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

Full year audited results for the financial year ended 31 December 2019

Financial Highlights

- Revenue up 75% to £24.9m (2018: £14.2m) reflecting £8.6m Watbio contribution:

  - Fryer Management revenue up 25% to £11.7m (2018: £9.3m)
  - FiltaSeal revenue up 18% to £1.9m (2018: £1.6m)
  - Organic revenue growth of 16% (2018: 17%)
  - Franchise Development revenue £1.5m (2018: £1.5m)

- Gross profit up 44% to £10.2m (2018: £7.1m).

- Adjusted EBITDA* up 20% to £3.2m (2018: £2.6m).

- Profit before tax, excluding non-cash charges (amortization, depreciation and share based payments) of £2.6m (2018: 2.4m), a 7% increase.

- Net borrowings of £2.1m (2018: Net cash of £2.1m) inclusive of £1.2m of lease liabilities under newly adopted IFRS 16.

- The Board is not recommending the payment of a final dividend in light of the uncertainty surrounding COVID-19.

*Adjusted for non-recurring items being acquisition related costs, share based payments.

Jason Sayers, CEO, commented:

"The acquisition of Watbio in December 2018 established the Group as the leading independent provider of grease management services in the UK and provided us with a platform for further growth in FOG (Fat, Oil and Grease) services and related activities. Despite the challenges that we encountered in integrating the Watbio business, it contributed 34% of the Group's revenue in 2019.

"We also saw some good performances from our other Company-owned businesses in the UK, where revenue grew by 18% and in North America, where revenue was up by 23%.

"We had been experiencing good trading in the period leading up to the lockdowns, which occurred in most of our operating territories during March. Revenues had exceeded management expectations and, with the rationalisation and improved productivity, operating margins were in line with our forecasts which were significantly improved over 2019.

"During the lockdown period, in response to requests from franchisees and customers, we have commenced a new service, FiltaShield, which is a sanitising service that will protect against COVID-19 for up to 30 days. We launched this service in April and are offering it, in the UK, as a direct service to our existing customers as well as to any other businesses or organisations which have to ensure safety for their staff and customers. In North America it is being provided through our franchise network. We would potentially look to do the same in Europe.

"Our long-term focus remains on growing the business both organically and through acquisitions of high margin, repeat revenue businesses in the grease management market."

27th May 2020

Enquiries:

Filta Group Holdings plc Tel: +1 407 996 5550
Jason Sayers, Chief Executive Officer
Brian Hogan, Chief Financial Officer

Cenkos Securities plc (NOMAD and Broker) Tel: +44 20 7397 8900
Stephen Keys, Harry Hargreaves

Yellow Jersey PR Tel: +44 7747 788 221
Charles Goodwin
Joe Burgess
Henry Wilkinson

CHAIRMAN'S STATEMENT

Introduction

The last year has been a transitional period for the Group as we integrated the Watbio business with our existing activities in the UK, developed our footprint in Continental Europe and continued the growth of our franchised operations in North America.

There were some challenges in bringing two very different cultures together in the UK with the result that it took a great deal longer than we had anticipated at the outset to implement the structural changes necessary to manage and control a much larger business and to realise the associated operating efficiencies.

Prior to the introduction of the social distancing lockdown we had completed the restructuring and implemented a number of profit-improvement actions resulting in better operating margins and are confident that when normal trading conditions return, we will enjoy a significantly improved trading performance than we experienced through much of last year.

Results

Revenue was up by 75% at £24.9m (2018: £14.2m), reflecting a contribution of £8.6m from Watbio, whilst there was a 91% increase in operating costs to £23.7m (2018: £12.4m). In consequence, operating profit and profit before tax declined to £1.2m (2018: £1.8m) and £0.9m (2018: £1.7m) respectively. However, excluding non-cash charges (amortization, depreciation and share based payments), profit before tax was to £2.6m (2018: £2.4m) a 7% increase over the prior year.

Adjusted EBITDA, which we regard as the best financial measure of underlying performance as it is struck before one-off and non-cash charges, including acquisition-related costs, depreciation, amortisation and share-based payments, was £3.2m (2018: £2.6m). This represents a 20% increase over the prior year and, whilst the margin was down at 13% of Revenue, we anticipate an increase back to prior year margins following a return to normal operating conditions and allowing for the full year effects of the restructuring and profit improvement actions.

We finished the year with net borrowings of £2.1m (2018: Net cash £2.1m), of which £1.2m was lease liabilities associated with the adoption of IFRS 16, and with a gross cash balance of £2.9m (2018: £6.8m). The reduction in cash resources was largely as a result of the payment of £1.8m of deferred consideration and costs for the acquisition of Watbio, the payment of £0.6m related to the closing of a Watbio financing arrangement and principal and interest payments on the term facility put in place for the acquisition of £0.9m. The Group also had £0.3m availability under its overdraft facility.

Strategy

The Group has created a business platform comprising a mix of franchised and Company-owned operations offering services to the commercial kitchen sector. Fryer Management, which is a maintenance service delivering repeat revenues, has been the core of our franchised activities for several years and in the UK in recent years we have developed a number of Company-owned activities, including refrigeration seal replacement; fat, oil and grease control and collection; drain maintenance; and pump installation and maintenance, all of which have a strong repeat service pattern.

The main UK activities, FiltaSeal, FiltaFOG, FiltaPump and FiltaDrain, whilst not currently suitable to operate within a franchise model, are nonetheless complementary to FiltaFry, the Fryer Management business, all being services required by commercial kitchens. We believe that both our franchised and our Company-owned activities offer strong growth opportunities in a fragmented market in which there are few national providers offering this breadth of services. We continue to seek other complementary activities to add to our portfolio of services, either as Company-owned operations or, if appropriate, to be provided through a franchise structure.

In North America and Europe, we expect franchising to remain our core operating model, but as with our Company-owned activities, we constantly strive to help our franchisees to grow their businesses and this may include other services to offer alongside our Fryer Management service.

We believe that we are well-positioned to take advantage of an increasingly regulated market and an environment in which there are growing pressures on commercial kitchens to seek more cost-effective solutions for their operations. However, we are also aware of the possibility of factors beyond our control that may slow our progress, including, at this time, disruption caused by the coronavirus pandemic.

Coronavirus pandemic

We are currently operating in a business environment with a huge amount of uncertainty resulting from COVID-19 and the subsequent government actions to overcome it. A significant part of the Group's activities are focussed on the entertainment and leisure industries and our business has been affected by these events. However, the Board and the executive team are working to ensure that the business takes appropriate action to protect its people and to maintain operational and financial stability in these unprecedented times.

We have taken steps to protect our cash through salary reductions, deferral of non-essential spend and by utilising government furlough, grant and loan schemes in each of the territories in which we operate. We have a diverse range of new and established service offerings, some of which have still been required during this time, resourceful management, a dedicated workforce, a healthy cash balance in excess of £3.7m and £0.4m of unutilised borrowing facilities. The Boards confident, therefore, that with continued careful cash management the Group will adapt to and overcome the current circumstances to deliver long-term shareholder value.

We have recently launched a new service, FiltaShield, a bacterial cleansing service that can eliminate any traces of COVID-19 bacteria and provide protection for 30 days. The service was launched in mid-April and we have received initial interest from a wide range of businesses. Whilst early in the service lifecycle, we believe that this addition not only has a place in our service portfolio today but will continue to be required whilst there is any threat from COVID-19.

Dividends

Notwithstanding that the cash earnings in 2019 would support the payment of a final dividend, the Board believes, having regard to the disruption to our businesses that may result from the continued imposition of governments' restrictions to combat the coronavirus pandemic, that it would be prudent for the Company to conserve its cash resources until there is more clarity on the impact of such restrictions. Accordingly, the Board is not recommending the payment of a final dividend in respect of the year ended 31 December 2019.

Current trading and outlook

The Group enjoyed a strong start to the year, prior to the lockdown, in all of our operating territories and across all of our principal trading activities. We have already added 6 new franchises, 4 in North America and 2 in Continental Europe; the MFU count, which drives the income from Fryer Management and sales of waste oil, is up by 10 since 1st January; and the revenues from the UK Company-owned activities had been in line with expectations, with operating profit margins showing improvement over 2019 levels.

With the strong pipeline of potential franchisees prior to the lockdown and based on the continuous and positive discussions that we have had with franchisees and key customers during the last 2 months, your Board is confident that when social distancing restrictions are lifted and more normal trading conditions are resumed, revenues and margins will return to the levels being experienced in the first quarter of the year. Albeit that there has to be some uncertainty as to how long, and to what extent the restrictions may persist, we believe that, by the actions we have taken, we will be able to manage the Group through that period and to be in a strong position thereafter.

Management, staff, and Franchise Owners

The organisational culture remains a focus of our governance principles. We feel an honest, open, and collaborative culture is important to the Group's future success and the Board, and senior management are aware of their influence in fostering the proper culture. The welfare and skills development of our staff are also a priority. For example, we have recently introduced a development program to cross-skill and upskill our technicians allowing us access to a more diverse talent pool whilst providing employees with opportunities for further career growth.

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.

Similarly, our Franchise Owners and their performance, professionalism and client commitment are critical to our own reputation and success. We devote significant time and resource to helping our Franchisees to overcome their own challenges in developing their businesses.

Finally, our Business Model and Strategy is contained on pages 12 to 17 and our S172 report, including insight into our commitment to our stakeholders, is included on pages 22 to 23. Both were approved by the Board on 27 May 2020.

Tim Worlledge
Chairman
27 May 2020

OPERATIONS REVIEW

Introduction

The acquisition of Watbio in December 2018 established the Group as the leading independent provider of grease management services in the UK and provided a platform for further growth in FOG (Fat, Oil and Grease) services and related activities. Despite the challenges that we encountered in integrating the Watbio business, it contributed 34% of the Group's revenue in 2019.

We also saw some good performances from our other Company-owned businesses in the UK, whose revenue grew by 18% and in North America, where revenue was up by 23%

Our long-term focus remains on growing the business both organically and through acquisitions of high margin, repeat revenue businesses in the grease management market. I believe that Watbio strengthens our market position and provides greater operational leverage for us to develop our full range of activities.

North America

Trading in North America remained strong with total revenue of £11.3m in 2019 (2018: £9.2m)

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 $51m (£40m) of revenues in 2019 (2018: $42m/£33m), an increase of 21%.

Fryer Management Services in North America contributed £10.1m of revenue in the year (2018: £7.8m). 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.

Although we constantly seek to grow our franchise base, the majority of our own revenue growth comes from the growth of our existing franchise owners. One of our strategic objectives is to encourage multi-MFU franchisees, which both allays financial risk and provides owners with higher investment returns. In 2019, our three highest grossing franchise owners achieved over $2.5m (£1.9m) in revenue and 7 (2018: 6) franchise owners recorded over $1m (£0.8m) of revenue.

We continue to take on new franchise owners for unallocated territories and to upgrade existing franchises. Our strategy is to recruit owners and to upgrade underperforming territories (resales) by seeking new franchisees who have the ambition and business acumen to expand their franchises, thereby enlarging the platform for Filta's own Fryer Management repeat revenues to increase year after year. In 2019 we recruited 7 new Franchise Owners (2018:16) and achieved 4 resales (2018:5). Prior to the COVID-19 pandemic we had seen a pickup in both new sales and resales with 4 completed by mid-March and a strong pipeline of prospective signings.

Mainland Europe

Whilst our business in mainland Europe, which is also principally a franchised offering, only accounts for 2% of total Group revenue it achieved encouraging progress with its number of franchisees increasing from 9 to 16 during the year and its own revenue, increasing to £0.5m in 2019 (2018: £0.3m).

As the business is at an early stage in the franchise curve, the growth comes, principally, from adding new franchisees, 7 in 2019 (2018: 8). However, it is also important to help the franchisees to develop their businesses by, amongst other things, adding key accounts. We have added a number of these in 2019 and are pleased to report that we now have 6 franchise owners operating more than one vehicle in their territories.

The start to the new year had been encouraging up to early March when lockdown restrictions began to be imposed across the continent. Despite the economic uncertainty, we continued to receive interest from potential franchisees and, indeed, sold 2 franchises through March. Accordingly, we expect to see further growth in the latter part of the year once our customers can re-open their businesses with nearer to full capacity.

UK

In the UK, we provide Fryer Management services through a franchise network but the majority of the revenue is derived from Company-owned activities, Equipment Sales & Installation and Site Services, whose revenues increased to £11.7m (2018: £3.4m) following the acquisition of Watbio at the end of 2018.

Our strategy is to develop a range of complementary services which provide health and safety advantages, improve efficiency or reduce operational costs to commercial kitchens. Usually, all of these benefits accrue to customers whilst allowing them to meet any compliance regulations in place. The addition of Watbio to our stable has significantly enlarged our UK business and, despite the integration issues and delays in reaching efficiency goals which resulted in a particularly challenging year, the sales of all services in the UK were broadly in line with our expectations. We believe that the business is now well-placed to build upon the platform that we have created.

Fryer Management

Fryer Management revenue remained constant at £1.4m. The majority of franchise owners in the UK are single unit operators and we are currently executing a strategy to encourage more of these owners to expand into multi-van operations.

Equipment Sales & Installation

Sales and installation of FOG equipment to new and existing customers remained steady through the year, whilst pump installations, which are typically larger value contracts, were more uneven but finished the year strongly. Total equipment sales and installation revenue were £2.8m in 2019 (2018: £0.7m).

Site Services

Site Services, which comprise our planned maintenance and other recurring revenues, grew its revenue to £8.9m (2018: £2.7m).

Revenue from FiltaSeal was £1.9m (2018: £1.6m), reflecting a 18% increase in the number of seals fitted. The increase was driven by higher volumes from our existing customers and, importantly, several new key account wins. The increased business from existing customers, the fact that we are continually adding to our customer base and the recognition that our current customers represent only a small percentage of the addressable market are evidence of a compelling market proposition, with considerable scope for growth.

We now have a strong platform from which to service our FOG customers. Our FiltaFOG service which brought together our legacy FOG service business with that of Watbio realised revenues of £3.2m in 2019 (2018: £1.0m).

FiltaPump and FiltaDrain services were added to our portfolio on the Watbio acquisition and saw service revenues of £2.7m (2018: £0.03m) and £1.1m (2018: £0.06m) respectively.

All of these activities have a common theme in being the provision of maintenance services, a large portion of which is planned and therefore has clear visibility, and the remainder of which are reactive but also have a high level of predictability because of their recurring nature.

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, Jlubomir Urosevic, who ran Filta UK for many years as Managing Director, was recently re-appointed as Managing Director of Filta's UK operations, adding valuable experience and skills to the UK team managing its expansion.

Jos van Aalst, Managing Director of Filta's mainland Europe business, continues to drive growth in Europe.

Company culture is the outcome of a Company's values, expectations and environment. We are dedicating a significant amount of our time as senior leaders of the organisation to building, refining and nurturing our culture so that it is clearly understood by everyone working for us currently and is easily transferrable to new hires.

Market Conditions

Our fortunes are substantially dependent on many of the businesses that have been most affected by the coronavirus pandemic, restaurants, bars, hotels, sporting venues, colleges, and other places for social gathering. It has therefore been inevitable that we would see a significant fall in activity and revenues, which has generally been the case throughout our operations. However, we have worked hard to support our franchisees and to formulate exit plans with our major customers during the lockdown period, such that we are witnessing a strong determination to resurrect and rebuild businesses as soon as regulatory and health conditions permit. We are encouraged by the fact that during the first quarter of the year we had been seeing strong trading across the Group.

The strength of the US economy had led to extremely low unemployment and, whilst this helped in service sales, it had the potential to reduce the number of people looking to buy franchises. Franchise sales in the US picked up significantly in the second half of 2019 and that trend had continued into the current year until the arrival of the coronavirus pandemic. Unemployment in the US is now at a level not seen since the 1930's, providing a pool of potential talent both for the sale of new franchises but also for existing franchisees to hire staff to expand as the entertainment and leisure industry picks up.

The UK was the focus of our attention through last year and disappointing though it was that the integration of Watbio held back our progress, the underlying economy in the UK had, despite Brexit uncertainties and until the pandemic struck, been strong, which was reflected in consistent or growing revenues in our UK operations. The UK customer base is heavily weighted to a group of approximately twenty customers, many of whom take multiple services from Filta. This group of customers are some of the most well-known catering equipment, facility management, pub, restaurant, and supermarket chains in the UK and are well positioned to survive this downturn. Across the service categories this customer group accounts for 52% of FOG, 70% of Seal, 75% of Pump and 90% of Drain revenues, respectively. A number of these customers, specifically in the supermarket space, have not closed whilst many others have or are planning on reopening in stages over the next 8 weeks.

In mainland Europe, we experienced a good level of interest from potential franchisees, as is evidenced by the fact that we added 7 new franchises, in 2019 and service revenue from existing franchises continued to grow. We had a good pipeline of potential franchisees from countries beyond Germany, which was the start of our European presence. This has encouraged us to believe that our service, using the Franchise model, has potential throughout the continent and it is noteworthy that a new franchise in Estonia has been sold and we have received deposits on territories in Switzerland and Bulgaria, to commence later in the year.

The market for each of Filta's services has been affected by the pandemic in all of our operating territories but we believe that with the ever-increasing health, safety and food hygiene requirements the demand for our services, including FiltaShield, the latest addition to our stable, will be undiminished when more normal circumstances return.

Current Trading & Outlook

We had been experiencing good trading in the period leading up to the lockdowns, which occurred in most of our operating territories during March. Revenues had marginally exceeded management expectations and, with the rationalisation and improved productivity, operating margins were in line with our forecasts.

During the lockdown period, in response to requests from franchisees and customers, we have commenced a new service, FiltaShield, which is a bacterial cleaning service that will protect against COVID-19 for up to 30 days. We launched this service in April and are offering it, in the UK, as a direct service to our existing customers as well as to any other businesses or organisations which have to ensure safety for their staff and customers. In North America it is being provided through our franchise network. We would potentially look to do the same in Europe. There has been strong interest but we do not anticipate any significant revenue to flow from this until the places of principal social gathering are permitted to re-open.

We have been forced to "mark time" over the lockdown period but thanks to careful control of our cash resources, Filta remains in a strong position and we look forward to a return to the trading levels that we were enjoying in the early part of the year.

Jason Sayers
Chief Executive Officer
27 May 2020

FINANCIAL REVIEW

Summary
- Group revenue increased 75% to £24.9m (2018: £14.2m)
- Organic revenue grew 16% and was improved across each of our service offerings whilst the Watbio acquisition contributed £8.6m
- Adjusted EBITDA was up 20%
- Operating profit down 32% to £1.2m (2018: £1.8m)
- Basic earnings per share of 1.39p (2018: 4.86p) down 71% whilst excluding non-cash items of amortisation, depreciation and share based payment expense down 4% at 7.10p (2018:7.43p)

Revenue

Group revenue grew by 75% to £24.9m (2018: £14.2m).

Geographic contributions to Group revenue have changed dramatically with the acquisition of Watbio. Revenue in the U.K. was £13.1m or 53% of Group revenue (2018: £4.8m, 33%); North America delivered £11.3m of revenue, 45% (2018: £9.2m, 65%); and Europe contributed revenue of £0.5m, 2% of Group revenue (2018: £0.3m, 2%).

The increase in revenue was principally attributable to the addition of Watbio which contributed 78% of the overall increase whilst strong organic growth added the additional 22% as, individually, Fryer Management and FiltaSeal grew 25% and 18% respectively. Europe saw their revenue nearly double growing 93% to £0.5m.

Fryer Management remains the largest segment of the Group with £11.7m of revenue (2018: £9.3m) on higher royalty, national account and waste oil revenues whilst FiltaSeal experienced a 18% increase to the number of seals fitted, increasing its revenue to more than £1.9m (2018: £1.6m). Revenue from Franchise Development activities grew 2%, however, 3 additional sales in the pipeline did not close until January 2020. Additionally, we began to see a strong pipeline beyond the 3 January sales as we progressed into the new year.

Gross Profit

Gross profit increased by £3.1m or 44% to £10.2m (2018: £7.1m) exclusively on higher volume as gross profit margins declined to 41% (2018: 50%) as we integrated the Watbio acquisition, introducing structural changes and operating efficiencies. The cost savings arising from these changes will only be fully realised in 2020. Early 2020 results were in line with expectations and we are confident, that following a return to more normal conditions, both improved margins and our strong market presence will lead to improved gross profit.

Adjusted EBITDA

Adjusted EBITDA increased by 20% to £3.2m (2018: £2.6m) although the Adjusted EBITDA margin decreased to 12.7% (2018: 18.6%) on the full year spending impact of Watbio. Spending increases were concentrated principally in the area of people costs. Despite higher spending in the current year, the adjusted overhead base as a percentage of revenue is down slightly from the prior year.

Adjusted EBITDA reconciliation

Adjusted EBITDA has been arrived at as follows:

	2019	2018
	£	£
Profit before tax	936,284	1,741,838
Acquisition, legal and restructuring costs	296,410	158,598
Share-based payments	261,631	302,506
Depreciation and amortisation	1,396,932	399,055
Finance costs, net	271,314	40,439
Adjusted EBITDA	3,162,571	2,642,436

Alternative Performance Measures

In addition to performance measures (IFRS) directly observable in the financial statements, additional performance measures (Adjusted EBITDA, Network Revenue and Cash Earnings Per Share) 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 payment expense, net of cash settled outlays, for all services provided to customers and is an important measure of our growth in the markets we serve. Cash Earnings Per Share is defined as basic earnings per share before depreciation, amortisation and share based payment expense, net of cash settled outlays.

Deferred Income

Group revenue for the year ended 31 December 2019 includes £0.7m (2018: £0.8m) which was released from brought forward deferred income during the year. We generated a further £0.3m of deferred revenue relating to territory fees on both new and existing franchises and will be recognised over the life of the franchise agreement. The deferred revenue balance declined by £0.6m to £3.0m and was negatively impacted by the foreign exchange effect of a weakening 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. In 2019, Filta Refrigeration contributed nil to net profit (2018: £0.02m).
The tax impact of discontinued operations is £Nil (2018: £Nil).

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 Group's effective tax rate for the year ended 31 December 2019 was 57.3% (2018: 24.2%). The effective rate is an amalgamation of mainly UK, US (23.5%) and Canadian (27.6%) rates for the periods reported. The change from prior year has been particularly affected by the geographic mix of profits for the year and the inability to offset US and Canadian pre-tax profits with UK losses. Additionally, there was a significant amount of expenses that were disallowable for tax purposes relating to the acquisition of Watbio.

Earnings per share

The basic and diluted earnings per share for the year, from continuing operations, were 1.39p and 1.39p (2018: 4.86p and 4.82p) whilst the basic and diluted earnings per share, from continuing and discontinued operations, were 1.39p and 1.39p (2018: 4.93p and 4.89p) respectively.

Cash flows and cash balance

The Group generated cash from operations of £0.8m (2018: £2.0m) reducing to £0.3m (2018: £0.8m) after the payment of taxes. The main cash outflows related to the final consideration payment on the Watbio acquisition, including costs, of £1.8m (2018: £3.7m), repayment of borrowings and related interest of £1.1m (2018: £0.3m) and dividends £0.6m (2018: £0.4m).

At the year end the Group had cash balances of £2.9m (2018: £6.8m) and outstanding borrowings of £5.0m (2018: £4.7m), including a term loan balance of £3.2m (2018: £4.0m) drawn down to provide part of the consideration paid for the Watbio acquisition and lease liabilities related to the adoption of IFRS 16 of £1.2m. The Group's available cash and unutilised overdraft facility stood at £3.2m (2018: £6.8m). Finally, the Group met its covenant requirements throughout the year.

Liquidity

In mid-March, as the impact of the pandemic was setting in, the Group began to take steps to strengthen liquidity. This included participating in the UK government furlough program as well as reducing salaries for all remaining employees and board members by 20% to 50%. Additionally, we continued to see good customer remittance inflow which is a testament to the quality of our top customers. Revised payment terms have also been agreed with our major suppliers ensuring they remain there to support us as we begin to ramp up our business. As of 26 May 2020, we are operating with cash on hand in excess of £3.7m and our £0.4m overdraft facility remains fully available to us. In early May, we received £0.2m in funding from the US government's Paycheck Protection Program ("PPP") and we have successfully accessed £1.2m of funding through the UK government's Coronavirus Business Interruption Loan Scheme ("CBILS" or "CBIL"). We anticipate signing the loan agreement and receiving the funds in early June.

Through strong cash management, support from our banking partner and access to government programs, the Group's cash position and availability of additional funding is strong and the Board is confident that this will support the business conservatively through 2021.

Brian Hogan
Chief Financial Officer
27 May 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2019 £	2018 £
Continuing operations			
Revenue	5	24,922,526	14,213,204
Cost of sales		(14,756,297)	(7,130,656)
Gross profit		10,166,229	7,082,548
Other income		191,404	24,507
Distribution costs		(203,344)	(151,209)
Administrative costs		(8,946,691)	(5,173,569)
Operating profit		1,207,598	1,782,277
Analysed as:			
Adjusted EBITDA		3,162,571	2,642,436
Acquisition and restructuring related costs	6	(296,410)	(158,598)
Depreciation and amortisation	16,17	(1,396,932)	(399,055)
Share based payment expense, net of cash settled	33	(261,631)	(302,506)
		1,207,598	1,782,277
Finance income		6,945	1,545
Finance costs	9	(278,259)	(41,984)
Profit before tax		936,284	1,741,838
Income tax expense	10	(532,418)	(421,667)
Profit from continuing operations		**403,866**	**1,320,171**
Discontinued operations			
Profit from discontinued operations	12	-	18,556
Net profit attributable to owners		**403,866**	**1,338,727**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(149,110)	(29,388)
Total other comprehensive income for the year		(149,110)	(29,388)
Profit and total comprehensive income for the year		**254,756**	**1,309,339**
Earnings per share			
From continuing operations			
- Basic (pence)	13	1.39	4.86
- Diluted (pence)	13	1.39	4.82
From continuing and discontinued operations			
- Basic (pence)	13	1.39	4.93
- Diluted (pence)	13	1.39	4.89

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2019 £	2018 £
Non-current assets			
Property, plant and equipment	17	1,336,110	1,493,180
Right of use asset	4	1,270,479	-
Deferred tax assets	11	678,497	754,728
Intangible assets	16	6,514,954	7,186,432
Goodwill	16	1,639,523	1,639,523
Deposits		5,272	2,491
Contract acquisition costs	19	415,663	342,557
Trade receivables	18	411,732	324,865
		12,272,230	11,743,776
Current assets			
Trade and other receivables	18	4,064,811	4,821,194
Contract acquisition costs	19	57,426	51,718
Inventories	20	1,759,955	1,386,383
Cash and cash equivalents	21	2,891,014	6,789,968
		8,773,206	13,049,263
Total assets		**21,045,436**	**24,793,039**
Current liabilities			
Trade and other payables	22	3,260,885	6,510,302
Borrowings	23	792,672	840,641
Lease Liability	24	332,974	-
Deferred income	26	534,066	868,788
		4,920,597	8,219,731
Non-current liabilities			
Deferred tax liability		1,159,121	1,291,318
Borrowings	23	2,976,887	3,909,311
Lease Liability	24	882,447	-
Deferred income	26	2,496,173	2,791,131
		7,514,628	7,991,760
Total liabilities		**12,435,225**	**16,211,491**
Equity			
Share capital	29	2,908,535	2,891,863
Share premium	29	3,659,204	3,372,351
Other reserves	30	27,415	(10,053)
Translation reserve		(533,075)	(383,965)
Retained profits		2,548,132	2,711,352
Total equity		8,610,211	8,581,548
Total equity and liabilities		**21,045,436**	**24,793,039**

The financial statements were approved and authorised for issue by the Board on 27 May 2020 and were signed on its behalf by:

____

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 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 15)	-	-	-	-	-	(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 30/33)	-	-	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**
Balance at 1 January 2019	2,891,863	3,372,351	329,634	(339,687)	(383,965)	2,711,352	8,581,548
Adjustment on initial application of IFRS 16 net of tax (note 4)	-	-	-	-	-	(8,971)	(8,971)
At 1 January 2019 restated	2,891,863	3,372,351	329,634	(339,687)	(383,965)	2,702,381	8,572,577
Profit for the year						403,866	403,866
Foreign exchange translation differences	-	-	-	-	(149,110)	-	(149,110)
Total comprehensive income	-	-	-	-	(149,110)	403,866	254,756
Dividends paid (note 15)	-	-	-	-	-	(558,115)	(558,115)
Issue of share capital (note 28)	16,672	286,853	-	-	-	-	303,525
Equity consideration paid	-	-	(250,000)	-	-	-	(250,000)
Share based payments (note 30/33)	-	-	287,468	-	-	-	287,468
Balance at 31 December 2019	**2,908,535**	**3,659,204**	**367,102**	**(339,687)**	**(533,075)**	**2,548,132**	**8,610,211**

During the year 166,725 shares (2018: 1,785,970) were issued of which 32,500 were issued for cash of £31,525 (2018: £2,870,000) and the balance of shares were issued as part of the contingent consideration related to our acquisitions in 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**2019**	**2018**
		£	**£**
Operating activities			
Profit before taxation for the year		936,284	1,760,393

Adjustments for non-cash operating transactions:			
Finance costs	9	271,314	41,984
Depreciation	17	216,677	186,582
Amortisation of intangible assets	16	857,992	212,474
Amortisation of right of use assets		322,262	-
(Gain)/loss on disposal of tangible fixed assets		(10,739)	7,051
Share based payment charge	33	283,215	302,506
		2,877,005	2,510,990
Movements in working capital:			
Increase/(decrease) in trade and other receivables		271,249	(279,474)
Increase in contract acquisition costs		(78,814)	(199,407)
Decrease in trade and other payables		(1,080,879)	(225,003)
Decrease in cash settled share option liability		(21,584)	-
Increase in inventories		(538,301)	(508,421)
(Decrease)/increase in deferred revenue		(629,680)	722,592
Cash flow from operations		**798,996**	**2,021,277**
Taxes paid		(485,798)	(1,216,177)
Net cash flow from operations		**313,198**	**805,100**
Investing activities			
Purchase of property, plant and equipment	17	(288,251)	(316,084)
Proceeds from disposals of property, plant and equipment	12	39,697	49,288
Purchase of subsidiary undertakings, net of cash acquired		-	(3,738,358)
Deferred consideration on subsidiary acquisition	25	(1,800,293)	-
Purchase of other intangible assets	16	(176,538)	(104,913)
Net cash used in investing activities		**(2,225,385)**	**(4,110,067)**
Financing activities			
Repayment of borrowings		(876,272)	(252,935)
Net proceeds from borrowings		-	3,790,737
Payment of lease liabilities		(291,656)	-
Net proceeds from issue of share capital		31,525	2,870,000
Dividends paid to shareholders	15	(558,115)	(371,868)
Interest paid	9	(226,826)	(41,984)
Net cash used in financing activities		**(1,921,344)**	**5,993,950**
Net change in cash and cash equivalents		(3,833,531)	2,688,983
Cash and cash equivalents, beginning of the year	21	6,789,968	4,031,174
Exchange differences on cash and cash equivalents		(65,423)	69,811
Cash and cash equivalents, end of year	21	**2,891,014**	**6,789,968**

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	**2019** **£**	**2018** **£**
Assets			
Non-current assets			
Investments in subsidiaries	14	8,765,743	8,951,424
Property, plant and equipment		1,275	-

Amount due from subsidiaries	18	3,188,966	1,506,905
		11,955,984	10,458,329
Current assets			
Trade and other receivables		161,041	123,984
Amount due from subsidiaries	18	600,246	467,093
Cash and cash equivalents	21	109,089	3,616,685
		870,376	4,207,762
Total assets		**12,826,360**	**14,666,091**
Current liabilities			
Trade and other payables	22	44,016	2,265,128
Borrowings	23	786,049	758,147
Amount due to subsidiaries		522,534	36,311
		1,352,599	**3,059,586**
Non-current liabilities			
Borrowings	23	2,746,541	3,032,590
		2,746,541	**3,032,590**
Total liabilities		**4,099,140**	**6,092,176**
Equity			
Share capital	29	2,908,535	2,891,863
Share premium	29	3,659,204	3,372,351
Other reserves	30	367,102	329,633
Retained earnings		1,792,379	1,980,068
Total equity		**8,727,220**	**8,573,915**
Total equity and liabilities		**12,826,360**	**14,666,091**

No statement of comprehensive income is presented by the company as permitted by section 408 of the Companies Act. The income dealt within the financial statements of the parent Company for the year ended 31 December 2019 is £370,426 (2018: loss £322,435).

The financial statements were approved and authorised for issue by the Board on 27 May 2020 and were signed on its behalf by:

____

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 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 15)	-	-	-	(371,868)	(371,868)

Issue of share capital (note 29)	178,597	3,240,951	-	-	3,419,548
Share based payments (note 30/33)	-	-	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**
Balance at 1 January 2019	**2,891,863**	**3,372,351**	**329,634**	**1,980,068**	**8,573,916**
Profit for the year	-	-	-	370,426	370,426
Total comprehensive income				370,426	370,426
Dividends paid (note 15)	-	-	-	(558,115)	(558,115)
Issue of share capital (note 29)	16,672	286,853	-	-	303,525
Share based payments (note 30/33)	-	-	287,468	-	287,468
Equity consideration paid	-	-	(250,000)	-	(250,000)
Balance at 31 December 2019	**2,908,535**	**3,659,204**	**367,102**	**1,792,379**	**8,727,220**

During the year 166,725 shares (2018: 1,785,970) were issued of which 32,500 were issued for cash of £31,525 (2018: £2,870,000) and the balance of shares were issued as part of the contingent consideration related to our acquisitions in 2018.

PARENT COMPANY STATEMENT OF CASH FLOWS

	2019 £	**2018** £
Operating activities		
Profit before tax	466,270	(322,435)
Adjustments for non-cash operating transactions		
Finance costs	194,997	-
Amortisation	308	-
Shared based payment charge	283,215	-
	944,790	(322,435)
Movements in working capital:		
Decrease/(increase) in trade and other receivables	(537,790)	(17,222)
Increase in trade and other payables	(7,471)	470,146
Net cash from operations	**399,529**	**130,489**
Investing activities		
(Decrease)/increase/ in advances to subsidiaries	(1,242,853)	188,679
(Increase)/decrease in investment in subsidiary	117,339	(303,387)
Purchase of subsidiary undertakings, net of cash acquired	-	(3,850,000)
Deferred consideration on subsidiary acquisition	(1,800,293)	-
Purchase of other intangible assets	(1,583)	-
Net cash used in investing activities	**(2,927,390)**	**(3,964,708)**
Financing activities		
Repayment of borrowings	(800,000)	-
Proceeds from issue of share capital, net of costs	31,525	2,870,000
Proceeds from borrowings, net of costs	500,000	3,790,737
Dividends paid to shareholders	(558,115)	(371,868)
Interest paid	(153,145)	-
Net cash (used in)/from financing activities	**(979,735)**	**6,288,869**

Net change in cash and cash equivalents	(3,507,596)	2,454,650
Cash and cash equivalents, beginning of the year	3,616,685	1,162,035
Cash and cash equivalents, end of year	**109,089**	**3,616,685**

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.

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 performed a detailed assessment, including a review of the Group's budget for the 2020 financial year and its longer term plans through 2021, including consideration of the principal risks faced by the Group. This included the impact of a severe but plausible downside scenario for COVID-19. The major variables are the depth and the duration of COVID-19. The directors considered the impact of the current COVID-19 environment on the business for the next 12 months and the longer term.
Whilst the situation evolves daily, making scenario planning difficult, we have considered a number of impacts on sales, profits, and cash flows. Whilst the virus may impact across many functions of the business the principal concern is the ability of our franchisees and customers to service consumers in the midst of the government lockdowns. This would most likely manifest itself in lost volumes and require significant action in relation to operational cost reductions. Overall, we scenario planned several out turns with volumes dropping significantly (up to 90% in Q2) and the impact realising some gradual improvement but lasting for a significant part of 2020.
The revenue and operational leverage impact of such a volume loss would have a major negative impact on Group operating profitability however the scenario modelling would indicate that the Group EBITDA would remain positive over the next 12 months and we would anticipate a recovery beginning in late 2020 and into the following years. Throughout this severe but plausible downside scenario, the Group continues to have significant liquidity headroom with available cash on hand and unused overdraft facilities.
The Group has taken advantage of the Coronavirus Job Retention Scheme as well as reducing executive pay to reduce costs and cashflow requirements in the short term. The Group has also taken advantage of repayment holiday's on its borrowings to further reduce short term cash flow requirements. In addition, the Group has negotiated appropriate post year end amendments to the covenants following the impact of COVID-19. The directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of these consolidated financial statements. They therefore consider it appropriate 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 from 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 2019 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

Each of these revenue streams are defined in the franchise agreement and support the treatment under our accounting policy.

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 30 and 33 for additional information on these instruments.
- “Retained earnings” represents retained profits and accumulated losses.
- “Merger reserve” arose on the reverse takeover of the Group in October 2016.

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

The Group adopted IFRS 16 *Leases* effective 1 January 2019. The Group leases various properties, equipment, and vehicles. Contracts typically cover fixed periods between one and 10 years and may contain extension options as described below. Lease terms are negotiated on an individual basis and include a wide variety of different terms and conditions.

Leases are booked as a right-of-use asset and as a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is apportioned between the reduction of the outstanding lease liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities are valued at the net present value of the future lease payments, which includes fixed lease payments, variable lease payments based on indexes and rates, residual value guarantees, purchase options and termination penalties. Lease payments are discounted using the interest rate implicit in the lease, or if that rate cannot be determined, the Group's incremental borrowing rate.

Right-of-use assets are measured at cost, comprising the amount of the initial lease liability adjusted by any lease payments made at or before the commencement date of the lease, any lease incentives received, initial direct costs and any estimated restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are identified as leases with a term of 12 months or less. Low-value assets comprise general office equipment.

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 £3,030,239 (2018: £3,659,919). The revenue recognised in respect of the opening package and the apportioned territory fee in the current year was £1,381,567 (2018: £1,374,324).

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.

IFRS 16 “Leases” (Judgement)
Where the Group has an option to extend or terminate a lease, management uses its judgement to determine whether such an option would be reasonably certain to be exercised. Management considers all facts and circumstances, including past practice and costs that would be incurred if an option were to be exercised, to help them determine the lease term. Management have also applied judgements in assessing the discount rate, which are based on the incremental borrowing rate. Such judgements could impact lease terms and associated lease liabilities. The Group has availed of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and the guidance in IFRIC 4 will continue to be applied to those leases entered into or modified before 1 January 2019.

Going concern (Judgement and estimates)
As a result of the COVID-19 pandemic management has endeavored to understand the uncertainties associated with this unprecedented event, to quantify its impact on the future of the business and assess whether these uncertainties would cast doubt on the Group’s ability to continue as a going concern. Given the current and significant degree of uncertainty management has relied on its knowledge of its customers, the markets they operate in and the anticipated impact and duration of government restrictions that have been instituted globally to stem the transmission of the virus. To address this uncertainty, management completed a three year forecast that estimated the impact on the Group’s revenue, profits and current and future cash resources under a best case and worst case scenario. Significant judgment was required in preparing these forecasts including but not limited to;

- Duration of government restrictions – In both scenario’s we have assumed a near full shutdown our of our business in the second quarter. As of the date of this report, governments in our two primary markets of Europe and North America have begun to put plans in place to loosen restrictions as they anticipate a phased reopening of the economy over the coming months. Management has used its judgement in both of its scenarios to estimate how and when its customers will ramp up through the summer and fall. In our best case, we assume a gradual ramp up in 25% increments beginning in July with a return to our previously budgeted performance levels by October. Our worst case scenario assumes the same level of ramp up but delays its start until October which results in the Group not returning to previously budgeted performance in FY20.

- Government support – The Group has taken advantage of government support programs put in place by in each of our operating locations. This principally consists of the employee furlough scheme and the Coronavirus Business Interruption Loan Scheme in the UK and the Paycheck Protection Program offered in the US. Whilst we estimate that the furlough program will save us c.0.2m per month, management has used its judgement to anticipate the duration of the furlough program, our changing resource requirements throughout the forecast period and how and when we will transition employees off of furlough as our customers begin to ramp up. We have been successful in accessing both a UK CBILS loan and a US Paycheck Protection loan/grant in the amounts of £1.2m and £0.2m respectively each of which are factored into our forecast.

- Liquidity and Banking – At year end the Group’s available cash and unutilised overdraft facility totalled £3.3m and the revised forecast assumed a similar starting point before factoring in the impact of the £1.4m of loan proceeds. Each of these programs include a capital repayment deferral period of 6 months for the PPP loan and 12 months for the CBIL. We have stayed onside of our covenant requirements under our existing term debt facility through the first quarter of 2020 and our lender has provided us a waiver through the third quarter. We have also negotiated appropriate post period amendments to the covenants following the impact of COVID-19.

Management has used its best judgement to forecast its cash requirements and cash availability in order to assess whether we are able to continue as a going concern for at least, but not limited to,12 months from the reporting date and in each scenario the Group maintains sufficient levels of cash and unutilised overdraft to support the business through and beyond FY20.

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 (8%) 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 were 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 were reduced by one percentage point then the asset would be £289,000 lower.

The amortisation charge for the year ended 31 December 2019 relating to the customer relationships and contracts is £0.7m and £0.05m 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 16.

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 2019

The Group has adopted IFRS 16 Leases from 1 January 2019. A number of other new standards, including IFRIC 23 Uncertainty Over Income Tax Treatments, are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Group has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated and is presented as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, Filta determined at contract inception whether an arrangement was or contained a lease under IFRIC 4, *Determining Whether an Arrangement contains a Lease.* The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease component as a single lease component.

B. The Group's leasing activities and how these were accounted for

The Group primarily leases properties and vehicles. As a lessee, the Group previously classified leases as operating, or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, on transition to IFRS 16, the Group has applied practical expedients under IFRS 16 not to recognise right-of-use assets and leases liabilities for some leases of low-value assets (e.g. some office equipment) and for operating leases with a remaining lease term of less than 12 months as at 1 January 2019. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents the right-of-use assets as a non-current asset. The carrying amounts of right-of-use assets are as below:

	Right of use assets £
Balance at 1 January 2019	846,073
Balance at 31 December 2019	1,270,479

The Group presents lease liabilities in both current and non-current liabilities in the statement of financial position.

i. Summary of new accounting policies

The Group recognises a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured as:

- The initial measurement of the lease liability; plus
- Initial indirect costs; plus
- Prepaid lease payments; plus
- Estimated costs to dismantle, remove or restore; less
- Lease incentives received.

The lease liability is initially measured at:

The present value of lease payments payable over the lease term plus the present value of expected payments at the end of the lease, discounted at the interest rate implicit in the lease, or the incremental borrowing rate, where the interest rate implicit in the lease cannot be readily determined.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.24%. The lease liability is subsequently increased by the interest cost and decreased by the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The table below presents a reconciliation from operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised at 1 January 2019.

Management has applied judgement to determine the lease term for some lease contracts which include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

C. Adjustments recognised on adoption of IFRS 16

i. Impact on transition

Upon initial adoption, the Group measured the right-of-use assets in an amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

	1 January 2019 £
Right of use assets	846,073
Lease liabilities	828,000

The difference between the ROU assets and lease liability values as at 1 Jan 2019 relate to the existing finance leases prior to the adoption of IFRS 16.

	£
Operating lease commitments disclosed as at 31 December 2018	570,612
(Less): short term and low value leases recognised on a straight-line basis as an expense	(8,031)
Undiscounted operating lease commitments at 31 December 2018	562,581
Discounted using the Group's weighted average incremental borrowing rate of 4.24% at the date of initial application	429,792
Add: finance lease liabilities recognised as at 31 December 2018	168,448
Add: new finance leases effective 1 January 2019	229,760
Lease liabilities recognised as at 1 January 2019	828,000

ii. Impacts for the period

In relation to those leases under IFRS 16, for the twelve months ended 31 December 2019, the Group has recognised amortisation and interest costs of £322,262 and £43,655, respectively.

New standards and interpretations not applied.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements. These are not expected to have a significant impact on adoption.

5. SEGMENT ANALYSIS

In January 2019, following the acquisition of Watbio Holdings Ltd ("Watbio"), the Group began to make a number of changes to its organisational structure and management system consistent with its integration of Watbio. With these changes, the Group has updated its reportable segments. There continues to be four reportable segments as follows:

The Site Service's segment includes our legacy Seal replacement service as well as capabilities in providing preventive maintenance and reactive services in the markets we serve. The Equipment Sales & Installation segment represents the provision of design, sale and installation solutions. The Franchise Development and Fryer Management segments remain unchanged. The Group also has three geographic segments: United Kingdom, North America and Europe.

Previously reported segment information has been recast, as applicable, for all periods presented to reflect the changes in the Company's reportable segments.

The segments represent components of the Company for which separate financial information is available that is utilised on a regular basis by the chief operating decision maker (which takes the form of the Board of Directors), in determining how to allocate resources and evaluate performance. The segments are determined based on several factors, including client base, homogeneity of products, technology, delivery channels and similar economic characteristics.

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

Revenue

	2019 £	2018 £
North America	11,302,537	9,204,340
U.K.	13,124,702	4,752,287
Europe	495,287	256,577
Total continuing operations	**24,922,526**	**14,213,204**
Discontinued operations	-	13,915
Total	**24,922,526**	**14,227,119**

Non-current assets

	2019 £	2018 £
North America	2,009,411	2,005,116
U.K.	9,643,205	9,277,362
Europe	619,614	461,298
Total	**12,272,230**	**11,743,776**

Revenue

	2019	2018
	£	£
Franchise Development	1,494,674	1,487,927
Fryer Management	11,716,594	9,341,341
Equipment Sales & Installation	2,792,685	678,252
Site Services	8,918,573	2,705,684
Total continuing operations	**24,922,526**	**14,213,204**
Discontinued operations	-	13,915
Total	**24,922,526**	**14,227,119**

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 2019:

	Franchise Development	Fryer Management	Equipment Sales & Installation	Site Service	Total
	£m	£m	£m	£m	£m
Sales to external customers	1.5	11.7	2.8	8.9	24.9
Direct Costs	(0.4)	(6.8)	(1.9)	(6.0)	(15.1)
Indirect Costs	(0.4)	(3.1)	(0.8)	(2.5)	(6.7)
Adjusted EBITDA	**0.7**	**1.8**	**0.2**	**0.5**	**3.2**
Acquisition and legal costs	-	-	(0.1)	(0.3)	(0.3)
Share based payments	(0.0)	(0.1)	(0.0)	(0.1)	(0.3)
Depreciation and amortization	(0.1)	(0.7)	(0.2)	(0.5)	(1.4)
Operating profit	**0.6**	**1.0**	**(0.1)**	**(0.4)**	**1.2**
Net finance costs	(0.0)	(0.1)	(0.0)	(0.1)	(0.3)
Profit before taxation	**0.6**	**0.9**	**(0.1)**	**(0.4)**	**0.9**
Taxation					(0.5)
Other comprehensive income					(0.1)
Profit and total comprehensive income					**0.3**

Operating segment performance for the year ended 31 December 2018:

	Franchise Development	Fryer Management	Equipment Sales & Installation	Site Service	Total
	£m	£m	£m	£m	£m
Sales to external customers	1.5	9.4	0.7	2.7	14.3
Adjusted EBITDA	**0.7**	**1.4**	**0.1**	**0.5**	**2.7**
Acquisition and legal costs	-	(0.1)	(0.0)	(0.1)	(0.2)
Share based payments	(0.0)	(0.2)	(0.0)	(0.1)	(0.3)
Depreciation and amortization	(0.04)	(0.26)	(0.02)	(0.08)	(0.4)
Operating profit	**0.6**	**0.9**	**0.0**	**0.2**	**1.8**
Net finance costs	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Profit before taxation	**0.6**	**0.9**	**0.0**	**0.2**	**1.8**
Taxation					(0.4)
Other comprehensive income					(0.0)
Profit and total comprehensive income					**1.3**

6. Operating profit and adjusted EBITDA

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

	2019	2018
	£	£
Depreciation of property, plant and equipment (note 17)	216,677	186,582

Amortisation of intangible assets (note 16)	857,992	212,474
Amortisation of right of use assets	322,263	-
Gain/(loss) on disposal of plant and equipment	10,739	(4,920)
Staff costs, including directors (Note 7)	7,137,774	3,525,043
Share based payment	283,215	302,506
Cost of acquisition	60,448	149,260
Recovery on contingent consideration	(138,942)	-
Restructuring	374,904	-
Foreign exchange gains/(losses)	83,975	(757)

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	66,413	49,700
Fees payable to the Company's Auditor and their associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	39,666	42,232
Tax and other services	66,299	30,148
Total auditors remuneration	172,378	122,080
Inventory expensed	14,756,297	7,130,656
Lease rental expense	10,178	19,570

Exceptional items consist of the following:

	2019	**2018**
	£	**£**
Acquisition related	60,448	149,260
Recovery on contingent consideration	(138,942)	-
Restructuring	374,904	-
Legal and professional	-	9,338
	296,410	158,598

Acquisition related costs and restructuring are attributable to the Watbio Holdings Limited acquisition.

7. STAFF COSTS

	2019	**2018**
	£	**£**
Gross salaries	6,005,194	2,819,674
Social security costs	601,968	237,994
Pension contributions	93,725	15,635
Share based payment charge	283,215	302,506
Other staff benefits	153,672	149,234
	7,137,774	3,525,043

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

	2019	**2018**
	No.	**No.**
Directors	8	7
Staff		
Administration	34	13
Customer Services/Network Support	25	14
Business Development/Marketing	6	6
Sales	9	6
Other	86	22
	168	68

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2019 £	2018 £
Remuneration for qualifying services	658,845	712,604
	658,845	712,604

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

9. FINANCE COSTS

	2019 £	2018 £
Bank and other loans	234,604	33,606
Hire purchase and finance lease charges	43,655	8,378
	278,259	41,984

10. INCOME TAX EXPENSE

	2019 £	2018 £
Corporation Tax		
Charge for the year	604,458	464,025
Deferred tax		
Origination and reversal of temporary differences	(72,040)	(42,358)
Tax charge related to change in U.S. tax rate	-	-
Total tax charge	532,418	421,667

Reconciliation of corporation taxation:

	2019 £	2018 £
Profit before tax on continuing operations	929,432	1,741,838
Tax calculated at the domestic tax rate of 19% (2018: 19%)	176,592	330.949
Tax effects of:		
Income not subject to tax	(20,689)	-
Expenses not deductible for tax purposes	194,999	153,899
Tax deductions not recognised as an expense	(58,150)	-
Tax losses in the year for which no deferred tax is recognised	57,909	10,618
Other timing differences	14,306	(133,890)
Withholding tax payable on intercompany dividend	53,393	-
Adjustments in respect to prior years	(78,178)	-
Impact of overseas tax rates	149,785	106,756
Release/(Recognition) of deferred tax on share options	42,451	(46,665)
Total	532,418	421,667

The Filta Group's effective tax rate for the year ended 31 December 2019 was 57.3% (2018: 24.2%). The effective rate is an amalgamation of mainly UK, US (23.5%) and Canadian (27.6%) rates for the periods reported. The change from prior year has been particularly affected by the geographic mix of profits for the year and the inability to offset US and Canadian pre-tax profits with UK losses. Additionally, there was a significant amount of expenses that were disallowable for tax purposes relating to the acquisition of Watbio.

The Filta Group has tax losses of approximately £749,447 (2018: £667,480) to carry forward against future profits. The UK tax losses have no expiry date and a deferred tax asset of £110,731 (2018: £128,460) has been recognised in respect of them.

There are no other available tax losses in the Group.

11. DEFERRED TAX ASSETS / LIABILITIES

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

	2019	2018
	£	£
At start of year	754,728	652,131
Adjustment on initial application of IFRS 9	-	39,360
Acquired with subsidiaries	-	5,468
(Subtraction)/addition for the year	(59,183)	25,226
Foreign exchange differences	(17,048)	32,543
At end of year	678,497	754,728

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.

	2019	2018
	£	£
Tax losses	110,731	128,460
Deferred revenue	545,291	546,777
Other	22,475	79,491
At end of year	678,497	754,728

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

	2019	2018
	£	£
At start of year	1,291,318	95,185
Intangible assets acquired in business combination	-	1,203,206
Credit for the year	(132,197)	(7,073)
At end of year	1,159,121	1,291,318

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 was 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:

	2019	2018
	£	£
Revenues	-	13,915
Expenses	-	(17,918)
Profit before tax	-	(4,003)
Income tax expense	-	22,559
Net profit attributable to discontinued operations	-	18,556

Following the completion of the sale, 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.

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.

	2019	2018
Earnings attributable to equity holders of the company	403,866	1,338,727
Weighted average number of shares	29,041,697	27,204,089
Effect of dilutive share options and awards	104,870	224,199
Weighted average number of shares for dilutive earnings	29,146,567	27,428,288
Earnings per share from continuing operations		
Basic	1.39	4.86
Diluted	1.39	4.82
Earnings per share from continuing and discontinued operations		
Basic	1.39	4.93
Diluted	1.39	4.89

14. INVESTMENT IN SUBSIDIARIES

	2019 £	2018 £
Cost at the beginning of the year	8,951,424	2,293,426
Additions	(185,681)	6,657,998
Cost at end of year	8,765,743	8,951,424

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

Company	Class	2019 ownership interest	2018 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%	100%	Environmental Services
FiltaFry Deutschland GmbH	Ordinary	100%	100%	Environmental Services
Watbio Holdings Limited	Ordinary	100%	100%	Environmental Services
Watbio Limited	Ordinary	100%	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. DIVIDENDS

	2019 £	2018 £
Distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2018 of 0.92p per share	267,286	176,434
Interim dividend for the year ended 31 December 2019 of 1.00p per share	290,829	195,434
	558,115	371,868
The Board has not recommended a final dividend for the year ended 31 December 2019	-	267,286

The proposed final dividend for the year ended 31 December 2018 was subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

16. INTANGIBLE ASSETS

	Computer Software £	Goodwill £	Customer Relationships £	Customer Contracts £	Supply Contract £	Total £
Cost						
Balance at 1 January 2019	542,782	1,639,523	3,963,737	2,489,489	724,481	9.360.012
Additions	194,245	-	-	-	-	194.245
Business combinations	-	-	-	-	-	-
Foreign exchange	(17,707)	-	-	-	-	(17,707)
Balance at 31 December 2019	719,320	1,639,523	3,963,737	2,489,489	724,481	9,536,550
Amortisation and impairment						
Balance at 1 January 2019	398,963	-	94,353	40,741	-	534,057
Amortisation	115,687	-	430,995	263,012	48,298	857,992
Foreign exchange	(6,846)	-	-	(3,130)		(9,976)
Balance at 31 December 2019	507,804	-	525,348	300,623	48,298	1,382,073
Net book value at 31 December 2019	211,516	1,639,523	3,438,389	2,188,866	676,183	8,154,477

	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

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.

	2019 **£**	**2018** **£**
Franchise development	90,946	90,946
Equipment sales & installation	369,297	369,297
Site service	1,179,280	1,179,280
Total	1,639,523	1,639,523

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 8.11% (2018: 9.38%) 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 on pages 18 to 21, 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.

17. 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 2019	1,618,452	179,986	299,723	477,947	2,576,108
Additions	1,674	49,137	233,490	3,950	288,251
Business combinations	-	-	-	-	-
Disposals	(10,640)	(64,989)	(94,999)	(24,351)	(194,979)
IFRS 16 transition				(287,396)	(287,396)
Foreign exchange	(41,626)	(2,807)	(1,920)	(1,315)	(47,668)
At 31 December 2019	1,567,860	161,327	436,294	168,835	2,334,316
Depreciation					
At 1 January 2019	704,960	115,070	140,871	122,027	1,082,928
IFRS16 transition	-	-	-	(77,068)	(77,068)
Depreciation charge	45,561	28,732	113,483	28,901	216,677
Disposals	(10,468)	(63,566)	(94,785)	(17,174)	(185,993)
Foreign exchange	(28,657)	(3,699)	(4,436)	(1,546)	(38,338)
At 31 December 2019	711,396	76,537	155,133	55,140	998,206
Net Book Values					
At 31 December 2019	856,464	84,790	281,161	113,695	1,336,110

	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 combination	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

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

18. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

Total	**2019**	**2018**
	£	**£**
Trade receivables, gross	3,591,379	4,238,420
Impairment allowance	(83,262)	(184,022)
Trade receivables, net	3,508,117	4,054,398
Prepayments and other receivables	402,206	572,491
Franchise payment plans	566,220	519,170
	4,476,543	5,146,059

Current

	2019	**2018**
	£	**£**
Trade receivables	3,508,117	4,054,398
Prepayments and other receivables	402,206	572,491
Franchise payment plans	154,488	194,305
	4,064,811	4,821,194

Non-current	**2019**	**2018**
	£	**£**
Trade receivables	-	-
Franchise payment plans	411,732	324,865
	411,732	324,865

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 £3.8m 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 £2.3m is for 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.

	Trade receivables - days past due					
31 December 2019	Not past due	< 30	31 - 60	60 - 90	> 90	Total
Gross carrying amount	2,115,940	534,788	273,355	140,802	526,494	3,591,379
Weighted average expected credit loss rate	0.8%	1.8%	4.2%	6.1%	6.8%	2.3%
Loss allowance	17,826	9,698	11,421	8,624	35,693	83,262

	Trade receivables - days past due					
31 December 2018	Not past due	< 30	31 - 60	60 - 90	> 90	Total

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:

	2019 £	2018 £
At beginning of year	184,022	56,255
Adjustment on initial application of IFRS 9 (note 4)	-	157,834
Acquired with subsidiaries	-	118,336
Impairment loss recognised	(18,353)	7,620
Utilised	(84,407)	(156,023)
At end of year	83,262	184,022

19. 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 rateable basis. Impairment of capitalised contract costs was £nil in 2019 (2018: £nil).

The amount of capitalised contract cost expected to be recovered after more than one year is £0.4m (2018: £0.3m).

20. INVENTORIES

	2019 £	2018 £
Finished goods	1,759,955	1,386,383
Total	1,759,955	1,386,383

Inventories primarily consists of filtration machines, filters, grease recovery units and parts 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.

21. CASH AND CASH EQUIVALENTS

Group	2019 £	2018 £
Cash at bank and in hand	2,891,014	6,789,968
Company		
Cash at bank and in hand	109,089	3,616,685

22. TRADE AND OTHER PAYABLES

Group	2019 £	2018 £
Trade payables	2,555,860	2,877,737
Taxes and social security	194,199	413,782
Accruals and other payables	510,826	3,218,783
	3,260,885	6,510,302

Company		
Trade payables	39,272	37,674
Taxes and social security	4,744	-
Accruals and other payables	-	2,227,454
	44,016	2,265,128

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 2018 Company Accruals and other payables balance includes £1.7m representing the balance due on completion of the Watbio Holdings acquisition.

23. LOANS AND OTHER BORROWINGS

Group	2019 £	2018 £
Total		
Bank loans, net £167,410 debt issuance costs (2018: £209,263)	3,722,617	4,531,925
Hire purchase and finance leases	-	168,448
Related party loans	46,942	49,579
	3,769,559	4,749,952

Current	2019 £	2018 £
Bank loans, net £41,852 debt issuance costs (2018: £41,852)	792,672	791,467
Hire purchase and finance leases	-	49,174
	792,672	840,641

Non-current	2019 £	2018 £
Bank loans, net £125,557 debt issuance costs (2018: £167,410)	2,929,945	3,740,458
Hire purchase and finance leases	-	119,274
Related party loans	46,942	49,579
	2,976,887	3,909,311

Company	2019 £	2018 £
Total		
Bank loans, net £167,410 debt issuance costs (2018: £209,263)	3,532,590	3,790,737
	3,532,590	3,790,737

Current		
Bank loans, net £41,852 debt issuance costs (2018: £41,852)	786,049	758,147
	786,049	758,147

Non-current		
Bank loans, net £125,557 debt issuance costs (2018: £167,410)	2,746,541	3,032,590
	2,746,541	3,032,590

The bank loans are comprised of a £4,000,000 term loan (£3,032,590 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 $905,785 US Dollar denominated mortgage loan (£690,027), which carries an interest rate of 4.5% and matures in 2024.

Following the implementation of IFRS 16 on 1 January 2019, finance leases are now carried separately on the balance sheet and, as a result, are no longer included in Borrowings.

24. LEASE LIABILITIES

The Group adopted IFRS 16 Leases effective 1 January 2019. Details of the Group' Lease Liabilities are as follows:

Group	**2019**	**2018**
	£	**£**
Total		
Leases	1,215,421	-
	1,215,421	-

Current	**2019**	**2018**
	£	**£**
Leases	332,974	-
	332,974	-

Non-current	**2019**	**2018**
	£	**£**
Leases	882,447	-
	882,447	-

25 CONTINGENT CONSIDERATION

As part of the business combinations completed by the Group in 2018 certain contingent consideration formed the basis of the total consideration reported.

Filtafry Deutschland GmbH
Contingent consideration to be satisfied by the issuance of €50,000 worth of Filta ordinary shares in two equal tranches on the first and second anniversary of the closing. On 6 February 2019, 9,225 shares, calculated based on an average share price of 236p and an exchange rate of 0.8694 were, issued to the Seller.

Watbio Holdings Limited
Contingent consideration of £1,954,611 to be satisfied by the following:

Final EBITDA payment	£1,440,455
Retention debt payment	£ 264,156
Consideration shares	£ 250,000

On 22 March 2019, 125,000 ordinary shares priced at 200p were issued to the sellers to satisfy the consideration shares due. On 28 March 2019, a payment of £1,440,455 was remitted to the Sellers to satisfy the final EBITDA payment consideration. On 30 June 2019, a payment of £125,314 was remitted to the Sellers and represented a full and final payment on retention debt. The remaining amount of £138,942 was recognised in income in the period. This has been included in other income in the profit and loss accounts and has been deducted when calculating the adjusted EBITDA.

26 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 2019	Acquisition	Utilisation	Foreign Exchange	31 Dec 2019
	£	£	£	£	£
Deferred income	3,659,919	251,836	(680,096)	(201,420)	3,030,239
Current					534,066
Non-current					2,496,173
Total					3,030,239

27. OPERATING LEASE COMMITMENTS

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

	2019	2018
	£	£
Minimum lease payments due:		
Within 1 year	-	274,467
1 to 5 years	-	296,145
Total	-	570,612

28. RECONCILIATION OF MOVEMENTS IN NET DEBT

	1 January 2019	Cash flows	Acquisition	Non-cash changes		31 December 2019
				Foreign exchange movements	Fair value changes	
	£	£	£	£	£	£
Long term borrowings	4,581,505	(832,434)	-	20,488		3,769,559
Short term borrowings	-	-	-	-	-	-
Lease liabilities	168,448	(32,588)	251,561	-	828,000	1,215,421
Total	**4,749,953**	**(865,022)**	**251,561**	**20,488**	**828,000**	**4,984,980**

	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**

29. 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.

	2019		2018	
	Number	**£**	**Number**	**£**
Allotted and fully paid				
Total shares in issue at 1 January	28,918,630	2,891,863	27,132,660	2,713,266
Issue of ordinary shares	134,225	13,422	1,785,970	178,597
Issued under share option scheme	32,500	3,250	-	-
Total shares in issue at 31 December	29,085,355	2,908,535	28,918,630	2,891,863

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.

On 6 February 2019, pursuant to a share purchase agreement between the Company and FiltaFry Deutschland GmbH, 9,225 shares of 10 pence each were issued to Chesskin Beheer B.V. at a price of 238.5 pence each, giving rise to a share premium of £21,078.

On 22 March 2019, pursuant to a share purchase agreement between the Company and Watbio Holdings Limited, 125,000 shares of 10 pence each were issued to the sellers at a price of 200 pence, giving rise to a share premium of £237,500, to partially satisfy share consideration due as part of the total consideration paid for the business.

Between 3 June 2019 and 3 October 2019 certain employees exercised their rights under the Company's EMI Share Option Scheme and 32,500 shares of 10 pence each were issued to satisfy the exercise. These shares were priced at a range of 177 pence to 224 pence and gave rise to a share premium of £28,275.

30. OTHER RESERVES

Group	**2019**	**2018**
	£	**£**
Merger reserve	(339,687)	(339,687)

Share based payment reserve	367,102	79,634
	27,415	(10,053)

Company

Purchase consideration reserve	-	250,000
Share based payment reserve	367,102	79,634
	367,102	329,634

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 were 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. Subsequent options were granted on 16 October 2017, 11 January 2019, 15 May 2019, and 18 November 2019 all with similar vesting schedules to the original grants. The total charge recognised for share-based payments in respect of employee services received for the year ended 31 December 2019 was £287,468 (2018: £79,634).

31. 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%	(231,846)	187,634
USD	-10%	283,368	(229,330)
CAD	+10%	(10,955)	12,492
CAD	-10%	13,390	(15,268)

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, borrowings, and lease liabilities by fixed and floating mix.

	2019 £	2018 £
Floating LIBOR	3,032,590	3,790,737
Floating Base	-	-
Fixed	1,952,390	959,215
Total	4,984,980	4,749,952

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 £0.03m (2018: £0.04m) and equity by £0.03m (2018: £0.04m).

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.

	2019 £	2018 £
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	2,891,014	6,789,968
Trade and other receivables (excluding prepayments)	4,084,963	4,585,002
Deposits	5,272	2,491
	6,981,249	11,377,461
Financial Liabilities		
Trade and other payables (excluding taxes)	3,066,685	6,096,520
Borrowings	3,769,559	4,749,952
	6,836,244	10,846,472

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

At 31 December 2019	Less than 3 months £	3 to 12 months £	1 to 5 years £	Over 5 years £	Total £
Trade and other payables	3,019,615	16,817	30,253	-	3,066,685
Expected future interest payments	34,150	158,510	316,725	-	509,385
Borrowings	5,559	787,113	2,976,887	-	3,769,559
Total	3,059,324	962,440	3,323,864	-	7,345,628

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

32. 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 £93,725 (2018: £15,635) 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.

33. 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 1,985,000 ordinary shares, equivalent to 6.8% 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 2023 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 667,500 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 2019, a total of 1,690,000,000 (2018: 540,000) were outstanding, having a range of exercise prices from 0.97p to 2.30p (2018: 0.97p to 1.74p) and a weighted average exercise price of 1.76p (2018:1.01p). These outstanding awards have a weighted average contractual life of 8.59 years (2018: 8.33 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 2019	**210,000**	**330,000**	**540,000**
Granted on 11 January 2019 (2.15p)	1,002,500	175,000	1,177,500
Granted on 15 May 2019 (2.30p)	187,500	110,000	297,500
Granted on 18 November 2019 (1.46p)	352,500	22,500	375,000
Total granted during the year	**1,542,500**	**307,500**	**1,850,000**
Exercised during the year (0.97p)	(32,500)	(22,500)	(55,000)
Total exercised during the year	**(32,500)**	**(22,500)**	**(55,000)**
Forfeited during the year (0.97p)	(50,000)	(80,000)	(130,000)
Forfeited during the year (1.74p)	(7,500)	(20,000)	(27,500)
Forfeited during the year (2.15p)	(407,500)		(407,500)
Forfeited during the year (2.30p)	(50,000)		(50,000)
Forfeited during the year (1.45p)	(30,000)		(30,000)
Total forfeited during the year	**(545,000)**	**(100,000)**	**(645,000)**
Total Ouststanding at 31 December 2019	**1,175,000**	**515,000**	**1,690,000**
Exercisable at 31 December 2019	**17,500**	**62,500**	**80,000**

During the year, the Company recognised total expense of £283,215 (2018: £302,506) related to the fair value of the share-based payment arrangements. This included £303,360 (2018: £35,849) related to equity-settled share options and (£20,145) (2018: £266,657) from cash-settled SARs. The SARs liability at 31 December 2018 was £284,117 (2018: £309,954).

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

Stock Options	
Weighted average fair value	96.3p
Weighted average exercise price	188.1p
Expected life of option (years)	8.04
Risk free rate	1.95%
Dividend yield	1.54%
Volatility	50.14%

Share Appreciation Rights	
Weighted average fair value	99.9p
Weighted average exercise price	163.1p
Expected life of option (years)	8.1
Risk free rate	1.93%
Dividend yield	0.0%
Volatility	50.24%

34. 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.

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 £1,071 at 31 December 2019.

35. EVENTS AFTER THE REPORTING DATE

COVID-19
There remains considerable uncertainty about how Covid-19 will develop over the coming weeks and months after it was announced as a global health emergency by the World Health Organisation on 30 January 2020.

The Group is financially strong and has well balanced revenue streams, and whilst a number of our franchisees and customers are still operating it is clear that COVID-19 will have a material impact on 2020 trading. We began the year strongly closing 6 franchise sales in Q1 but anticipate a slowdown in closing sales pending a fuller return to normal operating conditions. In those markets where we operate a franchise model, we introduced a franchise support program that allows franchisees a reduced royalty of up to 50%. As a result, our royalty revenue, which represents 10% of Group revenue is expected to be down 50% through at least June. In addition, we continue to generate revenue in our other Fryer Management categories but at 50% to 80% below anticipated run rates. In the UK where we operate our company owned model, we experienced a drop of 89% in the number of jobs completed in April versus the average over the prior three months.

There is no indication at this stage that there will be any material impairments of the financial assets presented in the 31 December 2019 financial statements. Credit risk is increasing as customers, particularly smaller customers, are put under increasing financial pressure. As such, we are managing our trade receivables closely with our customers and whilst credit risk remains, we have continued to see good collection patterns through the first part of 2020.

We have modelled a number of possible outcomes which consider, amongst other things, the overall length of the lockdown in key regions, the level of current trading during the period, as well as the rate and timing of normalisation across our customer base.

These scenarios give a broad range of outcomes on revenue, before considering the related margin impact and approach to discretionary spend as we move through the year. Given the level of uncertainty and the dynamic nature of the situation, it is too early to quantify the impact on the outturn for the remainder of the financial year.
The Group is in a strong financial position at year end and at the current date. We have year-end cash and unutilised overdraft facility of £3.2m, which has further increased post year end.

Banking facilities
On 30 March 2020 we concluded the extension of our £0.4m overdraft facility through 31 December 2020. This arrangement provides flexibility for short-term operational variability. As of the date of this report the facility is unutilised and remains fully available e as a contingency measure in light of the current uncertainty.

Government Support
On 29 April 2020, following application through our incumbent bank HSBC, we received a PPP loan through the US Small Business Administration in the amount of $308,440. This loan is intended to be used to cover payroll costs, rent and/or mortgage interest and utilities for a period of up to 8 weeks. Loan documents were signed on 5 May 2020 and the loan was funded the following day. There is a stipulation in the loan agreement allowing the borrower to apply for loan forgiveness on a prorated basis up to 100% of the loan value. The borrower must show that at least 75% of the loan was used to

retain and compensate employees and that the average full time equivalent employee count was not reduced over a prescribed period. We anticipate that we will be making a request in late June for forgiveness of the loan, however, at this time it is too early to determine the amount and outcome of that request. Any residual value of the loan not forgiven begins amortising on 7 November 2020 for a period of 2 years at an interest rate of 1%.

On 30 April 2020, following application through our incumbent bank HSBC, we received credit approval for a CBILS loan in the amount of £1.2m. The loan will carry a term of 6 years, interest will be Nil for first 12 months followed by standardised interest rate of 3.99% over Bank of England Base Rate. Monthly repayments of £20,000 will start in month 13 and there is no prepayment penalty. Loan documents are anticipated to be signed by the end of May. Covenants for this loan will be incorporated under our existing £4m term debt facility as of 31 December 2020.

There are no other material events subsequent to 31 December 2019, up to the reporting date, which would require adjustment to or disclosure in this report.