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

Preliminary results for the year ended 31 December 2016

Highlights

- Revenue increased 27% to £10.1m (2015: £7.9m)
- Recurring Revenue Fryer Management segment grew 38% to £6.2m (2015: £4.5m)
- Underlying Operating Profit* plus change in deferred revenue up 31% to £2.1m (2015: £1.6m)
- Number of franchise owners increased by 15 to 182 (2015: 167)
- Company owned operations, Fita-Seal and Filta Refrigeration, up 14% and 30% to £1.0m and £1.6m respectively
- £4.4m of cash at year end to fund strategic growth initiatives

*Adjusted for non-recurring items

3 April 2017

Enquiries:

Filta Group Holdings plc
Jason Sayers Tel: 01788 550100

Cenkos Securities plc (NOMAD and Broker)
Bobbie Hilliam Tel: 020 7397 8900
Harry Pardoe

Chairman's Statement

Introduction
I am delighted to be able to report in this, our first Annual Report and Accounts since our admission to AIM in November last year, that we have experienced continued strong trading in our cornerstone fryer management business and seen good progress with our newer service offerings.

After 13 years of developing the businesses in both the USA and the UK, the time was right to put in place the corporate structure and funding to enable the Group to pursue its growth ambitions over the coming years. Accordingly, we consolidated the businesses under common ownership and raised £4.3 million, net of costs, by way of a placing of new shares, which, after repayment of Director's Loan's, provided £3.7 million for investment in new products, and additional staff and for expansion into new geographies.

Results
Underlying Operating Profit[1] for the year ended 31 December 2016 was £1,147,123 (2015: £1,105,991). There were non-recurring costs, being special bonuses paid to shareholder-directors prior to admission to AIM of £679,936 (2015 - £656,000) and AIM admission costs of £580,603 (2015: Nil), which, together with finance costs of £104,828 (2015: £73,721) resulted in a reported loss before tax of £218,244 (2015: profit

£376,270) and a loss after tax of £342,581 (2015: profit £302,210) on revenue of £10,075,239 (2015 - £7,925,272).

The underlying operating profit includes £521,213 (2015 - £412,219) which was released from deferred income, having been accrued in previous years. However, we also generated revenue of £1,483,120 (2015 - £864,603) which has been added to deferred income and will be released to profit in future years. The Board believes that, in addition to the underlying profit, the resulting increase in the deferred income of £961,907 (2015 - £452,304) represents an important indicator of performance. In particular, it provides visibility of future reportable profits and is reflected by cash flow generation, as is evidenced by the cash generated from operations before non-recurring items of £1,300,296 (2015 - £1,221,913) in the year. The total amount standing to the credit of the deferred income account at the year-end was £2,711,358 (2015 - £1,749,451).

After investment in property, the payments to shareholder-directors referred to above, finance costs and the receipt of the listing proceeds of £3,717,946, net of costs, the cash balance at 31 December 2016 was £4,392,350 (2015: £978,939).

A strong franchise development performance has seen us increase our Franchise Owner base from 167 to 182 and the number of MFUs (mobile filtration units) from 300 to 339, further strengthening our platform for growth in future years. Additionally, we continued to see good growth in both our company owned operations, Fita-Seal and Filta Refrigeration, experiencing 14% and 30% revenue improvement, respectively.

Strategy and Development

The Fryer Management Services division is the cornerstone of our business and we continue to seek to grow this area both by securing new franchisees and by increasing the numbers of customers serviced by our franchisees through higher penetration of the NCAs (National and Centralized Accounts) market.

In addition, we are increasing the range of services that our franchisees are able to offer customers, including, particularly, FiltaBio and FiltaCool. In the last six months we have launched FiltaDrain, a weekly-applied drain cleaning service, through Franchise Owners in the USA and directly through Company-owned operations in the UK.

In December 2016, we formed a company in Canada to develop a similar offering to that being provided in the USA. We are now actively seeking suitable Franchise Owners and plan to launch the first operation during the first half of 2017, with others to follow later in the year.

Dividends

At 31 December 2016, the distributable reserves account was in deficit and we were unable to propose a dividend in respect of 2016. However, we announced in January 2017 that we had cancelled our share premium account and utilised the balance to eliminate the deficit on the distributable reserves account, enabling dividends to become payable.

Accordingly, notwithstanding that the Company had been a quoted company for only two months of last year, the Board intends to pay a first interim dividend for 2017, in lieu of a dividend for 2016, during the first half of this year.

A second interim dividend will be paid following the publication of the interim accounts and it is intended that this will represent approximately one third of the total dividend expected to be paid or recommended in respect of 2017.

Current trading and outlook

Whilst there is some economic and political uncertainty in both of our principal operating regions, our business has not been greatly affected by the uncertainties and we believe that this is likely to remain the case.

Our growth has been driven by a significant level of repeat income from Fryer Management. In addition, during the last 12 months, we secured 23 new franchises and commissioned 39 new MFUs, all of which will enhance our royalties in the current and future years. We have already secured 6 new franchisees this year and are confident interest from new applicants to join our business remains strong.

At the start of this year Fita-Seal experienced a significant pickup in activity over the start of last year and we expect to see this business continue to grow through the current year. Its revenues are substantially improved over the same period last year. In addition, whilst our FiltaDrain business is still young, the take-up by both franchisees and customers has been very encouraging, causing us to believe that this is a business with good potential.

We have had a positive start to the year and your Board is confident of another year of strong growth

Management, staff and Franchise Owners

The Group would not be able to achieve its success without the considerable efforts of our management and staff and I thank them for their hard work and commitment both in the last year and in the years leading to the admission to AIM.

I also take this opportunity to recognize the importance of our Franchise Owners, whose own performance and client commitment is critical to our success and reputation.

Tim Worlledge
Chairman
31 March 2017

[1] Underlying is defined as excluding amounts in relation to the costs of the Initial Public Offering and Pre-IPO shareholder bonuses.

Chief Executive Officer's Review

November last year saw our successful admission to AIM and I am very pleased to report that the Group delivered record results with underlying operating profit of £1.15m, an increase of 4% over the previous year. Our business model is such that we start each year with higher revenue visibility than the prior year, and 2016 was no exception.

The Fryer Management segment, our principal activity, exhibited 38% revenue growth. This was supported by both organic and new franchise development which, in turn, enlarges the platform for further growth in Fryer Management Services revenue. We also experienced 23% revenue growth in our Company Owned Operations, Fita-Seal and Filta Refrigeration.

Franchise Development

2016 was a strong year with a combined 36 new franchise and territory sales which contributed £1.2m revenue in the year and added £1.0m to the Deferred Revenue account.

Leads continued to come from the traditional franchise portal sites but we have also begun to deal with business brokers, who are, increasingly, being used by aspiring franchisees to help them find the best franchise to purchase. We contracted with a network of business brokers in 2016 and have found that their leads were high quality, accounting for 22% of Filta's franchise sales. We believe that this can be an important avenue for new business in the coming years as brokers can help drive both the quality and quantity of candidates that come to us.

2016 was also a good year for franchise resales with 9 Filta Franchise Owners selling their businesses, many for record values. Filta is entitled to a fee from the vendor on any resale and resales also provide an opportunity to strengthen the franchise network and, with the higher quality of candidates being generated by the business broker network, we are encouraged by the potential for the future.

Fryer Management Services
Our Franchise Network is the showpiece of our business – our success reflects its success. We are committed to providing the franchisees with the necessary support to give them the best chance of success. Our Annual Franchise Conference in Orlando, Florida is the centrepiece event for Franchise Owners, with 100 attendees in 2016. Our team put together a spectacular event with three days of speakers, events, awards, round-table discussions and dinners, which has the four-fold objective of providing a forum for our Franchise Owners to meet and discuss experiences with each other, receiving feed-back from Owners, provide training updates and performance incentives by way of performance awards.

One of our strategic objectives is to encourage multi-unit franchisees, which helps to allay financial risk and to provide Owners with higher investment returns. At our 2016 conference, we recognized one Franchise Owner who had achieved $1m in revenue for the previous year. In 2017, we acknowledged four Franchise Owners who had over $1m of revenue in 2016.

Our US Franchise Network generated $29m of revenues from their customers in 2016 (2015 - $22m), a 32% rise. Network revenue represents the best indicator of the Filta brands growing strength in the market.

In supporting our Franchise Owners, we endeavour to lower as many barriers to growth as possible for them with programs such as:

- **Inside Sales** – our Inside Sales Team, rightly referred to as the "growth engine room", has daily contact with Franchise Owners and helps them win new customers and upsell new products to existing customers. The team excelled again in 2016.

- **National Accounts** – we continue to grow our National Account customer base with contracts being signed with five new accounts: Delaware North (large facility contract caterer), Jones Lang LaSalle (hotel owner chain), SAGE Dining (contract caterer), Duck Donuts (restaurant chain) and Spinx (convenience stores).

- **Waste oil – 6K** – as the volumes of waste cooking oil collected by our network continues to grow, we have put in place a program of upgrading the facilities of Franchise Owners to allow them to increase their storage capacities to 6,000 gallons (22 metric tonnes) of waste oil at one time. This improves the economics for Filta by reducing the collection costs as well as the revenue potential because we are able to sell larger loads at better prices. In the last 18 months, we have upgraded 29 facilities in the US to this 6k capacity, putting in place the building blocks for future growth.

- **Tech recruitment –** with 339 trucks on the road at year end and growing quickly, hiring and keeping good Technicians is the lifeblood of our Franchisees' businesses. To help our franchisees in managing this resource, Filta recruited a full-time recruiter in 2016 based in the Orlando Corporate Office, who is dedicated to finding the best Technicians for our Franchise Owners. Since her appointment in April 2016, she has placed over 100 Technicians for our Franchise Owners.

In the US, we have been trialing the FiltaDrain drain dosing service to existing customers through 15 Franchise Owners. It is due for official launch at the 2017 Franchise Conference and will add further repeat revenues for Franchise Owners and Filta in the coming years.

Company Owned Operations
Our Company Owned operations, Fita-Seal and Filta Refrigeration, operating exclusively in the U.K., both experienced double digit growth rates. Each of them achieved sufficient market penetration to encourage us to believe that these businesses can make significant contributions in the future.

In seeking to develop sales and to grow our customer base, the focus has been on securing more key accounts which will both provide higher revenues but also increase the cross-selling opportunities.

Fita-Seal

The number of seals fitted grew by 11% while we realized a 14% increase in revenue. Additionally, as seal volumes grow we see increased efficiency of our vans which is a positive contributor to gross margin. We expect to see this continue into 2017.

Some key contracts signed towards the end of 2016 should see further growth into next year.

Filta Refrigeration

Filta Refrigeration has enjoyed continuous, steady growth since it was first established in 2013, earning the loyalty and respect of an impressive blue chip client base. The company's success in the market is attributable to several important competitive advantages including, quality reactive repairs and PPM strategies, enhanced by prestigious cold room and air-conditioning installations.

Revenue increased by 30% to £1.6m in 2016, with a mix of 68% maintenance contracts and 32% installation.

International

FiltaFry

We have three good FiltaFry partners in Benelux, Germany and South Africa, which started in 2013, 2014 and 2015 respectively. These Master License Holders either sub-franchise (Benelux and Germany) or run FiltaFry as company owned operations (South Africa).

Whilst Fita generated some fees for the sale of the territories, the ongoing royalties take time to develop. We have not budgeted any significant growth in this area.

Fita-Seal

With the steady growth of Fita-Seal in the UK, and the international patent applications, the Master License Holders in Germany and South Africa purchased the rights to run Fita-Seal in their markets in 2016. They will commence operations of these businesses in 2017. There were some small up-front fees for the equipment and territories but the real value is in the long-term royalty stream of 5% of revenue being paid to Filta, although these markets will take some time to develop.

Fita-Seal is not being sub-franchised in these markets. The Master License Holders will run Fita-Seal as company owned operations, like the UK.

People

We are fortunate to have a very committed work force, 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 they've developed with customers and franchise owners alike.

There was a key hire in 2016, Brian Hogan CFO, who has fit in well and enabled us to take the next steps in driving the development of the business. Brian was hired in March and is based out of the Orlando office. He is responsible for all financial planning and reporting.

Market Conditions

Despite the various economic and political uncertainties that persisted in both the US and the UK through much of 2016, we experienced a steady level of enquiries from potential Franchise Owners, with many good quality candidates coming forward. We see no reason for this to change, particularly in view of the likely encouragements to business under the new administration in the US.

The market for all Filta's services, in both the UK and US, remained constant through the year and we believe that with the ever-increasing health and safety and food hygiene requirements, the demand for our services is unlikely to become any less.

Current Trading & Outlook
We have had a good start to 2017.

- Franchise Development remains strong in the US.
- We established Filta Canada and attended the Toronto Franchise Show as a first step to launching in Canada during 2017.
- The year commenced with significantly higher revenue visibility on the Fryer Management side.
- Signed and started Fita-Seal contract with a major national U.K. pub chain with over 1,700 sites.

Jason Sayers
Chief Executive Officer
March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	Pro forma 2015 £
Revenue	5	10,075,239	7,925,272
Cost of sales		(5,668,787)	(4,207,619)
Gross profit		4,406,452	3,717,653
Other income		25,186	36,177
Distribution costs		(80,283)	(83,799)
Administrative expenses		(4,464,771)	(3,220,040)
Underlying operating profit		**1,147,123**	**1,105,991**
Costs of IPO		(580,603)	-
Pre IPO bonus to shareholders		(679,936)	(656,000)
(Loss)/profit from operations	6	(113,416)	449,991
Finance costs	9	(104,828)	(73,721)
(Loss)/profit before tax		(218,244)	376,270
Income tax expense	10	(124,337)	(74,060)
Net (loss)/profit attributable to owners		(342,581)	302,210
Other comprehensive income			
Exchange differences on translation of foreign operations		(185,557)	(45,372)
Total other comprehensive income for the year		(185,557)	(45,372)
(Loss)/profit and total comprehensive income for the year		(528,138)	256,838
Proforma basic and fully diluted earnings per share – pence	12	**(1.51)**	**1.39**
Underlying earnings per share – pence	12	**5.05**	**5.08**

The (loss)/profit from operations for the year arises from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	Pro forma 2015 £
Non-current assets			
Property, plant and equipment	15	1,190,651	1,120,913
Deferred tax assets	11	755,965	520,439
Intangible assets	14	166,624	89,665
Amounts due from related parties	27	-	169,612
Deposits		2,572	1,762
Trade receivables		379,405	214,819
		2,495,217	2,117,210
Current assets			
Trade and other receivables	16	1,960,693	1,591,210
Inventories	17	376,015	299,379
Cash and cash equivalents	18	4,392,350	978,939
		6,729,058	2,869,528
Total assets		**9,224,275**	**4,986,738**
Current liabilities			
Trade and other payables	19	1,989,885	1,725,676
Borrowings	20	103,812	597,167
Amounts due to directors		-	1,522,377
Deferred income		400,881	194,216
		2,494,578	4,039,436
Non-current liabilities			
Borrowings	20	1,050,992	1,000,771
Deferred income		2,310,477	1,555,235
		3,361,469	2,556,006
Total liabilities		**5,856,047**	**6,595,442**
Equity			
Share capital	12,22	2,695,266	-
Share premium	22	3,480,191	-
Accumulated losses		(2,256,539)	(1,913,958)
Translation reserve		(260,403)	(74,846)
Other reserves	23	(290,287)	380,100
Total equity		3,368,228	(1,608,704)
Total equity and liabilities		**9,224,275**	**4,986,738**

The financial statements were approved and authorised for issue by the board on 31 March 2017 and were signed on its behalf by:

Brian Hogan
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2016

	Share Capital £	Share Premium £	Other Reserves £	Merger Reserve £	Foreign Exchange Reserve £	Retained Earnings £	Total Equity £
Balance at 1 January 2015	-	-	-	380,100	(29,474)	(2,216,168)	(1,865,542)
Profit for the year	-	-	-	-	-	302,210	302,210
Foreign exchange translation differences	-	-	-	-	(45,372)	-	(45,372)
Balance at 31 December 2015	**-**	-	-	380,100	**(74,846)**	**(1,913,958)**	**(1,608,704)**
Balance at 1 January 2016	-	-	-	380,100	(74,846)	(1,913,958)	(1,608,704)
Loss for the year	-	-	-	-	-	(342,581)	(342,581)
Foreign exchange translation differences	-	-	-	-	(185,557)	-	(185,557)
Issue of share capital (note 22)	519,050	3,789,064	-	-	-	-	4,308,114
Share issue expenses	-	(308,873)	-	-	-	-	(308,873)
Share based payments (note 22)	-	-	49,400	-	-	-	49,400
Group reconstruction (note 22)	2,176,216	-	-	(719,787)	-	-	1,456,429
Balance at 31 December 2016	**2,695,266**	**3,480,191**	**49,400**	**(339,687)**	**(260,403)**	**(2,256,539)**	**(3,368,228)**

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2016

		2016	Pro forma 2015
		£	£
Operating activities			
(Loss)/profit before tax		(218,24	376,270
Adjustments for non-cash operating transactions:			
Finance costs		104,8	73,721
Depreciation		118,8	90,257
Amortization		63	53,866
Loss on disposal of tangible fixed assets			8,920
Share based payment charge		49	-
		118,(	603,034
Movements in working capital:			
Increase in trade and other receivables		(964,53	(254,865)
(Decrease) / increase in trade and other payables		134,9	(130,641)
Decrease in inventories		(76,6	(49,550)
Increase in deferred revenue		827,	452,304
Taxes paid			(54,369)
Net cash flow from operations		**39**	**565,913**
Investing activities			
Purchase of property, plant and equipment	15	(43,2	(179,923)
Proceeds from disposals of property, plant and equipment	15		64,138
Purchase of other intangible assets		(153,71	(60,271)
Net cash used in investing activities		**(196,98**	**(176,056)**
Financing activities			
Proceeds/(repayment) of borrowings		(146,065)	290,953
Net proceeds from issue of share capital		3,999,241	-
Interest paid		(104,828)	(69,961)
Net cash from financing activities		**3,748,348**	**220,992**
Net change in cash and cash equivalents		3,591,12	610,849
Cash and cash equivalents, beginning of the year	18	978,939	452,121
Exchange differences on cash and cash equivalents		(177,709)	(84,031)
Cash and cash equivalents, end of year	18	**4,392,350**	**978,939**

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

Filta Group Holdings plc was incorporated in England and Wales on 31 March 2016.

The Company has its primary listing 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 and the United States. Additionally, the Company operates two direct sale businesses including refrigeration seal replacement and the installation, repair and maintenance of refrigeration and aircon units. Further details of the Company's subsidiaries are provided in Note 13.

2. BASIS OF PREPARATION

The financial information set out in this preliminary announcement does not constitute the Company's statutory financial statements for the year ended 31 December 2016 which were approved by the Board on 31 March 2017 and on which the auditors have reported without qualification. The 2016 Annual Report will be distributed to shareholders and made available on the Company's website at www.filtaplc.com. It will also be filed with the Companies Registered Office.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) 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, which is the currency of the primary economic environment in which the Group operates.

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

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

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

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

Therefore, although the Group reconstruction completed in October 2016, and Filta Group Holdings plc was incorporated on 31 March 2016, the consolidated financial statements are presented as if the Group structure has always been in place, including the activity from incorporation of the Group's principal subsidiaries. All entities had the same management as well as controlling shareholders. The comparative amounts as at 31 December 2015 and for the period then ended comprise the combined activities of the Subsidiaries and are prepared on a pro forma basis.

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

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. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements present the results of the Company and its subsidiaries and joint arrangements as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full. The financial information of subsidiaries is included in the Group's financial statements from the date that control commences until the date that control ceases.

Going concern

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

Parent Company

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

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

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

3.1 Foreign currencies

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

Foreign operations

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

On consolidation, assets and liabilities have been translated into Pounds Sterling at the closing rate at the reporting date. Income and expenses have been translated into Pounds Sterling at the average rate 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

The Filta Group recognises revenue depending on the substance and legal form of the contract with its customers. Revenue is recognised once a legally binding contract between the Filta Group and its customers has been established and the delivery of the product or service has been completed.

Revenues are accrued or deferred based on the length of time through the contract and consistently applied across all customers and contracts. All amounts are stated exclusive of VAT and other sales taxes and trade discounts.

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

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

The franchise fee consists of two distinct components:

- the opening package; and
- the territory fee

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

The territory fee represents the exclusive right to operate in a designated territory for a stated length of time. The territory fee is deferred over the length of the franchise agreement and released to the combined statements of comprehensive income on a straight-line basis.

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.

3.4 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.

3.5 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.

3.6 Intangible assets – computer software

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

Directly attributable costs are capitalised as part of the software product include external third party costs.

Computer software is depreciated over its expected useful life of 3 years.

3.7 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).

3.8 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.

3.9 Financial assets

The Group has only a single category of financial assets, being loans and receivables.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs. Derecognition of financial assets occurs when the rights to receive cashflows from the instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken, at the least, at each reporting date.

Interest and other cash flows resulting from holding financial assets are recognised in the Consolidated Income Statement when receivable. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Any change in their value through impairment or reversal of impairment is recognised in the Consolidated Income Statement. A provision against trade receivables is made when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

3.10 Financial liabilities

Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest-related charges are recognised as an expense in "finance costs" in the Consolidated Income Statement. Loan notes are raised for support of long-term funding of the Group's operations. The financial liability arising on the loan notes is carried at amortised cost.

Finance charges and direct issue costs are charged to the Consolidated Income Statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

3.11 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 warrants, contained in the financial instrument issued to Cenkos Securities plc on 4 November 2016, until such share warrants are exercised.
- "Retained earnings" represents retained profits and accumulated losses.
- "Merger reserve" arises on business combination (Note 2).

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

3.12 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.

3.13 Leases

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

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

3.14 Non-recurring costs

Items which are material either because of their size or their nature, and which are non-recurring, are highlighted separately on the face of the statement of comprehensive income. The separate reporting of non-recurring items helps provide a better picture of the Group's underlying performance. Items which may be included within the non-recurring category include:

- Costs associated with the Group's listing on AIM;
- Excess compensation paid prior to the Group's listing on AIM; and
- Other particularly significant or unusual items.

Non-recurring items are highlighted separately in the statement of comprehensive income as the Directors believe that they need to be considered separately to gain an understanding of the underlying profitability of the trading businesses.

3.15 Critical accounting judgments and key sources of estimation uncertainty

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

Revenue recognition
Judgement applied in respect of recognition of revenue is significant in the recognition of new franchise sales where a portion of the revenue generated is deferred and recognized over the life of the franchise agreement.

The Board discussed and reviewed these areas with management before concluding that the Group's revenue for the year has been appropriately recognised.

Bad and doubtful debts
Recoverability of trade receivables is a key area of focus given the material nature of these balances and the working capital needs of the Group. The profile of the Group's trade receivables covers balances from a considerable number of customers. Management must therefore apply judgement in determining the amount of provision required for possible non-collection of bad or doubtful debts. This is performed on a case-by-case basis across the Group taking into account differences between countries and service lines.

The Group assessed the appropriateness of the provisioning by considering the level and ageing of debtors and the consistency of provisioning assumptions year-on-year and past experience of bad debt exposure. They concluded that the level of provisioning and carrying value of trade receivables is appropriate.

Taxation
Judgement is required when determining the provision for taxes as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached with the tax authorities. Tax benefits are not recognised unless it is probable that the benefit will be obtained. Tax provisions are made if it is expected that a liability will arise. The Group reviews each significant tax liability or benefit to assess the appropriate accounting treatment.

4. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the EU.

The Directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. At this point it is not practicable for the directors to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 as their detailed review of these standards is still ongoing.

5. SEGMENT ANALYSIS

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

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

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

Revenue

	2016 £	2015 £
UK	4,187,226	3,594,188
USA	5,888,013	4,331,084
Total	**10,075,239**	**7,925,272**

Non-current assets

	2016 £	2015 £
UK	510,854	547,240
USA	1,984,363	1,569,970
Total	**2,495,217**	**2,117,210**

Product and services revenue analysis

Revenue

	2016 £	2015 £
Franchise Development	1,235,983	1,294,100
Fryer Management	6,217,772	4,502,485
Fita-Seal	1,014,932	888,408
Filta Refrigeration	1,606,552	1,240,279
Total	**10,075,239**	**7,925,272**

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.

6. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations has been arrived at after charging/(crediting):

	2016 £	2015 £
Inventory recognized as an expense	5,668,787	4,207,620
Depreciation of property, plant and equipment		
-owned assets	64,007	57,909
-held under finance leases	54,848	32,348

Amortization of intangibles (included with administrative expenses)	63,177	53,866
Loss on disposal of plant and equipment	-	8,920
Staff costs, including directors (Note 7)	3,079,535	2,441,063
Bad debt expense	8,528	57,215
Fees payable to the company's auditor for their audit of the financial statements	39,500	-
Fees payable to the company's auditor for other services to the Group	122,500	-
Foreign exchange gains	(61,395)	(16,462)
Operating lease rentals		
- Property	13,459	45,285
- Other assets	101,414	82,252

7. STAFF COSTS

	2016 £	2015 £
Gross salaries	2,892,534	2,291,404
Social security costs	106,150	81,194
Pension contributions	2,391	-
Other staff benefits	78,460	68,465
	3,079,535	2,441,063

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

	2016	2015
Directors	7	*3*
Staff		
Administration	12	11
Customer Services/Network Support	12	10
Business Development/Marketing	8	8
Sales	4	4
Other	19	17
	62	53

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2016 £	2015 £
Remuneration for qualifying services	1,296,994	970,044
	1,296,994	970,044

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

9. FINANCE COSTS

	2016 £	2015 £
Bank and other loans	98,142	68,182
Hire purchase and finance lease charges	6,686	5,539
	104,828	73,721

10. INCOME TAX EXPENSE

	2016 £	2015 £
Corporation Tax		
Charge for the year	289,305	2,802
Deferred tax		
Origination and reversal of temporary differences	(164,968)	71,258
Total tax charge	124,337	74,060

Reconciliation of corporation taxation

	2016 £	2015 £
(Loss)/profit before tax	(218,244)	376,270
Tax at domestic rates applicable	(42,994)	64,975
Expenses disallowed for tax	112,509	41,869
Loss relief	(32,067)	(86,301)
Losses carried forward	-	3,615
Overseas taxes	251,857	-
Other differences	-	(21,356)
Total current tax	289,305	2,802
Deferred tax		
Origination and reversal of timing differences	(164,968)	71,258
Total tax expense	124,337	74,060

The Filta Group's effective tax rate for the year ended 31 December 2016 was 19.7% (2015: 19.7%). The effective rate is an amalgamation of UK and US rates for the periods reported. The change from year to year has been particularly affected by the availability of loss reliefs and recognition of deferred tax assets.

The Filta Group has tax losses of approximately £667,480 (£817,000 at 31 December 2015) to carry forward against future profits. The tax value of such losses amounted to £133,496 (31 December 2015: £163,400). The UK tax losses have no expiry date and a deferred tax asset of £133,496 (31 December 2015: £163,000) has been recognised in respect of them.

US tax losses expire after 20 years if not utilised and a deferred tax asset of £nil (31 December 2015: £15,000) has been recognised.

11. DEFERRED TAX ASSETS

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

	2016 £	2015 £
At start of year	520,439	590,611
(Credit) / charge for the year	164,968	(71,258)
Foreign exchange differences	70,558	1,086
At end of year	755,965	520,439

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.

Tax losses	133,496	178,530
Impairment provisions	-	11,933
Deferred revenue	596,134	324,036
Others	26,335	5,940
At end of year	755,965	520,439

12. EARNINGS PER SHARE

	2016	2015
Weighted average number of shares	22,700,716	21,762,160
Underlying operating profit	1,147,123	1,105,991
Underlying Earnings per share	5.05p	5.08p
(Loss)/profit attributable to owners of the Company	(342,581)	302,210
Basic and fully diluted earnings per share *	(1.51)p	1.39p

* The issue of options in 2016, as described in Note 23, are antidilutive.

13. INVESTMENTS IN SUBSIDIARIES

	2016 £	2015 £
Cost at the beginning of the year	-	-
Additions	2,176,216	
Cost at end of year	2,176,216	-

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

Company	Registered office	Class	Proportion held by group 2016	Proportion held by group 2015	Nature of business
The Filta Group Limited	United Kingdom	Ordinary	100%	0%	Environmental Services
The Filta Group Incorporated	United States	Ordinary	100%	0%	Environmental Services
Filta Refrigeration Limited	United Kingdom	Ordinary	100%	0%	Support Services
FiltaFry Limited	United Kingdom	Ordinary	100%	0%	Support Services
Bio Depot Limited	United Kingdom	Ordinary	100%	0%	Dormant
Fita-Seal Limited	United Kingdom	Ordinary	100%	0%	Dormant

14. INTANGIBLE ASSETS

	Computer Software £	Total £
Cost		
Balance at 1 January 2016	218,351	218,351
Addition, internally developed	128,097	128,097
Foreign exchange	44,902	44,902
Balance at 31 December 2016	391,350	391,350
Amortisation and impairment		
Balance at 1 January 2016	128,686	128,686
Amortisation	63,177	63,177
Foreign exchange	32,863	32,863
Balance at 31 December 2016	224,726	224,726
Net book value at 31 December 2016	166,624	166,624
Cost		
Balance at 1 January 2015	150,433	150,433
Addition, internally developed	60,271	60,271
Foreign exchange	7,647	7,647
Balance at 31 December 2015	218,351	218,351
Amortisation and impairment		
Balance at 1 January 2015	69,628	69,628
Amortisation	53,866	53,866
Foreign exchange	5,192	5,192
Balance at 31 December 2015	128,686	128,686
Net book value	89,665	89.665

15. 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 2016	1,393,678	79,765	156,505	198,260	1,828,208
Additions		7,362	20,668	15,239	43,269
Foreign exchange	247,107	5,968	6,459	1,144	260,678
At 31 December 2016	1,640,785	93,095	183,632	214,643	2,132,155
Depreciation					
At 1 January 2016	494,281	79,765	76,449	56,801	707,296
Depreciation charge	43,445	2,741	17,212	55,456	118,855
Foreign exchange	103,287	6,023	5,505	538	115,353

At 31 December 2016	641,013	88,529	99,166	112,795	941,504
Net Book Values					
At 31 December 2016	999,771	4,566	84,465	101,849	1,190,651
At 31 December 2015	899,397	-	80,055	141,461	1,120,913

Certain of the property, plant and equipment listed above are held as security against bank facilities referred to in note 20.

16. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

Group	**2016**	**2015**
	£	**£**
Trade receivables	1,647,665	1,528,020
Prepayments and other receivables	313,028	63,190
	1,960,693	1,591,210

Accounts receivable include amounts that the Filta Group has agreed may be settled over extended repayment terms. Accounts receivable subject to these extended repayment terms totalled £227,727 and £256,035 respectively, at 31 December 2016 and 2015.

The amount due from related parties in the parent company of £674,573 is repayable after more than twelve months.

Other than the debts described above, the Filta Group's normal credit terms range between 30 and 90 days.

In assessing the recoverability of these debts, the Directors have given due consideration to all pertinent information relating to the ability of the customers to settle. If an account balance is deemed uncollectible, the account is impaired in full. If an account is potentially uncollectible, the Filta Group makes an impairment provision for such amounts. The impairment provision was £10,302 at 31 December 2016 (31 December 2015: £57,365).

Movement in the allowance for doubtful debt:

	2016			**2015**		
	UK	**US**	**Total**	**UK**	**US**	**Total**
	£	£	£	£	£	£
At start of year	5,488	51,877	57,365	80,315	-	80,315
Impairment loss recognized	4,814	-	4,814	650	51,877	52,527
Amounts written off as uncollectable	-	(62,545)	(62,545)	(75,477)		(75,477)
Foreign exchange differences	-	10,668	10,668	-	-	-
At end of year	10,302	-	10,302	5,488	51,877	57,365

17. INVENTORIES

	2016	2015
	£	£
Finished goods	376,015	299,379
Total	376,015	299,379

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

18. CASH AND CASH EQUIVALENTS

Group	2016	2015
	£	£
Cash at bank and in hand	4,392,350	978,939
Company		
Cash at bank and in hand	3,048,174	-

19. TRADE AND OTHER PAYABLES

	2016	2015
	£	£
Trade payables	1,178,105	1,033,802
Amount due to related parties	-	206,408
Taxes and social security	360,120	98,814
Accruals and other payables	451,660	386,652
	1,989,885	1,725,676

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.

20. LOANS AND OTHER BORROWINGS

	2016	2015
	£	£
Total		
Bank loans	1,037,022	955,615
Note payable to related party	-	501,553
Hire purchase and finance leases	117,782	140,770
	1,154,804	1,597,938

	2016 £	2015 £
Current		
Bank loans	65,530	60,031
Note payable to related party	-	501,553
Hire purchase and finance leases	38,282	35,583
	103,812	597,167

	2016 £	2015 £
Non current		
Bank loans	971,492	895,584
Hire purchase and finance leases	79,500	105,187
	1,050,992	1,000,771

21. OPERATING LEASE COMMITMENTS

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

	2016 £	2015 £
Minimum lease payments due:		
Within 1 year	8,554	13,614
1 to 5 years	11,305	16,471
Total	19,859	30,085

22. 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.

	2016 Number	£	2015 Number	2015 £
Allotted and fully paid				
Share for share exchange	21,762,161	2,176,216	-	-
Share issue	5,190,499	519,050	-	-
Share buyback	-	-	-	-
Issued under share option scheme	-	-	-	
Total shares in issue at 31 December	26,952,660	2,695,266	-	-

On incorporation, the issued share capital of the Company was £1 comprising one Ordinary Share of £1.00. The Ordinary Share was issued, credited as fully paid, to Jason Sayers as the subscriber to the memorandum of association of the Company. The Company does not have an authorised share capital.

On 26 October 2016, the Company acquired the entire issued share capital of Cookband Limited in consideration of the issue, credited as fully paid, of 2,176,215 Ordinary Shares of £1 each to the then shareholders in Cookband Limited.

On 26 October 2016, the Company acquired the entire issued share capital of The Filta Group Inc. and The Filta Group, Inc. from Cookband Limited for nil consideration. By resolution of the members passed on 26 October 2016, each of the Ordinary Shares of £1 each in the capital of the Company was sub-divided into 10 New Ordinary Shares of 10 pence each.

On 27 October 2016, pursuant to a share placing, 5,190,499 shares of 10 pence were issued at a price of 83 pence, giving rise to a share premium, net of issuance costs, of £3,480,191.

23. OTHER RESERVES

Group	**2016**	**2015**
	£	**£**
Merger reserve	(339,687)	380,100
Share based payment reserve	49,400	-
	(290,287)	380,100
Company		
Share based payment reserve	49,400	-

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).

Share based payment reserve
The Company entered into a share option agreement (“Option Deed”) with Cenkos Securities plc (“Option Holder”), its nominated advisor and broker, whereby the Company has granted to the Option Holder the right, exercisable at any time during the Option Period, to subscribe for all, or some, of the Option Shares (180,000 ordinary shares) at the Option Price of 83 pence per Option Share, subject to the terms and conditions of the Option Deed. The Option Period means the period of 3 years from date of Admission unless last day fall under closed period then the Option Period shall be extended 90 business days from the end of the closed period. The right to exercise the Option shall be exercisable during the Option Period by delivery of the Option Deed and a notice of exercise at which point the Company will have 10 days to allot the number of Ordinary Shares in respect of which the Option has been exercised.

24. 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.

Interest rate sensitivity
The group is exposed to changes in market interest rates through bank borrowings at variable interest rates. The exposure to interest rates for the Group is considered immaterial.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change interest rates of +/- 1%.

	Profit for the year		**Equity**	
	£	£	£	£
	+1%	-1%	+1%	-1%
31 December 2016	10,370	(10,370)	10,370	(10,370)
31 December 2015	9,544	(9,544)	9,544	(9,544)

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 minimizes 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 IAS39 classification of each of its financial assets and liabilities at 31 December 2016. All amounts are stated at their carrying value.

	2016	2015
	£	£
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	4,392,350	978,9
Trade and other receivables (excluding prepayments)	2,169,130	1,770,05
Due from related parties	-	169,6
Deposits	2,572	1
	6,564,052	2,920,36
Financial Liabilities		
Trade and other payables	1,989,885	1,725,67
Deferred Income	2,711,358	1,749,45
Borrowings	1,154,804	1,597,93
Amounts due to directors	-	1,522,37
	5,856,047	6,595,44

25. UNDERLYING CASH FLOW FROM OPERATIONS

	2016	2015
	£	£
(Loss)/profit before tax	(218,244)	376,270
Adjustments for non-cash operating transactions	336,260	226,764
Movements in working capital	(78,259)	(37,121)
Impact of non-recurring items on operating cash flow	1,260,539	656,000
	1,300,296	1,221,913

26. 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 is required to contribute 1% of payroll costs 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 £2,391 (2015: nil) represents contributions payable to the scheme by the Group at specified rates. As at 31 December 2016, there were no contributions due with respect of the current reporting period.

27. 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.

Directors loan accounts

The following amounts were due from the directors at the end of each reporting period:

- Mr. R C Sayers: £77,236 as at 31 December 2016 (2015: Due to £1,462,595)
- Mr. J Urosevic: £nil as at 31 December 2016 (2015: Due to £59,782)

All amounts are unsecured, interest-free and repayable on demand. The amounts are classified within current liabilities under 'Amounts due to directors.'

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

The rights were then assigned to EKS North Atlantic LLC, which is 50% owned by Roxanna Holdings and 50% by an unrelated 3rd party. During 2016, the related franchise operator purchased £10,165 of equipment and supplies from the company (2015: £8,571). The amounts are classified within trade receivables.

Amounts due to related parties – management fees
For the twelve months ended 31 December 2016, management fees of £736,170 are included in administrative expense (2015: £660,840) for services provided to The Filta Group, Inc. by Roxanna Holdings, Inc. At 31 December 2016, £nil of this total was payable to the related party (2015: £206,408). These amounts are classified within trade payables.

Notes payable to related party
From 2013 to 2015, the Filta Group, Inc. entered into notes totaling £501,553, bearing interest at 1.5% with a related party. The notes were to mature in December 2016 through 2018. In 2016, the Company repaid the notes in full.

These amounts are classified within borrowings and had a balance of £nil at 31 December 2016 (2015: £501,553).

Interest paid on these loans amounted to £8,533 at 31 December 2016 (2015: £0).

28. POST BALANCE SHEET EVENTS

The Company completed a reduction of capital, whereby the entire amount standing to the credit of the Company's share premium account has been cancelled to create distributable reserves (the "Reduction of Capital"). The Reduction of Capital was formally approved by the High Court of Justice, Chancery Division, and the High Court order was filed with the Registrar of Companies on 18 January 2017. Following the Reduction of Capital, the issued share capital of the Company remains at 26,952,660 ordinary shares of £0.10 each. The distributable reserves created by the Reduction of Capital and after eliminating the previous deficit amounted to £3,078,825. The purpose of the Reduction of Capital is to create distributable reserves to support the Board's dividend policy.