

Registered in England and Wales number 10114644

Verditek PLC

Group Annual Report and Financial Statements

Year Ended 31 December 2019

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STRATEGIC REPORT

Verditek is a cleantech company, its principal interest being the manufacturing and commercialisation of cutting edge solar technologies. Verditek holds interests in three businesses operating within the clean energy, CO₂ emission reduction and deodorisation markets. This includes full control of Verditek Solar Italy housed in a new factory in Lainate Italy comprising two solar manufacturing lines (total of 20MWp p.a.) producing innovative lightweight solar modules. Additionally, the company has interests in a sustainable filtration and deodorization technology which is commercially proven to remove a wide range of odours found in wastewater and exhausts, and a unique liquid gas absorption technology which can revolutionize the global CO₂-capture industry. At the date of approval of this report the Company has the following holdings:

100% holding in Verditek Solar Italy s.r.l – our Verditek Solar Italy subsidiary manufactures light weight solar modules which offer several innovations including: interconnectivity of individual PV cells, increased flexibility, and are particularly light weight compared to conventional PV modules. These properties open up markets that otherwise cannot consider solar energy to address their power requirements. The business generates revenues from the sale of ‘solar enhanced’ PV products. Our start-up capacity comprises two solar PV production lines with a total manufacturing capacity of 20MWp of solar panels per annum.

51% holding in BBR: BBR applies patented filtration and deodorisation technology to wastewater and industrial effluents. Our technology can be adapted to address specific odour, VOC, and HAP problems, using sustainable green methods to process industrial scale volumes of effluent. For example, our technology can remove over 99% of hydrogen sulphide from wastewater streams, as well as nuisance odours arising from mercaptans and aldehydes. Our patented reactor provides a highly efficient and cost-effective solution that can be scaled from small to very large process streams.

22.34% holding in Industrial Climate Solutions (ICS): Many important industrial processes are governed by the effectiveness of mixing a gas with a liquid to bring about a separation or reaction of chemicals. The ICS gas-liquid contactor does this significantly more efficiently than conventional reactors and is particularly effective when processes are influenced by precipitation. An extremely important example is that of Carbon Capture where typical flue gas streams (e.g. electricity generation, cement manufacture) must be treated to prevent carbon dioxide from entering the atmosphere. Another huge application is the treatment of natural gas (commonly contaminated with 2-5% of H₂S) to meet sales gas requirements (<25 ppm). ICS has developed a novel multiphase contacting process using a proprietary froth generator that can dramatically enhance mass transfer in gas/liquid absorption systems. We believe the reduction in capital costs, as well as operational burden, will revolutionize these markets, making access to the technology affordable to industry and protecting our planet.

In addition to these holdings, we have an exciting relationship in place with Paragraf, a start-up which has developed what we believe to be world-leading graphene technology. Together we have worked to produce the world’s first working Graphene Integrated Photovoltaic cell and in late 2019 we commenced our second Joint Development Programme (JDP) to focus on enhancing efficiency and commercialising this new generation technology.

Covid 19

We have considered the impact of the Covid 19 pandemic on the businesses of the Group both in terms of experience to date (the impact of the pandemic was felt somewhat earlier in Italy than in the UK) and our assessment of its potential impact on the markets which Verditek expects to commercialise its products in.

As described in this statement, the Group’s sales team has been working on advancing commercial opportunities to further commercialise Verditek’s lightweight low-profile Solar PV solutions during this challenging period. At the date of approval of these financial statements the Group is preparing to ship product from its factory. A number of

commercial counterparties are interested in arranging trials for Verditek's solar solutions in their markets (e.g. military, transport, recreational homes, commercial real estate). The Group's manufacturing site in Lainate Italy reopened on 6 April 2020 and re-commenced production. Employees were self-isolating during previous weeks in compliance with Italian government directives. No viral symptoms have been registered. Verditek has permission to work and has access to the government wage compensation program which is part of the "Cura Italia" (Cure Italy) Decree signed on 17 March 2020. Verditek will balance its production rota to optimise the welfare of its staff and the company.

The Group has prepared financial forecasts include modelling management's assessment of the impact of Covid-19 on the business of the Group, including consideration of the overall impact on those parts of the business expected to be significantly impacted and those parts which are expected to grow in the short term, the steps taken by the Directors to utilise the various support mechanisms instigated by government, including the Cura Italia scheme and the financial impact of the steps taken by and available to the Directors to protect and manage the business during the coming period, including the introduction of temporary pay reductions across the business and overhead reductions.

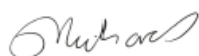
S172 Statement

As required by Section 172 of the Companies Act, a director of a company must act in the way he or she considers, in good faith, would likely promote the success of the company for the benefit of the shareholders. In doing so, the director must have regard, amongst other matters, to the following issues:

- the likely consequences of any decisions in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers/customers and others;
- the impact of the company's operations on the community and environment;
- the company's reputation for high standards of business conduct; and
- the need to act fairly between members of the company.

The information required by s172 of the Companies Act 2006 is included in the Strategic Report above, the Directors Report on pages 23 to 25 and the Corporate Governance Report pages 14 to 18.

On behalf of the Board



Rob Richards
Chief Executive Officer
30 June 2020

2019 HIGHLIGHTS

In 2019 Verditek has maintained its' position in the companies invested in and focused on developing its exceptional solar business in Europe and the UK. Our collaboration with Paragraf is on track and progressing the engineering of our unique Graphene Integrated PV technology.

Verditek Solar Italy has developed a deeper understanding of our Unique Selling Proposition that differentiates our technology from conventional PV panels, as we transitioned to creating solar solutions for our clients across six key market areas. The key markets identified comprise Transportation, EV Charging, Commercial Real Estate, Recreational Homes, Mobile Shelters and Telecommunications. In each application our technology, often integrated into a power solution, provides the client with the opportunity to harvest renewable energy that they would otherwise not have. In most cases our technology displaces or completely removes the need for diesel fuel in remote, dangerous, or pristine environments.

Regarding the growth of electric vehicles in personal and fleet transport, we have seen many cities in the UK and Europe reducing or removing internal combustion engines from core urban environments. The transport of people and goods in these environments will become electric and that provides an opportunity to provide renewable power. We are partnering with companies to provide solutions that keep EV's on the road longer and charged when back at the depot or residence. In this respect we have recently announced several partnerships and paid trials with EAV Cargo (<https://www.eavcargo.com/>) and IM Efficiency (<https://imefficiency.com/>) to demonstrate the savings and ROI possible.

In the commercial real estate market we have signed an agreement with Green Unit to trial our technology and create a solar roof package for their beautiful ARC buildings (<https://www.greenunit.co.uk/>). More examples will follow.

Our factory in Italy continues to grow, and we have installed our own remote monitoring station that compares our lightweight low-profile PV panels with conventional PV and demonstrates several mounting configurations.

In our second Joint Development Program (JDP) with Paragraf we continue to make progress on the development of the exclusive Graphene Integrated PV proof-of-concept cells we created in our first JDP. We have deepened our understanding of the science promoting the performance of our new technology and have successfully grown graphene on an entire mono-silicon PV wafer and established a working cell. The program is on track and adapted for Covid-19 social distancing precautions that are required to protect the scientists.

In September 2019 , Verditek successfully closed on £600k of equity funding through the issuance of 13.3 million shares at 4.5p for working capital purposes to support of the continued growth of the Company's solar manufacturing capacity and to further fund the Joint Development Programme with Paragraf.

During the period, the businesses did not record any revenue with first commercial sales expected in 2020.

CHAIRMAN'S STATEMENT

As a strong supporter of clean technologies, I continue to guide this forward-thinking business in its mission to commercialise clean technologies. I believe that Verditek's innovative range of clean energy products will help to meet the growing demand for a greener, cleaner planet.

With our now firmly established wholly owned subsidiary – Verditek Solar Italy – manufacturing light weight solar modules which offer several innovations including, interconnectivity of individual PV cells, increased flexibility, and are particularly light weight compared to conventional PV modules opening up markets that otherwise cannot consider solar energy to address their power requirements, we continue to pursue sales aggressively - both in solar solutions and distribution.

As part of this aggressive sales drive the board has made significant changes to accelerate the commercialisation of our solar offering: Rob Richards has been appointed to the role of CEO, replacing Geoff Nesbitt who has been appointed CTO. Rob, a chartered electrical engineer, joins Verditek with an impressive sales record spanning over 20 years in the Oil and Gas and Energy Industry. In his short time with Verditek, Rob has shown a remarkable capacity to open up new sales prospects and has a strong grasp of the production side of the business.

At the same time, we recognise the need to devote more time and technical resource to our second Joint Development Programme (JDP) which is underway with Paragraf Ltd. the Cambridge University spin out. To that end, the appointment of Geoff Nesbitt as CTO will facilitate acceleration of the second JDP which is focused on improving the performance of the working graphene integrated photovoltaic cell, developing patents and commencing commercial discussions for the product.

I would like to thank Geoff Nesbitt for all his hard work over the past two years as CEO. He has a strong technical mastery of our products and I am delighted that he will be staying on as CTO.

With recent equity issuances totalling £1.5 million in the first half of 2020, together with a significant Innovate UK Grant application in the pipeline, an aggressive - dedicated - focus on sales and R&D coupled with strongly growing addressable markets and a strong "green tailwind", I am confident that the outlook for the business is extremely positive - offering customers good value solutions to their environmental challenges.

The Rt Hon. Lord David Willetts FRS

Non-Executive Chairman

CHIEF EXECUTIVE'S REVIEW

Overview

As the newly appointed CEO I can say that it is a privilege to take charge of this young dynamic European manufacturing company and to help transition it from an innovative R&D project to a commercial success.

In my prior roles I have witnessed first-hand the enormous shift now taking place from burning hydrocarbons towards utilising solar. This move from "wet" to "dry" energy source is now both inextricable and exponential in trend. As the world evolves from its dependency on hydrocarbon-based energy sources to cleaner more environmentally friendly energy, I believe the Verditek Solar product is very well positioned to become a market leader in the ultra-lightweight, flexible solar market. The Company's TUV approved product has numerous potential applications that hitherto were not available to the traditional, heavy and fragile solar panel technology. I believe major new market opportunities are now opening in military, transportation, cellular telecoms to name a few, where the advantages of a highly durable, efficient ultra-lightweight solar solution will now be embraced.

The Company's existing product lays an excellent foundation ahead of the very exciting work currently being conducted with our Joint Development Partners, Paragraf in Cambridge, in further developing the first graphene integrated PV cell.

Strategy

Verditek takes early stage positions in technology businesses and provides financial discipline and funding to take them through to commercial revenue and growth. Technology and market risk are managed by investing in technologies which service different markets and are at different stages of maturity. Cash generation from interests which are closest to revenue will supplement the investment needs of the businesses with longer technology development cycles. Near term strategic objectives include:

Sales: Verditek Solar Italy, our next generation solar cell technology company, is now in production and is generating revenue. As has been seen by the recent RNS, we have already achieved our first commercial order in the oil and gas business, subsequent to which we have received our first order in the marine sector and agricultural sector.

We continue to expand into verticals into which we can displace liquid fuels, and secure orders at attractive prices, the majority of these clients will operate in harsh environments which are ideally suited to the durable, lightweight panels we manufacture.

We continue strengthen our global sales reach increasing the number of agents and distributors appointed around the world, this deeper market penetration will allow Verditek to ramp up the sales funnel quicker and hence deliver the projects we need. This increased global presence has already enabled us to secure order in South Asia, South East Asia and Europe, while we are also targeting Australia as a potentially important market in the mining, marine and agricultural sectors.

This new team has already identified a previously untapped opportunity requiring, we believe, 2GW of lightweight solar panels, in one vertical, in one geographical area alone.

In our push to move from wet to dry fuels, we are aggressively targeting the remote microgrid market which combines our solar panels with batteries and/or back up generation to provide dependable power in remote locations.

CHIEF EXECUTIVE'S REVIEW (continued)

Verditek continue to talk with other complementary world leading manufacturers and suppliers to build solutions to clients by forming strategic partnerships.

Continuing to invest in longer term development opportunities: The joint development project with Paragraf Limited has been created to harness the significant potential advantages of graphene to improve the performance of solar power generation over state-of-the-art cells and panels.

The first development project is completed and has resulted in the creation of working graphene integrated photovoltaic Proof of Concept (PoC) cells that successfully convert sunlight to electrical energy without the encumbrance of busbars or backplates required in conventional PV cells. A second JDP has commenced and is focussed on improving performance of the PoC cell, developing patents and commencing commercial discussions for the product.

This is very exciting and provides an opportunity to move the Verditek solar business to the cutting edge of the solar industry.

The investment in ICSI with its unique liquid gas absorption technology, is set to revolutionize the global CO₂ capture market offers a longer-term blue-sky opportunity for investors.

Developing the organisation: build out a strong and reliant organisation with an emphasis on attracting and retaining excellent people supported by effective systems, processes and tools.

Markets and Products

During the period we continued to see strong growth in our addressable markets.

Solar: We estimate that the lightweight solar market is growing strongly and is going to be at least \$28 billion by 2022. Verditek Solar Italy can offer customers solar modules at a fraction of the weight of conventional glass panels opening up new market opportunities for customers with residential and light industrial estates.

Due to the increased demand seen, one of my first decisions was to increase the operating capacity of the facility in Italy to cope with the expected order levels over the coming months. The work to increase capacity has already commenced.

We are in an advanced stage to licence our manufacturing technology to a new plant and we have received expressions of interest from others to build similar plants elsewhere in the world.

Filtration: Our BBR fluidized biofilter offers deodorisation and filtration systems into established markets where growth is driven by increasingly strict national and local regulations. Addressable markets include food processing, wastewater treatment, industrial and chemical processing. The scale of the global market for new capital equipment expenditure on abatement technology is estimated to be in the region of £450m-£600m per annum, and BBR is ideally suited to exploit the trend for new biological based solutions.

CO₂ and H₂S removal: The unique WES liquid gas absorption technology provides the opportunity to supply more space efficient absorption solutions to customers with lower running costs than existing solutions. Addressable market growth is driven by increased legislative pressure and growth in the underlying markets. Markets include fossil fuel power generation plants, cement production, oil refining, upstream management of sour gas, any precipitating solvent process and ultra-fine particular scrubbing. The sour gas market is growing rapidly and expected to be around \$55 billion by 2022.

Financials

During the period the businesses did not record any revenue. The investment funds raised during the year were used to invest in additional production equipment, sales and marketing, product development and other operating expenses. In the first weeks of my tenure, I have addressed the overheads within the company to make us lean for a more fit for purpose, hence significantly reducing the monthly burn rate. I expect that with the reduced overhead and expectant ramp up in revenues that we will be generating free cash flow within 2020. Subsequent to the year end, the Company issued 20.23million new ordinary shares at 2.5p each and 40 million new ordinary shares at 2.5p each, raised the gross proceed of £505,750 and £1,000,000 respectively as additional working capital.

Outlook

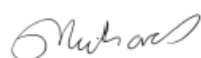
We are excited about the future of Verditek and believe the outlook remains very positive.

Verditek was established with the vision of building a leading clean technology company, delivering game changing technology solutions for the sector. We believe with our initial three investments in solar, bio filtration and gas processing and carbon capture, we are well placed to do this.

Our growth strategy is centered on accelerating the Verditek Solar commercialisation and defining the commercial opportunities of the Paragraf JDP, to drive first revenues and enhance shareholder value for the Company.

All of our businesses hold the following characteristics which we believe set us apart from our peers; they are all proven proprietary products, technologies within emergent and fast growing cleantech sector and have large, lucrative and global addressable markets. We also have the ability to add investments in synergistic technologies that bring value to our core three businesses.

I would like to take this opportunity to thank my fellow Board members, valued shareholders and advisers for their support. As noted, we look forward to delivering on our vision of building a cash-generative and profitable clean technology company and we will continue to update the market in the coming months on these developments.



Rob Richards
Chief Executive Officer

FINANCIAL REVIEW

Income statement

During the year 2019 the Group's loss after taxation was £1,864,313 (December 2018: £2,663,415). The administration costs incurred for the year ended 31 December 2019 of £1,660,719.

Loss per share

The basic and diluted loss per share was £0.01(2018: £0.01).

Financial Position

At 31 December 2019, the Group's net liabilities were £365,035 (2018: net liabilities of £112,449). This comprised total assets of £1,486,782 and total liabilities of £1,851,817. The total assets included property, plant and equipment and goodwill of £633,491 (2018: £498,969).

Cashflow

The Group's cash balance at the period end was £107,243 (2018: £683,885).

During the period the net cash outflow from operating activities was £1,324,285 (2018: 1,704,546) with financing activities generating net proceeds of £904,905 (2018: £1,483,328).

Dividends

No dividend is recommended (2018: £nil) due to the early stage of the development of the Group.

Capital management

The Board's objective is to maintain a statement of financial position that is both efficient and delivers long term shareholder value. The Group had cash balances of £107,243 at 31 December 2019 (2018: £683,885). The Board continues to monitor the balance sheet to ensure it has an adequate capital structure.

Key Performance Indicators

As the group is pre-revenue the main measures of performance are the level of expenditure compared to budget and forecast expectations. Going forwards the Board will work with the businesses to develop a suite of KPIs to monitor and report performance.

Events after the reporting period

Events after the reporting period are described in Note 27 to the financial statements.

Tim Lord
Chief Financial Officer

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is committed to protecting and enhancing our reputation and assets, while safeguarding the interests of our shareholders. It has overall responsibility for the Group's system of risk management and internal control.

The Board assesses the Company's principal risks and monitors the risk management process at least twice a year. Over the course of the year, the Board has also considered specific risks of intellectual property and physical asset security, fluctuations in exchange rates and liquidity.

Accepting that it is not possible to identify, anticipate or eliminate every risk that may arise and that risk is an inherent part of doing business, our risk management process aims to provide reasonable assurance that we understand, monitor and manage the main uncertainties that we face in delivering our objectives. Our principal risks are shown in the table below.

Risk Framework

Managing risk is an inherent part of any vital commercial enterprise. Verditek has prepared a risk review using an established framework that assists the recognition and mitigation of risk. Ranking risk and opportunity is critical to any successful business and assists the executive in managing priorities to extract the maximum value from our investments, while maintaining vigilance on those aspects which most influence an outcome.

Over the course of the year we have continued to focus on the risk framework developed in our first year of operation to maintain and enhance a fit for purpose governance model and to ensure compliance. Financial control continues to figure prominently in this overall framework.

Risk Review

Verditek businesses span three separate markets and industry segments, providing a natural hedge to the company. The key risks identified per business are as follows:

	RISK	MITIGATION and MANAGEMENT	ASSESSMENT
Market conditions	<p>Solar: subsidized tariffs for conventional “brown” electricity and the application of massive investment of capital automation similar to what happened in conventional PV.</p> <p>Deodorisation: established players enter into a price war, destroying value proposition in the market or, regulatory bodies relax odour emission laws.</p> <p>CO₂ & H₂S Capture: major governments opt out of the Paris accord, encouraging industry to vent CO₂, or sulphur emissions legislation is relaxed by the IMO and EU.</p>	<p>For all three businesses the mitigation strategy is similar: pursue clients who are themselves active in different regions, markets, and industry segments.</p> <p>In Solar we are securing relationships with developers in India, Australia the GCC and Europe. Our product can be used in light industrial sheds, mining camps and affordable housing projects.</p> <p>In our deodorisation business we are pursuing relationships in the US across many new areas such as food processing and horticulture (e.g. cannabis).</p> <p>In CO₂ and H₂S capture we are working with recognised industry leaders to benchmark our technology in CO₂ capture and H₂S gas processing.</p>	The risk requires constant vigilance.
Commercial Success	<p>Our products are considered too expensive or providing a low return on investment.</p> <p>Since we are ramping up production our leverage on procurement costs and economies of scale are low.</p> <p>Establishing organic sales leads is slow.</p>	<p>In our solar business we are establishing procurement relationships and debottlenecking our WIP cycle to optimize material cost. As we grow, we will be able to negotiate more competitive rates.</p> <p>In our deodorisation business we are working with our supplier to analyse costs and where possible manufacture in-country to avoid FX burden.</p> <p>Our CO₂ and H₂S capture investment will remain precommercial until 2020.</p> <p>We are pursuing licensing relationships in both solar and deodorisation to benefit from established sales presence.</p>	The risk requires continued vigilance

	RISK	MITIGATION and MANAGEMENT	ASSESSMENT
License to Operate	<p>Failure to meet AIM corporate governance requirements.</p> <p>Leadership in Verditek or our operating companies behave fraudulently</p> <p>HSE violations in our operating companies.</p>	<p>The executive benchmarked its corporate governance, policies and procedures against the newly published QCA guidelines to ensure compliance.</p> <p>We have published our Code of Conduct and rolled out to the Board and executive. The Board has agreed that each member of Verditek sign the CoC and confirm they have read and understand the contents.</p> <p>Regarding HSE we are directly responsible for installing and auditing an HSE culture in our solar business, auditing our supplier in our deodorisation business and advising in our CO₂ & H₂S capture business. Implementation of an HSE program is underway in our solar business, and we are working with our supplier in deodorisation to implement policy in the manufacture of the equipment.</p>	The HSE risk requires vigilance
Financial	<p>Failure to secure cashflow and remain a going concern.</p> <p>Growth ambitions outpace cash reserves.</p>	<p>We are taking steps to develop a differentiated approach to contracting to encourage lease, lease to buy and sales contracts which will build robust line of sight on earnings.</p> <p>Funding of £1.5mm secured in Q1/Q2 2020.</p> <p>Early stage financing of growth will be done with partners, using major anchor projects to provide line of sight on income and service financing.</p>	The risk requires constant vigilance.
Legal	<p>Poorly constructed sales contracts expose the company to punitive commercial conditions.</p> <p>Partnering relationships expose Verditek to unlimited liabilities.</p>	<p>Verditek has secured Peachey as their single corporate counsel and have developed a suite of proforma contracts to ensure commercial negotiations begin soundly.</p>	This risk is in control.

GOVERNANCE

BOARD OF DIRECTORS

There were no changes to the Board during 2019. The Board as at the date of signing the report and accounts comprised:

Robert Richards (Chief Executive Officer)

Robert was appointed Chief Executive Officer in May 2020. Robert is a chartered electrical engineer with over 20 years' experience in the Oil and Gas and Energy Industry. Robert joins Verditek plc, having held senior management positions in Ecolog International, FZE, Penspen Ltd, Thailand, KNM Process Systems Sdn Bhd in Malaysia and Siemens Oil and Gas, Singapore and Alstom Power.

Tim Lord (Chief Financial Officer)

Tim has held a number of CFO positions, including at JP Morgan, based in Japan, and Société Générale, based in France, USA and Japan. Most recently he was the Financial Controller at Standard Chartered in Singapore and the UK. Tim is a qualified Chartered Accountant, holds a BSc (hons) in Physics from Imperial College London and an MSc in Geophysics from Birmingham University.

The Rt Hon. Lord David Willetts FRS (Non-Executive Chairman)

The Rt Hon. Lord David Willetts FRS is the Chairman of Verditek plc. He is also the President of the Resolution Foundation. He served as the Member of Parliament for Havant (1992-2015), as Minister for Universities and Science (2010-2014) and previously worked at HM Treasury and the No. 10 Policy Unit.

Lord Willetts is a visiting Professor at King's College London, a Board member of UK Innovation and Research (UKRI) a Board member of Surrey Satellites and of the Biotech Growth Trust. He is an Honorary Fellow of Nuffield College Oxford.

George Kataros (Non-Executive Director)

George is the founder of Verditek plc, identifying the three core technologies and leading the company to IPO on AIM. George has over 30 years' experience in advisory and asset management as well as investment banking and venture capital particularly for cleantech companies.

Gavin Mayhew (Non-Executive Director)

Gavin was formerly the CEO of Energy Savers FZE, a UAE consultancy providing energy saving solutions to commercial and industrial clients. Before that Gavin was president of Zubair Terminal Company in Iraq, which was set up to finance, develop and operate a new commercial port in Iraq – a 38 year port concession was signed with the Iraqi government in 2018. He has over 20 years of business management experience in Latin America, Europe and the Middle East. Gavin has an MBA from INSEAD and undergraduate degree from Brown University in the USA

The Board and responsibilities

The Board hold strategic face to face meetings 4 times a year, complemented with teleconference meetings 8 times a year to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. There is an Audit Committee and a Remuneration Committee in place with formally delegated duties and responsibilities and with specific terms of reference. From time to time separate committees may be set up by the Board to consider specific issues when the need arises. Due to the size of the Group, the Directors have decided that issues concerning the nomination of directors will be dealt with by the Board rather than a committee but will regularly reconsider whether a nominations committee is required.

The Audit Committee

The Audit Committee comprises The Rt Hon. Lord David Willetts FRS as chairman and Gavin Mayhew.

The Audit Committee determines the terms of engagement of the Group's auditors and will determine, in consultation with the auditors, the scope of the audit. The Audit Committee receives and reviews reports from management and the Group's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee has unrestricted access to the Group's auditors.

The Audit Committee Report is presented on page 19.

The Remuneration Committee

The Remuneration Committee comprises Gavin Mayhew as chairman and George Katzaros.

The Remuneration Committee reviews the scale and structure of the executive Directors' and senior employees' remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the non-executive Directors are set by the entire Board.

Details of board meetings held, and attendance of Board directors is shown below

Board Members	Eligible to attend	Attended
Executive Directors		
Geoffrey John Nesbitt	12	12
Tim Lord	12	12
Non-Executive Directors		
The Rt Hon. Lord David Willetts FRS	12	12
George Francis Katzaros	12	12
Anthony Neil Rawlinson	4	4
Gavin Mayhew	12	12

The Directors' Remuneration Report is presented on page 20.

Investor relations

The General Meeting is the principal forum for dialogue with shareholders. Updates on the progress of the business are regularly published on the Group's website.

On behalf of the Board



Rob Richards

Chief Executive Officer

CORPORATE GOVERNANCE REPORT

The Directors recognise that good corporate governance is a key foundation for the long-term success of the Group. As the Company is listed on the AIM market of the London Stock Exchange and is subject to the continuing requirements of the AIM Rules. The Board has therefore adopted the principles set out in the Corporate Governance Code for small and mid-sized companies published by the Quoted Companies Alliance (“QCA Code”).

The principles are listed below with an explanation of how the Company applies each principle, and what we do and why.

QCA Code Principle	Application (as set out by QCA)	What we do and why
1. Establish a strategy and business model which promote long-term value for shareholders	The board must be able to express a shared view of the company’s purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.	<p>Verditek’s strategy is explained fully within our Strategic Report section of our Report and Accounts for the year ended 31 December 2019.</p> <p>Our strategy is focused on achieving first sales; investing in longer term development opportunities and developing the organisation.</p> <p>The key challenges to the business and how these are mitigated are detailed on pages 9 to 11 of our Report and Accounts for the year ended 31 December 2019.</p>
2. Seek to understand and meet shareholder needs and expectations	Directors must develop a good understanding of the needs and expectations of all elements of the company’s shareholder base.	Whilst the company is pre-revenue the Board is committed to returning value to our shareholders through execution of our strategy.
	The board must manage shareholders’ expectations and should seek to understand the motivations behind shareholder voting decisions.	<p>Verditek plc encourages two-way communication with its investors and responds quickly to all queries received.</p> <p>The Board recognises the AGM as an important opportunity to meet shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM.</p> <p>The people responsible for shareholder liaison are:</p> <p>The Chief Executive Officer The Chief Financial Officer Nomad (W.H. Ireland Limited)</p> <p>Details of the investor engagement and the people responsible for shareholder liaison can be found on the Company website.</p>
3. Take into account wider stakeholder and social implications for long-term success responsibilities and their	Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the	The executive has created a communications program that engages with trade and interest groups working in the markets where our products are sold and applied.

QCA Code Principle	Application (as set out by QCA)	What we do and why
implications for long-term success	company's stakeholders and understand their needs, interests and expectations.	
	Where matters that relate to the company's impact on society, the communities within which it operates, or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.	We have prepared and published articles on topics addressing the ethical and social aspects of our products as a renewable energy solution alternative to conventional products. We attend conferences each year to ensure we remain informed.
	Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.	Our website maintains a channel to receive feedback from all stakeholders.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.	Risk Management on pages 9 to 11 of our Report and Accounts for the year ended 31 December 2019 details the risks to the business and how these are mitigated.
	Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).	The Board considers risk to the business at every Board meeting. The Board are appraised of any changes in the risk profile through monthly Board calls and quarterly face to face Board meetings. The Company formally reviews and documents the principal risks to the business at least annually.
5. Maintain the board as a well-functioning, balanced team led by the chair	The board members have a collective responsibility and legal obligation to promote the interests of the company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.	The Company is controlled by the Board of Directors. The Rt Hon. Lord David Willetts FRS, the Non-executive Chairman, is responsible for the running of the Board and Rob Richards, the Chief Executive, has executive responsibility for running the Group's business and implementing Group strategy.
	The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.	All Directors receive regular and timely information on the Group's operation and financial performance. Relevant information is circulated to the Directors in advance of meetings. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of the duties, if necessary, at the company's expense.
	The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive	The Board comprises two Executive Directors and three Non-Executive Directors. The Board considers that all Non-executive Directors bring an independent judgement to bear.

QCA Code Principle	Application (as set out by QCA)	What we do and why
	directors. Independence is a board judgement.	
	The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.	The Executive Directors are full time and the Non-Executive Directors provide such time as is required to fully and diligently perform their duties.
	Directors must commit the time necessary to fulfil their roles.	The Board holds monthly Board calls and quarterly face to face Board meetings. Details of the attendance record of each director at Board meetings is included in Director's report of the Annual Report.
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.	Directors of the Board have attended professional NED instruction and have proven track-records of serving on boards previously. The Board comprises members with a mix of class and national origins and speaks four languages.
	The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.	The Board will work to increase the diversity of the Directors.
	As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.	Further information about the Board's skillset, including each Director's experience and CV, is set out on the Company website and additional information is shown in page 12 of the Annual Report for the year ending 31 December 2019.
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.	The Company was admitted to trading on AIM in August 2017. Since that time there has been a greater than 50% turnover in Board membership with the appointment of a new Non-Executive Chairman; two new CEO's; a new CFO and resignation of two Non-Executive Directors and the appointment of one Non-Executive Director. Appraisals are scheduled to be carried out each year with all Executive Directors. All continuing Directors stand for re-election on an annual basis. The Company has no previous performance criteria were in place from which the current performance criteria set out above have evolved.

QCA Code Principle	Application (as set out by QCA)	What we do and why
	<p>The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.</p>	<p>The Company is pre-revenue and as such the new Board has been focussed on ensuring that sufficient capital is in place to execute its strategy: first sales; investing in longer term development opportunities and developing the organisation.</p> <p>It is against the performance of this strategy that the Board is currently assessed.</p>
	<p>It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.</p>	<p>As the Board of the Company was formed only relatively recently, no formal succession plans are currently in place, but the Board will continue to review this also keeping in mind the outcome of each performance review.</p>
<p>8. Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.</p> <p>The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team.</p>	<p>The Corporate and Social Responsibility section on page 23 of our Report & Accounts for the year ended 31 December 2019 details the ethical values of the Company.</p>
	<p>Corporate values should guide the objectives and strategy of the company.</p> <p>The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company.</p> <p>The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.</p>	<p>The Company's Policy and Procedures manual is made available to staff as part of their induction and anti-bribery and anti-corruption training is compulsory. Staff are encouraged to ask questions and seek clarifications from senior members of the team on these policies.</p> <p>This year, to complement our existing Policies and Procedures, the company has implemented policies around Code of Conduct, Social Media and Share Dealing.</p>
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> • size and complexity; and • capacity, appetite and tolerance for risk. 	<p>Our Corporate Governance Report on page 14 to 18 of our Report & Accounts for the year ended 31 December 2019 details the company's governance structures and why they are appropriate and suitable for the company.</p>
	<p>The governance structures should evolve over time in parallel with its objectives, strategy and business</p>	<p>The Board has a formal schedule of matters reserved to it and is supported by the Audit and Remuneration Committees. Due to the</p>

QCA Code Principle	Application (as set out by QCA)	What we do and why
	model to reflect the development of the company.	<p>size of the Group, the Directors have decided that issues concerning the nomination of directors will be dealt with by the Board rather than a committee but will regularly reconsider whether a nominations committee is required</p> <p>The Audit Committee and a Remuneration Committee have formally delegated duties and responsibilities and with specific terms of reference and these are available from the Company website.</p>
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.	<p>The Company encourages two-way communication with its investors and responds quickly to all queries received.</p> <p>The Board recognizes the AGM as an important opportunity to meet private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM.</p>
	<p>Appropriate communication and reporting structure should exist between the board and all constituent parts of its shareholder base. This will assist:</p> <ul style="list-style-type: none"> • the communication of shareholders' views to the board; and • the shareholders' understanding of the unique circumstances and constraints faced by the company. 	<p>The executive has developed a mature communications program to engage in dialogue with our stakeholders through a mix of media channels.</p> <p>A range of corporate information (including all Company announcements, historical annual reports and other governance related material since the company was admitted to AIM in August 2017) is also available to shareholders, investors and the public on the Company website.</p>
	It should be clear where these communication practices are described (annual report or website).	<p>The Company will disclose outcomes of all votes at shareholder meetings in a clear and transparent manner by either publishing a market announcement or by reporting it on the Company website. If a considerable proportion of votes (20%) have been cast against a resolution at any meeting of shareholders, the Company will include an explanation of what actions it intends to take to understand the reasons behind that vote result and, where appropriate, any different action it has taken, or will take, as a result of the vote.</p>

AUDIT COMMITTEE REPORT

The Audit Committee helps the Board discharge its responsibilities regarding financial reporting, external and internal audits and controls as well as reviewing the Group's annual and half-year financial statements, other financial information and internal Group reporting.

This will include:

- considering whether the Company has followed appropriate accounting standards and, where necessary, made appropriate estimates and judgments taking into account the views of the external auditors;
- reviewing the clarity of disclosures in the financial statements and considering whether the disclosures made are set properly in context;
- where the audit committee is not satisfied with any aspect of the proposed financial reporting of the Company, reporting its view to the Board of directors;
- reviewing material information presented with the financial statements and corporate governance statements relating to the audit and to risk management; and
- reviewing the adequacy and effectiveness of the Company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the Board itself, review the Company's internal control and risk management systems and, except where dealt with by the Board or risk management committee, review and approve the statements included in the annual report in relation to internal control and the management of risk.

The Audit Committee assists by reviewing and monitoring the extent of non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Group's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the Annual Report and financial statements and the half-yearly reports remains with the Board.

For the year under review, there were no non-audit services rendered to the Group and the Company. The audit committee considered the nature, scope of engagement and remuneration paid were such that the independence and objectivity of the auditors were not impaired. Fees paid for audit services are provided in Note 5.

During the financial year, the Audit Committee met twice with the auditor, Crowe U.K. LLP, to review audit planning and findings with regard to the Annual Report and the comment review of the interim financial statements.

Significant reporting issues considered during the year included the following:

2. Going concern

The Committee also considered the Going Concern basis on which the accounts have been prepared and can refer shareholders to the Group's accounting policy set out in Note 2.4. The directors are satisfied that the going concern basis is appropriate for the preparation of the financial statements.

The Rt Hon. Lord David Willetts FRS

Chairman – Audit committee

DIRECTORS' REMUNERATION REPORT

This report sets out the remuneration policy operated by the Company in respect of the Executive and Non-Executive Directors. The remuneration policy is the responsibility of the Remuneration Committee, a sub-committee of the Board. No Director is involved in discussions relating to their own remuneration.

Remuneration policy

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

Directors' remuneration

The normal remuneration arrangements for Executive Directors consists of base salary, performance bonuses and other benefits as determined by the Board. Each of the Executive Directors has a service agreement that can be terminated at any time by either party giving to the other six months' written notice. Compensation for loss of office is restricted to base salary and benefits only.

The remuneration packages for the Executive Directors are detailed below:

- **Base Salary:**
Annual review of the base salaries of the Executive Directors are concluded after considering the Executive Directors' role, responsibilities and contribution to the Group performance.
- **Performance Bonus:**
Bonus arrangements are discretionary and are payable depending on the performance of the Executive Directors in meeting their key performance indicators and in the wider context with the performance of the Group.
- **Benefits:**
Benefits include payments for provident funds that are mandatory and statutory pension payments as required by laws of the resident countries of the Executive Directors, health insurance and other benefits.
- **Longer term incentives:**
In order to further incentivise the Directors and employees, and align their interests with shareholders, the Company has granted share options in the current year, as set below. The share options will vest at various future dates as described in the Note 23 to the financial statements. There are no conditions attached to vesting other than service conditions.

Non-Executive Directors are remunerated solely in the form of Director Fees and shares determined by the Board and not entitled to pensions, annual bonuses or employee benefits.

DIRECTORS' REMUNERATION REPORT (Continued)

Performance evaluation

All Directors undergo a performance evaluation before being proposed for re-election to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

Appraisals are carried out each year with all Executive Directors. All continuing Directors stand for re-election on annual basis. Succession planning at the current time is limited due to the current size of the Board.

The remuneration of the directors in Verditek plc who held office during the year to 31 December 2019 was as follows:

The emoluments of the Directors were as follows (Audited):					
	Year ended 31 December 2019				Year ended 31 December 2018
	Salary & Directors' fees	Pension Contributions	Share based payment	Total	Total
	£	£	£	£	£
Executive directors					
Geoffrey Nesbitt	150,000	2,888	-	152,888	141,534
Tim Lord	100,000	2,438	-	102,438	65,525
Theo Chapman (Resigned 31 January 2018)	-	-	-	-	52,590
Janet Donovan (Resigned 24 May 2018)	-	-	-	-	53,954
Non-executive directors					
The Rt Hon. Lord David Willetts FRS	50,000	-	12,976	62,976	41,994
George Katzaros	30,000	-	-	30,000	27,133
Gavin Mayhew (Appointed 4 March 2019)	-	-	-	-	-
Anthony Rawlinson (Resigned 4 March 2019)	5,667	-	-	5,667	30,894
José Luis Del Valle Doblado (Resigned 9 May 2018)	-	-	-	-	12,016
Total	335,667	5,326	12,976	353,969	425,640

There are 1,500,000 share options held by The Rt Hon. Lord David Willetts FRS, details are shown in Note 23.

George Katzaros

Chairman – Remuneration committee

CORPORATE AND SOCIAL RESPONSIBILITY

The Company understands that its impact reaches beyond that of its core business and into the environment and society in which it operates. With integrity at the heart of our corporate social goals our aim is to make a lasting positive contribution to all our stakeholders.

In view of the limited number of stakeholders, the Company has not adopted a specific policy on Corporate Social Responsibility. However, it does seek to protect the interests of stakeholders in the Company through its policies, combined with ethical and transparent business operations. The Company has adopted an Anti-Corruption and Anti-Bribery Policy and compliance with regulations like Competition Law.

Environment

Verditek Plc is sensitive to the environment in which it operates and has established well defined operating guidelines with some of the manufacturing partners where it seeks their compliance with ISO14001 when relevant, to ensure certain environmental standards are complied with.

Human Rights

Verditek plc is committed to social and morally responsible research, development and manufacturing processes for the benefit of all stakeholders. The activities of the Company are in line with applicable laws on human rights.

Employees

Our employees are key to achieving the business objectives of the Company. The Company has established policies for recruitment, diversity and equal opportunities, training and development. Our priority is to provide a working environment in which our employees can develop to achieve their full potential and have opportunities for both professional and personal development. We aim to invest time and resource to support, engage and motivate our employees to feel valued, to be able to develop rewarding careers and want to stay with us. The Company embraces employee participation in issue raising and resolution through regular update sessions that value contributions from all levels regardless of position in the business.

Shareholders

The Board of Directors actively encourage communication and they seek to protect the interest of shareholders at all times. The Company updates shareholders regularly through regulatory news, financial reports and through our nominated Financial PR firm. The company also engages directly with investors at our Annual General Meeting or investor events.

Health and Safety

Company activities are carried out in accordance with its Health and Safety Policy which adheres to all applicable laws and are audited both internally and by an external organisation.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for Verditek plc ("Verditek" or the "Company") for the year ended 31 December 2019.

The preparation of financial statements is in compliance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The Group financial statements comprise of the financial information of the parent Company and its subsidiaries (together with the "Group"). The parent Company financial statements present information about the Company as a separate entity and not about its Group.

Principal Activities

Verditek plc is a holding company based in UK. The principal activity of the Group is to develop and commercialise clean technologies.

A detailed review of the business activities of the Group is contained in the Strategic Report.

Business review and future developments

The review of the business's operations, future developments and key risks is contained in the Strategic Report. The Directors do not recommend a final ordinary dividend for the year (2018: £nil).

Directors and directors' interests

The directors who held office during the year and subsequently were as follows:

Geoffrey John Nesbitt
Tim Lord
The Rt Hon. Lord David Willetts FRS
George Francis Katzaros
Gavin Mayhew
Robert Richards

With regard to the appointment and replacement of Directors, the Company is governed by its articles of association, the Companies Act and related legislation. The articles themselves may be amended by special resolution of the shareholders.

DIRECTORS' REPORT (Continued)

Directors' interests

The Directors held the following beneficial interests in the shares of Verditek plc at the date of this report:

	Note	Ordinary shares of £0.0004 each	Issued share capital %
George Kataros	1.1	26,166,675	8.96%
Gavin Mayhew	1.2	21,157,381	7.24%
Geoffrey Nesbitt		4,875,000	1.67%
Tim Lord		150,000	0.05%
Robert Richards		2,437,833	

Notes

1.1 Shares held by George Kataros

- through BBHISL NOMINEES LIMITED A/c 120165	10,550,000
- through MF Limited	5,900,000
- directly	9,000,000
- family member	716,675
	<u>26,166,675</u>

1.2 Shares held by Gavin Mayhew

- through Platform Securities Nominees Limited	21,157,38100
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Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Post Balance Sheet Events

There are no material post balance sheet events to disclose, other than those disclosed in the note 27 of the accounts.

Research and Development Activities

Verditek continues to invest in research and development activities such as the joint development project with Paragraf Limited on application of graphene to solar devices. Research and development seeks to develop and enhance the existing product portfolio and new products that will compliment and expand the product offering and spent £95,833 during the year (2018: £55,486).

Financial Risk management

Details of financial risk management are provided in Note 3 to the accounts.

Political and charitable contributions

The Group made no charitable or political contributions during the year.

DIRECTORS' REPORT (Continued)

Going Concern

As described in note 2.4, the Directors, having made appropriate enquiries, consider that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

Substantial shareholdings

The Company has been advised of the following interests in more than 3% of its ordinary share capital as at 31 December 2019:

	No. of Shares	%
Hargreaves Lansdown (Nominees) Limited	28,253,580	13.11%
Pershing Nominees Limited	18,193,888	8.44%
Fiske Nominees Limited	13,935,000	6.47%
Platform Securities Nominees Limited	13,172,535	6.11%
BBHISL Nominees Limited	10,550,000	4.90%
Ha Aviation Limited	9,890,000	4.59%
George Katzaros	9,000,000	4.18%
MF LTD	6,900,000	3.20%

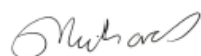
Statement of Disclosure to the Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors appointment

Crowe U.K. LLP has indicated its willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



Rob Richards
Chief Executive Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and elected to prepare the parent company financial statements under United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws including FRS 101 Reduced Disclosure Framework).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs or UK Accounting Standards have been followed, subject to any material departures disclosed and explained;
- Prepare the Strategic Report and Directors' report which comply with the requirements of the Companies Act 2006; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also generally responsible for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Information published on the website is accessible in many countries and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Each of the directors confirms that, to the best of their knowledge:

The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERDITEK PLC

Opinion

We have audited the financial statements of Verditek plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the parent Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERDITEK PLC (Continued)

Our audit approach

Overview of the scope of our audit

Our audit approach was developed by obtaining a thorough understanding of the Group's activities and is risk based. Based on this understanding we assessed those aspects of the Group and subsidiary companies' transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error. Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly. We undertook a combination of analytical procedures and substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the financial statements as a whole to be £90,000 based on approximately 5% of Group's normalised loss for the year (2018: £97,500), which is the most appropriate measure for an entity which has yet to record revenues.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £4,500. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERDITEK PLC (Continued)

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Going concern and Covid-19 impact assessment <i>Note 2.4 of the Group financial statements</i></p> <p>At 31 December 2019 the Group had cash and cash equivalents of £107,243 (2018: £683,885) and loans and borrowings of £668,319 (2018: £1,213,243) and a deficiency of shareholders' equity of £395,035 (2018: deficiency of £112,449). Subsequent to the year end, the Company issued 20.23million new ordinary shares at 2.5p each and 40 million new ordinary shares at 2.5p each, raised the gross proceeds of £505,750 and £1,000,000 respectively as additional working capital</p> <p>The Covid-19 pandemic had a significant adverse impact on the Group's operations, although the company was able to reopen its manufacturing site in Lainate, Italy, on 6 April 2020.</p> <p>The Group had yet to realise any commercial revenues. At the date of approval of these financial statements it is not clear what the long term economic impact of the pandemic will be on the Group's target markets.</p> <p>The risk that the Covid-19 pandemic and the resulting economic consequences would adversely impact on the Group and its ability to operate as a going concern was considered to be a key audit matter.</p>	<p>We obtained management's assessment of the impact of Covid-19 on the business of the Group and the Group's financial projections. We performed audit procedures, including applying challenge regarding reasonableness on the inputs into the model as follows:</p> <ul style="list-style-type: none"> • reviewed forecast future revenues and resulting cash flows within the assessment period; • compared the forecast to available management information for the business and normal seasonality; • considered the overall impact on the forecast of those parts of the business expected to be significantly impacted and those parts which are expected to grow in the short term; • benchmarked the financial impact of the steps taken by the directors to utilise the various support mechanisms instigated by government, including the Cura Italia scheme; and • reviewed and challenged the financial impact of the steps taken by and available to the directors to protect and manage the business during the coming period, including the introduction of temporary pay reductions, overhead reductions and suspension of certain capital investment projects. <p>We considered management's sensitivity analysis and also performed an additional range of sensitivities to assess whether a reasonably likely change to a key input would result in an erosion of revised headroom in the re-forecast.</p> <p>We tested to ensure the mathematical accuracy of the model presented</p> <p>We reviewed the appropriateness of the disclosure made and its consistency with our knowledge of the business and its Covid-19.</p>

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERDITEK PLC (Continued)

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERDITEK PLC (Continued)

using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Stephen Bullock (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

London

30 June 2020

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 19 £	Year ended 31 December 18 £
Revenue			-
Administrative expenses		(1,660,719)	(1,919,700)
Operating loss	5	(1,690,719)	(1,919,700)
Finance income		185	
Finance costs	7	(203,779)	(20,553)
Impairment loss of net investment in associate	9	-	(624,926)
Share of post-tax loss of equity accounted associate	9	-	(98,236)
Loss before tax		(1,864,313)	(2,663,415)
Income Tax	8	-	-
Loss for the period		(1,864,313)	(2,663,415)
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Translation of foreign operations		(43,942)	14,868
Total comprehensive loss for the period from continuing operations		(1,908,255)	(2,648,547)
Loss for the period attributable to:			
Owners of the Company		(1,867,957)	(2,396,962)
Non-controlling interest		3,644	(266,453)
		(1,864,313)	(2,663,415)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(1,906,885)	(2,396,424)
Non-controlling interest		(1,370)	(261,123)
		(1,908,255)	(2,648,547)
Loss per ordinary share - basic and diluted (£)	10	(0.01)	(0.01)

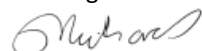
The accompanying notes are an integral part of these financial statements.

All amounts are derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 19 £	31 December 18 £
Assets			
Non-current assets			
Investments	12	24,229	25,153
Property, plant and equipment	13	633,491	498,969
Right of use assets	15	249,706	-
Total non-current assets		907,426	524,122
Current assets			
Inventories	16	35,038	-
Trade and other receivables	17	437,075	431,099
Cash and cash equivalents	18	107,243	683,885
Total current assets		579,356	1,114,984
TOTAL ASSETS		1,486,782	1,639,106
Equity and liability			
Non-current liabilities			
Loans and borrowings	20	-	1,170,000
Lease liabilities	21	186,612	-
Total non-current liabilities		186,612	1,170,000
Current liabilities			
Trade and other payables	19	959,360	538,312
Loans and borrowings	20	668,319	43,243
Lease liabilities	21	37,526	-
Total current liabilities		1,665,205	581,555
TOTAL LIABILITIES		1,851,817	1,751,555
Equity			
Share capital	22	91,666	80,847
Share premium account	22	5,466,376	3,858,691
Share based payment reserve	23	21,703	8,727
Accumulated losses		(5,878,716)	(3,817,534)
Foreign exchange reserve		(36,190)	749
Equity attributable to equity holders of the parent		(335,161)	131,480
Non-controlling interests	24	(29,874)	(243,929)
Total shareholder's equity		(365,035)	(112,449)
TOTAL EQUITY AND LIABILITIES		1,486,782	1,639,106

These financial statements were approved and authorised for issue by the Board of directors on 30 June 2020 and were signed on its behalf by:



Rob Richards

Chief Executive Officer

Company Registration Number: 10114644

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Share capital £	Share Premium £	Share based payment reserve	Accumulated losses £	Foreign Exchange reserve £	Non- Controlling interests £	Total £
Balance as at 1-Jan-18	80,847	3,858,691	-	(1,420,572)	(8,789)	17,194	2,527,371
Loss for the year	-	-	-	(2,396,962)	-	(266,453)	(2,663,415)
Translation of subsidiary	-	-	-	-	9,538	5,330	14,868
Total comprehensive loss	-	-	-	(2,396,962)	9,538	(261,123)	(2,648,547)
Share based payment	-	-	8,727	-	-	-	8,727
Balance as at 31-Dec-18	80,847	3,858,691	8,727	(3,817,534)	749	(243,929)	(112,449)
IFRS 16 adjustment at 1-Jan-19	-	-	-	24,189	-	-	24,189
Adjusted balance at 1-Jan-19	80,847	3,858,691	8,727	(3,793,345)	749	(243,929)	(88,260)
Loss for the year	-	-	-	(1,867,957)	-	3,644	(1,864,313)
Translation of subsidiary	-	-	-	-	(38,928)	(5,014)	(43,942)
Total comprehensive loss	-	-	-	(1,867,957)	(38,928)	(1,370)	(1,908,255)
Acquisition of NCI without a change in control	-	-	-	(217,415)	1,990	215,425	-
Total changes in ownership interests	-	-	-	(217,415)	1,990	215,425	-
Issue of shares net of expenses	10,819	1,607,685	-	-	-	-	1,618,504
Share based payment	-	-	12,976	-	-	-	12,976
Balance as at 31-Dec-19	91,666	5,466,376	21,703	(5,878,717)	(36,189)	(29,874)	(365,035)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Cash flows from operating activities		
Loss after tax from continuing operations	(1,864,313)	(2,663,415)
Adjustments for:		
Finance costs	203,779	20,553
Finance income	(185)	-
Share of post-tax profits of equity accounted associates	-	98,236
Depreciation	70,742	6,081
Loss on disposal of assets	1,119	47,905
Share based payment	12,976	8,727
Impairment of investment in associate	-	467,882
Impairment of associate loan	-	157,044
Impairment of goodwill	-	31,405
	(1,575,882)	(1,825,582)
Working capital adjustments		
Decrease / (increase) in inventory	(35,038)	446
Decrease / (increase) in trade and other receivables	(24,961)	63,719
Increase / (decrease) in trade and other payables	311,596	56,871
Cash used in operations	(1,324,285)	(1,704,546)
Taxation	-	-
Net cash outflow from operating activities	(1,324,285)	(1,704,546)
Investing activities		
Associate Loan	-	(157,044)
Purchase of property, plant and equipment	(156,399)	(137,018)
Net cash outflow from investing activities	(156,399)	(294,062)
Financing activities		
Issue of ordinary share capital (net of expenses)	521,469	380,000
Issue of Convertible bonds (Refer note 20)	-	1,170,000
Interest received	180	-
Interest paid	(134)	(4,597)
Proceeds from loans	455,076	-
Repayments of loans (Refer note 20)	-	(62,075)
Payments of lease liabilities	(71,686)	-
Net cash inflows from financing activities	904,905	1,483,328
Net increase in cash and cash equivalents	(575,779)	(515,280)
Cash and cash equivalents at the beginning of the year	683,885	1,190,975
Exchange gains on cash and cash equivalents	(863)	8,190
Cash and cash equivalents at the end of the year	107,243	683,885

The accompanying notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Verditek plc (“Verditek”, “Company”) is a public limited company incorporated, registered and domiciled in England Wales (registration number 10114644), whose shares are quoted on the Alternative Investment Market on the London Stock Exchange. Its registered office is located at 29 Farm Street, London W1J 5RL.

Verditek is the holding company of a group of companies engaged in the clean technology sector.

The consolidated financial statements comprised of the Company and its subsidiaries (together referred to as “the Group”) as at and for the year to 31 December 2019. The parent Company financial statements present information about the Company as a separate entity and not about its Group.

The comparative financial information is for the year ended 31 December 2018.

2. Accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards (IASB) and Interpretations (collectively IFRSs), as adopted by the European Union (“adopted IFRSs”) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis except for certain assets which are stated at their fair value.

The consolidated financial statements are presented in GBP, which is also the Group’s functional currency.

2.2. Basis of consolidation

The financial information consolidates the financial statements of Verditek plc and the entities controlled by the Company.

2.2.1. Subsidiaries

Subsidiaries are all entities (including special purpose entities) over whose financial and operating policies the Group has the power to govern, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of the potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2. Basis of consolidation (continued)

2.2.2. Business combinations and goodwill

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the total net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the Statement of Comprehensive Income.

Goodwill is capitalised as an intangible asset at cost less any accumulated impairment losses. Any impairment in carrying value is being charged to the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed.

Goodwill is allocated to appropriate cash generating units (CGUs). Goodwill is not amortised but is tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

2.2.3. Associates

Where the Group has significant influence on (but not control of) 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.

The assumption that an investment is an associate is reviewed annually at the balance sheet date. Where the retained interest is no longer an associate, the former interest is reclassified as a financial asset in accordance with IFRS 9 and the retained interest is measured at fair value. Any profit or loss is recognised on any difference between: (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3. Changes in accounting policies and disclosures

2.3.1. New standards, interpretations and amendments effective from 1 January 2018

New standards impacting the Group that were adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 Leases (IFRS 16)

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information. An adjusted position at 1 January 2019 is presented in the Consolidated Statement of Changes in Equity, in order to reflect the prior period impact of transition to IFRS 16 on brought forward balances at that date. On transition to IFRS 16, the Group recognised a right-of-use asset and a lease liability in relation to its operating lease on a factory in Lainate, Italy. The difference between these items was recognised in retained earnings at 1 January 2019. The impact on transition is summarised below:

	£
Operating lease commitments disclosed on 31 December 2018 (restated)	(315,323)
Discounted using weighted average of Group's incremental borrowing rate	44,455
Lease liability recognised as at 1 January 2019	<u>(270,868)</u>
	1 January 2019
	£
Right-of-use asset	319,336
Lease liability	(270,868)
Other receivables (discount applied to lease deposit)	(24,278)
Retained earnings	(24,189)

When measuring the lease liability, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The rate applied is 15%.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

2.3.2. New, amended standards, interpretations not yet effective and not adopted by the Group

As at date of approval of the Group financial statements, the following new and amended standards, interpretations and amendments in issue are applicable to the Group but not yet effective and thus, have not been applied by the Group:

	Effective Date
Amendments to References to Conceptual Framework in IFRS Standards.	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform	1 January 2020

At the date of authorisation of these financial statements, all the above standards and interpretation have been endorsed or adopted by the EU. The Directors do not expect the adoption of these standards, interpretations and amendments to have a material impact on the Consolidated or parent Company financial statements in the period of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Going concern

The Group had not commenced generating revenues in the period and has yet to make its first commercial receipt at the date of approval of the financial statements. As such the Group must develop its business plan to commercial revenues based on its current cash resources and on expected revenues in the future based on commercial arrangements put in place to date. The Directors have prepared a cash flow forecasts covering a period extending beyond 12 months from the date of the approval of these financial statements.

Despite challenging conditions, management remains intensely engaged with several initiatives to further commercialise Verditek's lightweight low-profile Solar PV solutions.

The Group's manufacturing site in Lainate Italy reopened on 6 April 2020 and re-commenced production. Employees were self-isolating during previous weeks in compliance with Italian government directives. No viral symptoms have been registered. Verditek has permission to work and has access to the government wage compensation program which is part of the "Cura Italia" (Cure Italy) Decree signed on 17 March 2020. Verditek will balance its production rota to optimise the welfare of its staff and the company.

The Group's forecasts include modelling management's assessment of the impact of Covid-19 on the business of the Group, including consideration of the overall impact on those parts of the business expected to be significantly impacted and those parts which are expected to grow in the short term, the steps taken by the Directors to utilise the various support mechanisms instigated by government, including the Cura Italia scheme and the financial impact of the steps taken by and available to the Directors to protect and manage the business during the coming period, including the introduction of temporary pay reductions across the business and overhead reductions.

The Group's sales team has been working on advancing commercial opportunities during this challenging period. At the date of approval of these financial statements the group is preparing to ship product from its factory. A number of commercial counterparties are interested in arranging trials for Verditek's solar solutions in their markets (e.g. military, transport, recreational homes, commercial real estate)

The Group's forecasts contain certain assumptions about the performance of the business including growth in future revenue, the cost model and margins; and importantly the level of cash recovery from trading. The Directors are aware of the risks and uncertainties facing the business and the assumptions used are the Directors' best estimate of the future development of the business. The Directors do not consider that the uncertainties facing the business indicate that a material uncertainty exists related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern.

During the reporting period and since the balance sheet date the Group raised new funding of £2.1 million, before costs, from the issue of new equity and also converted debt liabilities of more than a further £1 million into equity as follows:

- On 27 September 2019 the Company announced that it had raised gross proceeds of £600,000 as a placing of new ordinary shares
- On 2 December 2019 the Company announced that it had received a notice of conversion from Gavin Mayhew, a Non-Executive Director, in respect of his CLN holding of £1 million together with accrued interest up to the point of exercise, resulting in the conversion a debt amount to equity
- On 9 March 2020 the Company raised £505,750 before expenses by way of a subscription of 20,230,000 ordinary shares at 2.5 pence per share
- On 7 May 2020 the Company announced that it has raised £1,000,000 before expenses by way of a subscription of 40,000,000 ordinary shares at 2.5 pence per share

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

After considering the forecasts and the risks, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.5. Foreign currency

The Group's consolidated financial statements are presented in Sterling. The functional currencies of the Group's subsidiaries include the Euro and the US dollar. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the period. The exchange differences arising on translation for consolidation are recognized in Other Comprehensive Income.

2.6. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the two main directors and two non-executive directors.

The Board considers that the Group's activity constitutes one operating and one reporting segment, as defined under IFRS 8. Management reviews the performance of the Company by reference to total results against budget.

The total profit measures are operating profit and profit for the period, both disclosed on the face of the income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Group's financial information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.7. Employee benefits and post-employment benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

The Group provides post-employment benefits through a defined contribution. The Group pays fixed contributions into independent entities in relation to several state plans and insurances for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that related employee services are received.

2.8. Share-based payments

The Group has issued share options to one Non-Executive Director, in return for which the Group receives services from the Non-Executive Director. The fair value of the services received in exchange for the grant of the options is recognised as an expense. The Group valued the options at the grant date using the Black Scholes valuation model to establish the relevant fair values.

The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions (for example the Group's share price) but excluding the impact of any service or non-market performance vesting conditions (for example the requirement of the grantee to remain an employee of the Group).

Non-market vesting conditions are included in the assumptions regarding the number of options that are expected to vest. The total expense is recognised over the vesting period. At the end of each period the Group revises its estimates of the number of options expected to vest based on the non-market vesting conditions. It recognises the impact of any revision in the income statement with a corresponding adjustment to equity.

2.9. Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.10. Property, plant and equipment

Property, plant and equipment is stated at historic cost, including expenditure that is directly attributable to the acquired item, less accumulated depreciation and impairment losses.

Depreciation is provided to write off cost, less estimated residual values, of all property, plant and equipment, evenly over their expected useful lives, when the asset comes into service, and calculated at the following rates:

Property improvements	- 20% straight line
Plant and machinery	- 10% straight line
Computer equipment	- 33.33% straight line

The carrying value of the property, plant and equipment is compared to the higher of value in use and the fair value less costs to sell. If the carrying value exceeds the higher of the value in use and fair value less the costs to sell the asset, then the asset is impaired and its value reduced by recognising an impairment provision.

2.11. Leased assets

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets, which are expensed to the profit & loss over the expense term.

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, plus any initial direct costs incurred, plus any costs associated with restoring the asset to its original condition, less any lease incentive received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise such an option to extend and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. The liability recognised at inception of the lease comprises the present value of future payments payable under the lease contract, discounted at the rate implicit in the lease. If there is no discount rate implicit in the lease, then the incremental rate of borrowing is used. The liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if carrying amount has been reduced to zero.

2.12. Financial Instruments

The Group classifies a financial instrument, or its component parts, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

2.12.1. Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is de-recognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and loan to related parties, are included under other non-current financial assets. In the periods presented the Group does not have any financial assets categorised as fair value through OCI.

2.12.2. Financial liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans after initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.12. Financial instrument (continued)

2.12.3. Impairment

The Group assess all other current receivables on a forward looking basis, with expected credit losses (ECL) associated with debt instruments measured at amortised cost. These are deemed short term (i.e., less than 12 months) and apply the Group policy for credit rating and risk management policies in place.

The impairment stages are defined as:

Stage 1 – When a receivable is recognised, ECLs resulting from default events that are possible within the next 12 months are expensed to the statement of comprehensive income (12-month ECL) and a loss allowance is established. On subsequent reporting dates, 12-month ECL also applies to existing receivables with no significant increase in credit risk since their initial recognition. In determining whether a significant increase in credit risk has occurred since initial recognition, the Company assesses the change, if any, in the risk of default over the expected life of the receivable (that is, the change in the probability of default, as opposed to the amount of ECLs).

Stage 2 – If the receivables credit risk has increased significantly since initial recognition and is not considered low, lifetime ECLs are recognised.

Stage 3 – If the receivables credit risk increases to the point where it is considered credit-impaired, lifetime ECLs are recognised, as in Stage 2.

The impairment methodology applied for the Group is stage 1, which require 12 month expected credit losses to be recognised until a change in credit risk occurs in which case stage 2 would apply.

2.13. Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis;
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.14. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call, together with other short term highly liquid investments which are not subject to significant changes in value and have original maturities of less than three months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.15. Summary of critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

2.15.1. Estimates

Useful lives of depreciable assets

Management reviews the useful lives and residual value of depreciable assets at each reporting date to ensure that the useful lives represent a reasonable estimate of likely period of benefit to the Group. Tangible fixed assets are depreciated over their useful lives taking into account the residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Lease liability discount rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing; and
- Makes adjustments specific to the lease, e.g. term, currency and security.

The Group used incremental borrowing rates at a prevailing rate of 15%.

Share based payments

Share options are recognised as an expense based on their fair value at date of grant. The fair value of the options is estimated through the use of a valuation model – which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life - and is expensed over the vesting period. Some of the inputs used to calculate the fair value are not market observable and are based on estimates derived from available data, such as employee exercise behaviour and employee turnover.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.15.2. Judgements

Associates

Where the Group holds more than 20% but less than 50% of voting rights in an investment but the Group has the power to exercise significant influence, such an investment is treated as an associate, unless it can be clearly demonstrated that this is not the case.

The Company holds a 22.34% investment stake in Industrial Climate Solutions (ICSI), an unlisted company registered in Canada. As the directors have no seat on the board of ICSI, they consider that they do not have significant influence over the business, and therefore that ICSI is not an associate. The investment has therefore been reclassified as a financial asset measured at fair value through the profit or loss.

3. Financial Risk Management

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

3.1. Principal financial instruments and their categories

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

Categories of financial assets	31 December 2019	31 December 2018
	£	£
Cash and cash equivalents	107,243	683,885
Other receivables	91,748	148,591
Loans to related parties	62,100	62,100
Unpaid Share Capital	-	-
Total current financial assets at amortised cost	261,091	894,576

Categories of financial liabilities	31 December 2019	31 December 2018
	£	£
Trade payables	364,632	161,145
Wages payable	57,235	42,103
Pension payable	1,750	504
Accruals	429,102	278,259
Loans from related parties	38,542	29,403
Trade and other payables	891,261	511,414
Current loans and borrowings	668,319	43,243
Non current loans and borrowings	-	1,170,000
Loans and borrowings	668,319	1,213,243
Current lease liabilities	37,526	-
Non current lease liabilities	186,612	-
Lease liabilities	224,138	-
Total financial liabilities at amortised cost	1,783,718	1,724,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3.2. General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the CFO through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

3.2.1. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk the Group endeavours only to deal with companies which are demonstrably creditworthy.

The aggregate financial exposure is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount of bank balances. The Group's exposure to credit risk on cash and cash equivalents is considered low as the bank accounts are with banks with high credit ratings. Amounts due from related parties is considered to be low risk as the large part of this amount is related to a payment in advance under a distribution rights agreement. Other receivables of £91,748 (2018: £148,591) related to various advanced payments to suppliers. Other receivables includes a supplier advanced payment of £109,162 (2018: £109,162) which is overdue for repayment by greater than one year, which management is actively seeking to recover. A 100% allowance has been made for non-recovery (2018: 50%).

3.2.2. Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

The Group currently holds cash balances to provide funding for normal trading activity and is managed centrally. Trade and other payables are monitored as part of normal management routine.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The liquidity risk of each group entity is managed centrally by the group treasury function. Each operation has a facility with group treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the Board in advance, enabling the Group's cash requirements to be anticipated. Where facilities of group entities need to be increased, approval must be sought from the group finance director. Where the amount of the facility is above a certain level, agreement of the Board is needed. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows, including contractual interest) of financial liabilities:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3.2. General objectives, policies and processes (continued)

31 December 2019	Up to 3 Months	Between 3 and 12 months	Between 1 and 2 year	Between 2 and 5 years
Trade payables	364,632	-	-	-
Wages payable	57,235	-	-	-
Pension payable	1,750	-	-	-
Accruals	429,102	-	-	-
Amounts due from related parties	38,542	-	-	-
Current related party loan	43,243	-	-	-
Lease liability	17,415	52,636	70,707	179,027
Current related party loan – interest bearing	-	455,076	-	-
Non-current loan – interest bearing	-	186,396	-	-
Financial liabilities at amortised cost	951,919	694,108	70,707	179,027

31 December 2018	Up to 3 Months	Between 3 and 12 months	Between 1 and 2 year	Between 2 and 5 years
Trade payables	161,145	-	-	-
Wages payable	42,103	-	-	-
Pension payable	504	-	-	-
Accruals	278,259	-	-	-
Loans from related parties	29,403	-	-	-
Current loan	-	43,243	-	-
Non-current loan – interest bearing	-	-	1,404,000	-
Financial liabilities at amortised cost	511,414	43,243	1,404,000	-

3.2.3. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The Group's exposure to interest rate risk is minimal as all its loans and borrowings are interest-free except for the convertible loan £170,000 (2018: £1,170,000), which has a fixed interest rate of 10%, and the related party fixed rate loan £455,076, which has an interest rate of 20%.

3.2.4. Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

In order to monitor the continuing effectiveness of this policy, the Board receives a monthly forecast, analysed by the major currencies held by the Group, of liabilities due for settlement and expected cash reserves. The current year shows that the Group is predominantly exposed to currency risk on purchases made in EUR and USD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3.2.4. Foreign exchange risk (continued)

31 December 2019				
Financial assets	USD	GBP	EUR	Total
	£	£	£	£
Cash and cash equivalents	685	72,597	33,961	107,243
Other receivables	-	-	91,748	91,748
Loans to related parties	-	62,100	-	62,100
Financial assets at amortised costs	685	134,697	125,709	261,091
Financial liabilities	USD	GBP	EUR	Total
	£	£	£	£
Trade payables	-	326,701	37,931	364,632
Wages payable	-	57,235	-	57,235
Pension payable	-	1,750	-	1,750
Accruals	-	409,054	20,048	429,102
Loans from related parties	-	38,542	-	38,542
Current loans	455,076	213,243	-	668,319
Non-current loans	-	-	-	-
Lease liabilities	-	-	224,138	224,138
Financial liabilities at amortised costs	455,076	1,046,525	282,117	1,783,718
31 December 2018				
Financial assets	USD	GBP	EUR	Total
	£	£	£	£
Cash and cash equivalents	547	670,342	12,996	683,885
Other receivables	-	53,871	94,720	148,591
Loans to related parties	-	62,100	-	62,100
Financial assets at amortised costs	547	786,313	107,716	894,576
Financial liabilities	USD	GBP	EUR	Total
	£	£	£	£
Trade payables	-	88,385	72,760	161,145
Wages payable	-	42,103	-	42,103
Pension payable	-	504	-	504
Accruals	-	272,415	5,844	278,259
Loans from related parties	-	29,403	-	29,403
Current loans	-	43,243	-	43,243
Non-current loans	-	1,170,000	-	1,170,000
Lease liabilities	-	-	-	-
Financial liabilities at amortised costs	-	1,646,053	78,604	1,724,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3.2.4. Foreign exchange risk (continued)

As of 31 December 2019 the Group's net exposure to foreign exchange risk was as follows:

	USD £	GBP £	EUR £	Total £
Net Financial Assets/(Liabilities)	(454,391)	(911,828)	(156,408)	(1,522,627)

As of 31 December 2018, the Group's net exposure to foreign exchange risk was as follows:

	USD £	GBP £	EUR £	Total £
Net Financial Assets/(Liabilities)	547	(859,740)	29,112	(830,081)

The following table details the Group's exposure at the end of the year to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of the entity within the Group into the Group's presentation currency are excluded:

As of 31 December 2019 the Group's exposure to changes in foreign exchange rate was as follows:

Change in USD	Effect on Loss before tax	Change in Net Assets	Change in EUR	Effect on Loss before tax	Change in Net Assets
	£	£		£	£
1%	(5,214)	5,214	1%	(364)	364
-1%	5,214	(5,214)	-1%	364	(364)

As of 31 December 2018 the Group's exposure to changes in foreign exchange rate was as follows:

Change in USD	Effect on Loss before tax	Change in Net Assets	Change in EUR	Effect on Loss before tax	Change in Net Assets
	£	£		£	£
1%	991	(991)	1%	6,042	(6,042)
-1%	(991)	991	-1%	(6,042)	6,042

4. Segment information

The chief operating decision maker has been identified as the management team including the two main directors and two non-executive directors. The chief operating decision-maker allocates resources and assesses performance of the business and other activities at the operating segment level.

The chief operating decision maker has determined that in the year end 31 December 2019 Verditek had one operating segment, the development and commercialisation of clean technologies, although it is likely that in future periods the Group's segmental reporting will be expanded as different technologies are developed and commercialised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Geographical Segments

Apart from holding company activities in the UK the Group's had operations in Italy in Europe in the period.

An analysis of non-current assets by geographical market is given below:

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
UK	24,994	28,416
Rest of Europe	882,431	495,706
USA	-	-
	907,425	524,122

5. Operating loss

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Operating loss is stated after charging:		
Auditors' remuneration:		
Audit fees – audit of the company and its subsidiaries pursuant to legislation	28,000	27,650
Non-audit fees – other assurance services	2,500	-
Depreciation of fixed assets	70,742	6,081
Goodwill Impairment	-	31,405
Disposal of asset	1,119	47,904
Staff costs (note 6)	645,380	709,297
Advertising, marketing and development	323,906	352,498
Re-organisation costs	54,582	133,993
Research costs	95,833	55,486
Other costs	438,657	555,386

6. Employees and directors

The average number of employees (including directors) during the period was made up as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
	Number	Number
Directors	5	6
Administrative	1	2
Total	6	8

The cost of employees (including directors) during the period was made up as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Salaries	592,938	676,211
Share based payments	12,976	8,727
Social security costs	32,112	23,553
Pension costs	7,355	806
	645,381	709,297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Key management personnel compensation

The compensation of key management personnel, the directors of Verditek plc, are disclosed in the Directors' Remuneration Report.

7. Finance costs

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Finance expenses		
Interest on loans (note 20)	165,480	19,766
Finance charge	127	781
Finance lease interest	38,172	-
Interest on Overdue Taxation	-	6
Total finance expense	203,779	20,553

Details of the interest rate on the loans are shown in note 20.

8. Income tax

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
UK Corporation tax		
Tax expense– current year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total tax expense	-	-

Factors affecting the tax expense

The reasons for the difference between the actual tax expense for the year and the standard rate of corporation tax in the United Kingdom applied to the result for the year are as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Loss on ordinary activities before income tax	(1,864,313)	(2,663,415)
Standard rate of corporation tax	19.00%	19.00%
Loss before tax multiplied by the standard rate of corporation tax	(354,219)	(506,049)
Effects of:		
Adjustment in respect of the previous year	-	-
Non-deductible expenses	9,485	132,843
Difference in overseas tax rates	(27,791)	32,135
Deferred tax not recognised	372,525	341,071
Withholding tax	-	-
Tax credit	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Group has not recognised deferred tax assets arising from the accumulated tax losses due to uncertainty of their future recovery. The deferred tax asset not recognised is £852,807 at 31 December 2019 (2018: £480,281).

9. Share of post-tax loss of equity accounted associate

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Share of post tax loss of equity associated for the year	-	98,236
Impairment of investment (note 12)	-	467,882
Impairment of loan provided to associate (note 12)	-	157,044
Total share of post tax loss of equity associate	-	723,162

The investment in an associate was reclassified as a financial asset in the year, see Note 12.

10. Earnings per share

	Year ended 31 December 2019	Year ended 31 December 2018
Basic and diluted		
Loss for the period and earnings used in basic & diluted EPS (£)	(1,867,957)	(2,396,962)
Weighted average number of shares used in basic and diluted EPS	206,787,734	202,117,265
Loss per share:		
Basic and diluted	0.9p	1.2p

Basic loss per share is calculated by dividing the loss for the period from continuing operations of the Group by the weighted average number of ordinary shares in issue during the period. Due to the loss in the periods and there are no potentially dilutive ordinary shares, there is no difference between the basic and diluted loss per share.

11. Intangible assets

	Goodwill £
COST	
At 1 January 2018	388,641
Acquisitions through business combinations	-
At 31 December 2018 and 31 December 2019	388,641
IMPAIRMENT	
At 1 January 2018	357,236
Impairment losses	31,405
At 31 December 2018	388,641
Impairment losses	-
At 31 December 2019	388,641
NET BOOK VALUE	
At 31 December 2018	-
At 31 December 2019	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The carrying value of the goodwill arose from the acquisition of Greenflex UK, and following the decision to migrate the assets from

Greenflex RSM S.r.l to Verditek Solar Italy S.r.l, and to liquidate Greenflex RSM S.r.l, the carrying value of the Goodwill has been fully impaired.

12. Investments

	Financial assets at fair value through profit or loss	Investment in associates	Loans to associates	Total
		£	£	£
Cost				
At 1 January 2018	-	591,271	-	591,271
Additions	-		157,044	157,044
Share of post-tax loss of equity accounted associate for the period	-	(98,236)	-	(98,236)
Impairment of loan	-	-	(157,044)	(157,044)
Impairment of investment	-	(467,882)	-	(467,882)
At 31 December 2018	-	25,153	-	25,153
Additions	-	-	-	-
Reclassification	25,153	(25,153)	-	-
Exchange difference	(924)	-	-	(924)
At 31 December 2019	24,229	-	-	24,229

The Company holds a 22.34% investment stake in Industrial Climate Solutions (ICSI), an unlisted company registered in Canada. The directors estimated the recoverable amount of Verditek's investment in ICSI at the reporting date to be £24,229 (2018: £25,513).

As the directors have no seat on the board of ICSI, they consider that they do not have significant influence over the business, and therefore that ICSI is not an associate. The investment has therefore been reclassified as a financial asset measured at fair value through the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Property, plant and equipment

	Plant & Machinery	Computer equipment	Leasehold Improvements	Total
	£	£		£
Cost				
At 1 January 2018	404,811	5,319	-	410,130
Additions	107,816	1,889	27,313	137,018
Disposal of assets	(42,749)	(1,260)	-	(48,009)
Exchange adjustments	6,646	85	-	6,731
At 31 December 2018	472,524	6,033	27,313	505,870
Additions	135,648	699	46,495	182,842
Disposal of assets	-	(3,709)	-	(3,709)
Exchange adjustments	(25,145)	-	(1,459)	(26,604)
At 31 December 2019	583,027	3,023	72,349	658,399
Depreciation				
At 1 January 2018	624	323	-	947
Charge for the year	644	3,184	2,253	6,081
Disposal of assets	-	(105)	-	(105)
Exchange adjustments	(20)	(8)	6	(22)
At 31 December 2018	1,248	3,394	2,259	6,901
Charge for the year	14,773	1,311	5,195	21,279
Disposal of assets	-	(2,589)	-	(2,589)
Exchange adjustments	(564)	142	(261)	(825)
At 31 December 2019	15,457	2,258	7,193	24,908
Net book value				
At 31 December 2018	471,766	2,149	25,054	498,969
At 31 December 2019	567,570	765	65,156	633,491

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Subsidiary undertakings

As at 31 December 2019, the subsidiaries of Verditek plc, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Parent	Proportion of ownership interest at 31 December 2019	Nature of business
Greenflex Energy Limited ¹	UK	Verditek plc	100%	Dormant
Greenflex RSM S.r.l. ²	San Marino	Greenflex Energy Limited	100%	Dormant
Verditek Solar S.r.l	Italy	Verdiek plc	100%	Solar technology services
BBR Filtration Limited	UK	Verditek plc	51%	Filtration technology services
BBR Filtration USA, LLC	USA	BBR Filtration Limited	50.49%	Dormant
Verditek USA, Limited	USA	Verditek plc	100%	Dormant

¹ On 17th April 2019 the Minority shareholder in Greenflex UK Limited transferred his 49% shareholding to Greenflex UK Limited, resulting in Verditek shareholding being increased to 100%.

² - Greenflex RSM S.r.l ceased to trade in July 2018, and an application to liquidate the company was made in February 2019;

Name	Registered address
Greenflex Energy Limited	29 Farm Street, London, England, W1J 5RL
Greenflex RSM S.r.l	Via L. Cibrario, 25, 47893 Cailungo, San Marino
Verditek Solar S.r.l	Via Pogliano, 26, 20020 Lainate, Italy
BBR Filtration Limited	29 Farm Street, London, England, W1J 5RL
BBR Filtration USA, LLC (99%)	C/o 2605, Ponce De Leon, Boulevard, Coral Gables, Florida 33134
Verditek USA, Limited	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
Greenflex Trading Limited	29 Farm Street, London, England, W1J 5RL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Right of use asset

	Building £
Cost	
At 1 January 2019	-
Recognition of right-of-use asset on initial application of IFRS 16	347,105
Adjusted balance at 1 January 2019	347,105
Exchange	(18,544)
At 31 December 2019	328,561
Depreciation	
At 1 January 2019	-
Recognition of right-of-use asset on initial application of IFRS 16	27,769
Adjusted balance at 1 January 2019	27,769
Depreciation	49,463
Unwind of discount of other receivables	4,121
Exchange	(2,498)
At 31 December 2019	78,855
Net book value	
At 1 January 2019	319,336
At 31 December 2019	249,706

The right-of-use asset is the present value of a lease asset on a factory in Lainate, Italy signed in 2018 for 6 years. The lease term expires in 2024, with an option to renew for another 6 years. The rental amount is reviewed on an annual basis, with increase in rental value linked to 75% of the consumer price index for white and blue collar worker households established by ISTAT (a national central statistics institute).

16. Inventories

	2019 £	2018 £
Finished goods	6,899	-
Work In Progress	14,378	-
Raw Materials	12,683	-
Packaging	1,078	-
Total Inventories	35,038	-

17. Trade and other receivables

	2019 £	2018 £
Other receivables	91,748	148,591
Amounts due from related parties	62,100	62,100
VAT receivable	273,542	196,842
Prepayments	9,685	23,566
Total trade and other receivables	437,075	431,099

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank and in hand	107,243	683,885

The fair value of the cash & cash equivalent is as disclosed above. For the purpose of the cash flow statement, cash and cash equivalents comprise of the amounts shown above.

19. Trade and other payables

	2019	2018
	£	£
Trade payables	364,632	161,145
Accruals	429,102	278,259
Wages payable	57,235	42,103
Pension payable	1,750	504
Amounts due to related parties	38,542	29,403
Financial liabilities at amortised costs other than loans and borrowings	891,261	511,414
Social security & other taxes payables	68,099	26,898
Total trade and other payables	959,360	538,312

20. Loans and borrowings

	2019	2018
	£	£
Current		
Interest free related party loan	43,243	43,243
Interest bearing related party secured loan	455,076	-
Convertible loans	170,000	-
Total current loans and borrowings	668,319	43,243
	2019	2018
	£	£
Non – current		
Convertible loans	-	1,170,000
Total non - current loans and borrowings	-	1,170,000

The related party loans are repayable on demand. The Interest bearing related party secured loan has a fixed interest rate of 20%, and is repayable on demand.

On the 17 December 2018 the Company issued unsecured convertible loan notes with a total value of £1,170,000 with a conversion price of £0.10 per ordinary share. The loan notes carry a 10% fixed rate redeemable on the earliest of

- 17th December 2020; or
- Date of change of control; or
- If the investor majority determines following a material breach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At the date of issue of the convertible loan notes the company's share price was at a substantial discount to the conversion price of 10p. The quantum of any possible equity component relating to conversion rights is therefore considered to be immaterial to the fair value of the convertible loans, equity in the statement of financial position and potential consequent impact on the finance charge on the instruments and therefore no equity component was recognised.

On 2 December 2019, £1,000,000 of the unsecured convertible loan notes, plus accrued interest at that date, were converted to ordinary shares at 8p per share, in accordance with adjusted terms of the convertible loan notes.

Cashflow - net debt analysis

	01-Jan-19	Cash flow	Conversion to shares	Non-cash item	31-Dec-19
	£	£	£	£	£
Related party loan	43,243	455,076	-	-	498,319
Convertible bonds	1,170,000	-	(1,000,000)	-	170,000
Lease liability	270,868	(71,686)	-	24,956	224,138
	1,484,111	455,076	(1,000,000)	24,956	892,457

21. Lease liability

	2019	2018
	£	£
Current Lease liability	37,526	-
Non-Current Lease liability	186,612	-
Total Current loans and borrowings	224,138	-

Lease liabilities are payable as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
	£	£	£
Less than one year	70,050	32,524	37,526
Between one and five years	249,735	63,123	186,612
	319,785	95,647	224,138

The cash outflow on lease liability payments in the year was £71,685. The interest expense on lease liabilities recognised in the year was £38,172.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Share capital and reserves

	Number of Shares Par Value £0.0004	Share capital £	Share premium £
At 31 December 2017	202,117,265	80,847	3,858,691
At 31 December 2018	202,117,265	80,847	3,858,691
Shares issued (net of expenses) October 2019	13,333,332	5,333	516,135
Conversion of loan notes to ordinary shares December 2019	13,712,937	5,486	1,091,550
At 31 December 2019	229,163,534	91,666	5,466,376

23. Share based payment reserve

The Company operates an equity-settled share-based remuneration schemes for Senior Executives, under the terms of the Company's EMI and Non-Qualifying Share Option Plan (the "Option Plan"). The options are valid for 10 years from the date of grant. After satisfaction of any performance condition included in the award the options will become exercisable in equal tranches on each anniversary of the Grant Date during the first three years.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions (for example the Company's share price) but excluding the impact of any service or non-market performance vesting conditions (for example the requirement of the grantee to remain an employee of the Group).

Non-market vesting conditions are included in the assumptions regarding the number of options that are expected to vest. The total expense is recognised over the vesting period. At the end of each period the Group revises its estimates of the number of options expected to vest based on the non-market vesting conditions. It recognises the impact of any revision in the income statement with a corresponding adjustment to equity.

The Company uses a Black Scholes model to estimate the cost of share options. The following information is relevant in the determination of the fair value of options granted. The assumptions inherent in the use of this model are as follows:

- The option life is the estimated average period over which the options will be exercised.
- There are no vesting conditions remaining which apply to the share options other than that they vest at the earlier of 3 years' continued service with the Group.
- No variables change during the life of the option (e.g. dividend yield remains zero).

The key assumptions used in the fair value calculation are as follow:

Stock price at grant date	6.5p
Volatility	40%
Time to maturity	100 months
Risk free rate	0.7103%

1,500,000 options were granted under the scheme in April 2018 to Chairman, Lord David Willetts, with an exercise price of 9.0p. The share based payment expense recognised during the period was £12,976. The weighted average remaining life of the options outstanding at the end of the period was 9 years. No options were granted or exercised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Non-controlling interests

In May 2019 the 49% non-controlling interest (NCI) in Greenflex Energy Limited, and the investment it holds in Greenflex Energy RSM s.r.l., was acquired by the Company for nil consideration. The Group recognised an increase in non-controlling interests of £215,425 and a decrease in equity attributable to owners of the parent of £217,415. At 31 December 2019 Greenflex no longer has a NCI. BBR Filtration Limited is a 51% owned subsidiary of the Company, and therefore has a material NCI.

Summarised financial information in relation BBR Filtration Limited, before intra-group eliminations, is presented below together with amounts attributable to NCI:

	BBR Filtration £
For the period ended 31 December	
Revenue	-
Loss after tax	7,436
Total comprehensive income allocated to NCI	3,644
Cash flows from operating activities	(3,402)
Cash flows from investing activities	(58)
Cash flows from financing activities	-
Net cash inflows	(3,460)
Total assets	62,528
Total liabilities	(123,496)
Net Assets/(Liabilities)	(60,968)
Accumulated non-controlling interests	(29,874)

25. Reserves

The following describes the nature and purpose of each reserve within equity:

Share premium - Amount subscribed for share capital in excess of nominal value.

Share based payment reserve - The share based payment reserve represents equity settled share based employee remuneration until such share options are exercised.

Foreign exchange reserves - Foreign exchange translation gains and losses on the translation of the financial statements of subsidiary from the functional to the presentation currency.

Retained earnings - All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Related Party Transactions

The Group has related party transactions with related parties who are not members of the group.

	Transactions during the year		Amounts owed by related parties		Amounts owed to related parties/loans	
	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£
Geoffrey John Nesbitt ¹	152,888	141,265	-	-	136,486	-
Timothy Lord ²	102,488	65,256	1,063	-	-	-
The Rt Hon. Lord David Willetts FRS ³	62,976	33,267	-	-	83,266	-
George Katzaros ⁴	30,000	27,133	-	-	63,243	33,243
Gavin Mayhew ⁵	62,188	-	-	-	455,076	1,000,000
Carrick International Holdings Limited ⁶	5,667	30,894	-	-	-	-
Krino Partners Limited ⁷	-	53,954	1,620	-	-	-
C2E Holdings Limited ⁸	-	57	-	-	10,403	10,403
Envolution (Project Management) Limited ⁹	-	70,944	-	-	-	-
Jeremy Evans ¹⁰	-	-	-	-	10,000	10,000
BBR Enviro Systems Pvt Ltd ¹¹	-	33,508	62,000	62,195	-	-
Claudio Marati ¹²	-	17,570	-	-	-	-
James Buchan ¹³	-	-	-	-	19,000	19,000
José Luis Del Valle Doblado ¹⁴	-	12,016	-	-	40,055	40,055
Theodore Edward Chapman ¹⁵	-	52,590	-	-	-	-

Notes:

¹ Geoffrey John Nesbitt	Mr. Geoffrey John Nesbitt, Director of Verditek plc, was entitled to Directors fee and salaries of £152,888 during the year. At the year end, Geoff Nesbitt was owed £136,486 in relation to his Directors fees and salary.
² Timothy Lord	During the year Timothy Lord, and executive director of Verditek plc, was entitled to £102,488 for his services as a Director. At the year end, Tim Lord owed £1,063 in relation to an advance.
³ The Rt Hon. Lord David Willetts FRS	David Willetts, Chairman of the Company, was entitled to fees and services of £50,000 during the period, all of which remains outstanding at the end of the year. David Willetts was also issued some share options in 2018, details of which are disclosed in the note 23, with which there was an associated £12,976 charge during the year.
⁴ George Katzaros	Mr. George Katzaros, a non-executive director of Verditek plc, was entitled to Directors fees of £30,000 during the year. At the year-end George Katzaros was owed a Directors fee of £30,000 and an interest free loan from the prior year of £33,243.
⁵ Gavin Mayhew	Gavin Mayhew is a Director of the Company. In December 2019 a £1,000,000 loan note previously issued by the company to Gavin Mayhew was converted to 13,712,937 shares. Gavin Mayhew also issued a secured loan note to the Company in May 2019 of US\$600,000 (£455,076). The transactions in the year of £62,188 is the interest accrued on the secured loan note.
⁶ Carrick International Holdings Limited	Mr. Anthony Neil Rawlinson, a non-executive director of Verditek plc has an interest in Carrick International Holdings Limited. His Directors fees were paid to Carrick International Holdings Limited.

⁷ Krino Partners limited	Ms. Janet Rachel Donovan, who resigned in 2018 as a director of Verditek plc has an interest in Krino Partners Limited, which has provided financial management services during the year to the Group.
⁸ C2E Holdings Limited	C2E Holdings Limited("C2E") is a shareholder of BBR Filtration Limited. Theo Chapman and James Buchan have an interest in C2E.
⁹ Envolution (Project Management) Limited	Mr. John Norris, who resigned as a director of BBR Filtration("BBR"), is also a Director of Evolution (Project Management) Limited, which charged £70,000 for his services during the year. Some fixed assets were sold to Mr Norris when he left, the assets were sold at market value. There is £10,886 outstanding due in relation to these fees at the end of the year.
¹⁰ Jeremy Evans	A shareholder of Verditek plc provided an interest-free loan of £10,000 which remains outstanding at the year end.
¹¹ BBR Enviro Systems Pvt Ltd	BBR Enviro Systems Pvt Ltd who have a 10% stake in BBR Filtration, owed £62,000 in respect of royalty advances.
¹² Claudio Marati	Claudio Marati owned 49% of Greenflex Energy Ltd until April 2019.
¹³ James Buchan	A shareholder of Verditek plc provided an interest-free loan of £19,000 which remains outstanding at the year end.
¹⁴ José Luis Del Valle Doblado	José Luis Del Valle Doblado was a non-executive director of the Company who resigned in 2018. There is £40,055 outstanding in consultancy fees at the year end.
¹⁵ Theodore Edward Chapman	Theodore Edward Chapman was a director of the Company who resigned in 2018.

Details of the directors' emoluments, together with the other related information, are set out in the Directors Report of the Remuneration Committee.

27. Events subsequent to the reporting date

The outbreak of Covid 19 creates a new and highly unpredictable challenge. We have tested our business continuity plans which have been successfully activated. The investment in our technology over recent years has resulted in the business being well placed to continue commercialisation with our clients without disruption and with no increase in operational risk. Management does not consider it possible to quantify the true impact of COVID-19 on the business at this time but remains confident that the business can adjust to the challenges it presents.

Subsequent to the year end, the Company issued 20.23million new ordinary shares at 2.5p each and 40 million new ordinary shares at 2.5p each, raised the gross proceed of £505,750 and £1,000,000 respectively as additional working. Capital. The Company also issued 2.5million new ordinary shares as part settlement of professional adviser fee.

28. Ultimate controlling party

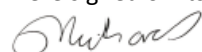
There is no ultimate controlling party of the Company.

COMPANY STATEMENT OF FINANCIAL POSITION

		31 December 2019	31 December 2018
	Notes	£	£
Non-current assets			
Investments in subsidiaries	3	169,454	169,454
Other investments	4	24,229	25,153
Property, plant and equipment	5	765	1,114
Total non-current assets		194,448	195,721
Current assets			
Trade and other receivables	6	57,438	199,060
Net amounts due from subsidiaries	7	1,734,197	949,133
Unpaid Share Capital	6	-	-
Cash and cash equivalents	8	73,316	670,343
Total current assets		1,864,951	1,818,536
Total assets		2,059,399	2,014,257
Liabilities			
Non-current liabilities			
Loans and borrowings	10	-	1,170,000
Total non-current liabilities		-	1,170,000
Current liabilities			
Trade and other payables	9	863,181	461,476
Loans and borrowings	10	668,319	43,243
Total current liabilities		1,531,500	504,719
Net assets		527,899	339,538
Share capital	11	91,666	80,847
Share premium		5,466,376	3,858,691
Share based payment reserve	12	21,703	8,727
Retained losses		(5,051,846)	(3,608,727)
Total equity		527,899	339,538

The Company's loss for the year was £1,443,119 (2018: £2,298,795) and is included within the consolidated statement of comprehensive income.

These financial statements were approved and authorised for issue by the Board of Directors on 30 June 2020 and were signed on its behalf by:



Rob Richards
Chief Executive Officer

Company Registration Number: 10114644

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £	Share premium £	Share based payment reserve	Retained losses £	Total £
Equity as at 1 January 2018	80,847	3,858,691	-	(1,309,932)	2,629,606
Loss for the year	-	-	-	(2,298,795)	(2,298,795)
Total comprehensive loss	-	-	-	(2,298,795)	(2,298,795)
Share based payments	-	-	8,727	-	8,727
Equity as at 31 December 2018	80,847	3,858,691	8,727	(3,608,727)	339,538
Loss for the year	-	-	-	(1,443,119)	(1,443,119)
Total comprehensive loss	-	-	-	(1,443,119)	(1,443,119)
Share issue (net of expenses)	10,819	1,607,685	-	-	1,618,504
Share based payments	-	-	12,976	-	12,976
Equity as at 31 December 2019	91,666	5,466,376	21,703	(5,051,846)	527,899

The accompanying notes are an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies

The accounting policies that are applicable, as set out in note 2 to the consolidated financial statements have been applied together with the following accounting policies that have been consistently applied in the preparation of these Verditek PLC (“the Company”) financial statements.

Basis of preparation

The financial statements of Verditek PLC have been prepared in accordance with Financial Reporting Standard 101, ‘Reduced Disclosure Framework’ (FRS 101). The financial statements have been prepared under the historical cost convention, as modified and in accordance with the Companies Act 2006.

The Company has taken advantage of Section 408 of the Companies Act 2006 in not presenting its own statement of comprehensive income.

The Company has taken advantage of the following disclosure exemptions under FRS 101, on the basis that equivalent disclosures are, where required, are given in the consolidated financial statements of Verditek plc:

- a. a Cash Flow Statement and related notes as required by IAS 7 – ‘Statement of Cashflows’;
- b. the requirement in paragraph 38 of IAS 1 ‘Presentation of Financial Statements’ to present comparative information in respect of paragraph 79(a)(IV) of IAS 1 – a reconciliation of the share capital at beginning and end of the period;
- c. the requirements of paragraph 134 – 136 of IAS 1 ‘Presentation of Financial Statements’ to disclose the management of the capital of the Company;
- d. the requirements of paragraphs 30 and 31 of IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’ to disclose the new or revised standards that have not been adopted and information about their likely impact;
- e. all of the disclosure requirements of IFRS 7 ‘Financial Instruments: Disclosures’;
- f. the requirements of paragraph 17 of IAS 24, ‘Related Party Disclosures’ to disclose key management personnel; and
- g. the requirements in IAS 24 ‘Related Party Disclosures’ to disclose related party transactions entered into between two or more members of a group, provided that any subsidiaries which is a party to the transaction is wholly owned by such a member.

Investments in subsidiaries

The Company’s investment in its subsidiaries are carried at cost less provision for any impairment. Investments denominated in foreign currency are recorded using the rate of exchange at the date of acquisition. The carrying value is tested for impairment when there is an indication that the value of the investment might be impaired. When carrying out impairment tests, the recoverable amount is based upon future cash flow forecasts and these forecasts would be based upon management judgement. Where the carrying value is more than the recoverable amount, no impairment provision is made.

Trade and other receivables

The Company assesses on a forward-looking basis the expected credit losses associated with its receivables, including the amounts due from subsidiaries, carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, resulting in trade receivables recognised and carried at original invoice amount less an allowance for any uncollectible amounts based on expected credit losses.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

Critical accounting estimates and judgments

The preparation of financial information in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follow:

Impairment of investments in subsidiaries

This is detailed in the accounting policy 'Investment in subsidiaries' above.

Impairment of the amounts due from subsidiaries

The Company is required to assess the carrying values of each of the amounts due from subsidiaries, considering the requirements established by IFRS 9 Financial Instruments.

The IFRS 9 impairment model requiring the recognition of 'expected credit losses'. Where conditions exist for impairment on amounts due from subsidiaries expected credit losses assume that repayment of a loan is demanded at the reporting date. If the subsidiary has sufficient liquid assets to repay the loan if demanded at the reporting date, the expected credit loss is likely to be immaterial. However, if the subsidiary could not demonstrate the ability to repay the loan, if demanded at the reporting date, the Company calculated an expected credit loss. This calculation considers the percentage of loss of the amount due from subsidiaries, which involves judgement around how amounts would likely be recovered, and over what time they would be recovered.

2. Staff costs

The average number of employees (including directors) during the period was made up as follows:

	2019	2018
	Number	Number
Directors	5	5
Administrative	1	1
Total	6	6

The cost of employees (including directors) during the period was made up as follows:

	2019	2018
	£	£
Salaries (including directors)	499,123	564,617
Share based payment	12,976	8,727
Social security costs	32,112	19,612
Pension cost	7,355	806
Total staff costs	551,566	593,762

NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

3. Investments in subsidiary undertakings

	Investment in subsidiary £
At 1 January 2018	600,001
Transfer from investments in associates	-
Additions	8,915
Write off of investments	-
At 31 December 2018	608,916
Transfer from investments in associates	-
Additions	-
Write off of investments	-
At 31 December 2019	608,916
IMPAIRMENT	
At 1 January 2017	439,462
Impairment of investment in subsidiary	-
At 31 December 2018	439,462
Impairment of investment in subsidiary	-
At 31 December 2019	439,462
Net book value	
At 31 December 2018	169,454
At 31 December 2019	169,454

The details of the subsidiaries of Verditek plc, are set out in the Note 14 to the consolidated financial statements.

4. Other investments

	Financial assets at fair value through profit or loss	Investment in associates	Loans to associates	Total
		£	£	£
Cost				
At 1 January 2018	-	591,271	-	591,271
Additions	-		157,044	157,044
Share of post-tax loss of equity accounted associate for the period	-	(98,236)	-	(98,236)
Impairment of loan	-	-	(157,044)	(157,044)
Impairment of investment	-	(467,882)	-	(467,882)
At 31 December 2018	-	25,153	-	25,153
Additions	-	-	-	-
Reclassification	25,153	(25,153)	-	-
Exchange difference	(924)	-	-	(924)
At 31 December 2019	24,229	-	-	24,229

The Company holds a 22.34% investment stake in Industrial Climate Solutions (ICSI), an unlisted company registered in Canada. The directors estimated the recoverable amount of Verditek's investment in ICSI at the reporting date to be £24,229 (2018: £25,513).

NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

As the directors have no seat on the board of ICSI, they consider that they do not have significant influence over the business, and therefore that ICSI is not an associate. The investment has therefore been reclassified as a financial asset measured at fair value through the profit or loss.

5. Property, plant and equipment

	Plant and machinery £
At 1 January 2018	1,873
Additions	1,889
Disposal of asset	(1,260)
At 31 December 2018	2,502
Additions	699
At 31 December 2019	3,201
DEPRECIATION	
At 1 January 2018	624
Charge for the year	869
Disposal of asset	(105)
At 31 December 2018	1,388
Charge for the year	1,048
At 31 December 2019	2,436
Net book value	
At 31 December 2018	1,114
At 31 December 2019	765

6. Trade and other receivables

	31 December 2019 £	31 December 2018 £
Prepayments	8,359	5,011
Other receivables	-	54,582
VAT receivables	49,079	139,467
Total trade and other receivables	57,438	199,060
Unpaid share Capital	-	-
Total	57,438	199,060

All amounts are due within three months.

7. Amounts due from subsidiaries

The directors consider that the carrying amounts owed by and to group undertakings approximates their fair value. The amounts reported under current assets have no fixed repayment terms and repayment on demand. At 31 December 2019 there was no provision held in respect of the recoverability of amounts due from subsidiaries.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

8. Cash and cash equivalent

	31 December 2019	31 December 2018
	£	£
Cash at bank and in hand	73,316	670,343

9. Trade and other payables

	31 December 2019	31 December 2018
	£	£
Trade payables	326,701	135,368
Accruals and deferred income	436,554	263,224
Social security & other taxes payable	119,037	62,379
Pension cost	1,750	504
Loans from related parties	9,139	-
Total trade and other payables	893,181	461,475

10. Loans and borrowings

	31 December 2019	31 December 2018
	£	£
Current		
Interest free related party loans	43,243	43,243
Convertible Loans	170,000	-
Interest bearing secured related party loan	455,076	-
Non current liabilities		
Convertible Loans	-	1,170,000
Total loans and borrowings	668,319	1,213,243

The related party loans are repayable on demand. The Interest bearing related party secured loan has a fixed interest rate of 20%.

On the 17 December 2018 the Company issued unsecured convertible loan notes with a total value of £1,170,000 with a conversion price of £0.10 per ordinary share. The loan notes carry a 10% fixed rate redeemable on the earliest of

- 17th December 2020; or
- Date of change of control; or
- If the investor majority determines following a material breach.

At the date of issue of the convertible loan notes the company's share price was at a substantial discount to the conversion price of 10p. The quantum of any possible equity component relating to conversion rights is therefore considered to be immaterial to the fair value of the convertible loans, equity in the statement of financial position and potential consequent impact on the finance charge on the instruments and therefore no equity component was recognised.

On 2 December 2019, £1,000,000 of the unsecured convertible loan notes held by director Gavin Mayhew, plus accrued interest at that date, were converted to ordinary shares at 8p per share, in accordance with adjusted terms of the convertible loan notes.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

11. Share capital

For details of share capital see note 22 to the consolidated financial statements.

12. Share based payment reserve

For details of the share based payments see note 23 to the consolidated financial statements.

13. Related party transactions

The Group has related party transactions with entities in which directors have significant financial interests. For details of the related party transactions see note 26 to the consolidated financial statements.

Details of the directors' emoluments, together with the other related information, are set out in the Report of the Directors. There are no other related party transactions.

14. Commitments

The Company has no lease or capital commitments at the end of the reporting period.

15. Contingent liabilities

The Company has no contingent liabilities, other than what has been disclosed already.

16. Ultimate controlling party

The Company does not have an ultimate controlling party.

17. Events after reporting date

For details of events after reporting date see note 27 of the consolidated financial statements.

OFFICERS AND ADVISERS

Directors:	The Rt Hon. Lord David Willetts FRS Geoffrey John Nesbitt (resigned 7 May 2020) George Francis Katzaros Tim Lord Gavin Mayhew Robert Richards
Company secretary and registered office:	David Wilson Peachey & Co LLP 95 Aldwych London, WC2B 4JF
Nominated Adviser and Broker:	W H Ireland Limited 24 Martin Lane, London EC4R 0DR
Bankers:	Natwest Bank plc and Metro bank plc
Auditors:	Crowe U.K. LLP St Bride's House 10 Salisbury Square London, EC4Y 8EH
Solicitors:	Peachey & Co LLP 95 Aldwych London, WC2B 4JF
Registrars:	Neville Registrars Neville House 18 Laurel Lane Halesowen B63 3DA
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