Registered in England and Wales number 10114644

Verditek PLC

Group Annual Report and Financial Statements

Year Ended 31 December 2020

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2020 HIGHLIGHTS

- During 2020 Verditek moved from development phase to commercialization of its lightweight, flexible solar panels
- In the fourth quarter of the year, Verditek ramped up its operations at its plant in Lainate, Italy
- The plant has an operational capacity of over 80MW per annum
- Progress was made with Verditek's partnership with Paragraf
- Revenues for the year were £21,521 with a loss after tax of £2,324,121
- Fundraisings during the year contributed £5.1m cash after expenses

CHAIRMAN'S STATEMENT

The year to 31 December 2020 was an important period for Verditek's development with the focus being primarily on the development of its lightweight solar panels which are manufactured at the Group's factory on the outskirts of Milan, Italy.

Following a lengthy period of research and development the Group moved into regular production during the fourth quarter of the year against the background of a significant pipeline of projects located around the world. Unfortunately, due to the pandemic, many of these projects have been delayed, but in recent weeks activity has increased again and we have received commitments to a number of smaller orders.

Verditek's solar modules offer several innovations including interconnectivity of individual PV cells and increased flexibility. They are particularly light weight compared to conventional PV modules. This opens markets (both on grid and off grid) that otherwise cannot consider solar energy to address their power requirements.

Our factory now has proven production capability and has a potential capacity of producing over 80MW of panels per annum. Due primarily to operating efficiencies this is far higher than previously envisaged. Cell technology continues to advance and Verditek will soon be launching its second-generation panel with a power output of circa 350 watts per panel. New certification will be required for this product and this process is underway.

During the year our executive team was changed with Rob Richards becoming CEO and Geoff Nesbitt taking on the vital role of CTO. Tim Bowen joined as CFO to replace Tim Lord. We would like to thank Geoff and Tim for their significant input into the Group. Geoff has a strong technical mastery of our products and in his new role as CTO he is focussing on our pioneering work with Paragraf exploring ways of using graphene in the production of solar panels.

In the first half of 2020 the group raised fresh equity totalling £1.5m and in October £3.5m was raised from new and existing investors. As recently announced, the Group has also entered into a debt facility with Crowd for Angels. This platform is set to initially raise up to £500,000 from interested individuals and has already a commitment of £250,000. The Group also has a significant stock of solar panels that are being sold as new projects convert from pipeline opportunities to sales.

Whilst 2020 proved to be a year of global uncertainty, Verditek has proved itself from an operational point of view. We have a strong focus on sales, cutting edge R&D, and growing addressable markets. COP26 this year is bringing home the urgent need to go green. Verditek can contribute to many organisations' green energy strategy with good value solutions. We should be well placed to deliver significant growth once normal trading conditions resume.

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

CHIEF EXECUTIVE'S REVIEW

Overview

The year to December 2020 was an important one for Verditek and saw the Group focus on commercializing its flexible, lightweight solar panels. In the fourth quarter of the year production was ramped up at the Group's factory in Lainate, Italy in anticipation of Verditek's significant pipeline converting into orders.

The year was not without its setbacks and whilst we were able to manage the impact of the pandemic from an operational point of view, the effects have been felt commercially as potential customers delay their transition to green energy.

None the less, Verditek emerged from 2020 as a stronger company with a significant opportunity to play a major role in the flexible, lightweight solar panel marketplace.

Strategy

The Group's historic strategy has been to identify early-stage business opportunities in the clean technology sector, invest in them and see them through to commercial success. Whilst this remains the Group's objective most of 2020 was spent moving from the research and development phase into pipeline building for the Group's solar opportunity. This is likely to be the case for the rest of 2021 and into 2022.

As the world continues to evolve from its dependency on hydrocarbon-based energy sources to cleaner, more environmentally friendly energy, we believe the Verditek Solar product is extremely 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 are not available to the traditional, heavy and fragile solar panel technology. We believe major new market opportunities for our lightweight product will open up in areas such as military, transportation, cellular telecoms masts, new build homes (as part of an integrated roof tile system), and warehousing (where roofing structures are less rigid). Here the advantages of a highly durable, efficient ultra-lightweight solar solution can now be embraced.

We believe the trend in the world moving from burning hydrocarbons as a primary energy source towards utilising solar solutions will accelerate.

Operations

The Group's solar operations are based in a modern 2,000 square meter factory located in Lainate on the outskirts of Milan, Italy. From here a core staff together with a further flexible contract labour team manufacture Verditek's flexible light weight solar panels using the latest components sourced from around the world. During the fourth quarter of 2020 production was significantly increased in anticipation of several pipeline orders closing. At this time, it became evident that working on a three-shift basis the plant could have potential production capacity in excess of 80MW per annum, far higher than previously thought.

The technology used in cells continues to evolve and the Group is currently in the process of developing its second-generation panel. In a standard sized panel (with 60 cells) the power output will now increase to 350W. Whilst the Group has significant stock of its first-generation panel with a power output of 288W per panel, these are still suitable for most applications as solar solutions are sold by power output and not per panel.

The certification process for the second-generation panels has commenced and is expected to conclude in the second half of 2021. This certification will cover the panels in a broad range of applications and will be tested for temperature, fire, hail damage and wind as well as durability.

Sales and Marketing

During the year the Company put in place various routes to market, including commission only sales agents, employed sales consultants and distributors. Their efforts have led to a significant pipeline being built up, however many of these have been slow to close for various reasons including the current pandemic.

The most disappointing delay was the SAF Pakistan order announced in 2020 that was put on hold due to the funding being redeployed by regional government to support the COVID-19 efforts. At this stage we do not know whether the project will resume or not.

We developed two PowerMat solutions, whereby panels are joined together and housed in a shipping container for use in differing locations. The fabrication of a 75kWp re-deployable PowerMat for a project in Eastern Australia is now complete.

Furthermore, we have developed a second demonstration model in Dubai which is currently undergoing commissioning before being dispatched to various sites for client proof-of-concept testing.

We are discussing with a number of prospects in the Oil & Gas, Mining, and Civil Defence arenas for the deployment of this solution.

Verditek Solar have signed a distribution agreement with Bradclad Limited, one of the UKs biggest supplier of standing seam roofs, and we have already received orders from this partner.

The Metrotile co-operation has re-started following delays caused by COVID-19 and we have received our first commercial orders for this project.

For the UK off-grid market, Verditek are now collaborating with Enershare which enables us to offer a complete solution for clients. This client has already ordered panels from Verditek.

Verditek continue to supply panels for various marine applications including conventional yachts, electric powered yachts, and canal boats.

On 13 July 2020 we announced an order from Black Tulip for delivery to Peru. The project is complete from our side however we are still awaiting payment before shipping the goods.

Other Opportunities

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

We have an exciting relationship in place with Paragraf, a Cambridge (UK) based start-up which has developed world-leading graphene technology. Together we have worked on two Joint Development Projects (“JDP”).

The objectives of JDP 1 and 2 were for Verditek and Paragraf to grow large scale (e.g. 3x3cm) graphene surfaces directly on photovoltaic (“PV”) Proof of Concept (“PoC”)chips and eventually entire industrial PV wafers (15x15cm). During JDP1 several challenges were addressed pertaining to industrial PV wafer surface roughness, finding optimum growth conditions to balance chemical bonding (adhesion) with delocalization of electrons (conduction), determine the graphene transparency vs. build-up of electrical properties, and the creation of defect-free surfaces.

The main goals were divided into work programs to demonstrate that by replacing the metallic busbars with graphene we can improve the performance of PV wafers by:

- increasing the efficiency by removing the topside busbar shading of the PV surface
- increase the efficiency by harvesting electrons from the entire topside surface
- Improve the robustness of the wafer due to the physical resilience of graphene

In the course of JDP 1 and 2 we have managed to accomplish the following deliverables:

- Successfully design conditions to grow graphene on an industrial grade mono-silicon PV wafer PoC with good adhesion and demonstrate a reliable I/V curve (conductance)
- Confirm that the methodology could control the deposition of graphene in layers
- Develop in-house methods to reliably measure graphene defect and conductance under illumination of the PoCs
- Extended growth to an entire 15.6 x 15.6mm wafer and have measured current flow
- Investigated methods to try and re-order the silicon wafer surface to provide a better template for graphene growth
- Improve the silicon to graphene to metal contact by investigating and selecting metal paste formulations to manage the conductance of charge across the Si-G-M interface
- Perform physical modelling of the graphene interface to better understand bonding
- Confirm the current density that could be harvested by a transparent Graphene layer

The outcomes of JDP's 1 & 2 have demonstrated positive results and potentially interesting applications for graphene in solar technologies. The Companies are currently exploring the next joint development program, JDP3, to continue the progress of graphene enhanced solar cell products.

Finance

For the year to 31 December 2020 the Group had revenues of £21,521 and recorded a loss after tax of £2.3m.

Circa £5m of new equity was raised primarily to fund working capital but also to repay existing loans. At the year end the business had debt of £70,000 which has subsequently been repaid.

During the second half of 2020 and into 2021 the overhead base of the Group was significantly reduced in order to conserve cash balances as the conversion period for prospects to become fee paying customers has taken longer than expected.

As announced on 1 June 2021, the Group entered into a bond issue with Crowd for Angels whereby between £250,000 and £500,000 is to be raised. The bonds are for 2 years and pay a coupon of 7%.

Outlook and Conclusion

We are excited about the outlook for Verditek and believe the future remains very positive despite the headwinds of the last 18 months.

Verditek was established with the vision of building a leading clean technology Group and delivering game changing technological solutions. Whilst the business still remains early stage, we believe our significant investment into the development of our flexible, lightweight solar panels will soon prove fruitful.

I would like to take this opportunity to thank my fellow Board members, staff, valued shareholders and advisers for their support. We look forward to delivering on the vision of building a cash-generative and profitable clean technology company together.

Rob Richards, Chief Executive Officer

STRATEGIC REPORT

Verditek is a cleantech company with its principal interest being the manufacture and commercialistion of leading-edge solar technologies. Verditek Solar Italy (100% owned subsidiary) operates from a modern factory in Lainate, Italy and has manufacturing capacity to produce over 80MW innovative lightweight solar modules per annum.

The market for Verditek's solar products covers both on grid and off grid installations and has applications from single panel use such as in Tuk Tuks in Thailand to large projects which deliver power where conventional fossil fuel power production is both expensive and logistically difficult to manage. For such large rural projects, Verditek has developed its PowerMat concept where circa 250kw of panels are connected by one of two systems and are stored when not in use in a shipping container for easy transportation and re-use in different locations.

Verditek's light weight solar modules offer several innovations including: interconnectivity of individual PV cells, increased flexibility, and are particularly light weight compared to conventional PV modules.

In addition to its solar business the Group has investments in two other clean tech businesses BBR and ICSI as well as entering into a series of joint development programmes with Paragraf, a pioneer in graphene 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 and our assessment of its potential impact on the markets which Verditek expects to commercialise its products in.

Italy was hit earlier and more severely than most countries by the outbreak of the virus in the first quarter of 2020. Fortunately, our factory was able to operate at required levels for all of the year with minimal interruptions. However, a number of pipeline projects we had expected to close in the fourth quarter of 2020 did not, due mainly to either the economic uncertainty created by the pandemic or the fact that funds were redeployed elsewhere. Unfortunately, many of these pipeline projects have remained on hold during the first half of 2021.

The Group has prepared financial forecasts to model management's assessment of the impact of COVID-19 on the business of the Group, including ongoing delays in pipeline projects being signed off as orders. Steps have been taken by the Directors to protect and manage the business during the coming period, including the introduction of temporary pay deferrals at Board level and further 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 Corporate Governance Report pages 14 to 18 and the Corporate Social Responsibility report on page 22.

On behalf of the Board

R J Richards

Robert Richards
Chief Executive Officer
29 June 2021

FINANCIAL REVIEW

Income statement

During the year 2020 the Group's loss after taxation was £2,324,121 (December 2019: £1,864,313). The administration costs incurred for the year ended 31 December 2020 were £1,971,662.

Loss per share

The basic and diluted loss per share was £0.01(2019: £0.01).

Financial Position

At 31 December 2020, the Group's net assets were £2,738,483 (2019: net liabilities of £365,035). This comprised total assets of £3,588,776 and total liabilities of £850,293. The total assets included property, plant and equipment of £586,612 (2019: £633,491).

Cashflow

The Group's cash balance at the period end was £1,711,761 (2019: £107,243). During the period the net cash outflow from operating activities was £2,752,360 (2019: 1,324,285) with financing activities generating net proceeds of £4,388,219 (2019: £904,905).

Dividends

No dividend is recommended (2019: £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 £1,711,761 as at 31 December 2020 (2019: £107,243). The Board continues to monitor the balance sheet to ensure it has an adequate capital structure.

Key Performance Indicators

As the Group's revenues are still at an early stage, 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 25 to the financial statements.

Tim Bowen
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. The Company 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

The key risks identified per business are as follows:

	RISK	MITIGATION and MANAGEMENT	ASSESSMENT
Market conditions	Solar: The solar marketplace continues to have increased efficiency (power output) and increased competition.	Verditek continues to monitor the efficiency of cells used in production of its solar panels, and seeks to remain at the forefront of technical advancements at all times.	Medium risk

	RISK	MITIGATION and MANAGEMENT	ASSESSMENT
Commercial Success	Our products are considered too expensive versus traditional glass solar panels, or provide a low return on investment. Limited ability to negotiate bulk discounts. Establishing sales leads is slow.	In our solar business we are focused on both off-grid and on-grid, where traditional solar panels cannot be used. In its marketing materials, the Company distinguishes between traditional glass solar panels, versus its semi-flexible, lightweight solar panels. However, the Group's product displaces diesel or other fossil fuel power sources. As the business scales, costs of raw materials will reduce. The Company constantly assesses its costs.	Medium risk
License to Operate	Failure to meet AIM corporate governance requirements. HSE violations in Group operating companies.	The executive benchmarked its corporate governance, policies and procedures against the newly published QCA guidelines to ensure compliance. The Company has regular discussions with its nominated advisor and external counsel. The Company is directly responsible for installing and auditing an HSE culture.	Low risk Medium risk
Financial	Failure to secure cashflow and remain a going concern, also growth ambitions might outpace cash reserves.	The Board reviews medium to long term cashflow forecasts, and aims to ensure sufficient funding is in place to meet requirements.	Medium risk
Operational	Factory output levels reduce, poor quality, other operational issues including Board members not being able to visit the factory during pandemic	The Group has systems in place for testing of each panel, and daily production levels are monitored and reported on regularly by local management.	Medium risk

	RISK	MITIGATION and MANAGEMENT	ASSESSMENT
Legal	Poorly constructed sales contracts expose the company to punitive commercial conditions. Partnering relationships expose the Company to unlimited liabilities.	The Company has secured Peachey & Co. LLP as their single corporate counsel and have developed a suite of proforma contracts to ensure commercial negotiations begin soundly.	Low risk
COVID-19	Adverse global trading conditions due to the COVID-19 pandemic, with companies and countries reducing their spend on capital projects.	Contingency plans to control costs, through flex of production staff and supply chain streamlining.	High risk

GOVERNANCE

BOARD OF DIRECTORS

The Board as at the date of signing the report and accounts comprised:

Rob Richards (Chief Executive Officer)
Rob was appointed Chief Executive Officer in May 2020. Rob is a chartered electrical engineer with over 20 years' experience in the Oil and Gas and Energy Industry. Rob 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.

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 Katzaros (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 monthly meetings 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.

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

Board Members	Eligible to attend	Attended
Executive Directors		
Rob Richards (appointed June 2020)	7	7
Geoff John Nesbitt (resigned May 2020)	3	3
Tim Lord (resigned August 2020)	9	9
Non-Executive Directors		
The Rt Hon. Lord David Willetts FRS	12	12
George Francis Katzaros	12	12
Gavin Mayhew	12	12

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 George Katzaros as chairman and Gavin Mayhew.

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.

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 midsized 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.	The Company's strategy is explained fully within our Chief Executive's Report section of our Report and Accounts for the year ended 31 December 2020. Our strategy is focused on converting the current sales pipeline. 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 2020.
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 early stage, 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.	Verditek plc encourages two-way communication with its investors and responds quickly to all queries received. 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. The people responsible for shareholder liaison are: The Chief Executive Officer The Chief Financial Officer Nomad (W.H. Ireland Limited) Details of the investor engagement and the people responsible for shareholder liaison can be found on the Company website.
3. **Take into account wider stakeholder and social implications for long-term success responsibilities and**	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 executive maintains communications 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
their implications for long-term success	The board needs to identify the 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.	The Company is committed to developing green technology, and this forms the backbone to decision making.
	Feedback is an essential part of all control mechanisms, and is welcomed 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 2020 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 a minimum of quarterly. 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	The Board comprises one 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**
	two independent non- executive 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 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 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 2020.
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. 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 Board performance review may be carried out internally or, ideally,	The Company is early stage and as such the new Board has been focussed on

QCA Code Principle	Application (as set out by QCA)	What we do and why
	externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.	ensuring that sufficient capital is in place to execute its strategy: first sales; investing in longer term development opportunities and developing the organisation. It is against the performance of this strategy that the Board is currently assessed.
	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.	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.
8. **Promote a corporate culture that is based on ethical values and behaviours**	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. 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.	The Corporate and Social Responsibility section on page 22 of our Report & Accounts for the year ended 31 December 2020 details the ethical values of the Company.
	Corporate values should guide the objectives and strategy of the company. 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. The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.	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. This year, to complement our existing Policies and Procedures, the company has implemented policies around Code of Conduct, Social Media and Share Dealing.
9. **Maintain governance structures and processes that are fit for purpose and support good decision- making by the board**	The Company should maintain governance structures and processes in line with its corporate culture and appropriate to its: • size and complexity; and • capacity, appetite and tolerance for risk.	Our Corporate Governance Report on page 14 to 18 of our Report & Accounts for the year ended 31 December 2020 details the Company's governance structures and why they are appropriate and suitable for the Company.

QCA Code Principle	**Application** (as set out by QCA)	**What we do and why**
	The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.	The Board has a formal schedule of matters reserved to it and is supported by the Audit and Remuneration Committees. 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 and a Remuneration Committee have formally delegated duties and responsibilities and with specific terms of reference and these are available from the Company website.
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.	The Company encourages two-way communication with its investors and responds quickly to all queries received. 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.
	Appropriate communication and reporting structure should exist between the Board and all constituent parts of its shareholder base. This will assist: • the communication of shareholders' views to the board; and • the shareholders' understanding of the unique circumstances and constraints faced by the company.	The executive has developed a mature communications program to engage in dialogue with our stakeholders through a mix of media channels. 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.
	It should be clear where these communication practices are described (annual report or website).	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.

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 includes:

- 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:

Going concern

The Committee 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 out below. The share options will vest at various future dates as described in the Note 21 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 options 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 2020 was as follows:

The emoluments of the Directors were as follows (Audited):					
	Year ended 31 December 2020				Year ended 31 December 2019
	Salary & Directors' fees	Pension Contributions	Share based payment	Total	Total
	£	£	£	£	£
Executive directors					
Geoff Nesbitt (resigned 7 May 2020)	132,662	3,375	-	136,037	152,888
Tim Lord (resigned 5 August 2020)	68,974	2,069	-	71,043	102,438
Robert Richards (appointed 1 June 2020)	103,327	-	20,535	123,912	-
Non-executive directors					
The Rt Hon. Lord David Willetts FRS	50,000	-	13,024	63,024	62,976
George Katzaros	25,000	-	-	25,000	30,000
Gavin Mayhew	55,000	-	-	55,000	-
Anthony Rawlinson (Resigned 4 March 2019)					5,667
Total	434,963	5,444	33,559	473,784	353,969

There are 1,500,000 share options held by The Rt Hon. Lord David Willetts FRS and 4,000,000 share options held by Robert Richards; details are shown in Note 21. No options were exercised in the year. During the year, the Remuneration Committee also agreed to issue a further 4m share options to Rob Richards at 6p and 4.3m share options to Tim Bowen at 8p. However, the share option grants were not formally made.

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 socially 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 research notes. The Company also engages directly with investors at our Annual General Meeting or investor events.

Health and Safety

Company activities are carried out in according 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 2020.

The preparation of financial statements is in compliance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The Group financial statements comprise of the financial information of the parent Company and its subsidiaries (together 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 (2019: £nil).

Directors and directors' interests

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

Geoff John Nesbitt (Resigned on 7 May 2020)
Tim Lord (Resigned on 5 August 2020)
The Rt Hon. Lord David Willetts FRS
George Francis Katzaros
Gavin Mayhew
Robert Richards (Appointed 1 June 2020)

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 31st December 2020:

	Note	Ordinary shares of £0.0004 each	Issued share capital %
Gavin Mayhew	1.1	27,157,381	7.96%
George Katzaros	1.2	26,166,675	7.66%
Robert Richards		2,437,833	0.71%

Notes

1.1 Shares held by Gavin Mayhew	
- through Platform Securities Nominees Limited	27,157,381
1.2 Shares held by George Katzaros	
- through BBHISL NOMINEES LIMITED A/c 120165	10,550,000
- through MF Limited	5,900,000
- directly	9,000,000
- family member	716,675
	26,166,675

There has been no change between the end of the reporting period and the reporting date.

Directors' indemnities

The Company has taken out Directors' and Officers' indemnity insurance for the benefit of its Directors.

Post Balance Sheet Events

There are no material post balance sheet events to disclose, other than those disclosed in the note 25 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 to research the application of graphene onto 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 £134,496 during the year (2019: £95,833). Additional research and development has been made on further generations of the semi-flexible, lightweight solar panels.

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 2020:

	No. of Shares	%
Hargreaves Lansdown (Nominees) Limited	57,031,623	16.72%
Platform Securities Nominees Limited	32,378,751	9.49%
The Bank of New York (Nominees) Limited	21,680,107	6.35%
Pershing Nominees Limited	16,595,000	4.86%
Jim Nominees Limited	11,579,407	3.39%
James Capel (Nominees) Limited	10,864,196	3.18%
HSDL Nominees Limited	10,365,441	3.04%

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

RJ Richards

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 Accounting Standards in conformity with the requirements of the Companies Act 2006 (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 and Companies Act 2006, 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 2020 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 Accounting Standards in conformity with the requirements of the Companies Act 2006 (IFRSs). 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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs;
- 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

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

We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment. Additionally, we reviewed and challenged the results of management's stress testing, to assess the reasonableness of economic assumptions in light of the impact of COVID-19 on the Group's solvency and liquidity position.

Further details of the Directors' assessment of going concern is provided in Note 2.4.

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

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

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

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 £100,000 based on approximately 5% of Group's normalised loss for the year (2019: £90,000), 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 £3,000. 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.

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

Going concern was identified as a key audit matter and has been addressed within the "Conclusion relating to going concern" section of the audit report. We have determined that there are no other key audit matters to communicate in our report.

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.

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.

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

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 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.

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

We obtained an understanding of the legal and regulatory frameworks within which the Group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were relevant company law and taxation legislation in the UK and Italy jurisdictions in which the Group operates.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

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

29 June 2021

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Revenue	4	21,521	-
Direct costs		(320,473)	-
Administrative expenses		(1,971,662)	(1,660,719)
Operating loss	5	**(2,270,614)**	**(1,660,719)**
Finance income		70	185
Finance costs	7	(152,025)	(203,779)
Loss before tax		**(2,422,569)**	**(1,864,313)**
Income Tax	8	98,448	-
Loss for the period		**(2,324,121)**	**(1,864,313)**
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Translation of foreign operations		38,656	(43,942)
Total comprehensive loss for the period from continuing operations		**(2,285,465)**	**(1,908,255)**
Loss for the period attributable to:			
Owners of the Company		(2,231,105)	(1,867,957)
Non-controlling interest		(93,016)	3,644
		(2,324,121)	**(1,864,313)**
Total comprehensive loss for the period attributable to:			
Owners of the Company		(2,194,053)	(1,906,885)
Non-controlling interest		(91,412)	(1,370)
		(2,285,465)	**(1,908,255)**
Loss per ordinary share - basic and diluted (£)	9	(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 2020 £	31 December 2019 £
Assets			
Non-current assets			
Investments	10	23,405	24,229
Property, plant and equipment	11	586,612	633,491
Right of use assets	13	207,104	249,706
Total non-current assets		**817,121**	**907,426**
Current assets			
Inventories	14	636,041	35,038
Trade and other receivables	15	423,853	437,075
Cash and cash equivalents	16	1,711,761	107,243
Total current assets		**2,771,655**	**579,356**
TOTAL ASSETS		**3,588,776**	**1,486,782**
Equity and liability			
Non-current liabilities			
Lease liabilities	19	149,051	186,612
Total non-current liabilities		**149,051**	**186,612**
Current liabilities			
Trade and other payables	17	585,359	959,360
Loans and borrowings	18	70,000	668,319
Lease liabilities	19	45,883	37,526
Total current liabilities		**701,242**	**1,665,205**
TOTAL LIABILITIES		**850,293**	**1,851,817**
Equity			
Share capital	20	136,470	91,666
Share premium account	20	10,733,073	5,466,376
Share based payment reserve	21	99,184	21,703
Accumulated losses		(8,109,821)	(5,878,716)
Foreign exchange reserve		864	(36,190)
Equity attributable to equity holders of the parent		**2,859,770**	**(335,161)**
Non-controlling interests	22	(121,287)	(29,874)
Total shareholder's equity		**2,738,483**	**(365,035)**
TOTAL EQUTY AND LIABILITES		**3,588,776**	**1,486,782**

These financial statements were approved and authorised for issue by the Board of directors on 29 June 2021 and were signed on its behalf by:

R J Richards

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
	£	£		£	£	£	£
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	-	-	-	(217,414)	1,989	215,425	-
Total changes in ownership interests	**-**	**-**	**-**	**(217,414)**	**1,989**	**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**	**(5,878,716)**	**(36,189)**	**(29,874)**	**(365,035)**
Loss for the year	**-**	**-**	-	(2,231,105)	-	(93,016)	(2,324,121)
Translation of subsidiary	-	-	-	-	37,053	1,603	38,656
Total comprehensive loss				**(2,231,105)**	**37,053**	**(91,413)**	**(2,285,465)**
Issue of shares net of expenses	44,804	5,266,697	-	-	-	-	5,311,501
Share based payment	-	-	77,481	-	-	-	77,481
Balance as at 31-Dec-20	**136,470**	**10,733,073**	**99,184**	**(8,109,821)**	**864**	**(121,287)**	**2,738,483**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Cash flows from operating activities		
Loss before tax from continuing operations	(2,422,569)	(1,864,313)
Adjustments for:		
Finance costs	152,025	203,779
Finance income	(70)	(185)
Depreciation	164,566	70,742
Loss on disposal of assets	-	1,119
Share based payment	77,481	12,976
	(2,028,567)	**(1,575,882)**
Working capital adjustments		
Increase in inventory	(601,003)	(35,038)
Increase in trade and other receivables	638,595	(24,961)
(Decrease)/ increase in trade and other payables	(761,385)	311,596
Cash used in operations	**(2,752,360)**	**(1,324,285)**
Taxation	-	-
Net cash outflow from operating activities	**(2,752,360)**	**(1,324,285)**
Investing activities		
Purchase of property, plant and equipment	(33,215)	(156,399)
Net cash outflow from investing activities	**(33,215)**	**(156,399)**
Financing activities		
Issue of ordinary share capital (net of expenses)	5,076,047	521,469
Loan interest payable	(162,894)	-
Interest received	62	180
Interest paid	-	(134)
Proceeds from loans	-	455,076
Repayments of loans (Refer note 18)	(455,076)	-
Payments of lease liabilities	(69,920)	(71,686)
Net cash inflows from financing activities	**4,388,219**	**904,905**
Net increase in cash and cash equivalents	**1,602,644**	**(575,779)**
Cash and cash equivalents at the beginning of the year	107,243	683,885
Exchange gains on cash and cash equivalents	1,874	(863)
Cash and cash equivalents at the end of the year	**1,711,761**	**107,243**

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 and 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 2020. 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 2019.

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 Accounting Standards in conformity with the requirements of the Companies Act 2006 (IFRSs).

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 Company'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. Associates

Where the Group has significant influence over (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).

2.3. Changes in accounting policies and disclosures:

2.3.1. New standards, interpretations and amendments adopted in these financial statements:

The following standards, amendments and interpretations became effective from 1 January 2020, however none of these new standards has had an impact on the Group financial statements:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business) Conceptual Framework for Financial Reporting (Revised)
- IBOR Reform and its Effects on Financial Reporting
- COVID-19 Related Rent Concessions – Amendment to IFRS 16

2.3.1. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company in the 31 December 2020 financial statements:

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2022:

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

The Directors do not expect that their adoption will have a material impact on the financial statements of the company in future years.

The Directors continue to monitor the impact of future changes to the reporting requirements but do not believe the proposed changes will significantly impact the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Going concern

The Going concern review has been based on current cash resources, expected costs and expected revenues. The Directors have prepared a cash flow forecast covering a period extending beyond 12 months from the date of the approval of these financial statements.

The Group's manufacturing site in Lainate Italy reopened in April 2020 and scaled up production in anticipation of commercial orders over the second half of 2020.

COVID-19 has not significantly impacted production capabilities. However, the pandemic has affected global trading conditions, which has resulted in delays of expected sales and lower revenues than anticipated. Despite challenging conditions, the Group has grown a substantial pipeline of commercial opportunities, which management are working to convert into sales.

In order to perform a meaningful Going concern review, Management prepared a "worst case" model of working capital requirements over the next 12 months, which contains certain assumptions about the performance of the business including revenue growth, overheads, margins, and the level of cash recovery from trading. The model included reduction in variable costs, but did not include more severe mitigation measures such as cutting existing fixed overheads or reducing cash payments to directors to preserve cash. Therefore, in addition to the worst case scenario devised there are further contingency measures that would still be open to the Directors to protect and manage the business in the event that unexpected costs are incurred or there is further postponement of revenues.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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)

2.12.3. Impairment

The Group assesses 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.

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.

2.15. Revenue recognition

Revenue is generated from the manufacture and supply of lightweight solar panels. The Group recognises revenue when (or as) a performance obligation in the customer contract is satisfied. Performance obligations relevant to the customer contract are to manufacture goods in accordance with the specification in the customer order form and any other regulatory or statutory requirements. The performance obligations are satisfied at the point in time when the goods are deemed to be delivered. Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales-related taxes.

Customers are billed in advance of the delivery of goods, with 30 days terms. Upon receipt of an advanced payment a contract liability is recognized. The contract liability is released at the point in time goods are delivered.

Under the Group's standard terms and conditions there is a product warranty for ongoing acceptable function of the goods, for a period of 10 years after the point of installation, or 3 months after delivery, whichever is earlier.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

This warranty is not sold as a separate component. This length of warranty is standard in the industry. This is not a separate service, and is deemed an “assurance” type warranty under IFRS 15 guidance; and is therefore accounted for separately under IAS 37 instead.

2.16. 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:

2.16.1. 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)

2.16.2. 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 11.6% 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 classified 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 2020	31 December 2019
	£	£
Cash and cash equivalents	1,711,761	107,243
Trade receivables – net of provision	206	-
Loans to related parties	100	62,100
Total current financial assets at amortised cost	**1,712,067**	**169,343**

Categories of financial liabilities

	31 December 2020	31 December 2019
	£	£
Trade payables	201,453	364,632
Wages payable	15,849	57,235
Pension payable	175	1,750
Accruals	331,189	429,102
Loans from related parties	-	38,542
Trade and other payables	548,666	891,261
Current loans and borrowings	70,000	668,319
Non current loans and borrowings	-	-
Loans and borrowings	70,000	668,319
Current lease liabilities	45,883	37,526
Non current lease liabilities	149,051	186,612
Lease liabilities	194,934	224,138
Total financial liabilities at amortised cost	**813,600**	**1,783,718**

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. The analysis of trade receivables and expected credit loss allocation is detailed in note 15.

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 2020	**Up to 3 Months**	**Between 3 and 12 months**	**Between 1 and 2 year**	**Between 2 and 5 years**
Trade payables	201,453	-	-	-
Wages payable	15,849	-	-	-
Pension payable	175	-	-	-
Accruals	331,189	-	-	-
Amounts due from related parties	-	-	-	-
Current related party loan	-	-	-	-
Lease liability	18,396	55,464	187,012	-
Current related party loan – interest bearing	70,000	-	-	-
Non-current loan – interest bearing	-	-	-	-
Undiscounted financial liabilities at amortised cost	**637,062**	**55,464**	**187,012**	**-**

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	-	-
Undiscounted financial liabilities at amortised cost	**951,919**	**694,108**	**70,707**	**179,027**

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 £70,000 (2019: £170,000), which has a fixed interest rate of 10%. The interest bearing related party fixed rate loan was repaid in the year (2019: £455,076) which had 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(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 the current year the Group is predominantly exposed to currency risk on purchases made in EUR and USD.

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 2020 the Group's exposure to changes in foreign exchange rate was as follows:

Forex sensitivity calculation	**Effect on net assets**			**Effect on loss before tax**		
	USD	**GBP**	**EUR**	**USD**	**GBP**	**EUR**
	£	**£**	**£**	**£**	**£**	**£**
1%	**4,893**	**-**	**2,382**	**(4,893)**	**-**	**(2,382)**
-1%	**(4,893)**	**-**	**(2,382)**	**4,893**	**-**	**2,382**

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)**

4. Revenue and segmental information

Revenues	**Year ended 31 December 2020**	**Year ended 31 December 2019**
	£	**£**
Sale of Goods	21,521	-
Total	**21,966**	**-**

The Group had 2 customers that exceeded 10% of revenue in 2020.

Segment information

The chief operating decision maker has been identified as the management team including the executive and 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 ended 31 December 2020 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 revenue, operating loss and total assets less current liabilities by geographical market is given below:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Revenue		
UK	-	-
Rest of Europe	21,521	-
Total revenue	**21,521**	**-**
Operating loss		
UK	(1,336,955)	(1,243,757)
Rest of Europe	(933,659)	(416,962)
Total operating loss	**(2,270,614)**	**(1,660,719)**
Non current assets		
UK	24,623	24,994
Rest of Europe	792,498	882,431
Total non current asset	**817,121**	**907,425**

5. Operating loss

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Operating loss is stated after charging:		
Auditors' remuneration:		
Audit fees – audit of the company and its subsidiaries pursuant to legislation	29,500	28,000
Direct costs	320,473	-
Non-audit fees – other assurance services	2,500	2,500
Depreciation of fixed assets	164,566	70,742
Provision against non-trading receivables	472,150	-
Disposal of asset	-	1,119
Director's fee and staff costs (note 6)	689,760	645,380
Advertising, marketing and development	220,492	323,906
Re-organisation costs	-	54,582
Research costs	134,496	95,833
Other costs	259,630	438,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Employees and directors

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

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
Directors	4	5
Administrative	3	1
Total	7	6

The cost of employees during the period was made up as follows:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Salaries	405,630	592,938
Directors' fees	186,972	-
Share based payments	77,481	12,976
Social security costs	36,024	32,112
Pension costs	14,211	7,355
	720,318	**645,381**
Costs capitalised as part of inventories	(25,297)	-
Total staff cost in the statement of comprehensive income	**695,021**	**645,381**
Consisting of:		
Employee costs included in direct costs	**5,261**	**-**
Employee costs included in admin expenses	**689,760**	**645,381**

Key management personnel include both board and non-board members. Key management personnel compensation is as follows:

Key management personnel compensation	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Salaries	273,862	335,667
Fees	186,972	-
Share based payments	33,377	12,976
Social security costs	23,100	19,146
Pension costs	5,444	5,326
	522,755	**373,115**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Finance costs

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Finance expenses		
Interest on loans (note 18)	116,616	165,480
Finance charge	-	127
Finance lease interest	33,300	38,172
Interest on Overdue Taxation	2,109	-
Total finance expense	**152,025**	**203,779**

Details of the interest rate on the loans are shown in note 18.

8. Income tax

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
UK Corporation tax		
Tax credit/ (expense)– current year	-	-
Tax credit/ (expense)– prior year	98,448	-
Total current tax	98,448	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total tax credit/(expense)	**98,448**	**-**

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 2020 £	Year ended 31 December 2019 £
Loss on ordinary activities before income tax	(2,422,569)	(1,864,313)
Standard rate of corporation tax	19.00%	19.00%
Loss before tax multiplied by the standard rate of corporation tax	(460,288)	(354,219)
Effects of:		
Adjustment in respect of the previous year	98,448	-
Non-deductible expenses	125,878	9,485
Difference in overseas tax rates	(48,147)	(27,791)
Deferred tax not recognised	382,557	372,525
Withholding tax	-	-
Tax credit	98,448	-

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 £1,093,739 at 31 December 2020 (2019: £852,807).

9. Loss per share

	Year ended 31 December 2020	Year ended 31 December 2019
Basic and diluted		
Loss for the period and earnings used in basic & diluted EPS (£)	(2,231,105)	(1,867,957)
Weighted average number of shares used in basic and diluted EPS	280,609,258	206,787,734
Loss per share:		
Basic and diluted	0.8p	0.9p

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.

10. Investments

	Financial assets at fair value through profit or loss	Investment in associates	Loans to associates	Total
	£	£	£	£
Cost				
At 1 January 2019	**-**	**25,153**	**-**	**25,153**
Reclassification	25,153	(25,153)	-	-
Exchange difference	(924)	-	-	(924)
At 31 December 2019	**24,229**	**-**	**-**	**24,229**
Exchange difference	(824)	-	-	**(824)**
At 31 December 2019	**23,405**	**-**	**-**	**23,405**

The Company holds a 11.6% 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 £23,405 (2019: £24,229).

As the directors have no seat on the board of ICSI and the investment stake is under 20%, 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)

11. Property, plant and equipment

	Plant & Machinery	**Computer equipment**	**Leasehold Improvements**	**Total**
	£	**£**		**£**
Cost				
At 1 January 2019	**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**
Additions	32,266	949	-	33,215
Exchange adjustments	32,757	-	4,078	36,835
At 31 December 2020	**648,050**	**3,972**	**76,427**	**728,449**
Depreciation				
At 1 January 2019	**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)	(683)
At 31 December 2019	**15,457**	**2,258**	**7,193**	**24,908**
Charge for the year	108,411	495	5,642	114,548
Exchange adjustments	1,916	-	465	2,381
At 31 December 2020	**125,784**	**2,753**	**13,300**	**141,837**
Net book value				
At 31 December 2019	567,570	765	65,156	633,491
At 31 December 2020	**522,266**	**1,219**	**63,128**	**586,612**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Subsidiary undertakings

As at 31 December 2020, 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 2020	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	Verditek 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
Verditek Solar Solutions Limited	UK	Verditek plc	N/A	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
Verditek Solar Solutions Limited	29 Farm Street, London, England, W1J 5RL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. 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**
Remeasurement	(1,906)
Exchange	18,977
At 31 December 2020	**345,632**
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**
Charge for the year	49,463
Unwind of discount of other receivables	4,121
Exchange	(2,498)
At 31 December 2019	**78,855**
Charge for the year	50,471
Unwind of discount of other receivables	4,178
Exchange	5,024
At 31 December 2020	**138,528**
Net book value	
At 31 December 2019	249,706
At 31 December 2020	**207,104**

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).

14. Inventories

	2020	**2019**
	£	**£**
Finished goods	516,144	6,899
Work in progress	-	14,378
Raw materials	119,895	12,683
Packaging	-	1,078
Total Inventories	**636,039**	**35,038**

During the period £169,751 inventories were recognized as a cost in the P&L.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Trade and other receivables

	2020	2019
	£	£
Trade receivables – gross	730,933	-
Less: provision for expected credit losses	(730,727)	-
Trade receivables - net	206	-
Advance to suppliers and deposits	298,055	91,748
Amounts due from related parties	100	62,100
VAT and other taxes receivable	116,249	273,542
Prepayments	9,243	9,685
Total trade and other receivables	**423,853**	**437,075**

The ageing of trade receivables and ECL allocation is as follows:

31 December 2020	**Gross**	**ECL**	**Net**
	£	£	£
Not past due and not impaired	-	-	-
Up to 30 days past due	206	-	206
31 to 60 days past due	-	-	-
61 to 90 days	191,520	191,520	-
Over 90 days	539,207	539,207	-
Total	**730,933**	**730,933**	**206**

16. Cash and cash equivalents

	2020	2019
	£	£
Cash at bank and in hand	**1,711,761**	**107,243**

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.

17. Trade and other payables

	2020	2019
	£	£
Trade payables	201,452	364,632
Accruals	331,189	429,102
Contract liability	29,576	-
Wages payable	15,849	57,235
Pension payable	175	1,750
Amounts due to related parties	-	38,542
Financial liabilities at amortised costs other than loans and borrowings	578,241	891,261
Social security & other taxes payables	7,118	68,099
Total trade and other payables	**585,359**	**959,360**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the reporting period, a contract liability of £221,096 has been recognized in respect of advanced billing of customers.

18. Loans and borrowings

	2020	2019
	£	£
Current		
Interest free related party loan	-	43,243
Interest bearing related party secured loan	-	455,076
Non – current		
Convertible loans	70,000	170,000
Total current and non - current loans and borrowings	**70,000**	**668,319**

The related party loans are repayable on demand. The Interest-bearing related party secured loan, fully repaid in the year in cash, had a fixed interest rate of 20%, and was repayable on demand.

On the 17 December 2018 the Company issued unsecured convertible loan notes 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 3 September 2020, £100,000 of the unsecured convertible loan notes, plus accrued interest at that date, were converted to ordinary shares at 10p per share, in accordance with the terms of the convertible loan notes.

The residual balance of the convertible loan notes was converted to ordinary shares in January 2021.

Cashflow - net debt analysis

	01-Jan-20	Cash flow	Non-cash: conversion to ordinary shares	Non-cash: Released	31-Dec-20
	£	£	£	£	£
Related party loan	43,243	-	-	(43,243)	-
Convertible bonds	170,000	-	(100,000)	-	70,000
Secured loan	455,076	(455,076)	-	-	-
Lease liability	224,138	-	-	40,716	194,934
	892,457	**(455,076)**	**(100,000)**	**(2,527)**	**264,934**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Lease liability

	2020	2019
	£	£
Current Lease liability	45,883	37,526
Non-Current Lease liability	149,051	186,612
Total Current loans and borrowings	194,934	224,138

Lease liabilities are payable as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
	£	£	£
Less than one year	73,860	(27,977)	45,883
Between one and five years	187,012	(37,961)	149,051
	260,872	**(65,938)**	**194,934**

The cash outflow on lease liability payments in the year was £69,920 (2019: £71,685). The interest expense on lease liabilities recognised in the year was £33,300 (2019: £38,172).

20. Share capital and reserves

	Number of Shares Par Value £0.0004	Share capital	Share premium
	£	£	£
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**
Exercise of shares for cash			
Shares issued March 2020	20,230,000	8,092	497,658
Shares issued May 2020	40,000,000	16,000	984,000
Shares issued August 2020 – exercise of warrant	3,753,456	1,501	336,309
Shares issued October 2020	43,750,000	17,500	3,482,500
Share issue costs			(267,514)
Exercise of shares – non-cash			
Shares issued September 2020 – satisfaction of debts	3,090,909	1,236	115,764
Conversion of convertible loan note to equity September 2020	1,184,544	475	117,980
At 31 December 2020	**341,172,443**	**136,470**	**10,733,073**

During the year there were share placements of 60,230,000 ordinary shares at 2.5p per share, and 43,750,000 at 8.5p. There was also exercise of 3,753,456 warrants, granted at the time of IPO, at 9.0p.

There were also non-cash share issues in the year, including conversion of loan notes and accrued interest equivalent to £118,454, and shares issued in satisfaction of trading debts of £117,000.

21. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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).

During the year there were various issues to new executives.

The key assumptions used in the fair value calculation for issues is as follows

Issue date	06/04/2020	27/11/2019
Stock price at grant date	2.0p	3.8p
Volatility	73%	73%
Time to maturity (months)	111	nil
Risk free rate	0.6528%	0.7949%

The movement in outstanding share options is as follows:

	Number of share options	**Weighted average strike price (pence)**	**Weighted average term (years)**
Opening at 31 December 2019	**5,500,000**	**8.3**	**9.5**
Issued	4,000,000	3.0	10.0
Forfeit	(1,333,334)	8.0	9.0
Lapsed	(2,666,666)	8.0	9.0
At 31 December 2020	**5,500,000**	**4.6**	**8.7**

1,500,000 options were granted under the scheme in April 2018 to Chairman, Lord David Willetts, with an exercise price of 9.0p. During the year there were 4,000,000 options issued to CEO, Rob Richards at an exercise price of 3.0p.

The share based payment expense recognised during the period was £77,481.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Non-controlling interests

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 2020	
Revenue	-
Loss after tax	(189,829)
Total comprehensive income allocated to NCI	**(93,016)**
Cash flows from operating activities	-
Net cash inflows	**-**
Total assets	618
Total liabilities	(248,152)
Net Assets/(Liabilities)	(247,534)
Accumulated non-controlling interests	**(121,287)**

23. 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. This includes share issue costs, which are deducted from share premium.

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, and also foreign exchange on intra-group funding balances.

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)

24. 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	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	£	**£**	**£**	**£**	**£**	**£**
Geoff John Nesbitt[1]	132,662	152,888	-	-	-	136,486
Timothy Lord[2]	68,974	102,488	-	1,063	-	-
The Rt Hon. Lord David Willetts FRS[3]	50,000	62,976	-	-	-	83,266
George Katzaros[4]	25,000	30,000	-	-	-	63,243
Gavin Mayhew[5]	153,423	62,188	-	-	-	455,076
Rob Richards	103,327	-	-	-	-	-
C2E Holdings Limited[7]		-	-	-	-	10,403
Jeremy Evans[8]		-	-	-	-	10,000
BBR Enviro Systems Pvt Ltd[9]		-	-	62,000	-	-
James Buchan[11]		-	-	-	-	19,000

Notes:

[1]Geoff John Nesbitt (resigned 7 May 2020)	Mr. Geoff John Nesbitt, Director of Verditek plc, was entitled to Director's and other fees of £136,000 during the year. Geoff ceased to be a director of Verditek plc in October 2020, but has been retained on a consultancy basis.
[2]Timothy Lord (resigned 5 August 2020)	During the year Timothy Lord, and executive director of Verditek plc, was entitled to £68,974 for his services as a Director. Timothy ceased to be a director of Verditek plc in September 2020.
[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. David Willets was also issued some share options in 2018, with which there was an associated £13,024 charge during the year.
[4]George Katzaros	Mr. George Katzaros, a non-executive director of Verditek plc, was entitled to Directors fees of £25,000 during the year.
[5]Gavin Mayhew	Gavin Mayhew is a non-executive director of the Company, and during the year was entitled to £55,000 fees. During the year the secured loan outstanding at the prior year end (£455,076) and associated accrued interest was repaid (£162,894). Gavin also separately subscribed for 6,000,000 ordinary shares as part of the fundraise in March 2020, for consideration of £150,000.
[6]Rob Richards (appointed 1 June 2020)	Rob Richards is a Director of the Company. During the year he was entitled to £103,327 in fees for his services as director. During the year he was also issued share options, and there was an associated charge of £20,535.
[7]C2E Holdings Limited	C2E Holdings Limited("C2E") is a shareholder of BBR Filtration Limited. Theo Chapman and James Buchan have an interest in C2E.
[8]Jeremy Evans	A shareholder of Verditek plc
[9]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, which was provided for in the year.
[10]James Buchan	A shareholder of Verditek plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

25. Events subsequent to the reporting date

- On 1 June 2021 the Group issued a corporate "green" bond to raise up to £500,000.

  - The bond, yielding 7%, is being issued through crowdfunding platform Crowd for Angels, which is underwriting the first £225,000. The bond term is two years and interest will be paid quarterly. Security will be by way of a floating charge on the assets of the company. Verditek will also issue to Crowd for Angels 10 warrants for each £1 invested for a term of 36 months to subscribe for new ordinary shares at the closing bid price immediately prior to the date of the Loan Note agreement. The closing bid price on 28 May 2021 was 3.1p.

  - In addition, one of Verditek's non-executive directors has entered into a bond with similar terms for £25,000 directly with the Company.

- On 24 June 2021 the Company announced that there had been a theft from its facility at Lainate which an initial physical stock check indicated a shortfall against book stock of approximately £300,000.

26. Ultimate controlling party
There is no ultimate controlling party of the Company.

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2020 £	31 December 2019 £
Non-current assets			
Investments in subsidiaries	3	8,916	169,454
Investments in associates	4	23,406	24,229
Property, plant and equipment	5	1,218	765
Total non-current assets		**33,540**	**194,448**
Current assets			
Trade and other receivables	6	123,796	57,438
Net amounts due from subsidiaries	7	2,868,906	1,734,197
Cash and cash equivalents	8	1,657,717	73,316
Total current assets		**4,650,419**	**1,864,951**
Total assets		**4,683,959**	**2,059,399**
Current liabilities			
Trade and other payables	9	268,207	863,181
Loans and borrowings	10	70,000	668,319
Total current liabilities		**338,207**	**1,531,500**
Net assets		**4,345,752**	**527,899**
Share capital	11	136,470	91,666
Share premium		10,733,073	5,466,376
Share based payment reserve	12	99,184	21,703
Retained losses		(6,622,975)	(5,051,846)
Total equity		**4,345,752**	**527,899**

The Company's loss for the year was £1,571,129 (2019: £1,443,119) 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 29 June 2021 and were signed on its behalf by:

R J Richards

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 2019	**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**
Loss for the year	-	-	-	(1,571,129)	**(1,571,129)**
Total comprehensive loss	**-**	**-**	**-**	**(1,571,129)**	**(1,571,129)**
Share issue (net of expenses)	44,804	5,266,697	-	-	**5,311,501**
Share based payments	-	-	77,481	-	**77,481**
Equity as at 31 December 2020	**136,470**	**10,733,073**	**99,184**	**(6,622,976)**	**4,345,752**

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 1 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:

	2020 Number	**2019 Number**
Directors	3	5
Administrative	1	1
Total	4	6

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

	2020 £	**2019 £**
Salaries (including directors)	383,981	499,123
Share based payment	77,481	12,976
Social security costs	33,883	32,112
Pension cost	7,444	7,355
Total staff costs	**502,789**	**551,566**

NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

3. Investments in subsidiary undertakings

	Investment in subsidiary £
At 1 January 2019	**608,916**
Transfer from investments in associates	-
Additions	-
Write off investments	-
At 31 December 2019	**608,916**
Additions	-
Write off investments	-
At 31 December 2020	**608,916**
IMPAIRMENT	
At 1 January 2019	**439,462**
Impairment of investment in subsidiary	-
At 31 December 2019	**439,462**
Impairment of investment in subsidiary	160,538
At 31 December 2020	**600,000**
Net book value	
At 31 December 2019	**169,454**
At 31 December 2020	**8,916**

The impairment in the year has been recognized due to doubts over the recoverability of the investment in BBR Filtration Limited (BBR) as the Company is not investing further in BBR due to its current focus on the solar opportunity. The details of the subsidiaries of Verditek plc, are set out in the Note 13 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 2019	**-**	**25,153**	**-**	**25,153**
Additions	-	-	-	**-**
Reclassification	25,153	(25,153)	-	**-**
Exchange difference	(924)	-	-	**(924)**
At 31 December 2019	**24,229**	**-**	**-**	**24,229**
Additions	-	-	-	**-**
Reclassification	-	-	-	**-**
Exchange difference	(823)	-	-	**(823)**
At 31 December 2020	**23,406**	**-**	**-**	**23,406**

The Company holds a 11.6% 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 £23,406 (2019: £24,229).

NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

As the directors have no seat on the board of ICSI and stake is under 20%, 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	Computer equipment	Total
	£	£	£
At 1 January 2019	**1,873**	**629**	**2,502**
Additions	-	699	699
Disposal of asset	-	-	-
At 31 December 2019	**1,873**	**1,328**	**3,201**
Additions	-	949	949
At 31 December 2020	**1,873**	**2,277**	**4,150**
DEPRECIATION			
At 1 January 2019	**1,248**	**140**	**1,388**
Charge for the year	625	423	1,048
Disposal of asset	-	-	-
At 31 December 2019	**1,873**	**563**	**2,436**
Charge for the year	-	496	496
At 31 December 2020	**1,873**	**1,059**	**2,932**
Net book value			
At 31 December 2019	**-**	**765**	**765**
At 31 December 2020	**-**	**1,218**	**1,218**

6. Trade and other receivables

	31 December 2020	31 December 2019
	£	£
Prepayments	7,548	8,359
Corporation tax receivable	98,448	-
VAT receivable	17,800	49,079
Total trade and other receivables	**123,796**	**57,438**

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 2020 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 2020 £	31 December 2019 £
Cash at bank and in hand	1,657,717	73,316

9. Trade and other payables

	31 December 2020 £	31 December 2019 £
Trade payables	102,461	326,701
Accruals and deferred income	155,961	406,554
Social security & other taxes payable	9,610	119,037
Pension cost	175	1,750
Loans from related parties	-	9,139
Total trade and other payables	**268,207**	**863,181**

10. Loans and borrowings

	31 December 2020 £	31 December 2019 £
Current		
Interest free related party loans	-	43,243
Convertible Loans	70,000	170,000
Interest bearing secured related party loan	-	455,076
Total loans and borrowings	**70,000**	**668,319**

See note 18 of the consolidated financial statements for details.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

11. Share capital
For details of share capital see note 20 to the consolidated financial statements.

12. Share based payment reserve
For details of the share based payments see note 21 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 24 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 25 of the consolidated financial statements.

OFFICERS AND ADVISERS

Directors:	The Rt Hon. Lord David Willetts FRS Geoff John Nesbitt (resigned 7 May 2020) George Francis Katzaros Tim Lord (resigned 5 August 2020) Gavin Mayhew Robert Richards (appointed 1 June 2020)
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
Auditors:	Crowe U.K. LLP 55 Ludgate Hill London, EC4M 7JW
Solicitors:	Peachey & Co LLP 95 Aldwych London, WC2B 4JF
Registrars:	Neville Registrars Neville House 18 Laurel Lane Halesowen B63 3DA
Company Number:	10114644
Website:	www.verditek.com