Filta Group Holdings plc
("Filta", the "Company" or the “Group”)

Full year audited results for the financial year ended 31 December 2018

Financial Highlights

- Revenue (from Continuing Operations) up 23% to £14.2m (2017: £11.5m) increased in all divisions:
  - Fryer Management revenue up 11% to £9.3m (2017: £8.4m)
  - FiltaSeal revenue up 24% to £1.6m (2017: £1.3m)
  - FiltaGMG revenue £1.7m (2017, 4 months: £0.4m)
  - Franchise Development revenue £1.5m (2017: £1.3m)
- Gross margin improved to 49.8% from 49.2%.
- Adjusted EBITDA* from Continuing operations up 25% to £2.6m (2017: £2.1m).
- Operating profit £1.8m (2017: £1.7m) after non-cash charges of £0.7m - depreciation and amortisation of £0.4m (2017: £0.2m) and share based payments of £0.3m (2017: £0.1m).
- Deferred revenue balance up £0.7m (including £0.2m FX gain) to £3.7m of which £0.9m to be released in 2019.
- Net cash of £2.1m at 31 December 2018.
- Proposed final dividend of 0.92 pence per share, which together with the interim dividend of 0.72 pence, makes a total dividend for the year of 1.64 pence per share, an 26% increase over prior year.

*Adjusted for non-recurring items being acquisition related costs, share based payments as well as finance costs, taxes, depreciation and amortization.

Operational Highlights

- Net increase in Franchise Owner base to 199 and a 14% increase in the number of MFUs (mobile filtration units) from 394 to 450.
- Two Franchise Owners achieved over $2m (£1.6m) in revenue and six (2017 - four) Franchise Owners recorded revenue over $1m (£0.8m).
- Significant growth in fryer management services driven by organic growth and new franchise development which, in turn, enlarges the platform for increasing Fryer Management Services.
- Robust revenue growth in Company-Owned Operations due to strong performances from, particularly, FiltaSeal whose revenues were up 24% and, a strong first full year from FiltaGMG.
- Buy-in of German master licence with 6 existing franchisees already grown to 12 franchisees and 15 MFUs providing a strong platform for further expansion into mainland Europe
- Acquisition of Watbio Holdings Limited, a provider of grease and drain management solutions, which adds over £10m revenues to FiltaGMG business

Jason Sayers, CEO, commented:

"2018 was an active year for the Group as we continued to experience strong organic growth whilst completing two strategically significant acquisitions. The buy-in of the German master franchise gave us an immediate foothold in the German market, where we are experiencing good initial results applying the US franchise model, provides a base for expansion into mainland Europe. Late in the year we completed the acquisition of Watbio Holdings Limited, which fits squarely with our strategy of increasing high margin repeat revenue business and moves Filta into a market-leading position in the FOG (fats, oils and greases) market.

"We are focused on the integration of Watbio in the first half of 2019 and we anticipate an increase in its existing £10m revenue base and profitability as we grow its client base and we realise the benefits of already identified synergies.

"Whilst we anticipate a slowdown in new franchise sales as our territory coverage gets closer to maturity in the US, our European operation has picked up the mantle and we are encouraged both by the strength of the new business pipeline and the opportunities that will come from a broader geographic base.

"We also see a strong path for growth in FiltaSeal and our other company-operated offerings and, with the implementation of a new scheduling system, anticipate improved efficiencies and gross margin."

15th April 2019

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This announcement contains inside information.

CHAIRMAN'S STATEMENT

Introduction

2018 saw two significant developments for the Group, being the buy-in, in January, of our master franchise in Germany, which provided us with the base to expand our franchise activities into mainland Europe, and the acquisition, in December, of Watbio, one of the leading operators in the Fats, Oils and Grease ("FOG") market, which in combination with FiltaGMG has established Filta as a major force in that market.

I am pleased to report that, alongside these developments, we enjoyed another year of growth across all of our core businesses, with the addition of 25 new franchises, including eight in mainland Europe, 56 additional MFUs, an increase of 23% in the number of seals fitted and an increase of 12% in the number of FiltaGMG jobs performed, prior to any acquisition effect of Watbio.

We have continued to invest in business systems, infrastructure and personnel both to take advantage of market opportunities and to ensure the highest level of support to our growing and diverse customer base.

Results

Reported profit before tax for the year ended 31 December 2018 was £1.7m (2017: £1.6m) on revenue up by 23% at £14.2m (2017: £11.5m) and net attributable profit was £1.3m (2017: £0.8m). Gross profit for the year was up by £1.4m at £7.1m, with a slightly improved gross margin of 49.8% (2017: £5.7m and 49.2%). The EBITDA, adjusted to exclude acquisition-related costs and share-based payments, was £2.6m (2017: £2.1m), an increase of 25%.

The Group also increased its deferred revenue balance by a net amount of £0.7m, including a £0.2m positive impact from a stronger US dollar, to a year-end balance of £3.7m.

Operating costs were up by £1.3m, supporting the increased size of the business and level of activity, but also reflecting the acquisition-related costs of £0.2m (2017: £0.1m) being legal and other costs related primarily to the acquisitions of the German master franchise and Watbio Holdings Limited, a £0.3m charge in relation to awards made under the Company's Share Schemes, specifically the US Stock Appreciation Rights (2017: £0.1m) and a greatly increased depreciation and amortisation charge, primarily related to intangible assets, of £0.4m (2017: £0.2m).

Divisional Performances

The £0.5m increase in adjusted EBITDA reflects strong performances in all areas of our business and was achieved from both higher turnover and improved gross profit margins.

FiltaFry, our franchised fryer management business, has continued to expand its number of territories as demonstrated by a net increase in our Franchise Owner base to 199 whilst realising a 14% increase in the number of MFUs (mobile filtration units) from 394 to 450. FiltaFry remains the core of our business and it provides the platform for further growth across the Group. Revenues and gross profits from Fryer Management Services grew 11% and 10% respectively to £9.3m and £4.1m. We are particularly encouraged by our European and Canadian operations, where our franchise counts have grown to twelve and three respectively.

The Company-owned activities, which are UK-based, have also had a good year. FiltaSeal, whose revenues for the year were £1.6m, has enjoyed growth of some 24% and started the new year with a strong order book. FiltaGMG contributed £1.7m in revenue but, more importantly, it grew 41% against the prior year on an annualised basis. Watbio was under our ownership for only ten days of the year and its contribution was, therefore, not significant.

Strategic Developments

As stated above, we bought in the German master franchise at the beginning of the year and, at the end of the year, acquired Watbio. Both acquisitions align with existing platforms and continue to support our strategy of focusing Filta on businesses with high margins and low working capital requirements. FiltaFry GmbH was acquired for a total consideration of €250,000, satisfied as to €175,000 in cash and €25,000 by the issue of 10,971 new Ordinary Shares. Further consideration of €25,000 was paid by the issue of 9,225 Filta shares on 30 January 2019, with a final payment of €25,000 remaining to be satisfied by the issue of Filta shares on 30 January 2020. FiltaFry GmbH is being developed along the same lines as our North American business with the aim being to establish a strong foothold in Germany before extending into other European countries. We have been delighted at the momentum that has already been built up with six new franchises in Germany, one in Austria and one in Spain, giving us a total franchise count in Europe of twelve already.

The acquisition of Watbio for a total consideration of up to £6.4m represents a significant step in building our FOG business, which we consider, due to the nature and timing of the service, to be more suitable to direct ownership than to a franchise structure. The consideration for Watbio has been satisfied by the payment of £5.3m in cash and as to £0.8m by the issue to the vendors of 400,000 Filta shares. Additional cash consideration of up to £0.3m million is contingent on certain debtor collections before 31 May 2019. The cash element of the consideration was funded by a placing of 1,500,000 new Filta shares to raise £3.0m (gross) and a fixed term bank loan of £4.0m.

We envisage continuing to pursue an Infill strategy to acquire and develop additional service offerings, which, typically, will require only modest capital investment, will be complementary to our existing activities and will contribute to earnings as well as improving return on capital.

Dividends

We have a stated policy to distribute one third of annual earnings by way of dividends to shareholders in respect of each year.

The Board is therefore proposing a final dividend of 0.92 pence per share, which together with the interim dividend of 0.72 pence paid on 28 September 2018 makes a total dividend of 1.64 pence per share in respect of the year and represents an increase of 26% over prior year. The proposed final dividend, if approved by shareholders, will be paid on 14 June 2019 to shareholders on the register at the close of business on 31 May 2019.

Current trading and outlook

We saw growth in all our core businesses in 2018 and this has continued into 2019. We have secured four new franchisees, allocated six further territories and added ten MFUs in the year to date, all of which will contribute to additional revenues from Fryer Management Services through the year. Our FiltaSeal activity in the first quarter was 11% up on the same period last year and FiltaGMG has continued to gain new clients, thus increasing the repeat revenue base.

With the additional business to be derived from the acquisition of Watbio and the encouraging activity that we are seeing from our new European operations your Board is confident of achieving further growth through the remainder of the year.

Management, staff and Franchise Owners

The Board much appreciates the considerable efforts of our management and staff. I welcome to the Group those who have joined us during the year, and I thank all our employees for their continuing hard work and commitment to the Group.

I also take this opportunity to recognise our Franchise Owners, whose own performance and client commitment are critical to our success and reputation.

Finally, our Business Model and Strategy is set out below. It was approved by the Board on 12 April 2019.

Tim Worlledge
Chairman
12 April 2019

OPERATIONS REVIEW

Introduction

I am very pleased to report that the Group delivered a strong performance with an operating profit of £1.8 m, adjusted EBITDA of £2.6m, an increase of 25% over the previous year, and profit before tax of £1.7m. We have also increased our deferred revenue balance and therefore go into 2019 with higher revenue visibility than at the start of 2018.

Fryer Management Services delivered a 11% increase in revenue, driven by both organic growth and new franchises which, in turn, provide the platform for increased Fryer Management Services revenue in the future.

Filta's plan has been to expand organically and through acquisitions of high margin, repeat revenue businesses in the grease management market. In line with this, our Company owned operations experienced robust organic revenue growth. FiltaSeal revenues were £1.6m, up 24%, and FiltaGMG completed its first full year with revenue of £1.7m an annualised growth of 41%. Additionally, the business took a significant step forward at the end of the year with the acquisition of Watbio Limited which brings additional revenue of over £10m.

Franchise Development

Our strategy is to recruit quality franchise owners who have the ambition and business ability to expand their franchises, thereby enlarging the platform for Filta's own Fryer Management repeat revenues to increase year after year.

Development in North America remained relatively strong in 2018 and, although the UK continued to be weak, mainland Europe gathered momentum with sales in Germany, Austria and Spain.

With the increasing coverage in North America, we will see a reduction in the number of available territories for sale which will result in a decrease in the number of new franchise sales in North America. However, we expect Franchise Development in mainland Europe to strengthen during the next few years.

As our franchise base grows, we are experiencing an increased demand and opportunity for franchise resales with nine Filta franchise owners selling their businesses during 2018, generating fees of £0.1m. We expect resale transactions to grow in number and value in the coming years, which will not only generate increasing fees but will also provide opportunities to strengthen the franchise network.

Fryer Management Services

Fryer Management Services contributed £9.3m of revenues in the year (2017: £8.4m). Our franchise network is both the showpiece and the cornerstone of our business – our franchisees connect us to our markets and our performance reflects their performance. We are committed to providing the franchisees with the necessary support to give them the best chance of success.

One of our strategic objectives is to encourage multi-MFU franchisees, which helps to allay financial risk and also provides owners with higher investment returns. In 2018, our two highest grossing franchise owners achieved over $2m (£1.6m) in revenue and six (2017: four) franchise owners recorded over $1m (£0.8m) of revenue.

Network revenue, defined as the total revenue of our U.S. based franchisees for all services provided to customers, represents the best indicator of the Filta brands growing strength in the market. Our U.S. franchise network generated $42m (£33m) of revenues in 2018 (2017: $36m/£28m).

In supporting our franchise owners, we endeavour to lower as many barriers as possible for them with programmes such as:

- **Inside Sales** – our Inside Sales Team, which is our "growth engine", has daily contact with franchise owners and helps them win new customers and upsell new products to existing customers. The team excelled again in 2018.

- **Tech recruitment –** with 450 trucks on the road at year-end and growing quickly, hiring and keeping good technicians is the lifeblood of our franchisees' businesses. To help them in managing this resource, Filta has a full-time recruiter to assist in the recruitment and retention of technicians.

- **National Accounts** – we continue to grow our national account customer base with new contracts being signed and greater penetration being driven within existing contracts.

- **Coaching** – ongoing assigned coaching for franchise owners at key stages of their growth.

Europe

We spent 2018 putting the building blocks in place for the franchise support model in Germany before replicating the US model by expanding the business into adjacent countries with multi-MFU franchise owners in the years to come.

In fact, we quickly expanded into Austria and, towards the end of the year, started our first pilot franchise owner in Spain. The plan is to prove the model in Spain before expanding further in Europe.

Company Owned Operations (UK)

FiltaSeal

Revenue from FiltaSeal was £1.6m (2017: £1.3m), reflecting a 23% increase in the number of seals fitted. The increase was driven by higher volumes from our existing customers alongside several new key account wins. The fundamentals of the business remain strong and this, along with FiltaSeal's compelling market proposition, should support further growth opportunities.

FiltaGMG

Revenue from FiltaGMG was £1.7m (2017: £0.4m in 4months). With a solid customer base and experienced team, Grease Management Limited was integrated into our existing FiltaDrain business to create FiltaGMG in 2017, sharing the existing call-centre resources and implementing new operational systems. The integration was relatively straightforward, and the results fully justified our enthusiasm for expansion into this market.

The aim was to grow this activity through organic growth and further in-fill acquisitions and, in December, we acquired one of the largest operators in this market, Watbio Limited.

Watbio Acquisition and Integration

The majority of Watbio's revenue is derived from the same services as those being offered by FiltaGMG and, similarly, they are mostly in the nature of repeat business. With revenues of over £10m, an experienced team and a high-quality customer base, the acquisition of Watbio at the end of the year was a significant step for the Group.

The additional revenue will change the geographic split of the revenue towards the UK in 2019 but keep the key attributes of being high margin and repeat by nature.

We are well on the way to having the two businesses fully integrated and expect, by mid-year, to be realising some of the efficiency benefits with the full-year impact of these being seen in 2020.

People

Good people are key to any business and we continue to build a great team at Filta, many of whom have worked for the Group for well over 10 years. They have been a key component to our success in that period both through their hard work and dedication to the brand and by the strong relationships that they have developed with customers and franchise owners alike.

In North America, the management team remains stable with Tom Dunn, Chief Executive Officer North America, continuing to run the day to day business, enabling us to continue executing on our plans.

In the UK, Edward Palin, former Watbio Managing Director, was recently appointed as Managing Director of Filta's UK operations, strengthening the experience and skills needed for our expansion in the coming years.

Jos van Aalst, Managing Director of Filta's mainland Europe business, proved a great addition last year and continues to drive growth in Europe.

Lloyd Martin recently joined the Filta Board as a non-executive director and brings with him more than 35 years of experience in the water industry. Lloyd recently retired from his role as Chief Executive of British Water, the leading association supporting the UK water industry.

One of the benefits of taking Filta public was that it enabled us to offer all employees share options in the business (SARs in the US), thereby helping to align all goals and giving everybody the opportunity to share in the long-term success of the business. All employees, including the recently acquired Watbio staff, have been offered share options.

Market Conditions

The strength of the US economy has led to very low unemployment and, whilst this helps in service sales, it has the potential to reduce the number of people looking to buy franchises. However, we have experienced a steady level of enquiries from potential franchise owners, with many superior quality candidates coming forward, through the course of the year.

In mainland Europe, we have experienced a good level of interest from potential franchisees, as is evidenced by the fact that we added eight in the year, and service revenue from existing franchises continues to grow. We are excited by the prospect of further progress, both in Germany and Austria as well as in Spain and other territories, in the years ahead.

The market for each of Filta's services has been largely unaffected by economic swings in our operating territories and we believe that with the ever-increasing health, safety and food hygiene requirements the demand for our services is unlikely to diminish.

Current Trading & Outlook

2018 was an active year for the Group as we continued to experience strong organic growth whilst undertaking two acquisitions. The acquisition of FiltaFry Deutschland GmbH ushered us into the German market and, more broadly, the mainland Europe franchise market where we are experiencing good initial results with the US franchise model. The acquisition, late in the year, of Watbio Holdings Limited was also a significant move for us. Importantly, both transactions fit squarely with our strategy of increasing high margin recurring revenue business and will support further growth in the years ahead.

We are focused on the successful integration of Watbio in the first half of 2019 and we anticipate an acceleration in revenue and profitability as it builds its client base and we begin to realise identified and significant synergy benefits.

Whilst we anticipate a slowdown in new franchise sales in the US, our European operation has picked up the mantle and we are encouraged both by the strength of the new business pipeline and the market opportunity that will come from the broader geographic base.

Additionally, we are experiencing strong growth in FiltaSeal and our other company operated offerings and, with the implementation of a new scheduling system, anticipate improved efficiencies and gross margin.

Jason Sayers
Chief Executive Officer
12 April 2019

FINANCIAL REVIEW

Summary

- Group revenue from continuing operations increased 23% to £14.2m (2017: £11.5m)
- Revenue grew across each service offering with a Group gross margin of 49.8% (2017: 49.2%)
- Profit from continuing operations increased 69% to £1.3m (2017: £0.8m)
- Adjusted EBITDA from continuing operations was up 25%
- Deferred income balance grew by £0.7m to £3.7m
- Basic earnings per share from continuing operations of 4.86p (2017: 2.90p) up 68%

Revenue

Group revenue from continuing operations grew by 23% to £14.2m (2017: £11.5m).

Revenue, from our continuing operations in North America, was £9.2m, 65% of Group revenue (2017: £8.3m, 72%); the U.K. delivered £4.8m of revenue, 33% (2017: £3.2m, 28%); and, in its first year, Europe had revenue of £0.3m, 2% of Group revenue (2017: Nil).

The 23% increase in revenue was a result of robust growth across each of our core service offerings of Franchise Development, Fryer Management, FiltaSeal and FiltaGMG, whilst we had a very modest £0.2m contribution from our most recent acquisition Watbio Holdings Limited.

Fryer Management Services continues to be the key driver of the business, contributing £9.3m of revenue (2017: £8.4m) on higher royalty, national account and waste oil revenues whilst FiltaSeal experienced a 24% increase in revenue growing to more than £1.6m (2017: £1.3m). We continue to be encouraged by the opportunity that FiltaGMG provides and in our first full year of ownership following its acquisition in August 2017 revenues were £1.7m. The Franchise Development activities also performed solidly, growing 11% strengthened by the rollout in Europe, while maintaining a strong pipeline entering the new year.

Gross Profit

Gross profit increased by £1.4m or 25% to £7.1m (2017: £5.7m) primarily on higher volume. Strong revenue growth contributed £1.3m whilst an increase in gross profit margins to 49.8% (2017: 49.2%) added an additional £0.1m. These results further support the strength of the Group's position in the markets it serves which enabled a 23% revenue gain whilst also delivering improved gross margins.

Adjusted EBITDA

Adjusted EBITDA increased 25% to £2.6m (2017: £2.1m) whilst the Adjusted EBITDA margin increased to 18.6% (2017: 18.3%) despite higher spend on people and infrastructure to support a 29% annual growth rate in revenue over the last three years. Spending increases were concentrated in two primary areas; payroll costs represented 1/3rd of the increase and were evenly distributed between legacy and acquired businesses; and facility related spend grew on additional facilities associated exclusively with our acquisitions. Despite higher spending in the current year, the adjusted overhead base as a percentage of revenue remains in line with prior year.

Adjusted EBITDA reconciliation

Adjusted EBITDA has been arrived at as follows:

	2018	2017
	£	£
Profit before tax	1,741,838	1,607,727
Acquisition, legal and IPO related costs	158,598	120,280
Share-based payments	302,506	87,082
Depreciation and amortisation	399,055	209,912
Finance costs, net	40,439	90,952
Adjusted EBITDA	2,642,436	2,115,953

Alternative Performance Measures

In addition to performance measures (IFRS) directly observable in the financial statements, additional performance measures (Adjusted EBITDA, Network Revenue and EBITDA to Cash Conversion) are used internally by management to assess performance. Management believes that these measures provide useful information as they are used to evaluate performance of business units, to analyse trends in cash-based operating expenses, to establish operational goals and allocate resources. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortisation, exceptional costs and share based franchisees for all services provided to customers and is a meaningful
measure of our growth in the markets we serve. EBITDA to cash conversion is an important metric for management as it measures both the efficiency of the Group to convert profits into cash and the effectiveness of our cash management activities. It is calculated by dividing EBITDA by net cash flow from operations (measured by earnings before interest, taxes, depreciation and amortisation divided by net cash flow from operations per the consolidated statement of cash flows).

Deferred Income

Group revenue for the year ended 31 December 2018 includes £0.8m (2017: £0.6m) which was released from brought forward deferred income during the year. We generated a further £1.5m of deferred revenue, of which £0.2m originated from the Watbio acquisition; £0.2m relates to opening package fees for franchises that will start in 2019, and will therefore be recognised in that year; and £1.1m relates to territory fees on both new and existing franchises and will be recognised over the life of the franchise agreement. The deferred revenue balance grew by £0.7m to £3.7m and was favourably impacted by the foreign exchange effect of a strengthening dollar which had a £0.2m effect on the year-end balance.

Discontinued Operations

Following an agreement to sell certain assets of the Group subsidiary, Filta Refrigeration Limited, the transaction was completed on 4 January 2018, and the Group exited its refrigeration business. The results of Filta Refrigeration are therefore disclosed as a discontinued operation and will not make any measurable contribution to the Group's future earnings. In 2018, Filta Refrigeration contributed a net profit of £0.02m (2017: £0.03m).

The tax impact of discontinued operations is £Nil (2017: £Nil).

Acquisitions

On 31January 2018, we acquired FiltaFry Deutschland GmbH, the entity that held the master franchise license for Germany, for a total consideration of €0.25 (£0.2m). Consideration will be satisfied by the payment of €0.2m in cash and €0.1m through the issue of new ordinary shares in Filta to the vendor. This business contributed £0.2m to group revenue, £0.003m to the group's adjusted EBITDA and £0.2m to the group's deferred revenue at 31 December 2018.

On 22 December 2018, we acquired Watbio Holdings Limited, a provider of grease and drain management solutions to commercial kitchens across the UK, for a total consideration of £6.4m. Consideration was satisfied as to £0.8 million by the issue of 400,000 new Ordinary Shares in Filta to the vendors and by the payment of up to £5.6m in cash, of which £0.3m remains contingent on the collection of certain debtor balances by 31 May 2019. The business contributed £0.2m to Group revenue, £0.02m to the Group's adjusted EBITDA and £0.2m to the Group's deferred revenue at 31 December.

Taxation

We manage all taxes, both direct and indirect, to ensure that we pay the appropriate amount of tax in each country while ensuring that we respect the applicable tax legislation and utilise, where appropriate, any legislative reliefs available. This tax strategy is reviewed, regularly monitored and endorsed by the Board. The blended effective tax rate was 24.2% and the total tax charge was £0.4m (2017: £0.8m).

Earnings per share

The basic and diluted earnings per share for the year, from continuing operations, were 4.86p and 4.82p (2017: 2.90p and 2.87p) whilst the basic and diluted earnings per share, from continuing and discontinued operations, were 4.93p and 4.89p (2017: 3.03p and 2.99p) respectively.

Cash flows and cash balance

The Group generated cash flow from operations of £2.0m (2017: £1.8m) reducing to £0.8m (2017: £1.3m) after the payment of taxes. These were increased in the current year by the transition in the US of corporate tax liability previously being paid in arrears to now being estimated and paid in advance. This effectively resulted in the payment of both 2017 and 2018 US tax liabilities in 2018. The main cash outflows related to the acquisition of FiltaFry Deutschland GmbH of £0.2m (2017: £Nil), cash taxes £1.2m (2017: £0.5) and dividends £0.4m (2017: £0.2).

At the year end the Group had cash balances of £6.8m (2017: £4.0m) and outstanding borrowings of £4.7m (2017: £1.1m), including a term loan of £4m drawn down to provide part of the consideration paid for the Watbio acquisition.

Brian Hogan
Chief Financial Officer
12 April 2019

BUSINESS MODEL & STRATEGY

Filta operates principally in the North America, the UK, and mainland Europe, providing a range of commercial kitchen-related services through franchise networks and Company-owned operations.

Region 1 – North America (USA & Canada)

Corporate HQ in Orlando, Florida, USA

- Principally a franchise network business
  - Franchisees mostly multi-MFU operators
  - Exclusive rights to defined area
- All services provided through Filta Franchise Network
  - Fryer management is principal service
  - Ancillary services include FiltaBio waste oil collection, FiltaGold new oil supply, FiltaCool humidity control and FiltaDrain kitchen drain solution
- Revenues generated mainly from franchise sales, franchise services and oil resales
- Business growth drivers:
  - New Franchise Sales & Resales
  - Existing Franchise Owners expanding
  - National Accounts
  - New services and products offered through Franchise Network

Region 2 - UK

Corporate HQ in Rugby, England

- Franchise network business and Company-owned operations
- Franchise network business:
  - Franchisees mostly single MFU operators
  - Services are solely fryer management under FiltaFry brand
- Company-owned Operations:
  - FiltaSeal, replacement of refrigeration seals
  - FiltaGMG, incorporating Watbio, kitchen drain solution
- Revenues derived principally from FiltaFry, FiltaSeal and FiltaGMG.
- Business growth drivers:
  - Expanding existing Company-owned services organically and by infill acquisitions
  - Development of additional related services
  - Increased focus on national accounts

Region 3 – Mainland Europe

Corporate HQ in Debbeshoek, the Netherlands

- Principally a franchise network business
  - Franchisees both single and multi-MFU operators
  - Exclusive rights to defined area
- All services provided through Filta Franchise Network
  - Fryer management is principal service
  - Ancillary services include FiltaBio waste oil collection, FiltaGold new oil supply
- Revenues generated mainly from franchise sales, franchise services, oil resales
- Business growth drivers:
  - New Franchise Sales

    - Existing Franchise Owners expanding
- Adapted North America model in Germany and have started expanding into surrounding countries.

Services

One customer – multi-services

- FiltaFry – Fryer Management
- FiltaSeal - First Time Seal Replacement
- FiltaGMG – Fats Oil and Grease (“FOG”) Drain and Pump Management

Fryer Management - The FiltaFry Service

FiltaFry, our unique Fryer Management service, is the cornerstone of the Group’s activities and service offering in North America, the UK and mainland Europe. It provides an effective, hygienic and economic service for commercial kitchens, cleaning fryers, reducing cooking oil costs and disposing of waste cooking oil.

- FiltaFry provides a total fryer management service, including the on-site micro-filtration, removal and replacement of cooking oil.
- 6,000+ restaurant and food service customers receive FiltaFry services on a weekly basis.
- Fryer Management also includes supplemental services such as FiltaCool and FiltaDrain provided by our Franchise Owners to customers.
- Franchisees operate a total of 450 MFUs of which 392 are in North America, 43 in the UK and 15 in mainland Europe

FiltaSeal

FiltaSeal service is sold in the UK and is a patented system for replacing damaged or perished refrigerator and freezer door seals on-site in a cost and time effective manner. Specifically, the system allows engineers, using patented on-Board equipment and materials to replace a seal in one visit, producing cost and time savings for its clients, who would otherwise experience ordering and fitting delays following an initial engineer’s visit. The benefit of this service, apart from avoiding the disruption that multiple engineer visits causes, is the energy cost saving and avoidance of longer-running food hygiene risks.

FiltaGMG

FiltaGMG is a UK-wide provider of drain-related services including live bacteria drain dosing, the installation and servicing of Grease Recovery Units, and wastewater pump servicing. The majority of FiltaGMG’s revenue is recurring in nature, with work typically being carried out quarterly under scheduled maintenance programmes.

The Franchise Model

Our Fryer Management service is provided through a network of Franchise Owners, who operate under 10-year franchise licences in North America and under 5-year franchise licences in the UK and mainland Europe.

Filta, as the franchisor, owns the intellectual property (“IP”) comprised in the equipment and systems and, through its Franchise Model, allows its Franchise Owners to make use of that IP and of the FiltaFry name in providing the Fryer Management Service to its customers.

There are two key components to the creation of a successful franchise:

- The quality of the franchisee and
- The provision by the franchisor of constant advice and support to the franchisee as he first establishes and then develops the business

Filta takes a great deal of time and care in selecting its franchisees, who undergo an extensive interviewing and assessment process before being awarded a franchise. Care is taken to establish that the applicant has the necessary funds, drive and enthusiasm to run and build the business.

Typically, in North America, franchisees are likely to develop into multi-MFU operations, while, in the UK, they more often remain as single MFU operators. Mainland Europe is being developed as a multi-MFU operator model.

As the franchisees grow their businesses, both by increasing their customer base and by adding extra units, they receive extensive support from Filta. Filta believes that this high level of support is critical to the success of its Franchise Owners.

Filta considers that its role is to bring down barriers, identify opportunities, pass on experience and, above all, help to set up all the normal business practices and systems that are needed in young businesses.

Business Model

There are three key components of revenue generation in the Group and each of these is important, not just to revenues, but in providing the platform for growth in the future.

1 - Franchise Development

- New Franchise Owners and territories
- Territory Fee and Opening Package Fee paid by franchisee
- 10 year Franchise Agreements (5 year in UK and mainland Europe) with annual royalties
- Key objective is continuing improvement of our Franchise Owner quality to provide a platform for growth as they add units, take on new territories and enhance our brand and reputation

2 – Fryer Management Services

- All services are provided by or through Franchise Owners
- Franchisees pay a fixed royalty per MFU
- All products are provided by Filta, generating additional margin
- Franchise Owners' customer growth drives additional Filta revenues at little or no resource cost to Filta, providing increasing revenue visibility (2018 – repeat revenues at 94%)
- Key objective is growth of franchisees' revenue, driving predictable Group revenues at increasing marginal profit

3 – Company Owned Operations (UK Only)

- FiltaSeal provides an essential service to customers with a high level of visibility
- FiltaGMG provides services under contract to commercial kitchens
- Key objective is to build repeat revenues, providing high revenue-visibility maintenance contract customers

Repeat Revenues Underpinned by Growing Royalty Income

A significant base of the Group's total revenues (80%) are earned by way of royalties and other income from an existing customer base which requires continuing and regular service. It provides strong cash flow and, together with a large deferred revenue position, provides good revenue visibility into future years. Repeat revenue includes those revenues earned from existing customers, which are recurring in nature, and consist of our Fryer Management revenue, FiltaSeal revenue and non-installation related FiltaGMG revenue.

Blue Chip Client Base

The Group has a broad client base in North America, the UK and Germany with clients ranging from small single outlet enterprises to many blue-chip clients with multi outlets and national coverage including major supermarket groups, national pub chains and restaurant chains. The high quality and breadth of the client base helps mitigate the risks of exposure to any single business or organisation.

Strategy

Our objective is to deliver sustainable, predictable and profitable growth founded upon the following strategic operational pillars:

1. Recruit the best staff and Franchise Owners possible
2. Drive and support the growth of the Franchise Owners
3. Grow key and national accounts
4. Increase our range of products and services
5. Attract and develop the best people
6. Increase the use of technology to improve our offering

Growth Opportunities

North America

Fryer Management Services are the cornerstone of our business and we continue to seek to grow this activity both by securing new franchisees and by increasing the numbers of customers serviced by our franchisees through higher penetration of the NCA (National and Centralised Accounts) market. This, in turn, drives royalty and other repeat revenue growth.

UK

Continue to support our Fryer Management franchisees and continue to grow the Company Owned Operations, FiltaSeal and FiltaGMG, through gaining key accounts.

Mainland Europe

With the recent expansion into Germany, we spent 2018 perfecting the same model that we have developed in North America. Growth in mainland Europe will come from both the sale of new franchises and by helping our acquired franchisees to expand.

New Markets

Now we have proven the model in Germany, the plan is to expand further within mainland Europe in the coming years using the resource base in Filta's offices in the Netherlands.

Key Performance Indicators ("KPIs")

We focus intently on a number of KPIs that measure and help us drive our success;

- Sale of new franchises
- Sale of new territories to existing franchise base
- The number of MFUs in the field
- National Account penetration
- Number of seals fitted
- Adjusted EBITDA
- Cash flow
- Deferred revenue

The strategic report was approved by the Board on 12 April 2019.

Brian Hogan
Chief Financial Officer
12 April 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The Board has carried out an assessment of the principal risks facing the business, which are seen to be as follows:

Risk	How we manage the risk	Trend on year:	Comment
Failure to attract new franchisees or to grow the number of MFUs in line with the strategic targets may prevent the Group from achieving its operating targets	In the USA, which represents approximately 70% of the franchised operations, we have an increasing number of franchisees who are multi-MFU operators, a trend which we are endeavouring to develop. Thus, an increasing number of new MFUs are being taken up by existing franchisees.	Stable ► 2017: Stable	Strong pipeline across our operating territories.
The failure of a major franchisee may lead to a loss of revenue and/or a bad debt	We now have 199 franchisees, and this is increasing each year, with no franchisee accounting for more than 1% of the Group's revenues, thus mitigating our business risk.	Stable ► 2017: Stable	The composition of our franchise base continues to diversify.
Brand or reputational damage may be caused by the actions of either franchisees or the company's own employees	We provide detailed initial training for all new franchisees and their operators. There are also refresher training programmes to ensure that all franchisees are fully cognisant of all procedures to be followed.	Stable ► 2017: Stable	Management focuses on positive brand awareness through training and strongly monitors its results.
Undue influence by a major shareholder on the Company and its Board may lead to decisions or actions which are not in the best interests of the business	There is a majority of the Board who are not associated with the founding shareholder group and whose obligations to act in the best interests of shareholders as a whole are unfettered.	Stable ► 2017: Stable	The risk has not changed during the year. The Board has added a new independent director post year end which further strengthens independent oversight.
An incident involving an employee or franchisee in the operation of an MFU may result in a fatal or serious injury	We provide regular and comprehensive training to employees and franchisees in the operation of MFUs and other equipment supplied or used in the Group's business and the procedures are reviewed regularly to ensure the highest safety levels.	Stable ► 2017: Stable	The risk has not changed during the year. The risk is monitored both internally and through third party inspections.

Risk	How we manage the risk	Trend on year:	Comment
A failure of the information or accounting systems employed by the Group or a cyber-attack or data security breach may cause a loss of vital information or render the Group unable to maintain adequate accounting records	The Group has employed both its CRM and Accounting software for a number of years and both have a strong reputation and have proved to be highly reliable. We also have dedicated IT personnel who are tasked with ensuring the security and availability of the systems. Finally, in the new year we have engaged our current accounting system provider to partner with us on an overall review of our current accounting platform focused on setup, processes and controls.	Increasing ▲ 2017: Decreasing	With two acquisitions during the year we are operating on a number of different platforms. This places additional burdens on systems and people. We are currently working on migrating all Group companies to our chosen operating and accounting platforms which should be complete by 30 June.
The loss of key people may compromise the Group's or any part of the Group's ability to operate effectively.	We have widely spread knowledge of the Group's operational systems and procedures, thereby ensuring that there is not over-dependence on any single person. We also have continuous monitoring systems for the identification and progress with new business opportunities, ensuring that there is a broad knowledge of such opportunities.	Stable ► 2017: Stable	We have done considerable work this year to improve our processes for talent management, retention and succession planning.
Failure to comply with new GDPR requirements	We have undergone a detailed assessment of the readiness of the business and an action plan was developed to ensure compliance.	Stable ► 2017: New	We have assigned dedicated resources and are working with an external consultant to ensure we are in compliance.
Acquisition and integration of new businesses	All potential acquisitions are rigorously assessed and evaluated, both internally and by external advisors, to ensure any potential acquisition meets the Group's strategic and financial criteria. This process is underpinned by extensive integration procedures and the close monitoring of performance post acquisition by both local and Group management.	New Risk	Filta's management team is developing a strong track record of success in integrating acquisitions and this builds with each acquisition.
A significant fall in the value of the US Dollar (which has accounted for approximately 75% of the Group's operating profits) against £ sterling may have an adverse impact on the Group	The Group's activities are such that, the US Dollar costs are covered by US Dollar revenues and, similarly, sterling costs are covered by sterling revenues. Furthermore, any third-party debt is able to be serviced by earnings in the currency of the debt and secured by appropriately denominated assets.	Stable ► 2017: Stable	The risk is monitored on a regular basis against both in-house and external mitigation options. Following the recent acquisitions less than 50% of the revenues will be in US dollars

Risk	How we manage the risk	Trend on year:	Comment
Competition from new entrants to the market may create margin pressure or loss of customers	We have established a market-leading position amongst the third-party providers of our services and we continually seek to improve our service offering to ensure that we have the best option available.	Stable ► 2017: Stable	We have not witnessed any significant change in our competitive landscape.
Change in consumer tastes or habits, as a result, for example, of pressures from health watchdogs, may result in less demand for fryers.	The demand for fried food has always been and continues to be enormous. We consider that the services that we provide help to mitigate the health risks of eating fried foods.	Stable ► 2017: Stable	This risk is monitored through ongoing discussions with franchisees and periodic reviews of the markets we operate in.
Improved fryer technology may reduce/resolve deterioration of the oil and therefore require less frequent filtering and replacement.	Whilst the technologies may improve, there will always be deterioration of the oil and, therefore, a need for filtering and replacement. The Board believes that any improvements in technology will simply drive standards to a higher required level.	Decreasing ▼ 2017: Stable	The Group is continually reviewing changes in technology and, working closely with our long term supplier, recently introduced a 4th generation Mobile Filtration Unit to the market.
Franchisees may seek to impose commercial leverage on the Group, resulting in reduced margins and profitability	We devote a great deal of resource to protecting and assisting our franchisees, thereby building a strong bond of trust. We believe that, for as long as we provide the best option and the opportunity for franchisees to achieve success, there would be little reason for them to seek commercial advantage.	Stable ► 2017: Stable	Our franchise base continues to grow and diversify which helps us ameliorate any potential risk.
Economic Risk arising from political uncertainty	Many years of exposure to fluctuating markets have given us experience of operating and developing our business successfully during periods of economic and political volatility. We continually monitor and analyse economic and demand indicators to ensure that our supply chain remains flexible and our portfolio of service offerings remains relevant. This analysis provides a key input to our business planning and go to market strategies. The Group's international footprint and a diversifying portfolio also provide a mitigating balance in our exposure to both EU and non-EU markets.	New Risk	Relationships are developed and maintained with all our key customers and suppliers to ensure we stay apprised of uncertainties in the market and how those uncertainties are impacting their business. Additionally, the Group has a commercially astute management team and Board who maintain ongoing discussion on economic risks to the business.

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Filta Group Holding plc (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2018, which comprise:

- the group statement of comprehensive income for the year ended 31 December 2018;
- the group and parent company statements of financial position as at 31 December 2018;
- the group and parent company statements of cash flows for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the 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 financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Overview of our audit approach

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 group financial statements as a whole to be £130,000 based on a percentage of adjusted EBITDA.

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 £7,000. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The finance functions of the parent company and its UK subsidiaries are based in the US and UK, respectively. A member firm of Crowe Global in the US (the 'component auditor') undertook a full scope audit of Filta Group Inc., under our direction. Filta Group Inc., accounts for approximately 65% of the group's revenue

We were involved in the audit of Filta Group Inc., from the planning stage through to completion. This involved a combination of conference call meetings, detailed working paper review and meetings and discussions with the audit committee. We reviewed a complete set of working papers for Filta Group Inc. and challenged the findings of the component auditor and discussed matters with management. Our audit of the group's UK operations was performed at the UK headquarters in Rugby. The consolidation and annual report are prepared by management in the US and we audited these through regular conference call meetings with management, the use of a file sharing platform and challenging management's assumptions and conclusions throughout the audit.

Key Audit Matters

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

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

Key audit matter	***How the scope of our audit addressed the key audit matter***
Acquisition of Watbio Holdings Limited During the year, the group acquired Watbio Holdings Limited for total consideration of £6.4m. Intangible assets of £6.6m were identified as part of the acquisition excluding goodwill of £0.9m, a deferred tax liability of £1.1m was recognised in respect of the intangibles. Accounting for business combinations is complex and requires management to assess the fair value	Our audit procedures consisted of the following: • Obtaining and assessing management's acquisition accounting paper in relation to the acquisition. • Obtaining the share purchase agreement to understand the terms of the transaction and we agreeing the consideration paid. • Performing audit work on the acquisition balance sheet to ensure that assets and liabilities were appropriately recognised.

of the assets and liabilities acquired including any identified intangible assets. We identified the acquisition as a risk because of the size of the acquisition and the judgement and assumptions applied by management in assessing the fair value of the assets and liabilities acquired including any identified intangible assets. There is a risk that inappropriate assumptions could result in material errors in the acquisition accounting.	• Challenging the assumptions used to calculate the fair value intangible assets, being the discount rate and customer attrition rate. • Assessing the appropriateness of the related disclosures in the financial statements.
Revenue recognition	
Revenue is recognised in accordance with the accounting policy set out in the financial statements. This includes the transition to IFRS 15 – Revenue from contracts with customers. The accounting policy contains a number of judgements in respect of franchise sales where a portion of the revenue generated is deferred and recognised over the term of the franchise agreement.	Our audit procedures consisted of the following: • Reviewing the Group's assessment of the impact of IFRS 15 on the revenue streams in the business and the accounting policies. • Agreeing the performance obligations identified by management to a sample of contracts to ensure the adopted accounting policy was appropriate. This was considered at the transition date as well as at 31 December 2018. • Testing of a sample of transactions throughout the year to determine whether the company's accounting policy on revenue recognition had been correctly applied, covering royalty income, franchising and other revenue. • Assessing the appropriateness of the related disclosures in the financial statements.

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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our 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 light of the knowledge and understanding of the group and the parent company and their 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website 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.

Leo Malkin (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

London

12 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018 £	2017 £
Continuing operations			
Revenue	5	14,213,204	11,547,299
Cost of sales		(7,130,656)	(5,870,449)
Gross profit		7,082,548	5,676,850
Other income		24,507	38,377
Distribution costs		(151,209)	(124,690)
Administrative costs		(5,173,569)	(3,891,858)
Operating profit		1,782,277	1,698,679
Analysed as:			
Adjusted EBITDA		2,642,436	2,115,953
Acquisition related costs	6	(158,598)	(120,280)
Depreciation and amortisation	17,18	(399,055)	(209,912)
Share based payments	32	(302,506)	(87,082)
		1,782,277	1,698,679
Finance income		1,545	-
Finance costs	9	(41,984)	(90,952)
Profit before tax		1,741,838	1,607,727
Income tax expense	10	(421,667)	(824,268)
Profit from continuing operations		**1,320,171**	**783,459**
Discontinued operations			
Profit from discontinued operations	12	18,556	32,858
Net profit attributable to owners		**1,338,727**	**816,317**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(29,388)	(94,174)
Total other comprehensive income for the year		(29,388)	(94,174)
Profit and total comprehensive income for the year		**1,309,339**	**722,143**
Earnings per share			
From continuing operations			
- Basic (pence)	13	4.86	2.90
- Diluted (pence)	13	4.82	2.87
From continuing and discontinued operations			
- Basic (pence)	13	4.93	3.03
- Diluted (pence)	13	4.89	2.99

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2018 £	2017 £
Non-current assets			
Property, plant and equipment	18	1,493,180	1,216,388
Deferred tax assets	11	754,728	652,131
Intangible assets	17	7,186,432	484,821
Goodwill	17	1,639,523	631,380
Deposits		2,491	2,343
Contract acquisition costs	20	342,557	157,197
Trade receivables	19	324,865	302,163
		11,743,776	3,446,423
Current assets			
Trade and other receivables	19	4,821,194	2,311,192
Contract acquisition costs	20	51,718	37,671
Inventories	21	1,386,383	437,716
Cash and cash equivalents	22	6,789,968	4,031,174
		13,049,263	6,817,753
Assets classified as held for sale	12	-	74,372
Total assets		**24,793,039**	**10,338,548**
Current liabilities			
Trade and other payables	23	6,510,302	2,142,906
Borrowings	24	840,641	107,786
Deferred income	25	868,788	532,682
		8,219,731	2,783,374
Non-current liabilities			
Deferred tax liability		1,291,318	95,185
Borrowings	24	3,909,311	931,765
Deferred income	25	2,791,131	2,404,645
		7,991,760	3,431,595
Non-current liabilities classified as held for sale	12	-	66,425
Total liabilities		**16,211,491**	**6,281,394**
Equity			
Share capital	28	2,891,863	2,713,266
Share premium	28	3,372,351	131,400
Retained profits		2,711,352	1,862,967
Translation reserve		(383,965)	(354,577)
Other reserves	29	(10,053)	(295,902)
Total equity		8,581,548	4,057,154
Total equity and liabilities		**24,793,039**	**10,338,548**

The financial statements were approved and authorised for issue by the Board on 12 April 2019 and were signed on its behalf by:

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Brian Hogan, Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Other Reserves	Merger Reserve	Foreign Exchange Reserve	Retained Earnings	Total Equity
	£	£	£	£	£	£	£
Balance at 1 January 2017	2,695,266	3,480,191	49,400	(339,687)	(260,403)	(2,256,539)	3,368,228
Profit for the year	-	-	-	-	-	816,317	816,317
Foreign exchange translation differences	-	-	-	-	(94,174)	-	(94,174)
Total comprehensive income	-	-	-	-	(94,174)	816,317	722,143
Dividends paid (note 16)	-	-	-	-	-	(226,402)	(226,402)
Issue of share capital (note 28)	18,000	131,400	-	-	-	-	149,400
Transfer between reserves	-	-	(49,400)	-	-	49,400	-
Share premium reduction (note 28)	-	(3,480,191)	-	-	-	3,480,191	-
Share based payments (note 29/32)	-	-	43,786	-	-	-	43,786
Balance at 31 December 2017	**2,713,266**	**131,400**	**43,786**	**(339,687)**	**(354,577)**	**1,862,967**	**4,057,155**
Balance at 1 January 2018	2,713,266	131,400	43,786	(339,687)	(354,577)	1,862,967	4,057,155
Adjustment on initial application of IFRS 9 net of tax (note 4)	-	-	-	-	-	(118,474)	(118,474)
At 1 January 2018 restated	2,713,266	131,400	43,786	(339,687)	(354,577)	1,744,493	3,938,681
Profit for the year						1,338,727	1,338,727
Foreign exchange translation differences	-	-	-	-	(29,388)	-	(29,388)
Total comprehensive income	-	-	-	-	(29,388)	1,338,727	1,309,339
Dividends paid (note 16)	-	-	-	-	-	(371,868)	(371,868)
Issue of share capital (note 28)	178,597	3,393,557	-	-	-	-	3,572,154
Share issue expenses	-	(152,606)	-	-	-	-	(152,606)
Equity consideration due	-	-	250,000	-	-	-	250,000
Share based payments (note 29/32)	-	-	35,848	-	-	-	35,848
Balance at 31 December 2018	**2,891,863**	**3,372,351**	**329,634**	**(339,687)**	**(383,965)**	**2,711,352**	**8,581,548**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**2018**	**2017**
		£	**£**
Operating activities			
Profit before taxation for the year		1,760,393	1,640,585
Adjustments for non-cash operating transactions:			
Finance costs	9	41,984	90,952

Depreciation	18	186,582	109,911
Amortisation	17	212,474	100,001
Loss on disposal of tangible fixed assets		7,051	9,992
Share based payment charge	32	302,506	87,082
		2,510,990	2,038,523
Movements in working capital:			
Increase in trade and other receivables		(279,474)	(396,073)
Increase in contract acquisition costs		(199,407)	(130,791)
(Decrease)/increase in trade and other payables		(225,003)	210,973
Increase in inventories		(508,421)	(106,743)
Increase in deferred revenue		722,592	225,969
Cash flow from operations		**2,021,277**	**1,841,858**
Taxes paid		(1,216,177)	(510,187)
Net cash flow from operations		**805,100**	**1,331,671**
Investing activities			
Purchase of property, plant and equipment	18	(316,084)	(112,941)
Proceeds from disposals of property, plant and equipment	12	49,288	24,836
Purchase of subsidiary undertakings, net of cash acquired	15	(3,738,358)	(1,137,901)
Purchase of other intangible assets	17	(104,913)	(55,480)
Net cash used in investing activities		**(4,110,067)**	**(1,281,486)**
Financing activities			
Repayment of borrowings		(252,935)	(47,058)
Net proceeds from borrowings		3,790,737	-
Net proceeds from issue of share capital		2,870,000	149,400
Dividends paid to shareholders	16	(371,868)	(226,402)
Interest paid	9	(41,984)	(90,952)
Net cash from/(used in) financing activities		**5,993,950**	**(215,012)**
Net change in cash and cash equivalents		2,688,983	(164,827)
Cash and cash equivalents, beginning of the year	22	4,031,174	4,392,350
Exchange differences on cash and cash equivalents		69,811	(196,349)
Cash and cash equivalents, end of year	22	**6,789,968**	**4,031,174**

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	**2018**	**2017**
		£	**£**
Assets			
Non-current assets			
Investments in subsidiaries	14	8,951,424	2,293,426
Amount due from subsidiaries	19	1,506,905	1,704,716
Deferred tax asset		-	-
		10,458,329	3,998,142
Current assets			
Trade and other receivables		123,984	25,802
Amount due from subsidiaries	19	467,093	438,496

Cash and cash equivalents	22	3,616,685	1,162,035
		4,207,762	1,626,333
Total assets		**14,666,091**	**5,624,475**
Current liabilities			
Trade and other payables	23	2,265,128	44,908
Borrowings	24	758,147	-
Amount due to subsidiaries		36,311	16,745
		3,059,586	**61,653**
Non-current liabilities			
Borrowings	24	3,032,590	-
		3,032,590	**-**
Total liabilities		**6,092,176**	**61,653**
Equity			
Share capital	28	2,891,863	2,713,266
Share premium	28	3,372,351	131,400
Other reserves	29	329,633	43,785
Retained earnings		1,980,068	2,674,371
Total equity		**8,573,915**	**5,562,822**
Total equity and liabilities		**14,666,091**	**5,624,475**

No statement of comprehensive income is presented by the company as permitted by section 408 of the Companies Act. The loss dealt within the financial statements of the parent Company for the year ended 31 December 2018 is £322,435 (2017: £324,658).

The financial statements were approved and authorised for issue by the Board on 12 April 2019 and were signed on its behalf by:

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Brian Hogan, Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Share Capital £	Share Premium £	Other reserve £	Retained Earnings £	Total Equity £
Balance at 1 January 2017	**2,695,266**	**3,480,191**	**49,400**	**(304,160)**	**5,920,697**
Loss for the year	-	-	-	(324,658)	(324,558)
Total comprehensive income				(324,658)	(324,658)
Dividends paid (note 16)	-	-	-	(226,402)	(226,402)
Issue of share capital (note 28)	18,000	131,400	-	-	149,400
Transfer between reserves	-	-	(49,400)	49,400	-
Share premium reduction (note 28)	-	(3,480,191)		3,480,191	-
Share based payments (note 29)	-	-	43,785	-	43,785

Balance at 31 December 2017	**2,713,266**	**131,400**	**43,785**	**2,674,371**	**5,562,822**
Balance at 1 January 2018	**2,713,266**	**131,400**	**43,785**	**2,674,371**	**5,562,822**
Loss for the year	-	-	-	(322,435)	(322,435)
Total comprehensive income				(322,435)	(322,435)
Dividends paid (note 16)	-	-	-	(371,868)	(371,868)
Issue of share capital (note 28)	178,597	3,240,951	-	-	3,419,548
Share based payments (note 29)	-	-	35,848	-	35,848
Purchase consideration	-	-	250,000	-	250,000
Balance at 31 December 2018	**2,891,863**	**3,372,351**	**329,633**	**1,980,068**	**8,573,915**

PARENT COMPANY STATEMENT OF CASH FLOWS

	2018	2017
	£	**£**
Operating activities		
Loss before tax	(322,435)	(324,658)
Movements in working capital:		
Decrease/(increase) in trade and other receivables	(17,222)	6
Increase in trade and other payables	470,146	14,282
Share based payment charge	-	87,082
Net cash used in operations	**130,489**	**(223,288)**
Investing activities		
Increase/(decrease) in advances to subsidiaries	188,679	(1,468,539)
Purchase of subsidiary undertakings, net of cash acquired	(3,850,000)	-
Net cash used in investing activities	**(3,661,321)**	**(1,468,539)**
Financing activities		
Proceeds from issue of share capital, net of costs	2,870,000	149,300
Proceeds from borrowings, net of costs	3,790,737	-
Increase in investment in subsidiary	(303,387)	(117,210)
Dividends paid to shareholders	(371,868)	(226,402)
Net cash from/(used in) financing activities	**5,985,482**	**(194,312)**
Net change in cash and cash equivalents	2,454,650	(1,886,139)
Cash and cash equivalents, beginning of the year	1,162,035	3,048,174
Cash and cash equivalents, end of year	**3,616,685**	**1,162,035**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Filta Group Holdings plc was incorporated in England and Wales on 31 March 2016. Its registered office is at The Locks, Hillmorton, Rugby, Warwickshire, England, CV21 4PP.

The Company is listed on the AIM market of the London Stock Exchange. The Company acts as the holding company of a group of subsidiaries that are involved in the franchising of on-site environmental kitchen solutions to restaurants, catering establishments and institutional kitchens. The services include microfiltration of cooking oil, fryer cleaning, temperature calibration, waste oil disposal and specially designed filters for refrigeration units and coolers. The Filta Group sells franchises and operates in the UK, the United States and Canada. Additionally, the Company operates two direct sale businesses including refrigeration seal replacement and the installation, repair and maintenance of drain dosing and grease recovery units. Further details of the Company's subsidiaries are provided in Note 14.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union including interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention except for financial instruments that have been measured at fair value through profit and loss. The presentational and functional currency of the Company is Pounds Sterling. The functional currency of the subsidiaries is determined by the primary economic environment in which they operate.

Group reconstruction in prior year
Filta Group Holdings plc entered into an agreement to acquire the entire issued share capital of each of The Filta Group Limited and The Filta Group, Inc. on 26 October 2016 from Cookband Limited for Nil consideration. The reorganisation was affected by way of share for share exchanges whereby each of The Filta Group Limited and The Filta Group, Inc. became wholly-owned subsidiaries (the "Subsidiaries") of Filta Group Holdings plc as it is currently constituted.

The directors consider the substance of the acquisition of the Subsidiaries by Filta Group Holdings plc is that of a combination of entities under common control and therefore it fell outside the scope of IFRS 3 (revised 2008).

In accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, in developing an appropriate accounting policy, the Directors have considered the pronouncements of other standard setting bodies and specifically looked to accounting principles generally accepted in the United Kingdom ("UK GAAP") for guidance (FRS 102) which does not conflict with IFRS and reflects the economic substance of the transaction.

Under UK GAAP, the assets and liabilities of both entities are recorded at book value, not fair value. Intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the legal acquirer in accordance within applicable IFRS. No goodwill is recognised, any expenses of the combination are written off immediately to the income statement and comparative amounts, if applicable, are restated as if the combination had taken place at the beginning of the earliest accounting period presented.

Therefore, although the Group reconstruction completed in October 2016, and Filta Group Holdings plc was incorporated on 31 March 2016, the consolidated financial statements are presented as if the Group structure has always been in place, including the activity from incorporation of the Group's principal subsidiaries. All entities had the same management as well as controlling shareholders.

The Directors decided that it is appropriate to reflect the combination using merger accounting principles as a group reconstruction under FRS 102 in order to give a true and fair view. No fair value adjustments were made as a result of the combination.

Basis of consolidation
The consolidated financial statements comprise the financial information of the Company and its subsidiaries (the "Group") made up to the end of the reporting period.

The consolidated financial statements present the results of the Company and its subsidiaries and joint arrangements as if they formed a single entity. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. Where necessary, adjustments are made to the financial statements of subsidiaries to align with the Group accounting policies.

Where a subsidiary undertaking is sold, the profit or loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the carrying amount of the assets and liabilities of the subsidiary on the date of disposal less any transaction costs relating to the disposal. Cash received on disposal of businesses is shown within investing activities in the Consolidated cash flow statement, net of cash and cash equivalents disposed of and transaction costs.

All intercompany transactions and balances between Group entities, including unrealised profits arising from them, are eliminated upon consolidation.

Going concern
The Directors have at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Parent Company
The parent company has taken advantage of s.408 of the Companies Act 2016 not to publish the parent company profit and loss account.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies of Filta Group Holdings plc and its subsidiaries are set out below. These policies have been consistently applied unless otherwise stated.

3.1 Foreign currencies

Functional and presentation currency
The consolidated financial statements are presented in Pounds Sterling, which is also the functional currency of the parent company.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and form the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations
In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Pounds Sterling are translated into Pounds Sterling upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Pounds Sterling at the closing rate at the reporting date. Income and expenses have been translated into Pounds Sterling at the average rate, as an approximation of rates on the dates of the transactions over the reporting period. Exchange difference are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity.

3.2 Segment reporting

The results of operating segments are reported in a manner consistent with internal reporting.

The Group has four operating segments. In identifying these operating segments, management follows the Group's service lines representing its main products and services. Further details of segment reporting are provided in Note 5.

3.3 Revenue

For the year ended 31 December 2018 the Group used the five-step model as prescribed under IFRS 15 on the Group's revenue transactions. This included the identification of the contract, identification of the performance obligations under same, determination of the transaction price, allocation of the transaction price to performance obligations and recognition of revenue. The point of recognition arises when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time.

Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue from goods and services provided to customers not invoiced as at the balance sheet date is recognised as accrued income within trade and other receivables.

The Filta Group executes franchise agreements for each franchise area which set out the terms of the arrangement with the franchisee.

These agreements require the franchisee to pay an initial, non-refundable franchise fee and royalties based upon the number of filtration machines operating in each franchise area.

The franchise fee consists of two distinct components:

- the opening package; and
- the territory fee

The revenue associated with the opening package is recognised when substantially all initial services required by the franchise agreement are performed, which is generally upon the completion of training of the franchisee. Therefore, there is no deferral of this revenue unless the training period spans the year-end.

The territory fee represents the exclusive right to operate in a designated territory for a stated length of time. The territory fee is deferred over the length of the franchise agreement and released to the combined statements of comprehensive income on a straight-line basis.
In circumstances where franchise territories are resold, on an arm's length basis, between our franchisee and a third party, it is our policy to continue to recognise the deferred revenue over the life of the original franchise agreement. Should there be an additional opening package, or territory sale, as part of the resale, these components will follow the aforementioned revenue recognition process under the new franchise agreement policy.

Royalty income is recognised as earned with an appropriate provision for estimated uncollectible amounts, which is included in operating expenses.

Supplies and other revenues are recognised when the product or service is delivered or shipped to customers. Provision for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period in which the related sales are recorded.

There has been no significant change to the Group's accounting policy for revenue as a result of the adoption of IFRS 15 from 1 January 2018.

3.4 Contract acquisition costs

The incremental costs to directly obtain a contract with a customer are capitalised and recognised within contract assets where management expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period where incurred. Contract assets are subsequently amortised over the period consistent with the Group's transfer of the related goods or services to the customer.

The costs capitalised include sales commission paid to employees and broker fees paid to third parties where payment is identified as relating directly to the sale of a territory license and initially recognised upon the signing of a customer contract. The costs are amortised over the contract life.

The Group was not impacted by the adoption of IFRS 15 on 1 January 2018 as the previous accounting policies also recognised an asset in relation to sales commissions costs and broker fees paid to third parties.

Management is required to determine the recoverability of contract related assets at each reporting date. An impairment exists if the carrying amount of any asset exceeds the amount of consideration the Group expects to receive in exchange for providing the associated goods and services, less the remaining costs that relate directly to providing those goods and services under the relevant contract. An impairment is recognised immediately where such losses are forecast.

The movement in the contract asset balance in the period therefore represents additional payments made, subsequent amortisation and any required impairment.

3.5 Investments in subsidiaries

Investments in subsidiaries are valued at cost less provision for any impairment, and an impairment review is carried out annually by the directors.

3.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. All repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment loss.

All items of property, plant and equipment are depreciated to write off the cost of the assets over their estimated useful lives as follows:

	Annual rate
Freehold property	2%
Plant and machinery	10–15%
Motor vehicles	25%
Fixtures and fittings	20%

The estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting date. Fully depreciated assets are retained in the financial statements until they are no longer in use.

3.7 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Acquisition costs are expenses and included in Administrative expenses. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of any contingent consideration deemed to be an asset or liability will be recognised in accordance with IFRS 9, either in profit or loss or in other comprehensive income.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. It is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.8 Intangible assets

Intangible assets identified in a business combination are capitalised at fair value as at the date of the acquisition and their costs are amortised over a straight-line basis over their expected useful lives. Software and development expenditure is capitalised as an intangible asset if the asset created can be identified, if it is probable that the asset created will generate future economic benefits and if the development cost of the asset can be measured reliably. Amortisation expense is charged to administrative expenses in the income statement on a straight-line basis over its useful life.

The expected useful lives of the assets are as follows:

Customer relationships - 5 to 10 years
Customer contracts - 5 to 10 years
Supply contracts - 15 years
Reacquired Rights - 6.75 years
Software development - 3 years

Those costs associated with maintaining computer software programmes are recognised as an expense as incurred.

3.9 Impairment of tangible and intangible assets

At each reporting end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first in, first out principal and comprise direct materials and, where applicable, direct labour costs and overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. A provision is made, where necessary, in all inventory categories for obsolete, slow moving and defective items.

3.11 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant financial instrument. Upon adoption of IFRS 9 on 1 January 2018 the accounting policy for financial instruments is as follows:

Financial assets

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities. For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(ii) Trade and other receivables

Trade receivables are recognised initially at the invoice amount and subsequently measured at amortised cost, less provision for impairment.

Under IFRS 9, effective from 1 January 2018, the Group elected to use the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets that result from transactions that are within the scope of IFRS 15, irrespective of whether they contain a significant financing component or not.

IFRS 9 requires the Group to consider forward looking information and the probability of default when calculating expected credit losses. The measurement of expected credit losses reflects an unbiased and probability weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The Group considers reasonable and supportable customer-specific and market information about past events, current conditions and forecasts of future economic conditions when measuring expected credit losses.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within 'administrative costs'. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative costs' in the Income Statement.

Financial liabilities

(i) Trade and other payables

Trade payables are not interest-bearing and are initially measured at fair value. Subsequent to initial recognition these liabilities are measured at amortised cost. The Group has contract liabilities in the form of deferred income which arises from consideration received in advance of the satisfaction of performance obligations.

(ii) Borrowings

Interest-bearing loans and overdrafts are initially measured at fair value, net of direct issue costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised over the period of the relevant liabilities.

3.12 Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Other reserves" represent the equity element in the form of share options and warrants, see notes 29 and 32 for additional information on these instruments.
- "Retained earnings" represents retained profits and accumulated losses.
- "Merger reserve" arises on business combination (Note 2).

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

3.13 Share-based payments

(I) Equity-settled share-based payments

Equity-settled share-based payments are measured at the fair value of the awards based on the market value of the shares at the grant date. Fair value excludes the effect of non-market-based vesting conditions. The fair value is charged to the consolidated statement of income and credited to retained earnings on a straight-line basis over the period the estimated awards are expected to vest.

At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained earnings.

(II) Cash-settled share-based payments

For cash-settled share-based payments, a liability is initially recognised at fair value based on the estimated number of awards that are expected to vest, adjusting for market and non-market-based performance conditions. Subsequently, at each reporting period until the liability is settled, it is remeasured to fair value with any changes in fair value recognised in the consolidated statement of income.

3.14 Taxation

The income tax expense for the year comprises current and deferred tax.

Current tax

The charge for current taxation is the tax currently payable based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is provided using the liability method on differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction which is not a business combination and at the time of the transaction affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax rates that have been enacted or substantively enacted by the reporting end date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

3.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

3.16 Adjusted EBITDA

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortisation, exceptional items and share based payment expense. The separate reporting of these items helps provide a better picture of the Group's underlying performance. Items which may be included within this category include:

- Costs associated with acquisitions; and
- Other particularly significant or unusual items.

Adjusted EBITDA is presented separately in the statement of comprehensive income as the Directors believe that it needs to be considered separately to gain an understanding of the underlying profitability of the trading businesses.

3.17 Critical accounting judgments and key sources of estimation uncertainty

Revenue recognition (Judgement)
Under IFRS 15, revenue recognition is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Revenue is measured based on the consideration specified in a contract with a customer and is recognised when a customer obtains control of the services. The Group's franchise contracts are defined as having two distinct performance obligations, the Opening Package and the Territory Fee.

A degree of judgement arises with respect to the recognition of revenue on initial franchise fees, giving rise to estimation uncertainty. Management reviews on a regular basis the allocation within an initial franchise fee between the opening package and the territory fee. Whereas the opening package fee is recognised, as explained in note 3.3, generally upon the completion of the training of the franchisee, the portion related to the territory fee is deferred and recognised over the life of the franchise agreement. The total amount currently in deferred income in this respect amounts to £3,659,919 (2017: £2,937,327). The revenue recognised in respect of the opening package and the apportioned territory fee in the current year was £1,374,324 (2017: £1,348,193).

Recoverability of trade receivables (Judgement)
The Group provides credit to customers and as a result there is an associated risk that the customer may not be able to pay outstanding balances.

Under IFRS 9 the Group uses an allowance matrix to measure Expected Credit Loss (ECL) of trade receivables from customers. Loss rates are calculated based on the probability of a receivable progressing through successive chains of non-payment to write-off. The rates are calculated at a business unit level which reflects the risks associated with geographic region, age mix of customer relationship and type of product purchased.

Business combinations (Judgement and estimates)
Where the Group undertakes business combinations, the cost of acquisition is allocated to identifiable net assets and contingent liabilities acquired and assumed by reference to their estimated fair values at the time of acquisition. The remaining amount is recorded as goodwill. The valuation of identifiable net assets involves an element of judgement related to projected results. Fair values that are stated as provisional are not finalised at the reporting date and final fair values may be determined that are materially different from the provisional values stated.
In undertaking this assessment, the Group has performed a valuation of the intangible fixed assets acquired, on the multi-period excess earnings method, for customer relationships and customer contracts. For supply contracts, the royalty relief model has been used. In performing this assessment, it has obtained a third-party assessment of the fair values of these intangibles, based on the expected cashflows arising from the existing customer relationships at the time of acquisition, discounted for depletion in contract revenue.

The multi-period excess earnings methodology is based on expected income streams of the cash generating unit, the significant assumptions used in the model were the discount rate (12%) and the attrition rates (2.5%-5%). If the attrition rates were increased by 10% the intangible asset value would decrease by £93,000. If the discount rate was increased by one percentage point the intangible asset would be £195,000 lower.

The key assumptions in the royalty relief calculation is the royalty rate (2.5%), if this was reduced by one percentage point then the asset would be £289,000 lower.

Given the proximity to the year-end no amortisation charge has been recognised on the intangible assets identified. The expected amortisation charge for the year ended 31 December 2019 relating to the customer relationships and contracts is £583,000 and £48,000 for the supply contract.

Impairment (Judgement and estimates)
The Group is required to review assets for objective evidence of impairment. It does this on the basis of a review of the budget and rolling forecasts, which by their nature are based on a series of assumptions and estimates. The Group has performed impairment tests on those cash generating units which contain goodwill, and on any assets where there are indicators of impairment. The key assumptions associated with these reviews are detailed in Note 17.

Taxation (Judgement and estimates)
The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions for which the ultimate tax determination is uncertain. The Group recognises liabilities based on estimates of whether additional taxes will be due. Once it has been concluded that a liability needs to be recognised, the liability is measured based on the tax laws that have been enacted or substantially enacted at the end of the reporting period. The amount shown for current taxation includes an estimate for tax uncertainties and is based on the Directors' best probability weighted estimate of the probable outflow of economic resources that will be required to settle the liability. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The Group estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations, and taking into consideration applicable tax legislation in the relevant jurisdiction. These calculations also require the use of estimates.

4. ADOPTION OF NEW AND REVISED STANDARDS EFFECTIVE DURING 2018

Financial instruments

The Group adopted IFRS 9 'Financial Instruments' at 1 January 2018 and applied the new rules in accordance with the transitional provisions. Comparatives for 2017 have not been restated. The Group has assessed the impact of adopting IFRS 9 and the only adjustment is an increase in the provision for losses against trade debtors which was reflected as an adjustment to retained earnings at 1 January 2018 as shown below.

	2018 **1 January**
Retained earnings	
Provision for losses against trade debtors	(157,834)
Income tax	39,360
Total impact at 1 January 2018	(118,474)
Non-current assets	
Deferred income tax assets	39,360
Current assets	
Trade and other receivables	(157,834)
Total impact at 1 January 2018	(118,474)

The adjustment arises from adoption of the expected credit loss model for impairments under IFRS 9. The adoption of this model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses, as is the case under IAS 39. Although there is a transition impact from adoption of the new model there was no material impact on profit before tax for 2018.

The following table shows the original classification and measurement categories of financial assets and liabilities under IAS 39 and the new classification and measurement categories under IFRS 9 as at 1 January 2018. The effect of adopting IFRS 9 on the carrying amounts of financial assets and liabilities relates solely to the new impairment requirements as shown in the previous table, all other carrying values remained the same.

	Classification-measurement under IAS 39	**Classification-measurement under IFRS 9**	**Carrying amount under IAS 39 £**	**Carrying amount under IFRS 9 £**	**Difference £**
Financial assets					
Cash & cash equivalents	Loans and receivables - amortised cost	Financial assets at amortised cost	4,031,174	4,031,174	-
Trade & other receivables	Loans and receivables - amortised cost	Financial assets at amortised cost	2,451,072	2,293,238	(157,834)
Financial liabilities					
Trade & other payables	Other liabilities – amortised cost	Other financial liabilities – amortised cost	1,337,984	1,337,984	-
Bank loans	Other liabilities – amortised cost	Other financial liabilities – amortised cost	928,236	928,236	-
Finance lease liabilities	Other liabilities – amortised cost	Other financial liabilities – amortised cost	177,740	177,740	-

Revenue recognition

The Group has adopted IFRS 15 from 1 January 2018, using the modified retrospective approach and has not restated comparatives for 2017. The Group used the five-step model to develop an impact assessment framework to assess the impact of IFRS 15 on the Group's revenue transactions. The results of our IFRS 15 assessment framework and contract reviews indicated that the impact of applying IFRS 15 on our consolidated financial statements was not material for the Group and there was no adjustment to retained earnings or material impact on the timing of revenue recognition on application of the new rules at 1 January 2018.

A number of other new pronouncements are also effective from 1 January 2018 but they do not have a material impact on the consolidated financial statements. Additional disclosure has been given where relevant.

New standards and interpretations not applied.

New accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2018. The Group has elected not to early-adopt these new standards and interpretations. The Group's assessment of the impact of these new standards is set out below.

The Group will apply IFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings on 1 January 2019, with no restatement of comparative information.

The Group has assessed the impact of adopting IFRS 16 with reference to its existing lease portfolio. The most significant part of the portfolio are property and vehicle leases, together with a number of low value equipment leases. The lease liability has been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at transition. The right-of-use asset is measured at an amount equal to the lease liability plus any lease payments made at or before the commencement date and any initial direct costs incurred by the lessee. Transition recognition exemptions relating to short-term and low value leases have been applied as well as practical expedients taken, where available, to simplify the transition process.

It is estimated that on transition the Group will recognise a right-of-use asset and corresponding lease liability of approximately £0.5m. The impact on the income statement in 2019 is expected to be negligible with the operating lease expense recognised under the existing standard (IAS 17) being replaced by depreciation and finance costs. There will be no impact on the Group's cash and cash equivalents.

5. SEGMENT ANALYSIS

Operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (which takes the form of the Board of Directors), in order to allocate resources to the segment and to assess its performance.

The Directors consider that the Group currently has four reportable segments: the marketing and execution related to Franchise Development; provision of services and supplies to the fryer management sector; servicing the refrigerator seal replacement market; and the provision of design, installation and services provided to the grease management market. The Group also has three geographic segments: UK, North America and Europe.

Revenue and non-current assets by origin of geographical segment for all entities in the Group is as follows:

<u>Revenue</u>

	2018 £	2017 £
North America	9,204,340	8,349,325
U.K.	4,752,287	3,197,973
Europe	256,577	-
Total continuing operations	**14,213,204**	**11,547,298**
Discontinued operations	13,915	1,937,440
Total	**14,227,119**	**13,484,739**

<u>Non-current assets</u>

	2018 £	2017 £
North America	2,005,116	1,673,329
U.K.	9,277,362	1,544,785
Europe	461,298	-
Total	**11,743,776**	**3,218,114**

Product and services revenue analysis

<u>Revenue</u>

	2018 £	2017 £

Franchise Development	1,487,927	1,348,193
Fryer Management	9,337,232	8,434,262
FiltaSeal	1,646,062	1,327,835
FiltaGMG	1,741,983	437,008
Total continuing operations	**14,213,204**	**11,547,299**
Discontinued operations	13,915	1,937,440
Total	**14,227,119**	**13,484,739**

Management measures revenues by reference to the Group's core services and products and related services, which underpin such income. No customer has accounted for more than 10% of total revenue during the periods presented. Assets and liabilities are not fully allocated to the individual categories as such information is not provided to the chief operating decision maker.

Operating segment performance for the year ended 31 December 2018:

	Franchise Development £m	**Fryer Management £m**	**FiltaSeal £m**	**FiltaGMG £m**	**Total £m**
Sales to external customers	1.5	9.4	1.6	1.7	14.2
Adjusted EBITDA	**0.4**	**1.7**	**0.2**	**0.4**	**2.7**
Acquisition and legal costs	(0.0)	(0.0)	(0.0)	(0.1)	(0.2)
Share based payments	(0.0)	(0.3)	(0.0)	(0.0)	(0.3)
Depreciation and amortisation	(0.1)	(0.3)	(0.0)	(0.0)	(0.4)
Operating profit	**0.3**	**1.1**	**0.2**	**0.2**	**1.8**
Net finance costs	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Profit before taxation	**0.3**	**1.1**	**0.2**	**0.2**	**1.8**
Taxation					(0.4)
Profit from discontinued operations					0.0
Other comprehensive income					(0.0)
Profit and total comprehensive income					**1.3**

Operating segment performance for the year ended 31 December 2017:

	Franchise Development £m	**Fryer Management £m**	**FiltaSeal £m**	**FiltaGMG £m**	**Total £m**
Sales to external customers	1.3	8.4	1.3	0.4	11.5
Adjusted EBITDA	**0.3**	**1.5**	**0.2**	**0.1**	**2.1**
Acquisition and legal costs	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)

Share based payments	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)
Depreciation and amortisation	(0.0)	(0.2)	(0.0)	(0.0)	(0.2)
Operating profit	**0.2**	**1.2**	**0.2**	**0.1**	**1.7**
Net finance costs	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)
Profit before taxation	**0.2**	**1.1**	**0.2**	**0.1**	**1.6**
Taxation					(0.8)
Profit from discontinued operations					0.0
Other comprehensive income					(0.1)
Profit and total comprehensive income					**0.7**

6. Operating profit and adjusted EBITDA

The following have been included in arriving at operating profit and adjusted EBITDA:

	2018 **£**	**2017** **£**
Depreciation of property, plant and equipment (note 18)	186,582	109,911
Amortisation of intangible assets (note 17)	212,474	100,001
Loss on disposal of plant and equipment	(4,920)	9,992
Staff costs, including directors (Note 7)	3,525,043	2,993,670
Share based payment	302,506	87,082
Cost of acquisition	149,260	34,000
Foreign exchange losses	(757)	(22,238)

Profit before tax is stated after charging:

Auditors remuneration:		
Fees payable to the Company's Auditor and their associates for the audit of the Company's annual accounts	49,700	40,000
Fees payable to the Company's Auditor and their associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	42,232	21,920
Tax and other services	30,148	8,643
Total auditors remuneration	122,080	70,563
Inventory expensed	7,130,656	5,870,449
Operating lease rental expense	19,570	24,399

Exceptional items consist of the following:

	2018 **£**	**2017** **£**
Acquisition related	149,260	65,402
Legal and professional	9,338	54,878
	158,598	120,280

Acquisition related costs are attributable to the FiltaFry Deutschland GmbH and Watbio Holdings Limited acquisitions while the legal and professional costs relate primarily to the disposal of Filta Refrigeration assets.

7. STAFF COSTS

	2018 £	2017 £
Gross salaries	2,819,674	2,602,507
Social security costs	237,994	195,084
Pension contributions	15,635	9,062
Share based payment charge	302,506	87,082
Other staff benefits	149,234	99,935
	3,525,043	2,993,670

The average number of employees of the Group during the year was as follows:

	2018 No.	2017 No.
Directors	7	7
Staff		
Administration	13	10
Customer Services/Network Support	14	11
Business Development/Marketing	6	6
Sales	6	7
Other	22	26
	68	67

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2018 £	2017 £
Remuneration for qualifying services	712,604	723,667
	712,604	723,667

Details of directors' remuneration are provided in the Remuneration Report.

9. FINANCE COSTS

	2018 £	2017 £
Bank and other loans	33,606	78,452
Hire purchase and finance lease charges	8,378	12,500
	41,984	90,952

10. INCOME TAX EXPENSE

	2018 £	2017 £
Corporation Tax		
Charge for the year	464,025	775,151
Deferred tax		
Origination and reversal of temporary differences	(42,358)	(215,878)
Tax charge related to change in U.S. tax rate	-	264,995
Total tax charge	421,667	824,268

Reconciliation of corporation taxation:

	2018 £	2017 £
Profit before tax on continuing operations	1,741,838	1,607,727
Tax at domestic rates applicable	334,287	310,934
Expenses disallowed for tax	6,695	19,690
Loss relief	(13,415)	(42,959)

Overseas taxes	136,458	487,486
Total current tax	464,025	775,151
Deferred tax		
Origination and reversal of temporary differences	(42,358)	49,117
Total tax expense	421,667	824,268

The Filta Group's effective tax rate for the year ended 31 December 2018 was 24.2% (2017: 51.3%). The effective rate is an amalgamation of mainly UK, US and Canadian rates for the periods reported. The change from prior year has been particularly affected by the 2017 non-recurring/non-cash tax charge related to the revaluation of U.S. deferred tax assets due to the U.S. rate reduction. For the prior year the effective tax rate excluding the tax charge on the U.S. rate reduction was 35.1%.

The Filta Group has tax losses of approximately £667,480 (2017: £667,480) to carry forward against future profits. The UK tax losses have no expiry date and a deferred tax asset of £128,460 (2017: £124,249) has been recognised in respect of them.

The U.S. subsidiary has no available tax losses.

11. DEFERRED TAX ASSETS / LIABILITIES

The movement in the Group's deferred tax asset during the year is as follows:

	2018	2017
	£	£
At start of year	652,131	755,965
Adjustment on initial application of IFRS 9	39,360	
Acquired with subsidiaries	5,468	
Addition for the year	25,226	210,735
Charge related to reduction in U.S. tax rate	-	(264,995)
Foreign exchange differences	32,543	(49,574)
At end of year	754,728	652,131

The deferred tax balances relate to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information as summarised below.

	2018	2017
	£	£
Tax losses	128,460	124,249
Deferred revenue	546,777	524,658
Other	79,491	3,224
At end of year	754,728	652,131

The movement in the Group's deferred tax liability during the year is as follows:

	2018	2017
	£	£
At start of year	95,185	-
Acquired with subsidiaries	-	29,215
Intangible assets acquired in business combination	1,203,206	71,113
Credit for the year	(7,073)	(5,143)
At end of year	1,291,318	95,185

12. Discontinued operations

In December 2017, the Group agreed terms to sell certain assets of its Filta Refrigeration business to Scotia Cooling Solutions Ltd ('Scotia'). The deal completed on 4 January 2018.

Consideration for the disposal is a combination of £0.1m cash and Scotia agreed to take on all employees and to novate and/or refinance certain Filta Refrigeration vehicles.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	2018	**2017**
	£	**£**
Revenues	13,915	1,937,101
Expenses	(17,918)	(1,868,489)
Profit before tax	(4,003)	68,612
Income tax expense	22,559	(35,754)
Net profit attributable to discontinued operations	18,556	32,858

Following the sale on 4 January 2018, there were no assets or liabilities of the operation classified as a disposal group held for sale and presented separately on the balance sheet during the period.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2018	**2017**
	£	**£**
Property, plant and equipment	-	25,114
Inventories	-	49,258
Total classified as held for sale	-	74,372
Total liabilities associated with assets held for sale (borrowings)	-	66,425
Net assets of disposal group	-	7,947

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the company by the weighted average number of shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to take account of all dilutive potential ordinary shares and adjusting the profit attributable, if applicable, to account for any tax consequences that might arise from conversion of those shares.

	2018	**2017**
Earnings attributable to equity holders of the company	1,338,727	816,317
Weighted average number of shares	27,204,089	26,971,892
Effect of dilutive share options and awards	224,199	288,081
Weighted average number of shares for dilutive earnings	27,428,288	27,259,973
Earnings per share from continuing operations		
Basic	4.86	2.90
Diluted	4.82	2.87
Earnings per share from continuing and discontinued operations		
Basic	4.93	3.03
Diluted	4.89	2.99

14. INVESTMENT IN SUBSIDIARIES

	2018 £	2017 £
Cost at the beginning of the year	2,293,426	2,176,216
Additions	6,657,998	117,210
Cost at end of year	8,951,424	2,293,426

The subsidiaries of Filta Group Holdings plc, all of which are included in the consolidated Annual Financial Statements, are as follows:

Company	Class	2018 ownership interest	2017 ownership interest	Nature of business
The Filta Group Limited	Ordinary	100%	100%	Environmental Services
The Filta Group Incorporated	Ordinary	100%	100%	Environmental Services
Filta Refrigeration Limited	Ordinary	100%	100%	Discontinued
FiltaFry Limited	Ordinary	100%	100%	Dormant
Bio Depot Limited	Ordinary	100%	100%	Dormant
Filta Seal Limited	Ordinary	100%	100%	Dormant
Filta Environmental Canada Limited	Ordinary	100%	100%	Environmental Services
Filta Europe B.V.	Ordinary	100%	-	Environmental Services
FiltaFry Deutschland GmbH	Ordinary	100%	-	Environmental Services
Watbio Holdings Limited	Ordinary	100%	-	Environmental Services
Watbio Limited	Ordinary	100%	-	Environmental Services
Watling Hope Installations Limited	Ordinary	100%	-	Environmental Services
Environmental Biotech Limited	Ordinary	100%	-	Environmental Services
M&M Asset Maintenance	Ordinary	100%	-	Environmental Services

The registered office of all subsidiaries is The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP, apart from the following:

Company	Registered Office address
The Filta Group Incorporated	7075 Kingspointe Parkway, Suite 1, Orlando, Florida 32819 United States

Filta Environmental Canada Limited	27th floor, P.O. Box 49123, 595 Burrard Street, Vancouver, British Columbia, V7X 1J2 Canada
Filta Europe B.V.	Debbeshoek 14B, 7071XK Ulft, Netherlands
FiltaFry Deutschland GmbH	Pliniusstraße 8, 48488 Emsbüren, Germany

15. BUSINESS COMBINATIONS

A key strategy of the Group is to create and sustain market leading positions through acquisitions in markets it currently operates in, together with extending the Group's footprint in new geographic markets. In line with this strategy, the acquisitions completed during the year were as follows:

FiltaFry Deutschland GmbH

On 30 January 2018, the Group acquired 100 per cent of the voting equity interests of FiltaFry Deutschland GmbH, the company which held the master franchise license for Germany. The acquisition aligns Germany with the same franchise business model as is used in North America and the UK as well as providing a platform for further expansion in Europe.

Details of the fair values of the identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value	Adjustment	Fair value
	£	£	£
Reacquired license rights (intangible asset)	114,591	126,356	240,947
Property, plant and equipment	7,289	-	7,289
Inventory	2,909	-	2,909
Trade and other receivables	10,880	-	10,880
Cash	3,265	-	3,265
Trade and other payables	(16,656)	-	(16,656)
Loans and borrowings	(48,201)		(48,201)
Deferred tax liability	-	(72,284)	(72,284)
Total fair value	**74,077**	**54,072**	**128,149**

Consideration consists of:	£
Cash	153,367
Shares	21,910
Contingent	43,818
Total Consideration	219,095
Goodwill	**90,946**

The fair values include recognition of an intangible asset related to the reacquired rights to the international master licence agreement in Germany that will be amortised on a straight line basis over a 6.75-year period.

Regarding the acquired Trade and other receivables in the transaction of £10,880, the amount estimated to be potentially uncollectible at the acquisition date was £Nil. At 31 December 2018, £10,880 of this balance had been collected.

Deferred tax has been calculated on the value of the intangible assets acquired at a corporation tax rate of 30% and a corresponding amount recognised as goodwill. The amount recognised as goodwill will not be deductible for tax purposes.

Acquisition costs relating to this transaction totalled £49,080 and are disclosed within the statement of comprehensive income.

Since the acquisition date, FiltaFry Deutschland GmbH has contributed £235,981 to Group revenues and a loss of £4,112 to Group income. If the acquisition had occurred on 1 January 2018, Group revenue would have increased by £257,435 and Group income for the period would have decreased by £4,486.

The net cash sum expended on the acquisition is as follows:

	2018
	£
Cash paid as consideration on acquisition	153,367
Less cash acquired on acquisition	(3,265)
Net cash movement	**150,102**

Watbio Holdings Limited

On 21 December 2018, the Group acquired 100 per cent of the voting equity interests of Watbio Holdings Limited, a provider of grease and drain management solutions to commercial kitchens across the UK. The acquisition supports the Group's strategy of growing its share of the fats, oils and grease market following on the acquisition of Grease Management Limited in 2017.

Details of the provisional fair values of the identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value	Adjustment	Fair value
	£	£	£
Customer contracts (intangible asset)	-	2,217,194	2,217,194
Customer relationships (intangible asset)	-	3,617,527	3,617,527
Supply contract (intangible asset)	-	724,481	724,481
Property, plant and equipment	86,686	-	86,686
Inventory	437,367	-	437,367
Trade and other receivables	2,255,031	-	2,255,031
Cash	261,744	-	261,744
Trade and other payables	(2,114,579)	-	(2,114,579)
	(907,518)		(907,518)
Loans and borrowings			
Deferred tax liability	-	(1,140,871)	(1,140,871)
Total provisional fair value	**18,731**	**5,418,331**	**5,437,062**

Consideration consists of:	**£**
Cash	3,850,000
Shares	550,000
Contingent	1,954,611
Total Consideration	6,354,611
Goodwill	**917,549**

The provisional fair values include recognition of intangible assets related to customer contracts and customer relationships that will be amortised over a 10-year period, and a supply contract, amortised over a 15-year period, all on a straight-line basis. The fair values are provisional as the year end has fallen within the measurement period. Any new information about facts or circumstances that existed at the acquisition date will be retrospectively adjusted.

Regarding the acquired trade receivables in the transaction of £1,738,685 the amount estimated to be potentially uncollectible at the acquisition date was £118,336. At 31 December 2018, £Nil of this balance has been collected.

Deferred tax has been calculated on the value of the intangible assets acquired at a corporation tax rate of 17.4%, which is the effective tax rate over the amortisation period, and a corresponding amount recognised as goodwill. The amount recognised as goodwill will not be deductible for tax purposes.

Acquisition costs relating to this transaction totalled £100,179 and are disclosed within the statement of comprehensive income.

Since the acquisition date, Watbio Holdings Limited has contributed £192,641 to Group revenues and a profit of £16,846 to Group income. If the acquisition had occurred on 1 January 2018, Group revenue would have increased by £9,800,000 and Group income for the period would have increased by £600,000.

The net cash sum expended on the acquisition is as follows:

	2018 £
Cash paid as consideration on acquisition	3,850,000
Less cash acquired on acquisition	(261,744)
Net cash movement	**3,588,256**

16. DIVIDENDS

	2018 £	2017 £
Distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2017 of 0.65p per share	176,434	-
Interim dividend for the year ended 31 December 2018 of 0.72p per share	195,434	-
First interim dividend, in lieu of 2016, for the year ended 31 December 2017 of 0.19p per share	-	51,210
Second interim dividend for the year ended 31 December 2017 of 0.65p per share	-	175,192
	371,868	226,402
Proposed final dividend for the year ended 31 December 2018 of 0.92p per share	267,286	-

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

17. INTANGIBLE ASSETS

	Computer Software £	Goodwill £	Customer Relationships £	Customer Contracts £	Supply Contract £	Total £
Cost						
Balance at 1 January 2018	412,117	631,380	346,210	28,071	-	1,417,778
Additions	104,913	-	-	-	-	104,913
Business combinations	-	1,008,495	3,617,527	2,458,142	724,481	7,808,645
Foreign exchange	25,752	(352)	-	3,276	-	28,676
Balance at 31 December 2018	542,782	1,639,523	3,963,737	2,489,489	724,481	9,360,012
Amortisation and impairment						
Balance at 1 January 2018	274,506	-	25,110	1,961	-	301,577
Amortisation	104,451	-	69,243	38,780	-	212,474
Foreign exchange	20,006	-	-	-		20,006
Balance at 31 December 2018	398,963	-	94,353	40,741	-	534,057
Net book value at 31 December 2018	143,819	1,639,523	3,869,384	2,448,748	724,481	8,825,955

	Computer Software £	Goodwill £	Customer Relationships £	Customer Contracts £	Supply Contract £	Total £
Cost						
Balance at 1 January 2017	391,350	-	-	-	-	391,350
Additions	55,480	-	-	-	-	55,480
Business combinations		631,380	346,210	28,071	-	1,005,661
Foreign exchange	(34,713)	-	-	-	-	(34,713)
Balance at 31 December 2017	412,117	631,380	346,210	28,071	-	1,417,778
Amortisation and impairment						
Balance at 1 January 2017	224,726	-	-	-	-	224,726
Amortisation	72,930	-	25,110	1,961	-	100,001
Foreign exchange	(23,150)	-	-	-		(23,150)
Balance at 31 December 2017	274,506	-	25,110	1,961	-	301,577
Net book value at 31 December 2017	137,611	631,380	321,100	26,110	-	1,116,201

Intangible assets are valued separately for each acquisition and the primary method of valuation used is the discounted cash flow method. The majority of acquired intangibles are amortised using an amortisation profile based on the projected cash flows underlying the acquisition date valuation of the intangible asset. The Group keeps the expected pattern of consumption under review.

Impairment tests for goodwill and intangibles
The Group is obliged to test goodwill and other intangibles with finite lives for impairment, at least annually, or at any time if there are indications that these assets might be impaired.

In order to perform this test, management is required to compare the carrying value of the relevant cash generating unit ('CGU') including the goodwill with its recoverable amount. The CGU's to which the goodwill has been attributed and its carrying value are summarised below.

	2018 £	**2017 £**
Franchise development	90,946	-
FiltaGMG	1,548,577	631,380
Total	1,639,523	631,380

The recoverable amount of a CGU is primarily determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on annual financial budgets which are approved by the Board. Income and costs within the budget are derived on a detailed, 'bottom up' basis – all income streams and cost lines are considered and appropriate growth, or decline, rates are assumed for each, all of which are then reviewed, challenged and stress tested, firstly by senior management and ultimately by the Board. Income and cost growth forecasts are risk adjusted to reflect specific risks facing each CGU and take into account the markets in which they operate. Cash flows beyond the budgeted period are extrapolated using the estimated growth rate stated below in to perpetuity. The growth rate does not exceed the long-term average growth rate for the markets in which the CGU's operate. Further, other than as included in the financial budgets, it is assumed that there are no material adverse changes in legislation that would affect the forecast cash flows.

The pre-tax discount rate used within the recoverable amount calculations was 9.38% (2017: 9.70%) and is based upon the weighted average cost of capital reflecting specific principal risks and uncertainties. The discount rate takes into account, amongst other things, the risk free rate of return, the market risk premium and beta factor reflecting the average Beta for the Group.

The same discount rate has been used for each CGU as the principal risks and uncertainties associated with the Group, as highlighted above, would also impact each CGU in a similar manner. The Board acknowledge that there are additional factors that could impact the risk profile of each CGU. These additional factors were considered by way of sensitivity analysis performed as part of the annual impairment tests. The level of impairment recognised is predominantly dependent upon judgments used in arriving at future growth rates and the discount rate applied to cash flow projections. Key drivers to future growth rates are dependent on the Group's ability to maintain and grow income streams whilst effectively managing operating costs. The level of headroom may change if different growth rate assumptions or a different pre-tax discount rate were used in the cash flow projections. Where the value-in-use calculations suggest an impairment, the Board would consider alternative use values prior to realising any impairment, being the fair value less costs to dispose.

A sensitivity analysis has been performed and the Board have concluded that no reasonably foreseeable change in the key assumptions would result in an impairment of the goodwill. In particular, a 1% increase in the discount rate or a 1% decrease in the terminal value growth rate would not result in material impairment.

18. PROPERTY, PLANT AND EQUIPMENT

Details of the Group's property, plant and equipment and their carrying amounts are as follows:

	Freehold Property	Fixture and Fittings & Equipment	Plant and Machinery	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2018	1,519,590	111,450	198,056	246,549	2,075,645
Additions	11,675	37,300	36,103	231,007	316,085
Business combinations	2,511	28,477	63,196	-	94,184
Foreign exchange	84,676	2,759	2,368	391	90,194
At 31 December 2018	1,618,452	179,986	299,723	477,947	2,576,108
Depreciation					
At 1 January 2018	623,664	97,208	104,958	33,427	859,257
Depreciation charge	49,303	15,206	33,810	88,262	186,581
Foreign exchange	31,993	2,656	2,103	338	37,090
At 31 December 2018	704,960	115,070	140,871	122,027	1,082,928
Net Book Values					
At 31 December 2018	913,492	64,916	158,852	355,920	1,493,180
Cost					
At 1 January 2017	1,640,785	93,095	183,632	214,643	2,132,155
Additions	4,496	16,394	13,285	78,766	112,941
Business combination	2,815	5,349	5,567	121,709	135,440
Reclass to assets held for sale	-	-	-	(84,825)	(84,825)
Disposals	-	-	(820)	(83,150)	(83,970)
Foreign exchange	(128,506)	(3,388)	(3,608)	(594)	(136,096)
At 31 December 2017	1,519,590	111,450	198,056	246,549	2,075,645
Depreciation					
At 1 January 2017	641,013	88,529	99,166	112,795	941,504
Depreciation charge	39,202	12,096	9,175	49,437	109,911
Reclass to assets held for sale	-	-	-	(59,711)	(59,711)
Disposals	-	-	(367)	(68,759)	(69,127)

Foreign exchange	(56,551)	(3,417)	(3,016)	(335)	(63,320)
At 31 December 2017	623,664	97,208	104,958	33,427	859,257
Net Book Values					
At 31 December 2017	895,926	14,242	93,098	213,122	1,216,388

Certain of the property, plant and equipment listed above are held as security against bank facilities referred to in note 24.

The net book value of vehicles held under finance lease was £0.2m.

19. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

Total	**2018**	**2017**
	£	**£**
Trade receivables, gross	4,238,420	2,084,362
Impairment allowance	(184,022)	(56,255)
Trade receivables, net	4,054,398	2,028,107
Prepayments and other receivables	572,491	200,809
Franchise payment plans	519,170	384,439
	5,146,059	2,613,355

Current

	2018	**2017**
	£	**£**
Trade receivables	4,054,398	1,984,569
Prepayments and other receivables	572,491	200,809
Franchise payment plans	194,305	125,814
	4,821,194	2,311,192

Non-current	**2018**	**2017**
	£	**£**
Trade receivables	-	43,538
Franchise payment plans	324,865	258,625
	324,865	302,163

Trade and other receivables include amounts that the Filta Group has agreed may be settled over extended repayment terms. The amount due from related parties in the parent company of £2.0m consist of £1.5m of loans to subsidiaries to fund debt repayment and acquisitions and is repayable after more than twelve months while the balance of £0.5m is comprised of £0.1m of management service charges and £0.4m of funding of normal working capital requirements. The loans to subsidiaries bear interest at commercial rates. All amounts are eliminated on the Group Consolidated Statement of Financial Position.

The Group applies a simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision. The expected credit loss on trade receivables is estimated using a provision matrix by reference to past default experience and credit rating, adjusted as appropriate for current observable data. The following table details the risk profile of trade receivables based on the Group's provision matrix.

31 December 2018	Not past due	< 30	31 - 60	60 - 90	> 90	Total
	Trade receivables - days past due					
Gross carrying amount	1,563,235	1,937,492	229,229	362,412	146,052	4,238,420
Weighted average expected credit loss rate	1.0%	1.7%	8.8%	10.7%	52.2%	4.3%
Loss allowance	15,882	33,049	20,090	38,691	76,310	184,022

Movement in the allowance for doubtful debt:

	2018 £	**2017** £
At beginning of year	56,255	10,302
Adjustment on initial application of IFRS 9 (note 4)	157,834	-
Acquired with subsidiaries	118,336	-
Impairment loss recognised	7,620	53,224
Utilised	(156,023)	(7,271)
At end of year	184,022	56,255

20. CONTRACT ACQUISITION COSTS

The Group capitalises incremental costs to obtain contracts with customers where it is expected these costs will be recoverable. Incremental costs to obtain contracts with customers are considered those which would not have been incurred if the contract had not been obtained. For the Group, these costs relate primarily to third party broker fees. The Group has elected to use the practical expedient as allowable by IFRS 15 whereby such costs will be expensed as incurred where the expected amortisation period is one year or less. Where the amortisation period is greater than one year, these costs are amortised over the contract term on a systematic basis consistent with the transfer of the underlying goods and services within the contract to which these costs relate, which will generally be on a ratable basis. Impairment of capitalised contract costs was £nil in 2018.

The amount of capitalised contract cost expected to be recovered after more than one year is £0.3m (2017: £0.2m).

21. INVENTORIES

	2018 £	**2017** £
Finished goods	1,386,383	486,974
Inventory included in assets held for sale	-	(49,258)
Total	1,386,383	437,716

Inventories primarily consists of filtration machines and filters and are stated at the lower of cost (on a first-in, first-out basis) and net realisable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realisable value.

22. CASH AND CASH EQUIVALENTS

Group	**2018** £	**2017** £

Cash at bank and in hand	6,789,968	4,031,174

Company

Cash at bank and in hand	3,616,685	1,162,035

23. TRADE AND OTHER PAYABLES

Group	2018 £	2017 £
Trade payables	2,877,737	846,564
Taxes and social security	413,782	804,922
Accruals and other payables	3,218,783	491,420
	6,510,302	2,142,906

Company

Trade payables	37,674	44,908
Taxes and social security	-	-
Accruals and other payables	2,227,454	
	2,265,128	44,908

Analysis of trade and other payables

These are classified as short term and are expected to be settled within 12 months from the reporting date.

The Company Accruals and other payables balance of £1.7m represents the balance due on completion of the Watbio Holdings acquisition.

24. LOANS AND OTHER BORROWINGS

Group	2018 £	2017 £
Total		
Bank loans, net of £209,263 of debt issuance costs	4,531,925	928,236
Hire purchase and finance leases	168,448	111,315
Related party loans	49,579	-
	4,749,952	1,039,551

	2018 £	2017 £
Current		
Bank loans, net of £41,852 of debt issuance costs	791,467	64,102
Hire purchase and finance leases	49,174	43,684
	840,641	107,786

	2018 £	2017 £
Non-current		
Bank loans, net of £167,410 of debt issuance costs	3,740,458	864,134
Hire purchase and finance leases	119,274	67,631
Related party loans	49,579	-
	3,909,311	931,765

Company	2018 £	2017 £
Total		
Bank loans, net of £209,263 of debt issuance costs	3,790,737	-

	3,790,737	-

Current		
Bank loans, net of £41,852 of debt issuance costs	758,147	-
	758,147	-

Non-current		
Bank loans, net of £167,410 of debt issuance costs	3,032,590	-
	3,032,590	-

The bank loans are comprised of a £4,000,000 term loan (£3,790,737 net of debt issuance costs), which carries a variable interest rate of Libor plus 3% and is repayable in equal instalments of £200,000 per quarter; and a $940,523 US Dollar denominated mortgage loan (£741,188), which carries an interest rate of 4.6% and matures in 2024.

25. DEFERRED INCOME

Deferred income relates to certain performance obligations of franchise sales that are deferred over the life of the franchise agreement. The deferral period is 10 years in North America and 5 years in the UK and mainland Europe.

Movements in Deferred income are as follows:

	1 Jan 2018	Acquisition	Utilisation	Foreign Exchange	31 Dec 2018
	£	£	£	£	£
Deferred income	2,937,327	1,364,388	(815,992)	174,196	3,659,919
Current					868,788
Non-current					2,791,131
Total					3,659,919

26. OPERATING LEASE COMMITMENTS

The amounts of future minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
	£	£
Minimum lease payments due:		
Within 1 year	274,467	10,687
1 to 5 years	296,145	2,360
Total	570,612	13,047

The increase over prior year is due primarily to leases acquired in the Watbio Holdings acquisition.

27. RECONCILIATION OF MOVEMENTS IN NET DEBT

	1 January 2018	Cash flows	Acquisition	Non-cash changes		31 December 2018
				Foreign exchange movements	Fair value changes	
	£	£	£	£	£	£

Long term borrowings	928,236	(204,791)	3,840,316	17,744		4,581,505
Short term borrowings	-	-	-	-	-	-
Lease liabilities	111,315	57,133	-			168,448
Total	**1,039,551**	**(147,658)**	**3,840,316**	**17,744**	**-**	**4,749,953**

	1 January 2017	Cash flows	Acquisition	Non-cash changes		31 December 2017
				Foreign exchange movements	Fair value changes	
	£	£	£	£	£	£
Long term borrowings	1,037,022	(36,585)		(72,200)		928,236
Short term borrowings	-	-	-	-	-	-
Lease liabilities	84,296	(10,473)	37,492			111,315
Total	**1,121,318**	**(47,058)**	**37,492**	**(72,200)**	**-**	**1,039,551**

28. SHARE CAPITAL

The share capital of Filta Group Holdings plc consists of fully paid ordinary shares with a nominal value of 10 pence. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote.

	2018		2017	
	Number	**£**	**Number**	**£**
Allotted and fully paid				
Total shares in issue at 1 January	27,132,660	2,713,266	26,952,660	2,695,266
Issue of ordinary shares	1,785,970	178,597	180,000	18,000
Share buyback	-	-	-	-
Issued under share option scheme	-	-	-	-
Total shares in issue at 31 December	28,918,630	2,891,863	27,132,660	2,713,266

The Company completed a reduction of capital, whereby the entire amount standing to the credit of the Company's share premium account was cancelled to create distributable reserves (the "**Reduction of Capital**"). The Reduction of Capital was formally approved by the High Court of Justice, Chancery Division, and the High Court order was filed with the Registrar of Companies on 18 January 2017. The purpose of the Reduction in Capital was to create distributable reserves to support the Board's dividend policy.
On 22 November 2017, pursuant to a share option agreement with Cenkos Securities plc ("Option Holder"), 180,000 shares of 10 pence each were exercised, and issued, to the Option Holder at a price of 83 pence each, giving rise to a share premium of £131,400.

On 31 January 2018, pursuant to a share purchase agreement between the Company and FiltaFry Deutschland GmbH, 10,970 shares of 10 pence each were issued to Chesskin Beheer B.V. at a price of 200 pence each, giving rise to a share premium of £20,843.

On 19 December 2018, the Company announced that it had raised gross proceeds of £3m from the issue of 1,500,000 Placing Shares at a placing price of 200 pence each, giving rise to a share premium of £2.85m.

On 24 December 2018, pursuant to a share purchase agreement between the Company and Watbio Holdings Limited, 275,000 shares of 10 pence each were issued to the sellers at a price of 200 pence, giving rise to a share premium of £522,500, to partially satisfy share consideration due as part of the total consideration paid for the business.

29. OTHER RESERVES

Group	2018 £	2017 £
Merger reserve	(339,687)	(339,687)
Purchase consideration reserve	250,000	-
Share based payment reserve	79,634	43,786
	(10,053)	(295,901)

Company	2018 £	2017 £
Purchase consideration reserve	250,000	-
Share based payment reserve	79,634	43,786
	329,634	43,786

Merger reserve
The directors consider the substance of the acquisition of the Subsidiaries by Filta Group Holdings plc is that of a combination of entities under common control and therefore it fell outside the scope of IFRS 3 (revised 2008).

Purchase consideration reserve
On 21 December 2018, the Company completed the acquisition of 100% of share capital of Watbio Holdings Limited. At 31 December 2018, consideration shares of £250,000 were due to the sellers and are expected to be issued and allotted in the first quarter of 2019.

Share based payment reserve
The Company established the Filta Group Holdings Enterprise Management Incentive Scheme in 2017 to award U.K. employees with equity settled share options. The options were granted on 5 May 2017 and vest equally over a three-year period beginning on 5 May 2019. The total charge recognised for share-based payments in respect of employee services received for the year ended 31 December 2018 was £79,634 (2017: £43,785).

30. FINANCIAL INSTRUMENTS

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

Management reviews its monthly reports through which it assesses the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Market risk management
Management do not consider the company exposed to interest rate or inflation risks significant enough to have a material effect on the profitability of the company.

Foreign currency sensitivity
The Filta Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pounds Sterling. The currency giving rise to this risk is primarily the US Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

A majority of the Filta Group's financial assets and liabilities are held in Dollars and movements in the exchange rate against Sterling has an impact on both the results for the year and equity. The Filta Group maintains a natural hedge whenever possible, by matching the cash inflows (revenue streams) and cash outflows in foreign currencies.

The following table demonstrates the sensitivity to a reasonably possible change in sterling against the US Dollar and Canadian Dollar with all other variables held constant.

	Change in rate	Effect on profit before tax £	Effect on equity £
USD	+10%	(176,751)	120,672
USD	-10%	216,029	(147,488)
CAD	+10%	(4,514)	17,100
CAD	-10%	5,517	(20,900)

Interest rate sensitivity
The interest rate sensitivity has been determined based on the exposure at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the full year. All financial liabilities, other than financing liabilities, are interest free.

The following table analyses interest bearing loans and borrowings by fixed and floating mix.

	2018 £	**2017 £**
Floating GBP LIBOR	3,790,737	-
Floating Base	-	201,375
Fixed	959,215	838,176
Total	4,749,952	1,039,551

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from its borrowings, chiefly its floating GBP LIBOR term debt. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

An increase or decrease of 100 basis points in each of the applicable rates would impact reported after-tax profit by £0.04m (2017: £0.002m) and equity by £0.04m (2017: £0.002m).

Credit risk management:
The Filta Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Filta Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Filta Group minimises credit risk by dealing exclusively with high credit rating counterparties.

As the Filta Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of each reporting period.

Liquidity risk management:
The Filta Group currently holds cash balances to provide funding for normal trading activity. The Filta Group also has access to both short-term and long-term borrowings to finance capital expenditure requirements. Trade and other payables are monitored as part of normal management routine.

Categories of financial instruments:

The table below sets out the Group's classification of each of its financial assets and liabilities at 31 December 2018 All amounts are stated at their carrying value.

	2018	2017
	£	**£**
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	6,789,968	4,031,174
Trade and other receivables (excluding prepayments)	4,585,002	2,451,072
Deposits	2,491	2,343
	11,377,461	6,484,589
Financial Liabilities		
Trade and other payables (excluding taxes)	6,096,520	1,337,984
Borrowings	4,749,952	1,105,976
	10,846,472	2,443,960

The table below summarises the maturity profile (representing undiscounted contractual cash flows) of the Group's financial liabilities:

At 31 December 2018	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	£	£	£	£	£
Trade and other payables	6,026,750	17,308	52,462	-	6,096,520
Expected future interest payments	49,362	140,825	401,551	-	591,738
Borrowings	13,749	826,892	3,909,311	-	4,749,952
Total	6,089,861	985,025	4,363,324	-	11,438,210

At 31 December 2017	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	£	£	£	£	£
Trade and other payables	1,290,679	16,038	31,267	-	1,337,984
Expected future interest payments	8,762	43,229	162,694	42,356	257,041
Borrowings	21,828	109,140	809,815	165,193	1,105,976
Total	1,321,269	168,407	1,003,776	207,549	2,701,001

31. RETIREMENT BENEFIT SCHEMES

Defined contribution scheme

Since October 2016 the Group has operated a defined contribution retirement benefit scheme for all eligible employees in its U.K. subsidiary. The assets of the scheme are held separately from those of the group in funds under the control of the trustee. The subsidiary was required to contribute 1% of payroll costs, increased to 2% in April 2018, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £15,635 (2017: £9,062) represents contributions payable to the scheme by the Group at specified rates. Any contributions unpaid at the balance sheet date are included as an accrual at that date. The Group has no further payment obligations once the contributions have been paid.

32. SHARE OPTION SCHEME

The Company maintains an EMI Share Option Scheme to incentivise executives and employees of Filta Group Holdings and its subsidiaries. For U.K. employees, Options have been awarded over a total of 442,500 ordinary shares, equivalent to 1.5% of the Company's current issued share capital. The options vest, subject to the satisfaction of certain conditions, over a period of 4 years from the date of grant. All options issued will meet the vesting conditions between 2019 and 2021 and are exercisable at any time after vesting and within 10 years from the grant date.

Additionally, all qualifying U.S. employees have been awarded share acquisition rights (SARs). The SARs are conditional bonuses whose value will be calculated by reference to the amount by which the price of the Company's ordinary shares has risen above the base price at the date of exercise, thus providing holders of SARs the same reward value as if the SARs were share options. The qualifying conditions and timing of vesting are identical to those within the share option scheme for UK employees. All SARs are settled in cash when exercised. A total of 360,000 SARs has been awarded.

In the ordinary course of business, an option will normally only be exercisable to the extent it has fully vested, and any applicable non-market performance conditions have been satisfied or waived. Options shall lapse to the extent unexercised on the tenth anniversary of the date of grant or such earlier date as specified by the Board at the date of grant.

As at 31 December 2018, a total of 540,000 (2017: 562,500) were outstanding, having a range of exercise prices from 0.97p to 1.74p (2017: 0.97p to 1.74p) and a weighted average exercise price of 1.01p (2017:1.03p). These outstanding awards have a weighted average contractual life of 8.33 years (2017: 9.13 years).

Movement in the number of share options outstanding during the year, including grant dates and grant price were as follows:

	Share options	**Share acquisition rights**	**Total**
Outstanding at 1 January 2018	**232,500**	**330,000**	**562,500**
Total granted during the year	**-**	**-**	**-**
Forfeited during the year (0.97p)	(7,500)	-	(7,500)
Forfeited during the year (1.74p)	(15,000)	-	(15,000)
Total forfeited during the year	**(22,500)**	**-**	**(22,500)**
Outstanding at 31 December 2018 (0.97p)	180,000	330,000	510,000
Outstanding at 31 December 2018 (1.74p)	30,000		30,000
Total Outstanding 31 December 2018	**210,000**	**330,000**	**540,000**
Exercisable at 31 December 2018	**-**	**-**	**-**

During the year the Company recognised total expense of £302,506 (2017: £87,082) related to the fair value of the share-based payment arrangements. This included £35,849 (2014: £43,785) related to equity-settled share options and £266,657 (2017: £43,297) from cash-settled SARs. The SARs liability at 31 December 2018 was £309,954 (2017: £43,297).

These amounts were determined using the Black Scholes model, with the following assumptions for each type of award granted:

Stock Options	
Weighted average share price	108.0p
Exercise price	97.0p
Risk free rate	0.59%
Dividend yield	0.9%
Volatility	54.99%

Share Appreciation Rights	
Weighted average share price	156.9p
Exercise price	97.0p
Risk free rate	1.83%
Dividend yield	0.0%

Volatility	53.41%

33. RELATED PARTY TRANSACTIONS

Remuneration of Directors and other transactions
The remuneration, interests and related party transactions with the directors of Filta Group Holdings plc and its subsidiaries (the "Directors") who are considered to be the key management personnel of the entity, are disclosed in Note 8.

Franchise rights
In 2012, The Filta Group, Inc. granted franchise rights for a prescribed territory to Roxanna Holdings Inc. Roxanna Holdings Inc., a company owned by Jason Sayers and Victor Clewes, directors of The Filta Group, Inc.

The rights were then assigned to EKS North Atlantic LLC, which is 50% owned by Roxanna Holdings and 50% by an unrelated 3rd party. During 2018, the related franchise operator purchased £Nil of equipment and supplies from the company (2017: £Nil).

On 16 January 2017 the franchise rights were sold by the related party entity to a non-related third party.

Notes payable to related party
On 31 January 2018, Filtafry Deutschland GmbH entered into notes totaling £48,201, bearing interest at 2.5%, with related parties. The notes mature on 31 January 2023 and include the right to repay early without penalty. These amounts are classified within borrowings.

Interest accrued on the notes amounted to £1,378 at 31 December 2018.

34. EVENTS AFTER THE REPORTING DATE

There have been no material events subsequent to 31 December 2018, up to the reporting date, which would require adjustment to or disclosure in this report.