

28 April 2017

**Directa Plus plc**  
**(“Directa Plus” or the “Group”)**

**Full Year Results**

Directa Plus (AIM: DCTA), a producer and supplier of graphene-based products for use in consumer and industrial markets, announces its full year results for the year ended 31 December 2016.

**Key Performance Indicators**

	<b>2016</b>	<b>2015</b>
Revenue from product sales (ex MDU) (€'m)	0.74	0.39
Group revenues (€'m)	0.74	1.39
Adjusted loss after tax** (€'m)	4.11	1.73
Production (tonnes delivered)	3.1	1.3
Number of active customers	16	7
Total number of patents granted	14	12

**Financial Summary**

- Revenue from graphene sales increased by 89% to €0.74 million (2015 revenues excluding MDU – Mobile Decontamination Units: €0.39 million) (2015 revenues including MDU: €1.39 million)
- EBITDA\* loss for the year increased to €3.7 million (2015: €2.7 million)
- Adjusted EBITDA loss\*\* for the year increased to €2.4 million (2015: €0.8 million)
- Loss after tax for the year increased to €6.4 million (2015: €4.4 million)
- Adjusted loss after tax\*\*\* for the year increased to €4.1 million (2015: €1.7 million loss)
- Admitted to AIM on 27 May 2016, successfully raising £12.8 million (approximately €16.8 million) gross at 75 pence per share
- Non-cash cost of the embedded derivative associated with convertible loan was €1.04 million (2015: €0.71 million)
- Cash and cash equivalents at 31 December 2016 were €10.6 million (2015: €2.0million)

\* EBITDA represent results from operating activities before depreciation and amortisation of €0.57m

\*\* Adjusted EBITDA loss stated before IPO costs (€0.43m); exceptional write down (€0.84m) of receivables from a customer and related increase in inventory value (€0.15m); and share options costs (€0.15m). 2015 adjusted EBITDA loss stated before the provision of €1.93m against the Group's D+ technology

\*\*\* 2016 adjusted loss after tax stated before non-recurring IPO costs (€0.43m); the non-cash cost of the embedded derivative associated with a convertible loan (€1.04m); exceptional write down (€0.84m) of receivables from a customer and related increase of inventory value (€0.15m); and share options costs (€0.15m). 2015 adjusted loss after tax stated before the provision of €1.93m against the Group's D+ technology and the non-cash cost of the embedded derivative associated with a convertible loan (€0.71m)

**Operational Highlights**

- Delivered 3.1 tonnes of Graphene Plus (G+) materials (2015: 1.3 tonnes)
- Throughput Project has successfully improved production process delivering increased efficiency and expanding the Group's graphene product range
- Two further patents granted during 2016 covering the liquid exfoliation phase and the entire G+ process
- Two further patents filed in respect of Grafysorber® and elastomer applications
- Total portfolio of 14 patents granted with a further 18 pending

- Over 16 active customers (2015: 7 active customers), 8 of which are global players
- Extended product portfolio from 6 to 10 to better satisfy customer needs and to address new markets

### Commercialisation Progress

#### *Textiles*

- Launched Directa Textile Solutions, through the acquisition of Osmotek Srl, to enhance the route-to-market for the Group's textile applications
- Colmar successfully launched first G+ enhanced clothing collection

#### *Environmental*

- Sold, in aggregate, first kilometre of Grafysorber® booms to a growing number of recurring customers

#### *Composites*

- Progressed two-year Joint Development Agreement (“JDA”) signed in 2015 with leading spectacles company, completing the industrialisation of a fine-tuned G+ enhanced polymer
- Commercial launch of Grafylon®3D, a graphene-enhanced filament for 3D printing, developed in collaboration with FILOALFA

#### *Elastomers*

- Several victories achieved in various competitions by cyclists using the new G+ collection of Vittoria tyres, including a gold medal at the 2016 Summer Olympics

### **Post year-end Highlights**

#### *Textiles*

- Colmar launched an expanded collection of 16 G+ enhanced sports garments (2015: 4)
- Two JDAs signed with global textile producers and a third under discussion for high performance fabrics incorporating G+ material for sportswear and leisurewear

#### *Environmental*

- Discussions progressing regarding substantial opportunities to use Grafysorber® to clean contaminated water produced from oilfields in the Middle East
- Advanced discussion for rental or sale of Mobile Decontamination Units in Eastern Europe, Middle East and North Africa
- Agreement signed with IIT (Istituto Italiano di Tecnologia), a major Italian research centre, to develop the second generation of Grafysorber® for water treatment applications

#### *Composites*

- Expect to receive first industrial order for G+ material for brake pads in Q2 2017
- Major spectacles company launched the first spectacles collection enhanced by G+

#### *Elastomers*

- JDA under negotiation with leading global footwear company to provide sustainable solution for high performance soles
- Parker, a leading company in rubber-based applications, is continuing to test G+ material in a wider range of applications
- Expecting a reduction in volume into the bicycle tyre segment in 2017, as the market adjusts to on-going levels of demand across Vittoria's product range

### **Outlook**

- Deepening engagement with existing and potential customers to provide more comprehensive solutions will mean timeframe to adoption will be up to 12 months longer than previously anticipated. As a result, and together with the now expected slowdown in volumes in 2017 into tyre segment and the time required to conclude the ongoing discussions on rental or sales of MDUs, the Group now expects a significant reduction in anticipated revenues for 2017

Giulio Cesareo, Chief Executive Officer of Directa Plus, said: “This was a significant year for Directa Plus because of the progress we made throughout the period. We gained new customers and those customers who we have been working with closely over the past year launched products with G+ inside them that were well received by the consumer. The year was also significant because we secured ourselves financially through our listing on AIM. The monies raised are enabling us to capitalise on the pipeline of commercial opportunities that we are exploring with existing and potential partners. The raised profile, through the IPO, has also brought significant opportunities to us from across the globe.

“Directa Plus has entered 2017 with increased engagement with current and new customers and continues to attract interest from companies worldwide. Specifically, we expect the textiles segment to feature prominently this year. Colmar has launched its second collection of G+ clothing and we are in advanced discussions with some of the world’s largest clothing brands to incorporate our G+ products into their new range of clothing. We anticipate working with these new customers this year to test and produce new enhanced clothing, however, revenues generated from these are expected to ramp up only when the new products are launched into the mass market in 2018 and beyond. We also anticipate the environmental segment to be active during the year as we see increased interest from Europe, Middle East and USA for our Grafysorber® product.

“Directa began 2017 with much greater capability than a year ago. 2016 was a year of intense and focused learning resulting in improved development and engineering capability; and much deeper market knowledge. In 2017 we will build on these foundations to allow us to improve production processes, further develop quality control procedures, further develop out patent families and more rapidly assess market opportunities. Accordingly, in light of the significant opportunities and the building momentum within the business, the Board feels confident that the Group is well positioned to capture growth within its target markets, principally environmental and textiles, and continues to look to the future with optimism.”

*This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is disclosed in accordance with the Group's obligations under Article 17 of those Regulations*

## Enquiries

<b>Directa Plus plc</b>	
Giulio Cesareo, CEO Marco Ferrari, CFO	+39 02 36714458
<b>Cantor Fitzgerald Europe (Nominated Adviser and Broker)</b>	
Marc Milmo, David Foreman, Michael Reynolds (Corporate Finance) Mark Westcott, David Banks (Sales)	+44 20 7894 7000
<b>Luther Pendragon (Financial PR)</b>	
Harry Chathli, Claire Norbury, Alexis Gore	+44 20 7618 9100

## **Chairman's Statement**

I am proud to be presenting our maiden annual results following our listing in May 2016. It has been a momentous year for Directa Plus, one where we not only completed our IPO but also built upon the solid foundations set in the previous year.

In the relatively short period since becoming a public company, we have continued to implement our strategy outlined at the time of our IPO and, whilst we have encountered some delay in the sale of Mobile Decontamination Units, we are pleased with the significant progress that the business has made. We now have over 16 active customers in 2016 (7 active customers in 2015) and revenues from the sale of graphene grew by 89% (excluding MDUs) in 2016 over 2015.

### **Commercialisation Strategy**

In 2016, our priority was to move towards the commercialisation of our graphene-based products. During the year, the Board focused on setting out the Company's strategy for growth, involving detailed examination of each of our primary target markets.

The key elements of our commercial strategy are as follows:

- Position the business high in the value chain providing visibility to our G+ brand
- Low cost, modular, highly scalable, high-yield process able to produce revenues at each phase of production
- A chemical-free process using only physics that result in our G+ materials being non-toxic and non-cytotoxic
- Production of several grades of material designed for different applications able to be utilised directly in the supply chains of large companies
- Flexible process with at least two different types of equipment in each production phase
- On-going broadening of the customer base and securing JDAs for further penetration into key target markets
- To maintain Directa Plus' leading market position by being able to fine tune particles' morphology to meet customers' application needs

The progress we have achieved in 2016 in implementing our strategy are discussed in the Chief Executive's Review below. The Board believes that a clear and focused strategy, together with a highly motivated and talented management team, patented technology and products, and strong financial discipline, means Directa Plus is well positioned to realise sustainable, long-term growth.

### **Leading position amongst companies commercialising graphene and graphene-based products**

Directa Plus has developed a proprietary scalable manufacturing process 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. We look to partner with customers to support them in fully capturing the high-performance benefits of G+ graphene. Our graphene is already incorporated into several commercial applications in the smart textiles, environmental, composite materials and elastomers sectors. We plan to capture the growth opportunities from these existing applications as well as delivering against our pipeline of other prospects.

Our manufacturing facility in Italy is capable of producing up to 30 tonnes per annum of non-toxic pristine graphene nanoplatelets – the most of any company in Europe, if not worldwide. We believe that this manufacturing capability and proven production process provides Directa Plus with an opportunity to

become a leading player in the on-going and expanding commercialisation of graphene and associated nanomaterials.

Finally, I would like to thank our customers, partners and shareholders for their continued support. Above all, I would like to thank our employees for their hard work and enthusiasm, which has enabled the business to achieve significant progress during 2016. We are deepening our relationships with existing and potential customers and working with them to provide more comprehensive solutions to incorporate our graphene into their products. This work being performed means the timeframe to adoption will be up to 12 months longer than previously anticipated and, with the reduced volumes into the tyre segment together with the time required to conclude the ongoing discussions on rental or sales of MDUs, we now expect a significant reduction in anticipated revenues for 2017. However, notwithstanding this disappointment, there is momentum building within the Group that puts Directa Plus on a solid footing for the future.

### **Chief Executive Officer's Review**

This was a significant year for Directa Plus with the successful IPO in May 2016 and the progress it made in the period. The Group gained new customers whilst existing customers whom it had been working with closely over the past year launched products with G+ inside them that were well received by the market.

The Directors are pleased to report that the investment in the Throughput Project has delivered a substantial improvement in efficiency and increased the Group's graphene product range. In May 2016, the Group achieved its objective of listing on AIM, raising £12.8 million that now enables Directa Plus to capitalise on an exciting pipeline of commercial opportunities. The Group is working closely with existing and potential partners and making good progress with several global businesses.

### **Commercial progress**

During 2016 Directa Plus made good commercial progress across its end applications with more customers launching further products into the market and entering strategic JDAs. The exceptional performance of its G+ materials has been confirmed in extensive test programmes and the Group's engagement with these customers has continued to deepen as they have sought its support in adjusting their production processes. Directa Plus is now providing more comprehensive solutions to meet its customers' needs and, accordingly, the Board is increasingly confident in the outlook for the Group, albeit it now believes the timeframe for adoption will be up to 12 months longer than previously anticipated.

### ***Textile***

#### ***Directa Textile Solutions***

Towards the end of the year the Group achieved a significant milestone with the launch of Directa Textile Solutions (DTS), enabling the Group to move further up the textile value chain and positioning it closer to commercial brands. Its wholly-owned subsidiary, Directa Plus S.p.A., acquired a 60% interest in the issued share capital of Osmotek Srl ("Osmotek"), a company involved in the commercialisation and distribution of textile membranes, for a total consideration of €60,000.

DTS is able to market a complete range of graphene-based technical and high-performance membranes. These functional and multi-functional products, are designed to enhance different textile applications, leveraging the thermal, electrical conductivities and bacteriostatic properties of G+ materials.

As a result, the Group is able to offer membranes incorporating G+ materials as a hi-tech solution for several

global manufacturing firms. The acquisition has enabled the Group to capturing value through enhanced sales of G+ material and through greater access to new markets such as technical, home-textiles and other opportunities. The orders booked for Q1 2017 are already ahead of the Group's initial investment in Osmotek and the Group is pleased with the progress already being made from this acquisition.

### Colmar

In January 2016 Colmar, the high-end sportswear company, launched its first Capsule collection, made up of four garments, incorporating G+ materials and commenced selling the clothing on-line and in selected stores. The French national ski team have had successes at several competitions wearing the racing ski suits developed within this collection.

Post year end, Colmar launched a second collection of 16 garments incorporating G+ materials. One of the new jackets, the Technologic G+, was selected as a Gold Winner in the 'Ski' category at ISPO Munich, an international multi-segment exhibition for sports businesses, which, each year, honours exceptional sporting goods.

Additionally, the Group signed two JDAs with global textile producers and a third one is currently under discussion. The Group's customers greatly value G+ materials for their non-toxicity and this is a proven and major competitive advantage for Directa Plus.

### Eurojersey

In 2016 Directa Plus also entered into a collaboration with Eurojersey S.p.A., part of the Carvico group, a producer of high quality warp-knit technical fabrics marketed under its Sensitive® brand, to produce a new range of highly performant technical fabrics targeting the sportswear, leisure and underwear sectors. Post period end, Eurojersey unveiled a number of prototype textiles, which are now being jointly developed into product samples that will be marketed to the customers of both companies. Significant Eurojersey customers include Lululemon, Victoria Secret, Rapha and GAP.

### Grant award

Post period end, the Group was awarded a grant by the European Regional Development Fund via the Lombardy regional government in respect of a €1 million project focusing on the development of G+ membranes to enhance the thermal and electrical performance of membranes for fashion applications. The project is a collaboration between Directa Plus, the Politecnico of Milan University and two other companies, with Directa Plus as project leader. Directa Plus is investing €308k and will receive a grant of €126k following the completion of the project in December 2018. The grant is aligned with the Group's textile development strategy, and targeted to reduce costs and expand the range of high performance G+ textile products.

### ***Environmental***

Grafysorber® is a sustainable product, produced by the Group, which enables the recovery and recycling of adsorbed oils. Grafysorber® also has significant and proven advantages compared with the most commonly used traditional materials, such as polypropylene. It is recyclable, non-flammable, and does not contain any toxic substances and is primarily used to soak up oil spills. It is usually produced and deployed at the site of the spill via its Mobile Decontamination Unit (MDU). This ability to produce the Grafysorber® on site and in the right quantity renders it a highly cost-effective solution compared with conventional solutions. Directa Plus is now exploring the potential of Grafysorber® to remove pollutants other than hydrocarbons in applications that also include soil and air treatment. In particular, the Group is in detailed conversations around the use of Grafysorber® to clean contaminated water produced from oilfields in the Middle East, a market opportunity that could prove very exciting for the Group. During the year, the Group sold, in aggregate, its first kilometre of Grafysorber® booms and it is currently engaged in commercial discussions in

Romania, Italy and Oman on the potential rental or sales of MDUs.

#### Romania

Oil Depol Group, a leading Romanian decontamination company purchased several hundred kilograms of Grafysorber® during the year to conduct a series of industrial tests on water that had been contaminated by oil. Following successful test results, Oil DEPOL and Demeco, another Romanian water treatment company, are now using Grafysorber® and there are ongoing negotiations with them, respectively, for the purchase or renting of an MDU. In addition, Setcar, a customer, has designed and developed an industrial unit to utilise loose Grafysorber® which has been successfully deployed in Romania.

Post year end, the Group entered discussions with OMV Petrom to establish Grafysorber® as the preferred solution for their upstream decontamination and oil recovery activities.

#### Oman

During the year, the Group delivered Grafysorber® materials to its local partner, Blue Planet Engineering & Technical Services LLC, an Omani company providing technical and scientific services and products for oil and gas processes, which is active in the Middle East region. The Group continues to progress discussions in the region on the advantages of its MDUs and its objective is to move into the decontamination of the produced water, used in enhanced oil recovery. This potentially represents a substantial market opportunity with Grafysorber® remaining a unique solution to the problem.

#### Italy

Testing activity with ENI, one of the largest oil and gas companies in the world, was successfully completed in October 2016. In July 2017, Directa Plus will officially present the test results in conjunction with ENI at the 6th International Conference on Environmental Chemistry and Engineering in Rome.

Post year end, the Group is in advanced negotiations to deliver products for decontamination activities to be performed in Nigeria and in other contaminated sites. There are also several on-going tests, for environmental decontamination and industrial applications in Italy.

#### **Composite Materials**

Directa Plus made progress under a two-year JDA, signed during the year, with a global luxury accessories producer, to develop an entire generation of graphene-enhanced spectacles. The first product was commercially available Q1 2017.

Also, during the year, the Group launched Grafylon 3D, a new graphene-enhanced filament for 3D printing. It was developed and commercialised in collaboration with FILOALFA, a company specialised in producing filaments used in 3D printing. This is the first 3D printing product to contain G+ material and product is now available through a wide range of distribution channels.

The Group also proceeded with a JDA signed in 2015 with one of the leading manufacturers of brake pads to conduct a joint R&D project. The collaboration is progressing well and Directa Plus expects to generate revenues under this JDA in 2017. As part of the development work, a new hybrid G+ materials was created and is now ready to enter different areas of applications.

#### **Elastomers**

Vittoria conducted an intensive marketing campaign to promote the new G+ tyres collection (ITS - Intelligent Tire System) targeting on and off road and e-bike markets. There were several victories in various competitions by cyclists using these tyres, including a gold medal at the Olympics in August 2016.

This resulted in a significant increase in revenues in 2016, but the Group now expects a reduction in volume in 2017, as the market adjusts to on-going levels of demand across the Vittoria product range.

The Group is currently in advanced negotiations with a leading global footwear company to conclude a JDA. G+ materials can provide thermal conductivity, greater durability and less deformation and the Group is excited by the potential of this market opportunity.

### **Expanded product portfolio**

In order to better satisfy customer needs and address new markets, Directa Plus continues to develop its products portfolio to expand the potential applications of G+ Technology. During the year, it focused on providing the most suitable G+ material for the different applications, in order to accelerate G+ adoption in commercial products – developing new products and enhancing existing ones. The Group extended its product portfolio from six to 10 products which enables the business to engage more quickly with customers and potential customers and to win the commercial opportunity in a reduced timeframe.

### **Throughput Project**

During 2016, Directa Plus started the Throughput Project with the objective to improve its proprietary G+ manufacturing process. The Group has achieved material improvements in production efficiency, exceeding its initial expectation, and an expansion of its graphene product range. There is the potential for further enhancements of these developments and the Group looks forward to benefitting from these improvements in the future.

### **IP Protection and Certification process**

A key focus of Directa Plus is the protection of its intellectual property. Two further patents were granted during 2016 - one covering the liquid exfoliation phase and the other covering the entire G+ production process. A further two patents have been filed, in respect of Grafysorber® and elastomer applications. The Group now has a portfolio of 14 patents granted with the further 18 pending.

In addition to ISO 9001:2015 certification, the Group received ISO 14001:2015 certification following an assessment of its environmental management system. This certification confirms that the business is operating to the highest level of Health Safety and Environmental Protection.

During the year, the Group also conducted an intense toxicological analysis of its products, in particular of Grafysorber® and Pure G+. The Group received independent certification that its products are non-toxic and non-cytotoxic. This is an important competitive advantage particularly for sales into the textile industry.

### **Production footprint**

The Throughput Project has generated further production efficiency at the plant in Italy and thereby provides sufficient flexibility to meet forecast demand. Whilst the Board had planned to establish a manufacturing presence in Thailand to access the Far East markets, with the evolution of other advancing commercial opportunities with a number of leading global companies in different geographical locations, the Board has taken a prudent decision to delay that capital expenditure. The Board continues to assess where to locate its first plant outside Italy, monitoring in particular, potential sites in Asia, Middle East and the USA.

### **Chief Financial Officer's Review**

On 27 May 2016, Directa Plus plc was admitted to AIM, raising approximately £12.8 million (€16.8 million),



primarily to increase production capacity, and to sustain as well as expedite the development of the Group's commercial pipeline. The net amount, post IPO-related expenses, was approximately £11.0 million (€14.4 million).

Prior to the IPO, the Group had been funded principally through the issue of convertible loan notes bearing interest at 8%. Holders of approximately 86% of these loan notes, with a value of €5.1 million (including accrued interest), elected to convert their holdings at the IPO into the Group's equity. Holders of remaining 14% (€0.8 million) were repaid out of the IPO proceeds.

In 2016, revenues were €0.74 million (2015: €1.39 million) the decline being primarily a result of lower revenues due to the absence of sales of Mobile Decontamination Units (MDU) compared with revenues of €1.0 million in 2015. Revenues, excluding MDUs, increased by 89% year-on-year to €0.74 million (2015: €0.39 million) as more customers adopted the Group's G+ graphene-based solutions.

Other income (which includes grants received by the Group) was €0.08 million (2015: €0.32 million). Whilst grants are important, the Group is primarily focused on commercial and applications development, rather than applying for grants that are inconsistent with the business' principal strategies.

An investment in tangible and intangible assets of €0.5 million (2015: €0.8 million) was incurred during the year, mainly relating to the development of products and production processes, IP activity and the purchase of new equipment. The Group built a large Application Development Area, enabling it to work more closely with its customers and produce the most suitable G+ materials for them, thereby reducing the time it takes them to launch their end-user products in the market.

During the year, the Group invested €0.06 million for a 60% shareholding in Directa Textile Solutions (formerly known as Osmotek Srl) fulfilling an important objective of the business to established itself higher in the value chain. The €0.06 million was used to fund DTS' working capital requirements.

The EBITDA loss for the year increased to €3.7 million compared with €2.7 million for 2015. Adjusted EBIDTA is €2.4 million stated before IPO costs (€0.43m); exceptional write down (€0.84m) of receivables from a customer and related increase in inventory value (€0.15m); and share options costs (€0.15m).

The loss for the year was €6.4 million compared with €4.4 million loss for 2015, with the decline primarily due to the expenses associated with the IPO that were charged to the income statement (€0.43 million), the non-cash cost of the embedded derivative associated with the convertible loan notes (€1.04 million) as described in note 19, the net effect of the write-down of receivables (€0.69 million) in respect of 2 MDUs sold in 2015 (announced on 2 December 2016) and the share options cost of €0.15 million (2015: nil). Excluding these exceptional items, the adjusted loss for the year was €4.1 million.

Immediately after the IPO and before the Brexit referendum, the Group converted £7.5 million of the IPO proceeds to €9.5 million (based on an average exchange rate of £1: €1.26) as the costs of the Italian subsidiary are in Euros. The remaining amount in Sterling, of approximately £3.5 million, has been retained for the management of expenses in the UK. Finance expenses include €0.9 million due to the effect of the subsequent movement of Sterling against Euro on the Sterling deposits.

Cash and cash equivalents at 31 December 2016 were €10.6 million (30 June 2016: €13.1 million) with the reduction primarily due to IPO expenses settled after 30 of June, investments and operational expenditure.

## Outlook

2016 was a year of intense and focused learning resulting in improved internal capability and much deeper market knowledge. Directa Plus has begun 2017 with increased engagement with existing, new and potential customers and continues to attract interest from companies worldwide. Specifically, the Group expects the textiles segment to feature prominently this year. Colmar has launched its second collection of G+ clothing and the Group is in advanced discussions with some of the world's largest clothing and footwear brands to incorporate Directa Plus' G+ materials into their new ranges of products. The Group anticipates working with these new customers this year to test and produce new enhanced products; however, revenues generated from these are now expected to be up to 12 months later than previously anticipated with the ramp up being delivered when the new products are launched into the mass market in 2018 and beyond. The Group also anticipates the environmental segment to be active during the year as we see increased interest from Europe, Middle East and USA for its Grafysorber® product.

With a longer than expected timeframe to adoption together with the now expected slowdown in volumes in 2017 into the tyre segment and the time required to conclude the ongoing discussions on rental or sales of MDUs, the Board is disappointed to report that the Group now expects a significant reduction in anticipated revenues for 2017. However, in light of the significant opportunities and the building momentum within the business, the Board feels confident that the Group is well positioned to capture growth within its target markets and continues to look to the future with optimism.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In euro</i>	Note	31 Dec 2016	31 Dec 2015
<b>Continuing operations</b>			
Revenue	3	738,028	1,392,232
Other income	3	79,733	315,977
Changes in inventories of finished goods and work in progress		450,843	(1,832,246)
Raw materials and consumables used	5	(169,643)	(342,209)
Employee benefits expenses	6	(1,784,094)	(895,769)
Depreciation and amortisation	11/12	(572,402)	(492,140)
Other expenses	7	(2,981,032)	(1,379,124)
<b>Results from operating activities</b>		<b>(4,238,567)</b>	<b>(3,233,279)</b>
Fair value movement on embedded derivative	21	(1,039,473)	(706,525)
Finance income	9	4,230	7,032
Finance expenses	9	(1,151,135)	(434,708)
<b>Net finance costs</b>		<b>(2,186,378)</b>	<b>(1,134,201)</b>
<b>Loss before tax</b>		<b>(6,424,945)</b>	<b>(4,367,480)</b>
Tax expense	10	-	-
<b>Loss after tax</b>		<b>(6,424,945)</b>	<b>(4,367,480)</b>
<b>Loss from continuing operations</b>		<b>(6,424,945)</b>	<b>(4,367,480)</b>
<b>Loss of the year</b>		<b>(6,424,945)</b>	<b>(4,367,480)</b>
<b>Other Comprehensive income items that will not be reclassified to profit or loss</b>			
Defined Benefit Plan re-measurement gains and losses	22	150	8,563
<b>Other comprehensive income for the year (net of tax)</b>		<b>150</b>	<b>8,563</b>
<b>Total comprehensive income for the year</b>		<b>(6,424,795)</b>	<b>(4,358,917)</b>
<b>Loss attributable to</b>			
Owner of the Parent		(6,422,019)	(4,367,480)
Non-controlling interests		(2,926)	-
		<b>(6,424,945)</b>	<b>(4,367,480)</b>
<b>Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>			
	Note	31 Dec 2016	31 Dec 2015
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(6,421,869)	(4,358,917)
Non-controlling interests		(2,926)	-
		<b>(6,424,795)</b>	<b>(4,358,917)</b>
<b>Loss per share</b>			
Basic loss per share (cents)	25	(0.19)	(0.22)
Diluted loss per share (cents)	25	(0.19)	(0.22)

## CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

<i>In euro</i>	Note	Group		Company	
		31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
<b>Assets</b>					
Intangible assets	11	1,726,602	1,819,115	-	-
Investments	14	-	-	11,057,438	7,057,438
Property, plant and equipment	12	1,283,184	1,224,336	-	1,903
<b>Non-current assets</b>		<b>3,009,786</b>	<b>3,043,451</b>	<b>11,057,438</b>	<b>7,059,341</b>
Inventories	17	606,065	112,903	-	-
Trade and other receivables	15	1,092,892	1,305,214	262,693	30,353
Prepayments		77,446	35,659	50,401	4,041
Cash and cash equivalent	18	10,570,211	2,031,650	8,011,689	319,339
<b>Current assets</b>		<b>12,346,614</b>	<b>3,485,426</b>	<b>8,324,783</b>	<b>353,733</b>
<b>Total assets</b>		<b>15,356,400</b>	<b>6,528,877</b>	<b>19,382,221</b>	<b>7,413,074</b>
<b>Equity</b>					
Share capital	19	142,628	503,100	142,628	503,100
Share premium	19	19,973,996	3,885,816	19,973,996	3,885,816
Retained Earnings	19	(6,552,965)	(6,281,317)	(766,745)	(3,636,996)
<b>Equity attributable to owners of Group</b>		<b>13,563,659</b>	<b>(1,892,401)</b>	<b>19,349,879</b>	<b>751,920</b>
Non-controlling interests		22,228	-	-	-
<b>Total equity</b>	19	<b>13,585,887</b>	<b>(1,892,401)</b>	<b>19,349,879</b>	<b>751,920</b>
<b>Liabilities</b>					
Loans and borrowings	20	454,600	688,821	-	-
Employee benefits provision	22	227,358	170,952	-	-
<b>Non-current liabilities</b>		<b>681,958</b>	<b>859,773</b>	-	-
Loans and borrowing	20	238,134	6,082,915	-	5,813,847
Embedded derivative	21	-	706,525	-	706,525
Trade and other payables	23	850,421	772,065	32,342	140,782
<b>Current liabilities</b>		<b>1,088,555</b>	<b>7,561,505</b>	<b>32,342</b>	<b>6,661,154</b>
<b>Total liabilities</b>		<b>1,770,513</b>	<b>8,421,278</b>	<b>32,342</b>	<b>6,661,154</b>
<b>Total equity and liabilities</b>		<b>15,356,400</b>	<b>6,528,877</b>	<b>19,382,221</b>	<b>7,413,074</b>

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 € 3,279,968 (2015: loss € 1,582,965)

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

**Sir Peter Middleton**  
**Chairman**  
**Date: 27 April 2017**

**The accompanying notes form part of these financial statements**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In euro	Share capital	Share premium	Retained Earnings	Total	Non-controlling interests	Total equity
<b>Balance at 31 December 2014</b>	<b>503,100</b>	<b>3,885,816</b>	<b>(1,922,400)</b>	<b>2,466,516</b>	-	<b>2,466,516</b>
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-
Loss	-	-	(4,367,480)	(4,367,480)	-	(4,367,480)
Total other comprehensive income	-	-	8,563	8,563	-	8,563
<b>Total comprehensive income for the year</b>	-	-	<b>(4,358,917)</b>	<b>(4,358,917)</b>	-	<b>(4,358,917)</b>
<b>Balance at 31 December 2015</b>	<b>503,100</b>	<b>3,885,816</b>	<b>(6,281,317)</b>	<b>(1,892,401)</b>	-	<b>(1,892,401)</b>
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-
Loss of the year	-	-	(6,422,019)	(6,422,019)	(2,926)	(6,424,945)
Total other comprehensive income	-	-	150	150	-	150
<b>Total comprehensive income for the period</b>	-	-	<b>(6,421,869)</b>	<b>(6,421,869)</b>	<b>(2,926)</b>	<b>(6,424,795)</b>
<b>Transactions with owners</b>	-	-	-	-	-	-
Share reduction	(439,649)	-	439,649	-	-	-
Cancellation of share premium account	-	(3,885,816)	3,885,816	-	-	-
Initial Public Offering	55,986	16,739,965	-	16,795,951	-	16,795,951
Expenditure relating to the issuance of shares	-	(1,960,652)	-	(1,960,652)	-	(1,960,652)
Share-based payment reserve	-	-	154,068	154,068	-	154,068
Non-Controlling Interests in Directa Textiles Solutions acquisition	-	-	-	-	25,154	25,154
Convertible loan (embedded derivative)	23,191	5,194,683	1,670,686	6,888,560	-	6,888,560
<b>Balance at 31 December 2016</b>	<b>142,628</b>	<b>19,973,996</b>	<b>(6,552,965)</b>	<b>13,563,659</b>	<b>22,228</b>	<b>13,585,887</b>

## COMPANY STATEMENT OF CHANGES IN EQUITY

<i>In euro</i>	Share Capital	Share premium	Retained earnings	Total equity
<b>Balance at 31 December 2014</b>	<b>503,100</b>	<b>3,885,816</b>	<b>(2,054,031)</b>	<b>2,334,885</b>
Loss for the year	-	-	(1,582,965)	(1,582,965)
<b>Balance at 31 December 2015</b>	<b>503,100</b>	<b>3,885,816</b>	<b>(3,636,996)</b>	<b>751,920</b>
Loss for the year	-	-	(3,279,968)	(3,279,968)
Share reduction	(439,649)	-	439,649	-
Cancellation of share premium account		(3,885,816)	3,885,816	-
Initial Public Offering	55,986	16,739,965	-	16,795,951
Expenditure relating to the issuance of shares	-	(1,960,652)	-	(1,960,652)
Share-based payment reserve	-	-	154,068	154,068
Convertible loan (embedded derivative)	23,191	5,194,683	1,670,686	6,888,560
<b>Balance at 31 December 2016</b>	<b>142,628</b>	<b>19,973,996</b>	<b>(766,745)</b>	<b>19,349,879</b>

## CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

<i>In euro</i>	<i>Note</i>	<b>Group</b>		<b>Company</b>	
		<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>					
Loss for the year		(6,424,945)	(4,367,480)	(3,279,970)	(1,582,965)
<i>Adj for:</i>					
Depreciation	12	317,258	238,646	763	763
Amortisation of intangible assets	11	267,105	253,494	-	-
Bad debt expense		909,763	1,902,129	70,903	-
Fair value movement on derivative		1,039,473	706,525	1,039,473	706,525
Share-based option payment cost		154,068	-	154,068	-
IPO Costs		427,903	-	427,903	-
Finance income		(4,230)	(7,032)	-	-
Finance expense		1,151,136	434,708	1,117,709	403,177
		(2,162,469)	(839,010)	(469,151)	(472,500)
<i>Increase/Decrease in:</i>					
- inventories	17	(450,843)	(38,691)	-	-
- trade and other receivables, prepayments	15	(654,509)	(764,012)	(349,603)	(2,374)
- trade and other payables	23	(8,101)	255,805	(108,440)	125,767
- provisions		56,406	31,169	-	-
<b>Net cash from operating activities</b>		<b>(3,219,516)</b>	<b>(1,354,739)</b>	<b>(927,194)</b>	<b>(349,107)</b>
<b>Cash flows from investing activities</b>					
Interest received	9	4,230	-	-	-
Investment in intangible assets	11	(168,716)	(573,866)	-	-
Investment in subsidiary		-	-	(4,000,000)	(3,250,000)
Loan to associate		(50,939)	-	(50,939)	(22,825)
Consideration paid for acquisition of subsidiary 13 net of cash acquired		(58,718)	-	-	-
Acquisition of property, plant and equipment	10	(377,246)	(221,059)	-	-
<b>Net cash used in investing activities</b>		<b>(651,389)</b>	<b>(794,925)</b>	<b>(4,050,939)</b>	<b>(3,272,825)</b>
<b>Cash flows from financing activities</b>					
Proceeds from IPO		14,408,156	-	14,408,156	-
Interest paid	20	(52,195)	(106,110)	(37,519)	(81,610)
Drawdown of financial debt		-	2,851,121	-	2,825,443
Repayment of borrowings	20	(989,696)	(134,082)	(811,817)	-
<b>Net cash from (used in) financing activities</b>		<b>13,366,265</b>	<b>2,610,929</b>	<b>13,558,820</b>	<b>2,743,833</b>
<b>Net increase (decrease) in cash and cash equivalent</b>		<b>9,495,360</b>	<b>461,265</b>	<b>8,580,687</b>	<b>(878,099)</b>
<b>Cash and cash equivalent at 1 January</b>		<b>2,031,650</b>	<b>1,570,385</b>	<b>319,339</b>	<b>1,197,438</b>
<b>Foreign exchange on cash</b>		<b>(956,799)</b>	<b>-</b>	<b>(888,337)</b>	<b>-</b>
<b>Cash and cash equivalent at 31 December</b>		<b>10,570,211</b>	<b>2,031,650</b>	<b>8,011,689</b>	<b>319,339</b>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

### **1. Basis of preparation**

#### **(a) Statement of compliance**

The financial information for the year ended 31 December 2016 and the year ended 31 December 2015 does not constitute the company's statutory accounts for those years. The statutory accounts for the year ended 31 December 2016 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditors' reports on the accounts for 31 December 2016, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and as adopted by the European Union.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been consistently applied by all companies of the Group.

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

#### **(b) Basis of Consolidation**

##### **Subsidiaries**

Subsidiaries are those enterprises controlled by the Group. Control exists where the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

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.

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.



## **Associates**

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

## **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.

## **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) Basis of measurement**

The financial statements have been prepared on the historical cost basis unless otherwise stated.

**(d) Functional and presentation currency**

These financial statements are presented in Euro (‘€’) and is considered by the Directors to be the most appropriate presentation currency to assist the users of the financial statements. The functional currency of the Company and operating subsidiary is Euro (‘€’).

**(e) Use of estimates and judgements**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

**Carrying value of capitalised development costs**

The Group capitalises development costs provided the conditions meet the criteria set out in IAS 38. The Directors are required to continually assess the commercial potential of the product in development and its useful life following launch. Impairment of the capitalised development cost depends of the sales potential and market readiness. Management has noted no indicators of impairment in the period.

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

#### **Valuation of embedded derivative**

The embedded derivative relates to the conversion option contained in the convertible loan note issue by the Company. The option breaks the fixed for fixed conversion under IAS 19 and has therefore been fair valued as an embedded derivative. The probability of the IPO successfully completing was a key variable contained in the fair valuation and it was been carefully assessed and judged by Management and the Directors. For the year ended 31 December 2016 the IPO successfully completed and the embedded derivative was valued including a 100% chance of success. On conversion of the loan the embedded derivative has been appropriately extinguished.

#### **Valuation and recoverability of inventory – Note 17**

Inventories are stated at the lower of cost or net realizable value. The cost of inventories comprises of net prices paid for materials purchased, production labour cost and factory overhead. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Inventory provisions are recognised for slow-moving, obsolete or unsalable inventory and are reviewed on a six months basis. This methodology is affected by forecast and judgment of Management about 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, which could have a material adverse effect on our business, financial condition and results of operations. Management has noted no provision in slow moving or obsolete stock at 31 December 2016.

### **Defined benefit scheme – Note 22**

Provision for benefits upon termination of employment related to a provision accrued by Italian companies for employment retirement is determined using actuarial techniques, involving external experts. All key estimates applied have been included in note 19.

### **Share Based Payments – Note 26**

The cost of employee services received (compensation expenses) in exchange for awards of equity instruments are recognised based upon the grant date fair value of stock options. The grant date fair value of stock options is estimated using a Black-Scholes option valuation model. This Black-Scholes option valuation model requires the use of assumptions, including expected stock price volatility and the estimated life of each award. The risk-free interest rate used in the model is determined, based on a government bond with a life equal to the expected life of the equity-settled share-based payments. Probability to match the performance level set for performance share options is also a key variable to define the fair value.

### **New standards and interpretations not yet adopted**

#### *Standards, Amendments to published Standards and Interpretations issued but not yet effective*

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2015 or later periods, but which the Group has not early adopted.

- IFRS 9 Financial instruments (effective 1 January 2018)
- IFRS 15 Revenue from contracts with customers (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)

#### Amendments:

- Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses (effective 1 January 2017)

Management is currently evaluating the impact of IFRS 9, 15 and 16 on the consolidated financial statements. Given the nature of the business conducted in 2016 Management does not currently see any material impact from these standards, however as new sales contracts are signed Management is

continually re-evaluating the impact of IFRS 15. All other standard updates have been deemed to have no material impact.

## **2. Significant accounting policies**

### **(a) Functional and Foreign currency**

The individual financial statements of each entity of the Group are presented by the currency of the primary economic environment in which the entity operates, which is the functional currency. The functional currency of the Company is Euro.

The consolidated financial statements are presented in Euro, which is the Group's presentation currency.

### **(i) Transaction and balances**

Transactions in foreign currencies are converted in to the respective functional currencies in initial recognition, using the exchange rates approximating to those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that 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**

#### **(ii) Non-derivative financial assets**

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's non-derivative financial assets comprise loans and receivables.

### **(c) Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payment terms that are not quoted in an active market. The Group's loans and receivables comprise of trade and other receivables and loan receivable, which are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method less provisions for impairment.

### **(d) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less, that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

### **(iii) Non-derivative financial liabilities**

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs.

Other financial liabilities comprise trade and other payables.

### **(e) Leases**

#### ***Finance leases***

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

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

#### ***Operating leases***

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

## **(f) Share capital**

### **Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. All costs that are directly attributable to raising new equity have been recognised against share premium. All costs that are attributed to both the IPO and raising new equity have been apportioned to share premium and the profit or loss based on the ratio of old to new shares issued. Any costs which cannot be attributed to either the IPO or issued new equity have been expensed.

## **(f) Property, plant and equipment**

### **(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is 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) is 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:

- Computer equipment over 5 years
- Industrial equipment, office equipment and installations 15% yearly

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

#### **(g) Intangible assets**

Intangible assets are measured at cost less accumulated amortisation and Government grants received.

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 for it to be sold
- 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 periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the cost of sales line 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.



In accordance with IAS 38, the cost has been capitalised, in the category 'Development Costs' within Intangible Assets; based on time of employees directly engaged in the development of the G+ technology.

For 2015 50% of the cost of 9 employees and 50% of the cost of the CEO Mr. Cesareo has been capitalised.

For 2016 on average 33% of the cost of 4 employees has been capitalised and no cost of the CEO has been capitalised.

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

#### **(i) Amortisation**

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

- Software 3 years
- Patents and research and development costs concerning G+ technology, are amortised over the lower of the legal duration of the patent (typically 20 years) and the economic useful life. These are currently amortised over 10 years.
- Other intangible assets 5 years

#### **(g) Impairment**

##### **(i) Non-derivative financial assets**

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

## **(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or Cash Generating Unit ('CGU') exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

## **(h) 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 22.

#### **(i) Revenue**

Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, upon delivery of item.

Revenue is recognised net of the related sales taxes.

#### **(j) 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 as the entity recognises as expenses the costs that the grants are intended to compensate. Where a grant has been received as a contribution for property, plant and equipment, the income received has been credited against the asset in the statement of financial position.

#### **(j) Finance income and finance costs**

Finance income comprises interest income on funds invested. Interest income is recognised in 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.

#### **(k) Taxation**

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

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

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

Deferred tax is not recognised for:

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

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

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

### **(I) Convertible Loan Notes**

The proceeds received on issue of the Group's convertible loans are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The Group's convertible loan notes do not contain an equity component.

Derivatives embedded in host debt contracts, such as convertible loan notes, are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though

profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

### 3. Operating segments

The Group considers that it operates in one main business area, being the manufacture and sale of graphene products. This business area currently forms the basis of the Group's operating segments. The Group's CEO (the chief operating decision maker) reviews internal management reports on a periodically basis.

Other operations relate to the Group's administrative functions conducted at its head office and by its holding company.

#### Operating Segments

2016

	'000 Directa Plus UK (Head Office)	'000 Directa Plus Spa	'000 Total
Revenue	-	738	738
Other revenue	-	80	80
Depreciation and amortisation	-	(572)	(572)
Other expenses	(1,123)	(1,858)	(2,981)
<b>Results from operating activities</b>	<b>(1,123)</b>	<b>(3,116)</b>	<b>(4,239)</b>
Fair value movement on embedded derivative	(1,039)	-	(1,039)
Finance Income	-	4	4
Financial expenses	(1,118)	(34)	(1,152)
<b>Loss of the year</b>	<b>(3,280)</b>	<b>(3,145)</b>	<b>(6,425)</b>

#### Operating Segments

2015

	'000 Directa Plus UK (Head Office)	'000 Directa Plus Spa	'000 Total
Revenue	-	1,392	1,392
Other revenue	-	316	316
Depreciation and amortisation	-	(492)	(492)
Other expenses	(473)	(4,163)	(4,636)
<b>Results from operating activities</b>	<b>(473)</b>	<b>(2,759)</b>	<b>(3,232)</b>
Fair value movement on embedded derivative	(707)	-	(707)
Finance Income	-	7	7
Financial expenses	(404)	(31)	(435)
<b>Loss of the year</b>	<b>(1,584)</b>	<b>(2,783)</b>	<b>(4,367)</b>

Information regarding the results of each reportable segment is included below.

	<b>2016</b>	<b>2015</b>
Sale of products	738,028	1,392,232
Government grants	77,012	287,070
Other revenue	2,721	28,907
<b>Total income</b>	<b>817,761</b>	<b>1,708,209</b>

There is one client in 2016 which accounts for more than 10% of revenues for sales of products or services, the client revenues amount to €455,000 (62%).

There were two main clients in 2015 which account for more than 10% of revenues for sales of products or services: the first client revenues amount to €1,001,730 (72%), while the second client amount to €270,000 (19%).

Geographical breakdown of revenues are:

<b>€000</b>	<b>2016</b>	<b>2015</b>
Italy	216	1,170
Rest of the world	522	222
<b>Revenue</b>	<b>738</b>	<b>1,392</b>

#### **4. Government Grants**

Information regarding government grants:

	<b>2016</b>	<b>2015</b>
Genius	-	107,338
MAT4BAT	77,012	77,012
Brevetti Plus	-	67,200
Voucher 2014 C	-	24,000
Voucher 2014 F	-	11,520
<b>Total</b>	<b>77,012</b>	<b>287,070</b>

---

**The key terms of Government grants are:**

	<b>Mat4Bat</b>
Starting date	September 2013
Ending date	February 2017
Duration	42
Total amount	304,700
Final report submitted and accepted	Project still on-going. Project closing is on February 2017

There are no capital commitments built into the ongoing grants.

**5. Raw materials and consumables used**

The amount of €169,643 (2015: €342,209) refers to materials for production and consumption by laboratory. In 2015 the figure is higher because it included €214,482 relating to the manufacture of MDU (Mobile Decontamination Unit) which did not occur in 2016.

**6. Employee benefits expenses**

	<b>2016</b>	<b>2015</b>
Wages and salaries	1,304,362	1,024,882
Social security costs	305,287	252,723
Employee benefits	85,461	50,465
Other costs	188,729	37,261
<b>Total Gross</b>	<b>1,883,839</b>	<b>1,365,331</b>
Capitalised cost in "Intangible assets"	(99,745)	(469,562)
<b>Total</b>	<b>1,784,094</b>	<b>895,769</b>



As of 31 December 2016 Staff costs are higher than 31 December 2015 due to the implementation of the new Board of Directors for the Company and because in 2015 a larger amount of staff costs were capitalised, €469,562 compared with €99,745 for 2016.

As of 31 December 2016 Other Costs are higher than 31 December 2015 due to €154,068 of share options expenses not included in 2015. €98,126 of the share option charge relates to options issued to the Directors.

The average number of employees during the period was:

	<b>2016</b>	<b>2015</b>
Management	7	6
Administration Staff	10	10
Staff	5	3
<b>Total</b>	<b>22</b>	<b>19</b>

The Directors' emoluments are the following:

	<b>2016</b>	<b>2015</b>
Wages and salaries	718,710	495,355
<b>Total</b>	<b>718,710</b>	<b>495,355</b>

During 2016 the number of directors increased from 5 to 7.

## 7. Results from operating activities:

Results from operating activities includes:

	<b>2016</b>	<b>2015</b>
Audit of the Group and Company financial statements	32,112	-
Audit of the subsidiaries' financial statements	18,000	10,000
Other non-audit services provided by Group's auditor	264,184	-
Operating leases	20,000	20,000
Travel and marketing	217,647	185,143
Rent and lease	145,503	124,529
Bad debt expense	909,763	-
Impairment provision for D+	-	1,902,129

---

## 8. Leases

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

<b>Future minimum lease payments</b>	<b>2016</b>	<b>2015</b>
Less than one year	63,000	108,000
Between one and five years	-	54,000
More than five years	-	-
<b>Total</b>	<b>63,000</b>	<b>162,000</b>

Finance lease liabilities are payable as follows:

<b>Future minimum lease payments</b>	<b>2016</b>	<b>2015</b>
Less than one year	61,735	88,499
Between one and five years	183,039	223,298
More than five years		-
<b>Total</b>	<b>244,774</b>	<b>311,797</b>

<b>Present value of minimum lease payments</b>	<b>2016</b>	<b>2015</b>
Less than one year	59,898	91,949
Between one and five years	168,117	220,008
More than five years	-	-
<b>Total</b>	<b>228,015</b>	<b>311,957</b>

## 9. Finance income and finance expenses

Finance income includes:

	<b>2016</b>	<b>2015</b>
Interest income on cash balances held	4,230	7,032
<b>Total</b>	<b>4,230</b>	<b>7,032</b>

Finance expenses include:

	<b>2016</b>	<b>2015</b>
Interest on loans and other financial costs	197,169	423,370
Interest on financial leasing	14,576	4,120
Interest cost for benefit plan	4,614	4,619
Foreign exchanges losses	934,777	2,599
<b>Total</b>	<b>1,151,136</b>	<b>434,708</b>

## 10. Taxation

	2016	2015
Current tax expenses	-	-
Deferred tax expenses	-	-
<b>Total tax expenses</b>	-	-

## Reconciliation of tax rate

	2016	2015
Loss before tax	(6,424,945)	(4,367,480)
Italian statutory tax rate	24%	27.5%
	(1,541,987)	(1,201,057)
Impact of temporary differences	74,534	87,300
Losses recognised	(74,534)	(87,300)
Losses not utilised	1,541,987	1,201,057
<b>Total tax expenses</b>	-	-

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 future taxable profits. Tax losses carried forward are €13,483,787. (€7,864,956 in 2015).

## 11. Intangible assets

Cost	Development costs	Patents	Software	Goodwill	Others	Total
<b>Balance at 31/12/2014</b>	<b>1,856,735</b>	<b>42,189</b>	<b>1,445</b>	-	<b>38,102</b>	<b>1,938,471</b>
Additions	469,562	54,899	-	-	18,214	542,675
Reclassification from inventory	-	31,191	-	-	-	31,191
<b>Balance at 31/12/2015</b>	<b>2,326,297</b>	<b>128,279</b>	<b>1,445</b>	<b>0</b>	<b>56,316</b>	<b>2,512,337</b>
Additions	99,745	68,971	-	22,268	-	190,984
Disposal	-	-	-	-	(28,353)	(28,353)
<b>Balance at 31/12/2016</b>	<b>2,426,042</b>	<b>197,250</b>	<b>1,445</b>	<b>22,268</b>	<b>27,963</b>	<b>2,674,968</b>
<b>Amortisation</b>						
<b>Balance at 31/12/2014</b>	<b>407,667</b>	<b>12,657</b>	<b>1,406</b>	-	<b>17,998</b>	<b>439,728</b>
Amortisation 2015	232,630	12,828	39	-	7,997	253,494
<b>Balance at 31/12/2015</b>	<b>640,297</b>	<b>25,485</b>	<b>1,445</b>	-	<b>25,995</b>	<b>693,222</b>
Amortisation 2016	242,604	19,725	-	-	4,776	267,105
Reclassification	-	-	-	-	(11,961)	(11,961)
<b>Balance at 31/12/2016</b>	<b>882,901</b>	<b>45,210</b>	<b>1,445</b>	<b>0</b>	<b>18,810</b>	<b>948,366</b>
<b>Carrying amounts</b>						
Balance 31/12/2014	1,449,068	29,532	39	-	20,104	1,498,743
Balance 31/12/2015	1,686,000	102,794	-	-	30,321	1,819,115
Balance 31/12/2016	1,543,141	152,040	-	22,268	9,153	1,726,602

Development costs are generated internally and relate to the capitalisation of personnel costs dedicated to the development of products and processes of the G+ family. In order to reliably define the capitalisation of the expenditures related to the development phase of the industrial process, the company has duly reported the time-sheets of all the employees identifying daily the hours spent on the job. The development of the new ready to use products and fine-tuned process ensures economic benefits for the Company going forward.

New products allow to enter into new markets, reducing the time-to-market and new process allow material improvement in production capacity and cost efficiency.

Others intangible asset are mainly due to the website costs.

## 12. Property, plant and equipment

Cost	Industrial equipment	Computer equipment	Office equipment	Installations	Under construction	Total
<b>Balance at 31/12/2014</b>	<b>45,478</b>	<b>23,031</b>	<b>17,874</b>	<b>1,194,281</b>	-	<b>1,280,664</b>
Additions	2,001	6,074	38,085	443,099	-	489,259
<b>Balance at 31/12/2015</b>	<b>47,479</b>	<b>29,105</b>	<b>55,959</b>	<b>1,637,380</b>	-	<b>1,769,923</b>
Additions	91,181	4,841	35,839	186,747	58,640	377,248
Disposals	-	(300)	(7,627)	(1,773)	-	(9,700)
<b>Balance at 31/12/2016</b>	<b>138,660</b>	<b>33,646</b>	<b>84,171</b>	<b>1,822,354</b>	<b>58,640</b>	<b>2,137,471</b>

### Depreciation

<b>Balance at 31/12/2014</b>	<b>17,393</b>	<b>12,488</b>	<b>9,648</b>	<b>267,413</b>	-	<b>306,942</b>
Depreciation 2015	6,972	4,203	5,156	222,315	-	238,646
<b>Balance at 31/12/2015</b>	<b>24,365</b>	<b>16,691</b>	<b>14,804</b>	<b>489,728</b>	-	<b>545,588</b>
Depreciation 2016	28,988	4,747	10,700	272,823	-	317,258
Disposals	-	(300)	(6,486)	(1,773)	-	(8,559)
<b>Balance at 31/12/2016</b>	<b>53,353</b>	<b>21,138</b>	<b>19,018</b>	<b>760,778</b>	-	<b>854,287</b>

### Carrying amounts

Balance 31/12/2014	28,085	10,543	8,226	926,868	-	973,722
Balance 31/12/2015	23,114	12,414	41,155	1,147,652	-	1,224,335
Balance 31/12/2016	85,307	12,508	65,153	1,061,576	58,640	1,283,184

Asset held under financial leases with a net book value of € 300,200 are included in the above table within installations.

### 13. Acquisitions

On 11 November 2016 Directa Plus S.p.A., has acquired a 60% interest in the issued share capital of Osmotek Srl, a company involved in the commercialisation and distribution of textile membranes, for a total consideration of €60,000 to be invested in the business as working capital.

Directa Plus S.p.A has assumed responsibility for the operations of Osmotek, which has been renamed Directa Textile Solutions Srl (“DTS”). The Directors of the Company believe that the Acquisition will enhance the route-to-market for its textile applications.

The identifiable assets acquired and liabilities acquired are as follows:

Cash and cash equivalents	61,282
Trade and other receivables	45,742
Inventories	42,319
Trade and other payables	(86,457)
<b>Total identifiable net assets/liabilities</b>	<b>62,886</b>
Consideration paid	60,000
Share of net assets at 60%	(37,732)
Goodwill	22,268

Pro-forma consolidated revenues and loss as if the acquisition of Osmotek had occurred on January 1, 2016 are described below:

Revenues	895,443
Loss of the year*	(6,431,910)

\*The contribution to the Group losses for the full year would have been €14,430.

#### 14. Investments in subsidiaries

Details of the Company's subsidiaries as at 31 December 2016 are as follows:

Subsidiaries	Country	Principal activity	Shareholding	
			2016	2015
Directa Plus Spa	Italy	Producer and supplier of graphene materials	100%	100%
Directa Textile Solutions Srl	Italy	commercialise textile membranes, including graphene-based technical and high-performance membranes	60%	0%
Directa Plus Asia	Hong Kong	marketing, distribution and trading of grapheme-based products.	49%	49%

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
Directa Plus Asia	Taiwan	38-44 D'Aguilar Street, Central, Hong Kong	372, Linsen North Rd, Taipei, TW

The company's investment in Directa Plus Spa is as follows:

	Directa Spa
<b>At 31 December 2014</b>	<b>3,162,346</b>
Additions	3,895,092
<b>At 31 December 2015</b>	<b>7,057,438</b>
Additions	4,000,000
<b>At 31 December 2016</b>	<b>11,057,438</b>



## 15. Trade and other receivables

### Current

	Group		Company	
	2016	2015	2016	2015
Account receivables	356,075	1,166,387	-	-
VAT receivables	696,075	44,770	262,693	7,527
Other receivables	40,742	94,057	-	22,826
<b>Total</b>	<b>1,092,892</b>	<b>1,305,214</b>	<b>262,693</b>	<b>30,353</b>

The VAT receivables position for 2016 can be split into €262,693 relating to IPO costs, €248,582 relating to operational costs in Directa Plus Spa and €184,800 reclaimable VAT previously paid.

As at 31 December 2016 Ageing of account receivables was:

Days overdue	2016	2015
0-30	340,216	1,152,628
31-180	14,622	8,861
181-365 +	1,237	4,898
<b>Total</b>	<b>356,075</b>	<b>1,166,387</b>

96% of account receivables in FY16 have ageing within 30 days. In the year €909,763 was written-off in relation to the 2 MDU's (€840,000) and to the loan provided to Directa Plus Asia (€69,763).

## 16. Deferred tax liabilities

	2016	2015
Deferred tax liabilities	276,711	353,600
Deferred tax assets – losses	(276,711)	(353,600)
<b>Total</b>	<b>-</b>	<b>-</b>

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

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

	<b>2016</b>	<b>2015</b>
Capitalised development costs	262,266	341,362
Other	14,445	12,238
<b>Total</b>	<b>276,711</b>	<b>353,600</b>

	<b>Net balance 1 Jan 2015</b>	<b>Recognised in profit or loss</b>	<b>Recognised in OCI</b>	<b>Net balance 31 Dec 2015</b>	<b>Deferred tax liabilities</b>
Capitalised development costs	254,007	87,356	-	341,362	341,362
Other	9,939	(56)	2,355	12,238	12,238
<b>Total</b>	<b>263,946</b>	<b>87,300</b>	<b>2,355</b>	<b>353,600</b>	<b>353,600</b>

	<b>Net balance 1 Jan 2016</b>	<b>Recognised in profit or loss</b>	<b>Recognised in OCI</b>	<b>Net balance 31 Dec 2016</b>	<b>Deferred tax liabilities</b>
Capitalised development costs	341,362	(79,096)	-	262,266	262,266
Other	12,238	4,562	(2,355)	14,445	14,445
<b>Total</b>	<b>353,600</b>	<b>(74,534)</b>	<b>(2,322)</b>	<b>276,711</b>	<b>276,711</b>

## 17. Inventories (Consolidated only)

	2016	2015
Finished products (Graphene)	595,796	101,337
Raw material	10,269	11,566
<b>Total</b>	<b>606,065</b>	<b>112,903</b>

As at 31 December 2016 inventories are higher than last year due to two Mobile Decontamination Units (amounted €75,000 each) shown in finished products.

## 18. Cash and cash equivalent

	Group		Company	
	2016	2015	2016	2015
Bank balances	10,570,000	2,030,881	8,011,689	319,339
Cash	211	769	-	-
<b>Total</b>	<b>10,570,211</b>	<b>2,031,650</b>	<b>8,011,689</b>	<b>319,339</b>

## 19. Equity

	2016	2015
Share Capital	142,628	503,100
Share Premium	19,973,996	3,885,816
Retained earnings	(6,552,965)	(6,281,317)
Non-controlling interests	22,228	-
<b>Balance at 31 December</b>	<b>13,585,887</b>	<b>(1,892,401)</b>

## Share Capital

	Number of ordinary shares	Share Capital (€)
<b>At 1 January 2015</b>	<b>503,100</b>	<b>503,100</b>
<b>At 31 December 2015</b>	<b>503,100</b>	<b>503,100</b>
Share reduction on 25 April 2016*	-	(439,649)
Share sub-division on 19 May 2016**	19,620,900	-
Share issue on 27 May 2016 – convertible loans***	7,055,493	23,191
Share issue on 27 May 2016 – IPO***	17,033,334	55,986
<b>At 31 December 2016</b>	<b>44,212,827</b>	<b>142,628</b>

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

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

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

## Share Premium

In euro	Share premium
<b>At 31 December 2015</b>	<b>3,885,816</b>
Cancellation of share premium account on 25 April 2016	(3,885,816)
Shares issued on 27 May 2016	21,934,648
Expenditure relating to the raising of shares	(1,960,652)
<b>At 31 December 2016</b>	<b>19,973,996</b>

On 25 April 2016, the share premium account of the Company was cancelled and the amount of the 3,885,816 was credited to a distributable reserve.

The effect on equity of the 17,033,334 shares issued at the initial public offering in GBP and reported in EUR is summarised below. Expenditure of €1,960,652 relating to the raising of shares has been deducted from the share premium.

### **Share capital**

Financial instruments issued by the Directa Plus Group are treated as equity only to the extent that they 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.

### **Legal reserve**

The legal reserve relates to Directa Plus S.P.A and forms part of retained earnings. In Italy it is mandatory to create a legal reserve for 5% of net profit. There was a net profit of €11,312 in 2009 creating a legal reserve of €566.

## 20. Loans and borrowings

### Non-current

	Group		Company	
	2016	2015	2016	2016
Debts for financial leasing	169,043	220,008	-	-
Loan	285,557	468,813	-	-
<b>Total</b>	<b>454,600</b>	<b>688,821</b>	-	-

### Current

	Group		Company	
	2016	2015	2016	2015
Debts to other lenders	187,164	93,710	-	-
Debts for financial leasing	50,970	91,949	-	-
Loan	-	5,897,256	-	5,813,847
<b>Total</b>	<b>238,134</b>	<b>6,082,915</b>	-	<b>5,813,847</b>

	2016	Current	Non current	Repayment	Interest rate
Intesa San Paolo	240,646	92,327	148,319	6-months	EURIBOR 3M + 2.5%
Atanor	228,161	90,923	137,238	3- months	Fixed 0.5%

Intesa San Paolo interest rates have been renegotiated after the IPO, from 5.2% to 2.5%.

There are no securities related with above loans.

The Group received two shareholder loans totalling Euro 185,185 in prior periods. They were interest free and switched into the convertible loans in 2015.

Included in loans at 31 December 2015 are 39 convertible loans with drawdowns totalling €5,529,041. The convertible loans were repayable on or before 31/12/2016 and bear interest at 8%. Accrued interest is payable on each anniversary of the agreements or if earlier, when the Loans are payable in full.

The proceeds received on issue of the Group's convertible loans are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The Group's convertible loan notes do not contain an equity component.

Derivatives embedded in host debt contracts, such as convertible loan notes, are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss.

## 21. Embedded derivative

	<b>2016</b>	<b>2015</b>
Embedded derivative	-	706,525
<b>Total</b>	<b>-</b>	<b>706,525</b>

The embedded derivative relates to the conversion option contained in the convertible loan notes disclosed in note 19. The loan note holders had an option to convert at a 25% discount to the IPO listing price. This breaks the fixed for fixed conversion under IAS 39 and has therefore been fair valued as an embedded derivative. The key variable contained in the fair valuation is the probability that the IPO will occur and the conversion option becomes exercisable. This is deemed to be a key judgement applied by Management and is described below.

As at 31 December 2015 Management reassessed the fair value of the embedded derivative. The factors that were considered are as follows:

- A decision to undertake an AIM listing had been agreed but the Company was only at the start of the process in appointing advisors and initiating listing activity;
- No marketing activity had commenced;

- Average success rates for companies listing on the AIM market and the wider current IPO activity;
- Macro-economic factors which would impact upon any IPO success.

As at 27 May 2016, after the successful IPO the embedded derivative was updated to reflect a 100% chance of success and the embedded derivative extinguished on the issue of shares.

86% of convertible loan note holders opted for conversion, with convertible loan value extinguished on the issue of shares, and 14% opted for cash repayment of their convertible loan value.

When extinguishing the convertible loan and embedded derivative liabilities, the Company recognised a gain of €1,943,333. The 86% gain of €1,670,687, relating to holders opting to convert has been taken to retained earnings to match against the previous fair value movements. The gain of €272,646 relating to the 14% opting for cash repayment has been realised in the consolidated statement of comprehensive income for the period under fair value movement on embedded derivative.

### Convertible Loan Notes

In euro	Loan notes	Embedded derivative liability	Share capital	Share premium	Retained earnings	Income statement
<b>At 31 December 2015</b>	<b>5,809,842</b>	<b>706,525</b>				
Interest up until date of conversion	182,072					
Interest settled in period up to conversion	(10,115)					
Fair value movement		1,312,119				(1,312,119)
<b>Balance prior to conversion</b>	<b>5,981,799</b>	<b>2,018,644</b>				
Conversion to shares	(5,142,563)	(1,745,998)	23,191	5,194,683	1,670,687	
Loan settled in cash	(839,236)					
Gain on extinguishment relating to cash settled		(272,646)				272,646
<b>At 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>23,191</b>	<b>5,194,683</b>	<b>1,670,687</b>	<b>(1,039,473)</b>



## 22. Employee benefits provision

	2016	2015
Employee benefits	227,358	170,952
<b>Total</b>	<b>227,358</b>	<b>170,952</b>

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 benefits to be assessed on actuarial assumptions.

The breakdown for 2015 and 2016 is as follows:

<b>Amount at 31 December 2014</b>	<b>145,991</b>
Service cost	32,092
Interest cost	4,619
Actuarial gain/losses	(8,563)
Past service cost	-
Benefit paid	(3,187)
<b>Amount at 31 December 2015</b>	<b>170,952</b>
Service cost	52,286
Interest cost	4,614
Actuarial gain/losses	(150)
Past service cost	-
Benefit paid	(344)
<b>Amount at 31 December 2016</b>	<b>227,358</b>

## Variables analysis

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

	2016	2015
Annual rate interest	2.30%	3.00%
Annual rate inflation	1.10%	1.30%
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%	1.50%
Increase salary female	1.15%	1.40%
Rate of turnover male	1.70%	1.70%
Rate of turnover female	1.50%	1.50%

## Sensitivity analysis

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

Actuarial hypothesis - 2015		Decrease 10% Variation		Increase 10% Variation	
		Rate	DBO	Rate	DBO
Increase salary	Male	1.35%	(1,599)	1.65%	1,645
	Female	1.26%		1.54%	
Turnover	Male	1.53%	(1,475)	1.87%	1,434
	Female	1.35%		1.65%	
Interest rate		2.70%	6,135	3.30%	(5,749)
Inflation rate		1.17%	(1,613)	1.43%	1,640

Actuarial hypothesis - 2016		Decrease 10% Variation		Increase 10% Variation	
		Rate	DBO	Rate	DBO
Increase salary	Male	1.08%	(1,914)	1.32%	1,959
	Female	1.04%		1.27%	
Turnover	Male	1.53%	(1,649)	1.87%	1,602
	Female	1.35%		1.65%	
Interest rate		2.07%	6,857	2.53%	(6,499)
Inflation rate		0.99%	(1,916)	1.21%	1,943

### 23. Trade and Other payables

	Group		Company	
	2016	2015	2016	2015
Trade payables	529,468	345,713	910	29,600
Employment costs	203,278	223,909	-	91,135
Other payables	117,675	157,852	31,432	20,047
Deferred income for public grant	-	44,643	-	-
<b>Total</b>	<b>850,421</b>	<b>772,117</b>	<b>32,342</b>	<b>140,782</b>

### 24. Financial instruments

#### Financial risk management

The Company has exposure to the following risks from its operations:

#### Capital Risk

The Company manages its capital to ensure to be able to continue as going concerns while maximising the return to shareholders.

The Company considers that the current capital structure will provide sufficient flexibility to ensure that appropriate investment can be made, if required, to implement and achieve a long term growth strategy.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above.

Trade receivables consist of a small number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group's standard credit terms are 30 to 60 days from date of invoice. Invoices greater than 60 days old are assessed as overdue.

### **Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

<b>Group</b>	<b>Note</b>	<b>2016</b>	<b>2015</b>
Trade and other receivables	13	1,092,892	1,305,214
Cash and cash equivalent	18	10,570,211	2,031,650
<b>Total</b>		<b>11,663,103</b>	<b>3,336,864</b>

All trade and other receivables are considered recoverable.

### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The management review its facilities regularly to ensure it has adequate funds for operations and expansion plans.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

### Contractual cash flows

2016	Carrying amount	Up to 1 year	1 -5 years
<b>Financial liabilities</b>			
Trade payables	345,715	345,715	-
Debts for financial leasing	311,957	106,528	224,773
Debts to other lenders	93,710	93,710	-
Embedded derivative	706,525	706,525	-
Loans	6,366,069	6,357,350	489,134
<b>Total</b>	<b>7,823,976</b>	<b>7,609,828</b>	<b>713,907</b>

### Contractual cash flows

2015	Carrying amount	Up to 1 year	1 -5 years
<b>Financial liabilities</b>			
Trade payables	529,468	529,468	-
Debts for financial leasing	220,007	61,735	180,059
Loans	472,727	199,565	293,476
<b>Total</b>	<b>1,222,202</b>	<b>767,602</b>	<b>473,535</b>

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

As at 31 December 2016 the Group is only exposed to variable interest rate risk on the Intesa San Paolo loan. If the interest rate has increased or decreased by 100 basis points during the year the impact on the profit or loss would have been +/- €2,406.

### Currency risk

The Group, is exposed to currency risk. Immediately after Admission and before the Brexit referendum, £7.5 million of the IPO proceeds was converted to €9.5 million (based on an average exchange rate of £1: €1.26) as the costs of the Italian subsidiary are in Euros. The remaining amount of approximately £3.5 million is to manage expenses of the Company (such as UK advisors, LSE fees and costs related to the Board) in the UK.

	<b>EUR</b>
Cash held in EUR	7,066,131
Cash held in GBP	3,503,345
Cash held in USD	734

As at 31 December 2016 if the exchange rate EUR/GBP increase by 10% the impact on P&L would be a loss equal to €0.32 million (if decrease by 10% would be a profit equal to €0.39 million).

### Fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities carried at fair value, including their levels in the fair value hierarchy.

31 Dec 2015	Carrying amount			Fair value		
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
<b>Financial liabilities not measured at fair value</b>						
Embedded derivative	-	706,525	706,525	-	706,525	-
<b>Total</b>	<b>-</b>	<b>706,525</b>	<b>706,525</b>	<b>-</b>	<b>706,525</b>	<b>-</b>

Measurement of fair values: valuation techniques and significant unobservable inputs – refer to note 18 for details regarding the fair value of the embedded derivative. The embedded derivative was released on conversion of the loan in 2016.

## Capital management

The Group's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support continued operations.

## 25. Earnings per share

The earnings per share calculations for 31 December 2016 are influenced by the large change in the number of ordinary shares during the period. This is due the share sub-division which occurred on 19 May 2016, dividing each share into 40 new shares and increasing the number of shares by 19,620,900, and the Initial Public Offering on 27 May 2016, which resulted in 24,088,827 new shares. The earnings per share have been calculated using the weighted average of ordinary shares. In order for the calculations of basic and diluted earnings per share for all periods presented to be comparable, the weighted number of ordinary shares has been adjusted retrospectively to reflect the sub-division. The Company was loss making for all periods presented. Therefore the dilutive effect of share options has not been taken account of in the calculation of diluted earnings per share, since this would decrease the loss per share for each of the period reported.

	Change in number of ordinary shares	Total number of ordinary shares	Days	Weighted number of ordinary shares
<b>At 1 January 2015</b>	-	<b>503,100</b>	-	<b>20,124,000</b>
<b>At 30 June 2015</b>	-	<b>503,100</b>	-	<b>20,124,000</b>
<b>At 31 December 2015</b>	-	<b>503,100</b>	-	<b>20,124,000</b>
Existing shares		503,100	140	7,697,705
Share sub-division on 19 May 2016	19,620,900	20,124,000	8	439,869
Issued on 27 May 2016	24,088,827	44,212,827	218	26,334,416
<b>At 31 December 2016</b>	<b>43,709,727</b>	<b>44,212,827</b>	<b>366</b>	<b>34,471,990</b>

	Basic		Diluted	
	2016	2015	2016	2015
Loss for the year	(6,422,019)	(4,367,480)	(6,422,019)	(4,367,480)
Weighted average number of ordinary shares in issue during the year	34,471,990	20,124,000	34,471,990	20,124,000
Fully diluted average number of ordinary shares during the year	34,471,990	20,124,000	34,471,990	20,124,000
<b>Loss per share</b>	<b>(0.19)</b>	<b>(0.22)</b>	<b>(0.19)</b>	<b>(0.22)</b>

#### Adjusted EPS

	Basic		Diluted	
	2016	2015	2016	2015
Losses of the year	(6,422,019)	(4,367,480)	(6,422,019)	(4,367,480)
Non recurring IPO costs	427,144	-	427,144	-
Fair value movement on embedded derivative	1,039,473	706,525	1,039,473	706,525
Write down of Receivables	840,000	-	840,000	-
Inventory Adjustment	(150,000)	-	(150,000)	-
Share option cost	154,068	-	154,068	-
Inventory write off	-	1,933,319	-	1,933,319
<b>Adjusted Losses</b>	<b>(4,111,334)</b>	<b>(1,727,636)</b>	<b>(4,111,334)</b>	<b>(1,727,636)</b>
Average number of ordinary share	34,471,990	20,124,000	34,471,990	20,124,000
<b>Adjusted LPS</b>	<b>(0,12)</b>	<b>(0,09)</b>	<b>(0,12)</b>	<b>(0,09)</b>

## 26. Share Schemes

The Company established the Employees' Share Scheme for employees and executive directors and the NED Share Scheme for the Chairman and non-executive directors on 19 May 2016. The Employees' Share Scheme is administered by the Remuneration Committee. The NED Share Scheme is administered by the Executive Directors.



The Directors are entitled to grant awards over up to 10 per cent of the Company's issued share capital from time to time. Awards over a total of 1,675,609 Ordinary Shares were granted on or around the date of Admission, 27 May 2016. No awards have as yet been exercised, leaving a total of 1,675,609 outstanding as at the year end. The main terms of the Share Schemes are set out below:

### ***Eligibility***

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

### ***Types of Award***

Awards granted under the Employees' Share Scheme can take the form of performance shares and/or market value share options. "Performance shares" are share options with an exercise price equal to the nominal value of a share, while "market value share options" are share options with an exercise price equal to the market value of a share at the date of grant. The right to exercise the award is generally dependent upon the participant remaining an officer or employee throughout the performance period and, except in the case of market value share options granted to the Chairman or non-executive directors, the satisfaction of performance conditions. This is subject to the good leaver provisions described below. Awards granted under the Share Schemes will not be pensionable.

### ***Individual Limits***

The value of Ordinary Shares over which an employee or executive director may be granted awards under the Employees' Share Scheme in any financial year of the Company shall not exceed 200 per cent of his basic rate of salary at the date of grant. The value of Ordinary Shares over which a non-executive director may be granted market value share options under the NED Share Scheme in any financial year of the Company shall not exceed 150 percent of his annual rate of fees.

### ***Performance Targets***

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

The Remuneration Committee may modify or amend the performance targets if changes to the Company or its business mean that the targets are no longer relevant or appropriate. However, any new or amended

conditions will not be materially any more or less challenging than the original conditions were expected to be at the time they were imposed. The vesting of market value share options granted to non-executive directors will not be subject to performance conditions.

### ***Variation of share capital***

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

### ***Vesting of awards***

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

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

<b>Black Scholes Model</b>	<b>27 May 2016</b>	<b>27 May 2016</b>
Share price	75p	75p
Exercise price	75p	0.25p
Expected volatility	70%	70%
Compounded Risk-Free Interest Rate	4.25%	4.25%
Expected life	3 years	3 years
Number of options issued	576,069	1,099,540

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

	Outstanding at start of period	Granted	Outstanding at end of period	Exercisable period option price	Grant date	Exercisa-ble date
<b>31 December 2015</b>	-	-	-			
	-	1,099,540	1,099,540	0.25p	27 May 2016	27 May 2019
	-	576,069	576,069	75.00p	27 May 2016	27 May 2019
<b>31 December 2016</b>	-	<b>1,675,609</b>	<b>1,675,609</b>			

## **27. Related parties**

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

	<b>2016</b>	<b>2015</b>
Short-term employee benefits and fees	176,708	80,000
Social security costs	8,179	6,138
	184,887	86,138

### **Related party transactions**

The following are deemed as related party transactions:

During the years under review, Sir Peter Middleton, a director of the Company, acted as Chairman of Hamilton Venture Capital Ltd, a company which provided advisory services and office rental to Directa Plus PLC. During the year ended 30 December 2016, the Company was invoiced €569,993 for advisory services (2015: €286,212) and €12,767 for office rental (2015: nil). Sir P Middleton received no remuneration for this role and had no part in the provision of advice.

During the year ended 31 December 2016, the Company was invoiced €3,792 (2015: €12,315) from its subsidiary for services provided by Director Giulio Cesareo.

During the year ended 31 December 2016, the Company made interest free loan payments to Directa Plus Asia Limited of €48,563. As at 31 December 2016 the loan balance was reviewed and an impairment of €69,763 made, reducing the carrying value to nil (2015: €22,825).

As at 31 December 2016 the intercompany loan balance with Directa Plus S.P.A is nil (2015: €641,092).

Giuseppe Lazzaroni acted as chairman of the Italian Company (resigned 30 September 2016) and received €7,500 remuneration (2015: €10,000).

During the year ended 31 December 2016, the Company sold equipment and other services for €651 (2015: nil) to Galbiga Immobiliare Srl, a company under the control of Giulio Cesareo.

The following are deemed as related party transactions as the parties are shareholders and loan note holders. The loans and were settled in cash or shares on 27 May 2016 as part of the IPO, see note 21 for further details.

Shareholder	Date of loan	Principal	Interest in 2015	Interest repaid in 2015	Loan outstanding 31 December 2015	Interest in 2016	Loan outstanding 31 December 2016
Finanziaria Le Perray	08/10/2014	500,000	40,650	-	547,046	17,421	-
Guiseppe Lazzaroni	08/10/2014	225,000	17,968	17,605	229,192	7,299	-
Finanziaria Le Perray	31/12/2014	525,219	42,018	-	567,237	18,400	-
Como Ventures	07/04/2015	100,000	5,896	-	105,896	3,409	-
Quadrivio Capital	02/04/2015	500,000	30,027	-	530,027	17,058	-
Quadrivio Capital	05/02/2015	166,667	12,055	-	178,722	5,737	-
Como Ventures	05/02/2015	18,518	1,340	-	19,858	637	-

## 28. Contingent Liabilities

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

	2016	2015
Operating leases	20,000	20,000
<b>Total</b>	<b>20,000</b>	<b>20,000</b>

## 29. Post Balance Sheet events

There have been no events after the reporting date that require disclosure after the reporting period.