and developing new growth opportunities;
- providing the balance sheet strength to support the Company and its subsidiaries in responding to significant new tenders currently in progress; and
- providing additional liquidity for its general working capital purposes.

In the short term, the Group's priorities continue to be focused on the reduction of cash consumption and improving profitability.

A description of the principal risks and uncertainties facing the Group is set out in the Directors' Report. The war in Ukraine in particular creates new, unforeseen risks. In summary, the Directors believe that overall, the conflict will not affect the long-term concern of the Group and although we are seeing some inflation of costs (principally energy), the Company is keeping the margins under control.

Giorgio Bonfanti
 Chief Financial Officer
 4 May 2022

KEY PERFORMANCE INDICATORS & FINANCIAL SUMMARY	2021	2020
Revenue from product and service sales (€'m)	8.62	6.43
Total income* (€'m)	9.45	6.78
LBITDA** (€'m)	(1.99)	(2.62)
Loss after tax*** (€'m)	(3.43)	(4.53)
Reported basic loss per share (€)	(0.06)	(0.07)
Cash and cash equivalents (€'m)	11.13	7.08
Total number of patents granted****	72	38

* Total income comprises revenue from product and service sales (€8.62m), and other income mainly including windfall profits (€0.50m) government grants (€0.17m) and RDEC – Research and Development Expenditure Credit (€0.03m).

** LBITDA represents results from operating activities before depreciation and amortisation of €1.54m (2020: €1.69m). Management believes that LBITDA provides a better reflection of operational performance by removing interest, tax, depreciation and amortisation. EBITDA is a non-GAAP measure.

*** The loss for the year of €3.43m is split between a €3.65m loss owned by the Company and a €0.22m profit in respect of non-controlling interests.

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

Directors' biographies



Sir Peter Middleton

Non-Executive Chairman

Relevant strengths

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

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

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



Giulio Cesareo

CEO and Founder

Relevant strengths

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

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

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



Giorgio Bonfanti

CFO

Relevant strengths

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

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

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



David Gann

Non-Executive Director

Relevant strengths

- Innovation management
- Business strategy
- Engineering expertise

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



Neil Warner

Non-Executive Director

Relevant strengths

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

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



Richard Hickinbotham

Non-Executive Director

Relevant strengths

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

Richard Hickinbotham is an experienced City professional and Head of Equity Research at Singer Capital Markets, 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 Remuneration Committee and a member of the Audit and Nomination Committees. Richard holds a BSc. in Mechanical Engineering from Imperial College and is a qualified Chartered Accountant.

Section 172

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

- a) **The likely consequences of any decision in the long-term.** Annually the company reviews its medium to long term plan, which focuses on the strategic direction of the Group as well as looking at the threats, and opportunities it is facing. This plan is designed to ensure the long-term optimal direction of the company, ensuring, at the same time, the consideration of long-term requirements of the stakeholders.
- b) **The interests of the company's employees.** The Board considers the employees as one of the key stakeholders within the Group and as such welcomes any feedback to ensure the alignment of both party's interests and given the nature of the business their greatest asset. The interests of the employees are always considered when determining the strategic direction and vision of the Group.
- Details of the Company's process to obtain feedback from employees are listed in the section "Stakeholder and social responsibilities" of Corporate Governance Statement at page 24.
- c) **The need to foster the company's business relationships with suppliers, customers and others.** The Board recognises that the success of the Company is reliant on the stakeholders of the business and, to this effect, the Company engages with these stakeholder groups on a regular basis. Details of the Company's process to obtain feedback from customers and supplier are listed in the section "Stakeholder and social responsibilities" of Corporate Governance Statement at page 24.
- d) **The impact of the company's operations on the community and environment.** The Board has always considered the health and safety of people and environmental protection as top priorities. In order to seek to manage its environmental responsibilities in a systematic and proactive manner both Directa Plus S.p.A. and Setcar implemented the ISO 14001 certification that helps the Group to achieve the intended outcomes of its environmental management system which provide value for the environment, the organization and the interested parties. The Board recognises its responsibilities with regards the environment and wider community and takes actions to reduce the risk of any potential negative impact the provision of its services and products could have in this area. In 2020 the Covid-19 pandemic encouraged the Board to strengthen its security and health measures towards its employees and community in general. The Group implemented an anti-contamination protocol shared with all its employees, foreseeing the provision of protection tools, constant disinfection of all areas and common rooms, safety distancing and body temperature controls. As the pandemic evolved, the Group maintained the same protocol also for the entire 2021.
- e) **The desirability of the company maintaining a reputation for high standards of business conduct.** In order to ensure that the business maintains its reputation and integrity, the Board promotes a corporate culture based on sound ethical values and behaviours, which are essential to maximise shareholder value. Those core values serve as a common language that allows all members of staff to work together as an effective team and, it is these values and our shared long-term business vision and strategy that we believe will

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

f) **The need to act fairly as between members of the company.**

The Group's Board currently consists of four Non-Executive Directors, and two Executive Directors. The Board considers it collectively has an appropriate balance of skills and experience, as well as an appropriate balance of personal qualities and capabilities to ensure that all decisions are made such that the impact toward the stakeholders is fairly and equal, so they too may benefit from the successful delivery of our plan.

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

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

The Group is currently targeting two key markets (Environmental remediation and Textiles – including air and water filtration), currently at an advance stage of products and services commercialisation, and keeps developing and monitoring other verticals such as Composites, Lithium-Sulphur batteries, and Paints.

The Group operates in a fast-changing environment, and it is currently reshaping its strategic plan with the support of external advisors. The Group will exploit the competitive advantage gained so far and it will prioritise the verticals with a faster commercial traction and higher financial returns.

In December 2021 the Group raised £7 million of gross proceeds to:

- Fund specific projects in the two key existing verticals. A water treatment plant and absorbent materials to develop Grafysorber® and broaden the number of applications offered, and air and water filters to advance the application of Directa Plus' G+® technology to non-woven fabrics to confer antibacterial and antiviral properties;
- Keep investing in exploring and developing new growth opportunities, and
- Provide the balance sheet strength to support the Company and its subsidiaries in responding to significant new tenders currently in progress, and to provide additional liquidity for its general working capital purposes.

Giulio Cesareo
Chief Executive Officer
4 May 2022

Directors' report

Principal activities

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

The Group's main country of operation and place of business is Italy and its registered office address is 11-12 St. James's Square, London, SW1Y 4LB, UK. Setcar is based in Romania, which is also its main country of operations, and its registered office address is 6 Gradinii Publice Street, 810022, Braila.

Business and strategic review

The information that fulfils the requirements of the strategic report and business review, including details of the results for the year ended 31 December 2021, 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 2 to 17 (The Strategic Report), and in this Directors' Report, together with the description of principal risks and uncertainties. Going concern assessment is set out in the Corporate Governance report and is reported on page 27. Post balance sheet events are reported in Note 27.

Dividends

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

Directors' indemnity

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

Directors

The following Directors held office as indicated below for the year ended 31 December 2021 and up to the date of signing this report (where not specifically mentioned):

- Sir Peter Middleton
- Giulio Giuseppe Cesareo
- Marco Ferrari (resigned from the BoD on 19 March 2021)

- Giorgio Bonfanti (appointed as a board member on 16 November 2021)
- David Michael Gann
- Neil William Warner
- Richard Hickinbotham

Directors' Remuneration and Interests

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

Corporate Governance

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

Share Capital and Substantial shareholdings

Details of the share capital of the Company as at 31 December 2021 are set out in Note 17 to the consolidated financial statements. At 31 December 2021, a total of 66,032,126 ordinary shares were outstanding. The following Shareholders own 3% or more of the ordinary shares:

Shareholder	Number of ordinary shares	Percentage of issued ordinary share capital
Nant Capital / Patrick Soon-Shiong	18,963,652	28.72
Dompè Group	8,091,873	12.25
Unicorn Asset Management	5,873,333	8.89
Dr. Jean Marc Droulers / Finanziaria Le Perray *	4,466,449	6.76
Galbiga Immobiliare S.r.l.**	3,958,228	5.99
Schroders Investment Management	3,857,247	5.84
Ruffer	2,406,666	3.64

* Finanziaria Le Perray S.p.A. is a company owned and controlled by Dr. Jean Marc Droulers.

** Galbiga Immobiliare S.r.l. is a company owned and controlled by Giulio Cesareo, the CEO of Directa Plus.

Risk management

The Group's financial risk management is discussed in Note 22 to the financial statements. The Directors continually considers how to identify and mitigate the key business risks. Directors ensure that the management of Company prides leadership and direction to employees so that our overall risk-taking activity is kept within the desired risk appetite. The Group's tolerance for risk in the area of Health Safety and Environmental Protection (HSEP) is low. Directa Plus dedicates significant resources to managing and monitoring these risks on a daily basis. The following list considers those could have a serious adverse impact on Group's performance.



Directors' report

continued

Risk	Mitigation and management strategy	Likelihood*	Impact (on the Group)**	Change***
<p>Ukrainian conflict</p> <p>Directors are monitoring the conflict in Ukraine and assessing all the potential impacts on the Group's business, and consequently re-adjusting – where necessary – its strategy and operational priorities. The Group will be likely impacted by inflation trends (as a consequence of the increase in energy and transportation costs) and, presumably, by some contracts slowdown.</p>	<p>The Group does not have any contracts with Russian or Ukrainian clients, or companies that could be subject to international sanctions. Moreover, the Group has c. 15-20 major long-term clients and additional c. 150-200 minor clients. The major clients' business activity appears – in general – not to be currently at risk.</p> <p>Overall, Directors believe that the conflict will not affect the going concern of the Group, and – under certain circumstances – it will create some potential opportunities. In fact, the value increase of the oil and waste recovered or the opening of other kind of applications of G+® could have positive out-turns for the Group.</p>	Certain	Major	New
<p>Covid-19</p> <p>Covid 19 pandemic is materially affecting the worldwide market, causing a general deterioration of the economic outlook.</p>	<p>The Board and the Management are constantly monitoring the situation. Management has undertaken scenario based analysis on future financial projections. To mitigate the adverse effect of Covid-19 on revenues in 2020 Management decided to target the personal protective equipment market, leveraging on graphene G+® properties.</p> <p>In 2022 the health emergency is giving the first signs of slowdown, and the Company seems to have overcome the difficult macro-economic period with limited adverse effects.</p>	Certain	Moderate	↓
<p>Changes in government policy and legal and regulatory compliance</p> <p>The Group operates in highly regulated industry (Environmental services and waste disposal) through its controlled subsidiaries Setcar SA. Any changes to government policy, standards or regulatory requirements could affect the Group's operations and results.</p>	<p>Regulatory framework is constantly monitored by Management, trying to have prompt understanding of proposed changes.</p>	Possible	Major	→
<p>M&A strategy and delivery</p> <p>Directa Plus, after the acquisition in 2019, considers that integration risks and issues could arise impacting the delivery of the expected benefit.</p>	<p>An integration plan and skilled resources have been deployed to manage the post-acquisition integration. Setcar has operated in the Group over the last two years and the Board of Directors believes that the integration has reached a good level of effectiveness. The Board of Directors is constantly considering how to improve the integration and is kept promptly up to date.</p>	Unlikely	Moderate	↓
<p>Technological risk</p> <p>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.</p>	<p>Directa Plus continually monitors the market and its competition and has resources to invest in technological development and product development as appropriate.</p>	Possible	Critical	→
<p>Intellectual property protection risks</p> <p>Failure to protect the Group's IP may result in another party copying, using or taking advantage from Group's proprietary content and technology without authorization. There may not be adequate protection for IP in every country in which the Group's products are or will be made available.</p>	<p>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.</p>	Possible	Moderate	→
<p>Key employees risks</p> <p>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.</p>	<p>Risks is mitigated by providing share options to key employees, building a motivated management team, together with significant opportunities for carrier development.</p>	Possible	Major	→

Risk	Mitigation and management strategy	Likelihood*	Impact (on the Group)**	Change***
<p>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.</p>	<p>Risk is mitigated by maintaining good relationships with the Group's main shareholders. The Company successfully concluded a capital raise in December 2021.</p> <p>In addition, the Group has access to potential additional sources of debt funding with major Italian banks, which could lessen any further funding risk. In 2021 the Group raised €1m additional debt funding backed by the Italian Government.</p>	Possible	Major	→

* Unlikely, Possible, Likely, Certain

** None, Minor, Moderate, Major, Critical

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

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

Annual general meeting

The notice for the convening of the AGM 2022 together with the proposed resolutions will be contained in a Notice of AGM sent to all shareholders and available via the Company's website.

Statement of Directors responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with the UK adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

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

Auditors

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

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

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

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

For and on behalf of the Board of Directors

4 May 2022



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 2021 financial year.

In 2020 we started a review process of the Company's culture and how it is consistent with our strategy, objectives and business model. We have identified some opportunities of improvement in our daily operations. In 2021 we have focused our efforts on upgrading some operations in the accounting and finance division, which is playing a central role in facilitating the collaboration and alignment among all the Company's divisions. In doing so, we have appointed a university professor as a consultant to support us in this process. In 2022 we are focusing our efforts in redesigning the sales and marketing division. In front of increasing opportunities ahead of us, but also increasing complexities, we have engaged a consulting company that will support us in better defining which are our strategic priorities, key verticals and products to dedicate most of our efforts. Compliance with each of the principles set out in the QCA code is summarized in this section.

Role of the Chairman

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

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

Strategy and business model

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

Relations with shareholders

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

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

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

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

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

Stakeholder and social responsibilities

The Board considers its key stakeholder groups to include:

- **workforce** – we are a responsible employer, compliant with relevant human resources legislation and recommended practices, as well as Health, Safety and Environmental Protection regulations. In 2020 the Covid-19 pandemic encouraged the Board to strengthen its security and health measures towards its employees and community in general. Being the pandemic still a serious threat at the time of this report, those measures have been carried out also in 2021. The Group implemented an anti-contamination protocol shared with all its employees, foreseeing the provision of protection tools, constant disinfection of all areas and common rooms, safety distancing and body temperature controls;
- **customers** – deep and wide relationships with our customers are crucial for the success of our business in developing novel solutions with our customers and in developing their next generation of products;
- **suppliers** – we aim to develop strong relationships with our suppliers based on trust, understanding and respect; and
- **partners** – we engage with commercial and scientific partners and we work with them to develop new applications, building strong and long-lasting relationships.

The Company obtains feedback from stakeholder groups by way of:

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

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

Risk management

The Directors are responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. Pages 21 to 23 set out the Company's approach to risk management and lists those risks which are considered to have a serious adverse impact on the Company's performance.

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

The Board

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

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

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

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

Directors

The Directors continue to remain satisfied that the Board is well balanced and that the Directors possess the sufficient breadth of skills, relevant experience, variety of backgrounds and knowledge to ensure the Board functions appropriately, without being dominated by any one Director. Details of qualities and capabilities that each Director brings to the Board are added in the Director biography section. The Board acknowledges that there are currently no appointed female Directors, however, it will continue to review this moving forwards. Moreover, diversity will be strongly considered in further recruiting process ensuring the appropriate balance of the Board is developed.

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

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

Board performance

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

Ethical values and behaviours

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

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

Governance structure and processes

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

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

The Company has established an Audit Committee and a Remuneration Committee. Both committees meet at least twice a year. Details of both committees and a report of the activities undertaken during the 2021 financial year can be found on page 30.



Corporate governance report

continued

Board

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

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

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

Committees

The Board has delegated certain functions to its two committees, the Audit Committee and the Remuneration Committee. These committees have their own written terms of reference and their actions are reported to and

monitored by the Board. The Board accepts that while these committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board. The functions typically refer to the Nomination Committee currently remain with the Board.

Time commitments

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

The time commitments of the Non-executive Directors are carefully reviewed by the Board and it is noted that Peter Middleton, David Gann, Neil Warner and Richard Hickinbotham devote at least 2 days a month to the Company. Details of the Directors' attendance at each of the scheduled Board and Committee Meetings for the 2021 financial year are listed below:

Name of Director	Board meetings		Audit Committee meetings		Remuneration Committee meetings	
	No. held	No. attended	No. held	No. attended	No. held	No. attended
Sir Peter Middleton	9	9	N/A	N/A	N/A	N/A
Giulio Cesareo	9	9	N/A	N/A	N/A	N/A
Giorgio Bonfanti	1	1	N/A	N/A	N/A	N/A
Marco Ferrari	2	2	N/A	N/A	N/A	N/A
David Michael Gann	9	9	4	4	2	2
Neil William Warner	9	9	4	4	2	2
Richard Hickinbotham	9	9	4	4	2	2

Internal control

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

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

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

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

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

Going concern

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

The COVID-19 pandemic has had a significant, immediate impact on the global economies and on the operations and operational funding of participants in international supply chains. Moreover, the recent events in connection with the conflict in Ukraine constitute an additional cause of uncertainty on the macro-economic scenario that most likely will significantly affect the political and business environment.

The Directors are aware that the current situation could have an impact on the Group's operations, as of today still difficult to assess. Further details of the current assessment of the impact on the business are set out in the strategic report.

Based on very recent projections, the Directors believe that:

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

- b) the inflation trend, mainly driven by the increase in the transportation and energy costs, could make pressures on the Group's margins. However, a careful control and monitoring over the industrial administrative costs, and the fact that the Company has a relatively low energy consumption production process, could allow the Group not to be negatively affected.

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

In December 2021 the Group successfully completed a £7m gross capital raise, fully subscribed by current and new investors, to deploy new projects with a high growth potential and sustain working capital. As of 31 December 2021, the Group had net assets of €16.03m (2020: €10.66m) and cash and cash equivalent of €11.13m (2020: €7.08m).

The Directors prepare the 2 years plan 2022-2023 in order to ensure that they have sufficient liquidity in place in the business. In addition, the Directors, in formulating the plan and strategy for the future development of the business, considered even a stress scenario with a reduction in forecast revenues from c10% to 15%. The Group is projected to have the financial capacity to support its viability until at least the end of 2023.

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

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

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

Sir Peter Middleton
Non-Executive Chairman
4 May 2022



Directors' remuneration report

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

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

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

Remuneration policy

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

Directors' remuneration

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

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

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

The remuneration of the Directors, in Euros, for the year ended 31 December 2021 was as follows and is audited:

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

2020	Salary/Fees €'000	Bonus €'000	National Insurance contributions €'000	Pension contributions €'000	Total emoluments 2020 €'000
Non-Executive Chairman					
Sir Peter Middleton	56	–	–	–	56
Executive					
Giulio Cesareo	291	111	11	82	495
Marco Ferrari**	133	15	8	28	184
Non-Executive					
David Gann	34	–	–	–	34
Neil Warner	34	–	–	–	34
Richard Hickenbotham	34	–	–	–	34
Total	582	126	19	110	837

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

** Marco Ferrari resigned as a Director on 18 March 2021

Total emoluments for Giulio Cesareo (CEO) increased by 6.5% over the prior year mainly due to an annual bonus award reflecting the achievement of both financial and personal objectives. Total emoluments for Giorgio Bonfanti (CFO) refer to the period of Directorship from 16 November 2021 to the year end and include an annual bonus that is payable in respect of the period since joining the Company on 31 May 2021, assessed against financial and personal objectives. The CEO and CFO bonus payments represented 42% and 57% respectively of the maximum bonus opportunity.

In June 2021, the Company increased the annual fees for Non-Executive Directors. The Chairman's fee increased from £50,000 to £65,000 per year, while the other Non-Executive Directors received an increase in fees from £30,000 to £40,000 per year. This is the first increase in annual fees since the Company's IPO in 2016 and followed a benchmarking exercise against companies of similar size and complexity.

At 31 December 2021 Directors' interest were the following:

Directors' interests

Director	Number of ordinary shares	Percentage of issued share capital	Number of vested ordinary shares under option	Number of unvested ordinary shares under option
Sir Peter Middleton	51,333	0.08	100,000	–
Giulio Cesareo*	3,958,228	5.99	200,000	400,000
Giorgio Bonfanti	–	–	–	150,000
David Gann	121,693	0.18	60,000	–
Neil Warner	26,730	0.04	60,000	–
Richard Hickenbotham	100,000	0.15	60,000	–

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

In aggregate, Non-Executive Directors hold a total of 280,000 vested ordinary shares under a previous share option plan, a legacy from the initial remuneration package assigned to Non-Executive Directors in the context of the Company's IPO in 2016 and following the appointment of a Director in 2017. There have been no additional option awards under the NED share scheme which was subject only to market conditions, with an exercise price of 75 pence/share. The Remuneration Committee and the Board of Directors have no intention of issuing share options to Non-Executive Directors in the future.

The terms of the share options plans in place are reported in Note 24.



Audit Committee report

Membership

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

Responsibilities

The Committee met four times in 2021 to discuss its ongoing responsibilities, including such matters as the existing risk management and internal control systems in place, its financial reporting obligations and external audit findings.

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

- review of the Annual and Interim Accounts;
- review of the Auditor's Report and meeting with the Auditor;
- review of the going concern assumption in line with management's cash flow forecasts;
- performance of sensitivity analysis on the assumptions included within the forecast;
- matching results against management forecasts for the year ended 31 December 2021; and
- meeting with management to discuss the Directors' plans for future actions in relation to its going concern assessment, taking into account any relevant events subsequent to the balance sheet date.

Internal Controls

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

External Audit

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

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

Neil Warner

Chair of the Audit Committee

Remuneration Committee report

Membership

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

Responsibilities

The Committee met twice in 2021 to discuss its ongoing responsibilities, including such matters as recommendations to the Board on all aspects and policies relating to the remuneration of Executive Directors and Senior Managers of the Company.

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

- The setting of financial and personal performance targets for the Executive Directors and Senior Managers of the Company;
- Approval of annual bonus awards, determined against Company (60% of total) and individual performance targets (40% of total);
- An annual review of remuneration for all Executive Directors and Senior Managers of the Company; and
- Approval of the grant of awards for an Executive Director of the Company under the 2020 Employees' Share Scheme.

Richard Hickinbotham

Chair of the Remuneration Committee

Independent auditor's report

to the members of Directa Plus Plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Directa Plus Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- Critically assessing the Directors' going concern assessment, including the reasonableness of assumptions applied, specifically the revenue growth year on year, gross margins, working capital movements and downside stress case sensitivities using both our underlying knowledge of the business and with regard to scenarios being applied across the market.
- Challenging the potential impact of the Ukrainian conflict on going concern with the Directors and the Audit Committee including the impact on operations to date and their assessment of continued risks and uncertainties associated with areas such as the ability to obtain new revenue contracts in the pipeline, deliver into those contracts to realise the forecast operating results and maintain margins, meet committed spend and repay loan interest and principle as and when they fall due. We considered this against our own assessment of risks and uncertainties developed through our understanding of the business and the sector.
- Agreeing the opening cash position of the Group to support the opening cash position applied by Directors in their cash flow forecast.
- Comparing performance against budget in FY2021 and FY2022 year to date to assess the quality of the Directors' budgeting process.
- Considering the key sensitivities applied in the cash flow model pertaining to revenue and cost base in regards to current trading since January 2022, the overall contract pipeline in place and management of the Group's and Parent Company's cost base.
- Assessing the completeness and accuracy of the matters covered in the going concern disclosure with reference to the Directors' going concern assessment.

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

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

Overview

Coverage	<ul style="list-style-type: none"> • 99% (2020: 99%) of Group profit before tax • 100% (2020: 100%) of Group revenue • 97% (2020: 98%) of Group total assets 									
Key audit matters	<table border="1"> <thead> <tr> <th></th> <th>2021</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Revenue Recognition</td> <td>X</td> <td>X</td> </tr> <tr> <td>Going Concern</td> <td></td> <td>X</td> </tr> </tbody> </table> <p>Going Concern is no longer considered to be a key audit matter following the fundraising in December 2021 and our risk assessment.</p>		2021	2020	Revenue Recognition	X	X	Going Concern		X
	2021	2020								
Revenue Recognition	X	X								
Going Concern		X								
Materiality	<p>Group financial statements as a whole 2021: €129,000 based on 1.5% of revenue. (2020: €210,000 based on 2% of net assets)</p>									

An overview of the scope of our audit

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

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

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

Our involvement with component auditors

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

- The Group audit team was actively involved in the direction and supervision of the audits performed by the component auditors along with the consideration of findings and determination of conclusions drawn;
- As part of our audit strategy, we issued detailed group instructions to component auditors detailing the our risk assessment and audit procedures to be performed;
- We held virtual meetings with management and component auditors during the planning and execution phases of the audit as well as held clearance meetings; and
- We performed a detailed review of the component auditor working papers.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report

continued

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Revenue recognition The applicable accounting policies are detailed in note 1 (j) and disclosures in note 3.</p> <p>The Group earned revenue of €8.6m (2020: €6.4m) in the year ended 31 December 2021.</p> <p>A significant portion of the revenue generated relates to two components, Directa Plus S.p.A and Setcar S.A.</p> <p>In accordance with applicable auditing standards, revenue recognition was presumed to be a matter giving rise to significant risk of material misstatement in the financial statements. This consideration was further heightened by the fact that there are various revenue streams, being the sale of goods and the provision of environmental services, which exist within the Group as well as the wide geographic dispersion of sales.</p> <p>Due to the fact that there are multiple revenue streams and revenue is recognised both at a point in time and over time, revenue recognition represented a significant audit risk and a key focus area for our audit.</p> <p>Key observations</p> <p>Based on our procedures performed we did not identify any matters to suggest that the recognition of revenue was not appropriate.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • In respect of Directa Plus S.p.A., we agreed a sample of sales in the year to sales invoices issued to customers and goods delivery notes and site acceptance sign offs to check revenue was recognised appropriately. • In respect of Sectar S.A., we reviewed the key revenue contracts to check that the underlying performance obligations has been appropriately accounted for according to the Group's revenue recognition policy by agreeing to the confirmation of services performed from the customer. • In respect of the sale of residual goods by Setcar S.A. we agreed a sample of sales in the year to sales invoices issued to customers and goods delivery notes to check revenue was recognised appropriately. • We selected a sample of recorded sales from either side of the year-end for purposes of cut-off testing and agreed these to sales invoices, transport and delivery documents, site acceptance sign off and customer confirmation of service completed, as applicable, to check that sales were recognised in the correct period. Contract terms were reviewed to determine whether the point in time sales made around the year end should be recognised at the port of departure or port of arrival. <p>Inspected a sample of credit notes issued during the year and post year end, and agreed this to the related revenue documentation to check that where this related to revenue for the current year, it was appropriately adjusted for.</p>

Our application of materiality

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

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

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

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

	Group financial statements		Parent company financial statements	
	2021	2020	2021	2020
Materiality	€129,000	€210,000	€55,000	€120,000
Basis for determining materiality	1.5% of revenue	2% of net assets	2% of net assets capped at 43% of Group Materiality	2% of net assets capped at 57% of Group Materiality
Rationale for the benchmark applied	Revenue has been selected as we consider it to be the most relevant benchmark as the Group has entered into mainstream trading and service related business activities.	Net assets had been selected as we considered it to be the most relevant benchmark as the Group was still in a development stage and the net assets benchmark reflected a key measure of shareholder value.	Directa Plus Plc is a holding company with investments in subsidiaries. We have therefore considered net assets to be the most appropriate benchmark. Materiality was capped at a percentage of Group materiality given the assessment of aggregation risk.	
Performance materiality	€100,000	€160,000	€41,000	€90,000
Basis for determining performance materiality	75% of materiality and considering factors such as the nature of activities and historic audit adjustments.			

Component materiality

We set materiality for each component of the Group based on a percentage of between 43% and 93% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from €55,000 to €120,000. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of €3,000 (2020: €5,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Consolidated financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report

continued

Other Companies Act 2006 reporting

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

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

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

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

4 May 2022

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 2021

	Note	31 Dec 2021 €	31 Dec 2020 €
Continuing operations			
Revenue	3	8,615,098	6,434,480
Other income	3/4	831,405	345,826
Changes in inventories of finished goods and work in progress		12,960	213,229
Raw materials and consumables used	6	(3,634,311)	(2,564,317)
Employee benefits expenses	7	(4,296,955)	(3,769,274)
Depreciation and amortisation	11/12	(1,543,567)	(1,690,872)
Other expenses	8	(3,516,424)	(3,279,927)
Results from operating activities		(3,531,794)	(4,310,855)
Finance Income	9	221,622	1,175
Finance expenses	9	(74,681)	(347,707)
Net finance costs		146,941	(346,532)
Loss before tax		(3,384,853)	(4,657,387)
Tax (expense)/income	10	(44,620)	124,414
Loss after tax from continuing operations		(3,429,473)	(4,532,973)
Loss of the year		(3,429,473)	(4,532,973)
Other comprehensive income items that will not be reclassified to profit or loss			
Defined Benefit Plan re-measurement gains and losses	20	(6,457)	7,821
Other comprehensive income/(expense) for the year (net of tax)		(6,457)	7,821
Total comprehensive (expense)/income for the year		(3,435,930)	(4,525,152)
Loss attributable to			
Owner of the Parent		(3,652,364)	(4,195,011)
Non-controlling interests		222,891	(337,962)
		(3,429,473)	(4,532,973)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(3,658,821)	(4,187,190)
Non-controlling interests		222,891	(337,962)
		(3,435,930)	(4,525,152)
Loss per share			
Basic loss per share	23	(0.06)	(0.07)
Diluted loss per share	23	(0.06)	(0.07)

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

Consolidated and Company statement of financial position

for the year ended 31 December 2021

	Note	Group		Company	
		31 Dec 21 €	31 Dec 20 €	31 Dec 21 €	31 Dec 20 €
Assets					
Intangible assets	11	1,792,277	2,042,767	–	–
Investments	13	–	–	25,680,336	23,680,336
Property, plant and equipment	12	3,982,966	4,209,267	–	–
Other receivables	14	185,623	140,649	–	–
Non-current assets		5,960,866	6,392,683	25,680,336	23,680,336
Inventories	5	1,370,875	1,375,947	–	–
Trade and other receivables	14	3,305,493	2,857,460	205,291	166,262
Cash and cash equivalent	16	11,130,468	7,080,492	9,430,364	4,283,625
Current assets		15,806,836	11,313,899	9,635,655	4,449,887
Total assets		21,767,702	17,706,582	35,315,991	28,130,223
Equity					
Share capital	17	205,393	190,996	205,393	190,996
Share premium	17	39,159,027	31,395,612	39,159,027	31,395,612
Foreign currency translation reserve	17	(23,109)	(7,015)	–	–
Retained earnings	17	(25,352,139)	(21,824,229)	(4,220,247)	(3,573,130)
Equity attributable to owners of Group		13,989,172	9,755,364	35,144,173	28,013,478
Non-controlling interests	17	2,041,938	906,885	–	–
Total equity		16,031,110	10,662,249	35,144,173	28,013,478
Liabilities					
Loans and borrowings	18	2,403,881	1,017,716	–	–
Lease liabilities	19	463,047	627,138	–	–
Employee benefits provision	20	500,535	444,483	–	–
Other payables	21	64,357	65,397	–	–
Deferred tax liabilities	15	89,497	8,423	–	–
Non-current liabilities		3,521,317	2,163,157	–	–
Loans and borrowings	18	65,840	981,065	–	–
Lease liabilities	19	217,537	214,935	–	–
Trade and other payables	21	1,931,898	3,685,176	171,818	116,745
Current liabilities		2,215,275	4,881,176	171,818	116,745
Total liabilities		5,736,592	7,044,333	171,818	116,745
Total equity and liabilities		21,767,702	17,706,582	35,315,991	28,130,223

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company loss after tax for the year was €709,825 (2020: €956,408).

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

Giulio Cesareo
Chief Executive Officer
4 May 2022

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



Consolidated statement of changes in equity

for the year ended 31 December 2021

	Share capital €	Share premium €	Foreign currency translation reserve €	Retained earnings €	Total €	Non-controlling interests €	Total equity €
Balance at 31 December 2019	190,512	31,395,612	4,147	(17,656,325)	13,933,946	1,240,194	15,174,140
Total comprehensive (expense)/income for the year							
Loss of the year	-	-	-	(4,195,011)	(4,195,011)	(337,962)	(4,532,973)
Total other comprehensive (expense)/income	-	-	-	7,821	7,821	-	7,821
Total comprehensive (expense)/income for the period	-	-	-	(4,187,190)	(4,187,190)	(337,962)	(4,525,152)
Capital raised	484	-	-	-	484	-	484
Translation reserve	-	-	(11,162)	-	(11,162)	-	(11,162)
Share-based payment	-	-	-	19,286	19,286	-	19,286
Increase in share capital of Directa Textile Solutions	-	-	-	-	-	4,653	4,653
Balance at 31 December 2020	190,996	31,395,612	(7,015)	(21,824,229)	9,755,364	906,885	10,662,249
Total comprehensive (expense)/income for the year							
Loss of the year	-	-	-	(3,652,364)	(3,652,364)	222,891	(3,429,473)
Total other comprehensive (expense)/income	-	-	-	(6,457)	(6,457)	-	(6,457)
Total comprehensive (expense)/income for the period	-	-	-	(3,658,821)	(3,658,821)	222,891	(3,435,930)
Capital raised	14,397	8,306,293	-	-	8,320,690	-	8,320,690
Expenditure related to the issuance of shares	-	(542,878)	-	-	(542,878)	-	(542,878)
Translation reserve	(167)	-	(16,094)	-	(16,094)	-	(16,094)
Share-based payment	-	-	-	130,910	130,910	-	130,910
Increase in share capital of Setcar	-	-	-	-	-	912,162	912,162
Balance at 31 December 2021	205,393	39,159,027	(23,109)	(25,352,139)	13,989,172	2,041,938	16,031,110

Company statement of changes in equity

for the year ended 31 December 2021

	Share capital €	Share premium €	Retained earnings €	Total equity €
Balance at 31 December 2019	190,512	31,395,612	(2,616,722)	28,969,402
Loss for the year	-	-	(956,408)	(956,408)
Capital raised	484	-	-	484
Expenditure related to the issuance of shares	-	-	-	-
Share-based payment	-	-	-	-
Balance at 31 December 2020	190,996	31,395,612	(3,573,130)	28,013,478
Loss for the year	-	-	(709,825)	(709,825)
Capital raised	14,397	8,306,293	-	8,320,690
Expenditure related to the issuance of shares	-	(542,878)	-	(542,878)
Share-based payment	-	-	62,708	62,708
Balance at 31 December 2021	205,393	39,159,027	(4,220,247)	35,144,173

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

Consolidated and Company statement of cash flows

for the year ended 31 December 2021

	Note	Group		Company	
		31 Dec 21 €	31 Dec 20 €	31 Dec 21 €	31 Dec 20 €
Cash flows from operating activities					
Loss for the year before tax		(3,384,853)	(4,657,387)	(709,825)	(956,408)
Adjustments for:					
Depreciation	12	994,021	1,020,387	–	–
Amortisation of intangible assets	11	549,547	670,485	–	–
Share-based payment expense	7	130,910	19,286	62,708	–
Finance income	9	(221,622)	(1,175)	(211,056)	(867)
Finance expense		56,524	326,118	988	227,367
Interest of lease liabilities	9	18,157	21,589	–	–
		(1,857,316)	(2,600,697)	(857,185)	(729,908)
Increase/decrease in:					
– inventories		5,072	(280,011)	–	–
– trade and other receivables	14	(493,008)	179,292	(39,029)	37,142
– trade and other payables		(1,207,601)	(1,398,380)	55,073	33,047
– provisions and employee benefits		37,457	24,844	–	–
Net cash from operating activities		(3,515,396)	(4,074,952)	(841,141)	(659,720)
Cash flows from investing activities					
Interest received	9	1,616	1,175	–	867
Investment in intangible assets		(299,056)	(434,898)	–	–
Investment in subsidiary	13	–	–	(2,000,000)	(2,500,000)
Contingent consideration	21	(572,268)	(208,097)	–	–
Acquisition of property, plant and equipment		(767,719)	(195,991)	–	–
Net cash used in investing activities		(1,637,427)	(837,811)	(2,000,000)	(2,499,133)
Cash flows from financing activities					
Proceeds from Capital raise	17	8,320,690	484	8,320,690	484
Expenditure related to the issuance of shares	17	(542,878)	–	(542,878)	–
Interest paid	9	(45,426)	(45,647)	(988)	(2,148)
New Borrowings	18	1,511,719	1,874,243	–	–
Repayment of borrowings	18	(81,666)	(360,164)	–	–
Repayment of lease liabilities		(179,646)	(100,235)	–	–
Net cash from/(used in) financing activities		8,982,793	1,368,681	7,776,824	(1,664)
Net increase/(decrease) in cash and cash equivalent		3,829,970	(3,544,082)	4,935,683	(3,160,516)
Cash and cash equivalent at beginning of the year		7,080,492	10,906,076	4,283,625	7,669,360
Exchange (losses)/gains on cash and cash equivalents		220,006	(281,502)	211,056	(225,219)
Cash and cash equivalent at end of the year		11,130,468	7,080,492	9,430,364	4,283,625

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

Notes to the consolidated financial statements

for the year ended 31 December 2021

1. Basis of preparation

a) Statement of compliance

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

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

I. Going Concern

As of 31 December 2021, the Group (including the Company) had net assets of €16.03m (2020: €10.66m) and cash and cash equivalent of €11.13m (2020: €7.08m).

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

Considering the recent capital raise undertaken in December 2021, which resulted in £7 million of additional gross funds, and based on the most recent cash flow projections, the Directors believe that the Group will have sufficient funds in place, up to a period of 12 months from the approval date of the financial statements, to meet liabilities as and when they fall due. Despite this, given the current global economic status, the Directors have carried out a downward sensitivity analysis stressing the base financial projections by applying a further material reduction in forecast revenues, and modelling mitigation or deferral of capital and operational expenditure within the control of Management and the Board. Based on these downward scenarios, the Directors believe that the Company will still have the funds to support the Group as a going concern until the end of 2023.

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

b) Basis of consolidation

I. Business combination

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

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

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

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

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

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

II. Subsidiaries

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

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

1. Basis of preparation continued

III. Transactions eliminated on consolidation

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

IV. Non-controlling interest

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

c) Functional and presentation currency

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

d) Use of estimates and judgements

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

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

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

Estimates

I. Valuation of share based payments

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

II. Carrying value of goodwill

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

Notes to the consolidated financial statements

continued

1. Basis of preparation continued

III. Valuation of inventory

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

2. Significant accounting policies

a) Functional currency

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

I. Transaction and balances

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

b) Financial instruments

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

I. Trade and other receivables and amounts due from subsidiaries

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

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

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

II. Cash and cash equivalents

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

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

III. Trade and other payables

Trade payables are stated at their amortised cost.

IV. Financial liabilities and equity

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

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

2. Significant accounting policies continued

V. Leases

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

c) Share capital

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

d) Property, plant and equipment

I. Recognition and measurement

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

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

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

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

II. Subsequent costs

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

III. Depreciation

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

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

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

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

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

Notes to the consolidated financial statements

continued

2. Significant accounting policies continued

e) Intangible assets

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

Patent rights acquired and development expenditure are recognised at cost.

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

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

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

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

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

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

1. Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful lives of significant intangible assets are as follows:

- Patents concerning G+® technology generate significant value to the Group over a period of 20 years, in line with the legal duration of the patent and their useful lives. However, on a conservative basis, such costs are amortised over a period of 10 years.
- Brand: 5 years.
- Development costs concerning personnel capitalised: 5 years.
- Others: 5 years.

f) Inventories

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

g) Goodwill

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

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

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

2. Significant accounting policies continued

h) Impairment

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

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

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

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

i) Employee benefits

Defined benefit scheme surpluses and deficits are measured at:

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

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

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

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

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

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.

Notes to the consolidated financial statements

continued

2. Significant accounting policies continued

j) Revenues

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

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

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

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

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

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

k) Government grants

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

l) Finance income and finance costs

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

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

m) Investments in subsidiaries (Company only)

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

n) Taxation

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

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

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

2. Significant accounting policies continued

Deferred tax is not recognised for:

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

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

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

Adoption of new and revised standards

New standards, interpretations and amendments effective from 1 January 2021

The IFRS financial information has been drawn up on the basis of accounting policies consistent with those applied in the financial statements for the year to 31 December 2020, except for the following:

- Interest Rate Benchmark Reform – Amendment to IFRS 7, IFRS 9, IFRS 16 and IAS 39.

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

New standards, interpretations and amendments not yet effective

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

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

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

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

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

Notes to the consolidated financial statements

continued

2. Significant accounting policies continued

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023. In response to feedback and enquiries from stakeholders, in December 2020, the IFRS Interpretations Committee (IFRIC) issued a Tentative Agenda Decision, analysing the applicability of the amendments to three scenarios. However, given the comments received and concerns raised on some aspects of the amendments, in April 2021, IFRIC decided not to finalise the agenda decision and referred the matter to the IASB. In its June 2021 meeting, the IASB tentatively decided to amend the requirements of IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year. The Group is currently assessing the impact of these new UK adopted accounting standards and amendments. The Group will assess the impact of the final amendments to IAS 1 on classification of its liabilities once the those are issued by the IASB.

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

3. Operating segments

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

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

- Textile.
- Environmental.
- Others.

Textile and Environmental were considered by Management the strategic segments able to sustain the growth. Management's strategic needs are constantly monitored and an update of the segments will be provided if required. Any further update of the segment analysis will be reflected in this section.

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

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

3. Operating segments continued

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

2020	Textile €	Environmental €	Others €	Head office €	Consolidated €
Revenue	1,943,924	4,360,864	129,692	–	6,434,480
Cost of sales*	(1,221,579)	(1,971,859)	(74,872)	–	(3,268,310)
Gross profit	722,345	2,389,005	54,820	–	3,166,170
Other income	85,980	204,450	27,206	28,189	345,826
Other expenses:					
– R&D expense	(96,915)	(25,500)	–	–	(122,415)
– Advisory	(50,752)	(335,248)	–	(905,021)	(1,291,022)
– Operating expenses	(1,332,294)	(2,214,108)	(138,874)	(1,033,266)	(4,718,541)
– Depreciation and amortisation	(508,331)	(1,143,250)	(39,291)	–	(1,690,872)
Operating loss	(1,179,967)	(1,124,652)	(96,138)	(1,910,098)	(4,310,855)
Financial costs	–	–	–	(346,532)	(346,532)
Tax	–	–	–	124,414	124,414
Loss of the year	(1,179,967)	(1,124,652)	(96,138)	(2,132,216)	(4,532,973)
Total assets	5,609,005	11,083,261	1,014,317	–	17,706,582
Total liabilities	2,443,527	2,680,121	1,920,685	–	7,044,333

*Includes changes in inventories of finished goods.

Notes to the consolidated financial statements

continued

3. Operating segments continued

	2021 €	2020 €
Sale of products	2,898,224	2,137,289
Sale of services	5,716,874	4,297,191
Government grants	166,112	159,815
Other	665,293	186,011
Total income	9,446,503	6,780,306

Geographical breakdown of revenues is:

	2021 €	2020 €
Italy	1,755,329	1,555,622
Romania	6,563,839	4,495,661
Rest of the world	295,930	383,197
Total	8,615,098	6,434,480

The Group has transacted with 3 main customers in 2021, which accounted for more than 10% of Group revenues for sales of products and services. This largest customer accounted for 16% of revenues (€1,349,981), the second largest to 12% (€1,006,649), whilst the third for 11% (€907,323).

Other Income of €831,405 mainly includes the release of an undue obligation for €503,904, as the former shareholders of Setcar renounced to dividends not paid yet, Government Grants for €166,112, and R&D Expenditure Credit (RDEC) for €33,425. 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:

	2021 €	2020 €
Innodriver	25,000	–
Inno4covid	99,889	–
Green.Tex	30,616	54,278
COVID-19 government grants	–	103,536
Techfast	10,607	–
Total	166,112	157,814

During 2021, the Company took part in Inno4Covid, a European project for fostering innovation, prevention and surveillance in response to Covid-19. The project was 100% financed for a total amount of €99,889, of which 50% was collected during the year.

Directa Plus keeps investing in the activities related to the Green.Tex project, whose deadline was extended up until April 2022.

In 2021, the Company was also awarded with the inclusion in the Tech Fast project, with an overall value of approximately €290,000, financed at 50%. The tender, concerning eco-innovation for industrial antimicrobial and antiviral filtration through the use of graphene, will end in 2022.

Directa Plus also obtained the Innodriver grant (€25,000) to support the study of new products in the textile sector.

4. Government grants continued

The key terms of government grants are:

	Green.Tex	Tech fast	Inno4covid	Innodriver	Ecopave
Starting date	2020	2021	2021	2021	2017
Ending date	2022	2022	2021	2021	2021
Duration (months)	21	12	8	n.a.	37
Total amount	96,192	147,028	99,889	25,000	214,000
Final report submitted	on-going	on-going	Yes	Yes	Yes

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

5. Inventory

	2021 €	2020 €
Finished products	1,141,372	1,071,173
Spare parts	76,663	110,808
Raw material	93,798	97,712
Working in progress	59,042	96,254
Total	1,370,875	1,375,947

As of 31 December 2021, total inventory value is in line with 2020; the finished products mainly referred to Directa Plus SpA. Spare parts inventory was required to enhance maintenance efficiency and is composed of a small number of critical items with a material cost per unit.

6. Raw materials and consumables

	2021 €	2020 €
Raw material and consumables	2,711,528	1,670,305
Textile products	922,783	894,012
Total	3,634,311	2,564,317

The increase in raw materials is in line with the business growth.

Notes to the consolidated financial statements

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7. Employee benefits expenses

	2021 €	2020 €
Wages and salaries	3,525,876	3,264,227
Social security costs	559,856	496,428
Employee benefits	111,964	89,169
Share option expense	130,910	19,286
Other costs	103,877	62,099
Total	4,432,483	3,931,208
Capitalised cost in "Intangible assets"	(135,528)	(161,935)
Total charged to the Income Statement	4,296,955	3,769,274

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

	2021	2020
Sales and Administration	30	27
Engineering, R&D and production	165	166
Total	195	193

The total average number of employees of the Group as at 31 December 2021 was 195 (2020: 193), of which 166 employed by Setcar.

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

	2021 €	2020 €
Wages and salaries	773,683	836,709
Total	773,683	836,709

The aggregate emoluments (wages, salaries and social contributions) of the highest paid Director totalled €527k (2020: €495k).

Share-base payment expenses were €130,910, of which €62,708 accounted for in the Parent Company accounts as directly attributable to the Executive Directors.

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

8. Other expenses:

Other expenses include:

	2021 €	2020 €
Audit of the Group and Company financial statements	81,991	79,347
Audit of the subsidiaries' financial statements	36,230	37,968
Other non-audit services provided by Group's auditor	5,978	4,422
Tool manufacturing	296,965	508,363
Analyses & tests	377,028	128,152
Travel	69,659	78,012
Technical consultancies	277,117	223,732
Shipping and logistic expenses	260,014	365,317
Insurance	165,347	112,122
Marketing	32,989	27,866
Legal, tax and administrative consultancies	915,234	962,365

Analyses & tests expenses (€377,028) and technical consultancies refer to R&D activities outsourced to external labs and universities. Both cost categories have increased over the last year in line with the business growth.

The increase in the insurance expenses (€165,347) was mainly driven by the hard market conditions, which led to a general increase in premiums.

9. Net finance expenses

Finance expenses include:

	2021 €	2020 €
Interest Income	(1,616)	(1,175)
Interest on loans and other financial costs	45,426	45,719
Interest on lease liabilities	18,157	21,589
Interest cost for benefit plan	11,098	10,131
Foreign exchanges losses/(gains)	(220,006)	270,268
Total	(146,941)	346,532

Foreign exchange income of €220,006 (2020: -€270,268) includes €211,056 of Sterling to Euro movement in the Group's Sterling bank accounts.

Notes to the consolidated financial statements

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10. Taxation

	2021 €	2020 €
Current tax (expense)/income	(1,727)	404
Deferred tax expense/(recovery)	(42,893)	(124,818)
Total tax expenses	(44,620)	(124,414)

Reconciliation of tax rate

	2021 €	2020 €
Loss before tax	(3,384,853)	(4,657,387)
Italian statutory tax rate	24%	24%
	(812,365)	(1,117,773)
Impact of temporary differences	4,431	155,430
Losses recognised	(49,052)	(31,016)
Impact of tax rate in foreign jurisdiction	(35,491)	47,820
Losses not utilised	847,857	1,069,953
Total tax expenses	(44,620)	(124,414)

Tax losses carried forward have been recognised as a deferred tax asset up to the point that they are recoverable against taxable temporary differences. All other tax losses are carried forward and not recognised as a deferred tax asset due to the uncertainty regarding generating future taxable profits. Tax losses carried forward are €31,494,057 (€27,762,446 in 2020).

11. Intangible assets

	Development cost €	Patents €	Goodwill €	Others €	Brands €	Total €
Cost						
Balance at 31/12/2019	2,765,023	437,933	303,552	249,580	384,124	4,140,213
Additions	379,998	111,151	–	35,814	–	526,963
<i>Currency translation differences</i>	(218)	(3,344)	(5,204)	(289)	(7,107)	(16,162)
Balance at 31/12/2020	3,144,804	545,740	298,348	285,105	377,017	4,651,014
Additions	135,527	172,307	–	(1,063)	–	306,771
<i>Currency translation differences</i>	(184)	–	(4,391)	(3,059)	(5,996)	(13,630)
Balance at 31/12/2021	3,280,147	718,047	293,957	280,983	371,021	4,944,154
Amortisation						
Balance at 31/12/2019	1,731,795	145,349	–	54,214	6,402	1,937,760
Amortisation 2020	357,746	218,247	–	18,593	75,899	670,485
Balance at 31/12/2020	2,089,541	363,596	–	72,807	82,301	2,608,245
Amortisation 2021	389,299	71,829	–	13,797	74,621	549,547
<i>Currency translation differences</i>	(271)	–	–	(3,313)	(2,330)	(5,914)
Balance at 31/12/2021	2,478,569	435,425	–	83,291	154,592	3,151,877
Carrying amounts						
Balance 31/12/2019	1,033,228	292,584	303,552	196,811	377,722	2,202,452
Balance 31/12/2020	1,055,262	182,145	298,348	213,743	294,715	2,042,767
Balance 31/12/2021	801,578	282,623	293,957	199,137	216,428	1,792,277

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

Management, throughout the support of external experts, carried out an impairment test on goodwill accounted following the acquisition of Setcar S.A. in 2019.

The CGU is represented by Setcar itself, whose carrying amount as of 31 December 2021 was estimated equal to €5.1m.

The impairment review of the CGU is based on an assessment of the CGU's value in use ("VIU"). In calculating VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 10.9% that reflects current market assessments of the time value of money and the risks specific to the asset/CGU and a perpetual annual growth rate of 1.6%.

Based on such assumptions, the recoverable amount was estimated equal to €27.4m. In addition, a sensitivity analysis was performed, assuming a +/- 0.5% variation in the discount rate and a +/- 0.5% variation in the perpetuity growth rate. This led to a recoverable amount estimated in the range of €26m and €29m.

As a conclusion, the verifications have shown that the book values can be fully recovered and no goodwill impairment is required as of 31 December 2021.

Notes to the consolidated financial statements

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12. Property, plant and equipment

Cost	Industrial equipment	Computer equipment	Office equipment	Plant & machinery	Land	ROU assets	Under construction	Total
	€	€	€	€	€	€	€	€
Balance at 31/12/2019	1,235,693	56,554	179,469	4,202,028	608,395	456,819	2,445	6,741,402
Additions	52,825	17,967	9,391	171,819	-	322,309	-	574,356
Disposals	-	-	-	(23,343)	-	-	-	(23,343)
Currency translation differences	(21,101)	-	(16,232)	(53,298)	(11,257)	-	-	(101,934)
Balance at 31/12/2020	1,267,415	74,521	172,627	4,297,207	597,138	779,128	2,445	7,190,481
Additions	392,141	10,095	13,934	416,922	-	-	-	833,092
Disposals	(6,435)	-	(3,143)	(31,124)	-	-	-	(40,703)
Currency translation differences	(32,070)	-	(2,228)	(50,895)	(9,498)	-	(38)	(94,728)
Balance at 31/12/2021	1,621,051	84,616	181,189	4,632,110	587,640	779,128	2,407	7,888,141
Depreciation								
Balance at 31/12/2019	193,331	36,113	67,587	1,637,482	-	76,136	-	2,010,649
Depreciation 2020	378,873	7,693	35,432	517,406	-	80,984	-	1,020,388
Currency translation differences	(17,894)	-	(2,356)	(30,851)	-	-	-	(51,101)
Balance at 31/12/2020	556,309	43,807	100,663	2,123,314	-	157,120	-	2,981,213
Depreciation 2021	287,741	9,312	49,791	544,774	-	102,402	-	994,021
Currency translation differences	(21,983)	-	(4,986)	(43,089)	-	-	-	(70,059)
Balance at 31/12/2021	822,067	53,119	145,468	2,624,999	-	259,522	-	3,905,175
Carrying amounts								
Balance 31/12/2019	1,042,362	20,440	111,882	2,564,546	608,395	380,683	2,445	4,730,752
Balance 31/12/2020	711,106	30,714	71,965	2,173,892	622,008	597,138	2,445	4,209,268
Balance 31/12/2021	798,985	31,496	35,722	2,007,110	519,606	519,606	2,407	3,982,966

Asset held under financial leases with a net book value of € 557,243 are included in the above table within Plant & Machinery.

13. Investments in subsidiaries

Details of the Company's subsidiaries as at 31 December 2021 are as follows:

Subsidiaries	Country	Principal activity	Shareholding	
			2021	2020
Directa Plus S.p.A.	Italy	Producer and supplier of graphene-based materials and related products	100%	100%
Directa Textile Solutions Srl	Italy	Commercialise textile membranes, including graphene-based technical and high-performance membranes	73.5%	73.5%
Setcar S.A.	Romania	Waste management and decontamination services business	52%	51%

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
Setcar S.A.	Romania	Str. Gradinii Publice 6, Braila Romania	See registered office

13. Investments in subsidiaries continued

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

	Directa S.p.A.
At 31 December 2019	21,180,336
Additions	2,500,000
At 31 December 2020	23,680,336
Additions	2,000,000
At 31 December 2021	25,680,336

14. Trade and other receivables

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Current				
Account receivables	2,339,369	2,174,967	–	–
Tax Receivables	465,953	443,857	49,539	23,265
Other receivables	500,171	238,636	155,752	142,997
Total	3,305,493	2,857,460	205,291	166,262

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Non-current				
Other receivables	185,623	140,649	–	–
Total	185,623	140,649	–	–

Group account receivables of €2,339,369 are mainly composed by seven major clients, covering 60% of the total amount.

Group Tax Receivables are composed of Italian VAT receivables of €278,812, UK VAT receivables of €49,539, Romanian VAT receivables of €50,785, RDEC Tax Credit receivables of €73,894 and other Italian Tax receivables of €12,923.

Other receivables are mainly composed of governments grants for €213,160 and prepayments for €277,089.

Non-current other receivables of €185,623 refer to specific projects where the collection of a certain amount, although due, is postponed to the end of the project itself.

Notes to the consolidated financial statements

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14. Trade and other receivables continued

As at 31 December 2021 the ageing of account receivables was:

Days overdue	2021 €	2020 €
0-60	1,771,113	1,895,323
61-180	251,458	50,372
181-365	101,450	231,109
365 +	215,348	57,786
Total	2,339,369	2,174,967

As at 31 December 2021 the Group recognised provision for €46,892€ mainly referred to Setcar's overdue debts.

15. Deferred tax liabilities

	2021 €	2020 €
Deferred tax liabilities	174,158	138,147
Deferred tax assets – losses	(84,661)	(129,724)
Total	89,497	8,423

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

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

	2021 €	2020 €
Deferred tax liabilities – cost capitalised	86,313	121,504
Deferred tax liabilities – other	(1,652)	8,220
Deferred tax liabilities arising from acquisition	89,497	8,423
Deferred tax assets – losses exc. Setcar	(84,661)	(129,724)
Total	89,497	8,423

16. Cash and cash equivalents

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Cash at bank	11,126,683	7,075,447	9,430,364	4,283,625
<i>of which restricted cash</i>	40,000	–	–	–
Cash in hand	3,785	5,045	–	–
Total	11,130,468	7,080,492	9,430,364	4,283,625

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

17. Equity

	2021 €	2020 €
Share capital	205,393	190,996
Share premium	39,159,027	31,395,612
Foreign currency translation reserve	(23,109)	(7,015)
Retained earnings	(25,352,139)	(21,824,229)
Non-controlling interests	2,041,938	906,885
Balance at 31 December	16,031,110	10,662,249

Share capital	Number of ordinary shares	Share capital (€)
At 31 December 2019	60,998,983	190,512
Share issue on 26 June	111,980	309
Share issue on 30 June	63,624	175
At 31 December 2020	61,174,587	190,996
Share issue on 14 January *	190,872	535
Share issue on 29 December – capital raise **	1,670,518	4,962
Share issue on 30 December – capital raise **	2,996,149	8,900
At 31 December 2021	66,032,126	205,393

* On 14 January 2021, 190,872 ordinary shares with a nominal value of £0.0025 each were issued as effect of the exercise of options of ordinary shares for Directors and Senior Managers.

** On 29 and 30 December 2021, 4,666,667 ordinary shares with a nominal value of £0.0025 each were issued as effect of the Company's capital raise.

Share premium	Share premium €
At 31 December 2019	31,395,612
Shares issued	–
Expenditure relating to the raising of shares	–
At 31 December 2020	31,395,612
Shares issued	8,306,293
Expenditure relating to the raising of shares	(542,878)
At 31 December 2021	39,159,027

On 29 and 30 December 2021, as a result of the Company's capital raise, 4,666,667 ordinary shares were issued at a price of £1.5 each. The Company accounted for €8,306,293 of gross share premium reserve, net of €542,878 of expenditure directly referred to the transaction.

Share capital

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

Share premium

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

Foreign currency translation reserve

Exchange differences resulting from the consolidation process of Setcar are recognised in the translation reserve for an amount of € 7,183.

Non-controlling interest

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

As of 31 December 2021, non-controlling interest is composed by 48% of Setcar S.A. and 26.46% of Directa Textile Solutions Srl.



Notes to the consolidated financial statements

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18. Loans and borrowings

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Non-current Loans and borrowings	2,403,881	1,017,716	–	–
Current Loans and borrowings	65,840	981,065	–	–
Total	2,469,721	1,998,781	–	–

	2021 €	Current €	Non current €	Repayment	Interest rate
Bank of Transilvania	660,328	–	660,328	36-months	Variable 4.7% ROBOR 3M + 2,5%/year
Bank of Transilvania IMM INV	464,143	–	464,143	60-months	Variable 4.11% ROBOR 3M + 2.11%/ year+2%
GVC Investment Company LMT	16,630	16,630	–	12-months	1.5%/year
Intesa San Paolo	300,000	18,393	281,607	72-months	1.5%/year + EURIBOR 3M
Intesa San Paolo	25,000	3,076	21,924	72-months	1.5%/year + EURIBOR 3M
Intesa San Paolo	500,000	–	500,000	72-months	1.5%/year + EURIBOR 3M
Banca Popolare di Sondio	500,000	24,121	475,879	72-months	1.5%/year + EURIBOR 3M

Reconciliation of liabilities arising from financing activities

	Cash flows			Non cash flows		31 December 2021 €
	1 January 2021 €	Capital repayment €	Liabilities acquired €	Accrued interest €	Liabilities acquired €	
Borrowings	1,998,781	(81,666)	1,511,719	1,642	(960,755)	2,469,721
Total	1,998,781	(81,666)	1,511,719	1,642	(960,755)	2,469,721

19. Leases liabilities

The following table details the movement in the Group's lease obligations for the period ended 31 December 2021:

	2021 €	2020 €
Non-current lease liabilities	463,047	627,138
Current lease liabilities	217,537	214,935
Total	680,584	842,073

20. Employee benefits provision

	2021 €	2020 €
Employee benefits	500,535	444,483
Total	500,535	444,483

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 2020 and 2021 is as follows:

	€
Amount at 31 December 2019	406,534
Service cost	57,081
Interest cost	10,131
Actuarial gain/losses	(7,821)
Past service cost	-
Benefit paid	(21,442)
Amount at 31 December 2020	444,483
Service cost	47,536
Interest cost	11,098
Actuarial gain/losses	6,457
Benefit paid	(9,039)
Amount at 31 December 2021	500,535

Variables analysis

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

	2021	2020
Annual rate interest	2.30%	2.30%
Annual rate inflation	1.10%	1.10%
Annual increase TFR	7.41%	7.41%
Tax on revaluation	17.00%	17.00%
Social contribution	0.50%	0.50%
Increase salary male	1.20%	1.20%
Increase salary female	1.15%	1.15%
Rate of turnover male	1.70%	1.70%
Rate of turnover female	1.50%	1.50%

Notes to the consolidated financial statements

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20. Employee benefits provision continued

Sensitivity analysis

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

Actuarial hypothesis – 2021

		Decrease 10%		Increase 10%	
		Rate	Variation DBO €	Rate	Variation DBO €
Increase salary	Male	1.08%	(4,767)	1.32%	1,277
	Female	1.04%		1.27%	
Turnover	Male	1.53%	(4,962)	1.87%	1,325
	Female	1.35%		1.65%	
Interest rate		2.07%	11,788	2.53%	(14,631)
Inflation rate		0.99%	(6,032)	1.21%	2,546

21. Trade and other payables

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Non-current				
Other payables	64,357	65,397	–	–
Total	64,357	65,397	–	–

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Current				
Trade payables	946,694	1,364,787	93,332	54,725
Employment costs	609,397	519,466	–	–
Other payables	375,807	1,228,655	78,486	62,020
Contingent consideration at fair value through P&L	–	572,268	–	–
Total	1,931,898	3,685,176	171,818	116,745

In 2021 Setcar released an obligation to its former shareholders for a total amount of €504k, accounted as other income in the Consolidated statement of comprehensive income. As of December 2020, this amount was accounted within other payables.

Over 2021 the Group paid the last tranches of contingent consideration to the former shareholders of Setcar for a total amount of €572,268.

22. Financial instruments

Financial risk management

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

a) Market risk

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in interest rates or foreign exchange rates. As at 31 December 2021 the Group is exposed to variable interest rate risk for a short term revolving loan and for the loans recently issued by Directa Plus SpA under the Italian Government Covid-19 Recovery Plan. Those loans, being 90% guaranteed by the Italian Government, bear a low interest rate (1.5% + EURIBOR) and, if the interest rate had increased or decreased by 100 basis points during the year the reported loss after taxation would not have been materially different to that reported.

b) Capital Risk

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

c) Credit Risk

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

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

The Group's trade receivables consist of receivables for revenue mainly in Italy and Romania. Management believes that the Group's exposure to credit risk is manageable and currently the Group's standard payment terms are 30 to 60 days from date of invoice are largely met from the clients. At the end of the period, 74% of account receivables have an ageing less of 60 days and refers to orders delivered close to the year end. As at 31 December 2021 the Group recognised a cumulated bad debt provision for €46,893.

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

d) Exposure to credit risk

Group	Note	2021 €	2020 €
Trade receivables	14	2,339,369	2,174,967
Cash and cash equivalent	16	11,130,468	7,080,492
Total		13,469,837	9,255,459

The largest customer within trade receivables account for 13% of debtors. Management continually monitors this dependence on the largest customers and are continuing to develop the commercial pipeline to reduce this dependence, spreading revenues across a variety of customers.

Notes to the consolidated financial statements

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22. Financial instruments continued

e) Liquidity risk

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

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

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

f) Currency risk

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

EUR

Cash held in GBP	9,159,734
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As of January 2022, to reduce the exposure to liquidity risk, Directors decided to translate GBP 4.5 million into EUR. As at 24 March 2022 the total cash held in GBP is equal to £3.5 million. If the exchange rate EUR/GBP increase by 10% the impact on P&L would be a loss equal to €0.4 million (if decrease by 10% would be a profit equal to €0.4 million).

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

23. Earnings per share

	Change in number of ordinary shares	Total number of ordinary shares	Days	Weighted number of ordinary shares
At 31 December 2020	175,604	61,174,587	365	61,087,158
Existing shares	–	61,174,587	13	2,178,821
Issued on 14 Jan 2021	190,872	61,365,459	349	58,675,466
Issued on 29 Dec 2021	1,670,518	63,035,977	2	345,403
Issued on 30 Dec 2021	2,996,149	66,032,126	1	180,909
At 31 December 2021	4,857,539	66,032,126	365	61,380,599

	Basic		Diluted	
	2021 €	2020 €	2021 €	2020 €
Loss attributable to the owners of the Parent	(3,652,364)	(4,195,011)	(3,652,364)	(4,195,011)
Weighted average number of ordinary shares in issue during the year	61,380,599	61,087,158	–	–
Fully diluted average number of ordinary shares during the year	–	–	61,649,085	61,477,110
Loss per share	(0.06)	(0.07)	(0.06)	(0.07)

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

24. Share schemes

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

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

Under the 2020 Employees' Share Scheme, in November 2020 1,801,000 options over Ordinary Shares were granted to key employees and additional 150,000 options were granted to an Executive Director in June 2021 under the same Scheme. As of 31 December 2021, the total number of outstanding Ordinary Shares awards is 1,184,000, of which 517,000 vested after the first year and 250,000 were revoked.

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

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

Eligibility

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

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24. Share schemes continued

Types of award

Awards granted under the Employees' Share Scheme have the form of market value share options. "Market value share options" are share options with an exercise price equal to the market value of a share at the date of grant. The right to exercise the award is generally dependent upon the participant remaining an officer or employee throughout the performance period. This is subject to the good leaver provisions 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.

Variation of share capital

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

Vesting of awards

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

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

Monte-Carlo simulation	Market value shares
Share price	60p
Exercise price	66p
Expected volatility	54%
Compounded Risk-Free Interest Rate	0.10%
Expected life	6 years
Number of options issued*	1,801,000

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

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

	Outstanding at start of period	Granted during the period	Cancelled during the period	Expired during the period	Vested during period	Outstanding at end of period	Exercisable period option price	Grant date	Exercisable date
31 December 2019	1,639,877	–	(25,523)	(733,066)	(821,288)	60,000	75p	12 May 2017	12 May 2020
31 December 2020	60,000	1,801,000	–	–	(60,000)	1,801,000	66p	12 Nov 2020	12 Nov 2023
31 December 2021	1,801,000	150,000	(250,000)	–	(517,000)	1,184,000	66p – 118p	12 Nov 2020 – 15 Jun 2021	12 Nov 2023 – 15 Jun 2023

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

As of 14 January 2021, two Directors and two Senior Managers of the Company had exercised 190,872 ordinary shares, originally vested under the 2016 Employees Share Scheme.

25. Related parties

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

Remuneration of key management personnel

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

	2021 €	2020 €
Short-term employee benefits and fees	407,451	278,619
Social security costs	102,469	68,576
	509,920	347,195

The increase in 2021 is mainly explained by the fact that during the year an employee was appointed as part of the Executive Management Team of Directa Plus SpA.

For Directors remuneration please see Director's Remuneration Report.

Transactions with shareholders

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

	2021 €	2020 €
Sale of products	–	3,948

Products are sold on normal commercial terms and conditions.

Other transaction Group

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

	2021 €	2020 €
Sale of products	19,395	15,886

Products are sold on normal commercial terms and conditions.

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26. Contingent liabilities and commitments

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

	2021 €	2020 €
Bank guarantees	163,340	141,553

27. Post balance sheet events

At the date of this report, it is still unrealistic to properly assess the potential impacts of the Ukrainian conflict on the Group. Directors are monitoring the evolution of the macro-economic scenario and consequently re-adjusting, where necessary, the Group's strategy and operational priorities. The Group is likely to be hit by inflation trends (as a consequence of the increase in energy and transportation costs) and, presumably, by some contracts slowdown. However, Directors believe that overall, the conflict will not affect the going concern of the Group, and, under certain circumstances, it will create some potential opportunities, such as from the price increase of oil and other materials could generate significant out-turns for the Group and its clients.

On 15th March 2022, Directa Plus S.p.A. granted its subsidiary Setcar SA a loan of €1 million, payable in 1 year with an annual interest rate of 4.5%. Those funds, raised in the context of the capital increase completed in December 2021, will support Setcar in responding to significant new tenders and provide additional liquidity for its general working capital purposes.

Directors, secretary and advisers

Directors

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Giulio Cesareo – CEO and Founder
Giorgio Bonfanti – Chief Financial Officer
David Gann – Non-Executive Director
Neil Warner – Non-Executive Director
Richard Hickinbotham – Non-Executive Director

Company Secretary

Giorgio Bonfanti

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