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

Full year audited results for the financial year ended 31 December 2017

Financial Highlights

- Total revenue (including Continuing and Discontinued Operations) increased 34% to £13.5m (2015: £10.1m).
- Revenue from Continuing Operations increased 36% to £11.5m (2016: £8.5m).
- Recurring Revenue Fryer Management segment grew 36% to £8.4m (2016: £6.2m).
- Adjusted EBITDA* from Continuing and Discontinued operations up 67% to £2.2m (2016: £1.3m) and up 77% to £2.1m (2016: £1.2m) from Continuing operations.
- Increase in total deferred revenue balance of £0.2m to £2.9m, despite £0.3m negative impact of weakened dollar.
- Revenue from FiltaSeal up 31% to £1.3m whilst FiltaGMG contributed £0.4m of revenue since its acquisition in late August.
- £4.0m of cash at year end to fund strategic growth initiatives.
- Proposed final dividend of 0.65 pence per share, which together with the second interim dividend of 0.65 pence, makes a total dividend for the year of 1.30 pence per share.

*Adjusted for non-recurring items being acquisition, legal, IPO (2016) costs and share based payments as well as finance costs, taxes, depreciation and amortization.

Operational Highlights

- Net increase in Franchise Owner base to 184, the number of allocated territories increased by 49 to 347, and a 16% increase in the number of MFUs (mobile filtration units) from 341 to 394.
- Highest grossing Franchise Owner achieved over $2m (£1.5m) in revenue and six (2016 - four) Franchise Owners recorded revenue over $1m (£0.8m).
- Significant growth in fryer management services driven by organic growth and new franchise development which, in turn, enlarges the platform for increasing Fryer Management Services.
- Robust revenue growth in our Company Owned Operations due to strong performances from, particularly, FiltaSeal whose revenues were up 31% and, since the acquisition of Grease Management Group, FiltaGMG.
- Execution of strategy to expand Fryer Management activities into new geographies ,to add complementary activities and improve operating margins, with a number of key events:
    - Launch of FiltaFry in Canada;
    - Acquisition of Grease Management Ltd, a drain management business, enabling the expansion of Filta’s UK Company-owned services to include higher margin drain management activities;
    - Sale of Filta Refrigeration Limited, the Company’s refrigeration and air-conditioning installation and maintenance business; and,
    - Acquisition of FiltaFry Deutschland GmbH, being the Filta German master licence in Germany, providing a platform for franchise expansion in Europe.

Jason Sayers, CEO, commented:

"In 2017 we continued to build our franchise base and took several strategic steps, including the entry into Canada and the acquisition of Grease Management Limited. This has been followed, more recently, by the purchase of FiltaFry Deutschland GmbH, all of which laid the ground for further growth and improved margins in the years ahead.

Early 2018 has seen the benefit of these actions with further growth in Fryer Management revenues, the recurring revenue engine, while FiltaSeal volumes have experienced a good start to the year. We continue to integrate FiltaGMG and we anticipate an acceleration in revenue and profitability as it builds its client base through the year.

Franchise Development remains important to the growth of Fryer Management revenues. We have continued to add new franchises, territories and MFU's to our franchise platform through the first quarter and are encouraged by the strength of the new business pipeline.

Finally, we are already seeing a modest improvement in our gross margins as a result of the strategic moves outlined above and we expect this trend to continue through the year."

16th April 2018

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CHAIRMANS STATEMENT

Introduction

I am pleased to report that 2017, our first full year as an AIM-listed company, was another year of growth for all of our core businesses and one in which we won some important new clients in both our main territories, launched operations in Canada and made a small but commercially significant acquisition in the UK. On 4 January 2018, we completed the sale of Filta Refrigeration, a business which we regarded as peripheral to our mainstream activities, as we focus our strategic development on businesses with high margins and low working capital requirements. We have also, since the year end, bought in the FiltaFry master franchise in Germany and will use its existing franchise base to commence the roll out of our North American model into mainland Europe.

These financial results contain financial information on both the Continuing Operations of the Company and, separately, the Discontinued Operations of the Company being Filta Refrigeration.

Results

Total profit before tax of the Group for the year ended 31 December 2017 was £1.7m (2016: loss of £0.2m) on revenue up by 34% at £13.5m (2016: £10.1m), whilst the adjusted EBITDA was £2.2m (2016: £1.3m), an increase of 67% over 2016. The Continuing Operations recorded a profit before tax for the year of £1.6m (2016: loss of £0.3m) on revenue up by 36% at £11.5m (2016: £8.5m), whilst the adjusted EBITDA was £2.1m (2016: £1.2m), an increase of 77% over 2016. The Discontinued Operations contributed a net trading profit of £0.03m (2016: £0.1m) on revenue of £1.9m (2016: £1.6m).

In addition to increasing adjusted EBITDA, the Group increased Deferred Revenue by a further £0.2m to £2.9m, despite a £0.3m negative impact from a weakened dollar.

During the second half of the year the Group incurred £0.1m of legal and other costs related primarily to the acquisition of Grease Management Limited (now 'FiltaGMG') and accounted for a £0.1m charge in relation to options issued under the Company's Share Scheme, resulting in a full year profit from operations of £1.7m (2016: loss of £0.2m).

A one-off tax charge of £0.3m was taken at year end, to revalue our deferred tax position, due to the recent reduction in the US corporation tax rate. This gave rise to an inflated tax charge, leading to an attributable profit for the year of £0.8m (2016 – loss of £0.3m). There is no cash impact from the deferred tax charge and we will see it being reflected in reduced actual tax charges and payments beginning in 2018.

Performance of Continuing Businesses

The £0.9m increase in adjusted EBITDA resulted from strong performances in all areas of our business and was achieved on the basis of higher turnover and improved gross profit margins.

We have seen a net increase in our Franchise Owner base to 184, the number of allocated territories increased by 49 to 347, and a 16% increase in the number of MFUs (mobile filtration units) from 341 to 394, further strengthening our platform for growth in future years and reflecting the level of organic growth we are experiencing.

Revenues and profits from Fryer Management Services increased by 36% and 33% respectively and, during the year, we commenced operations in Canada, where our first franchisee began trading in August and now has four MFU's in operation.

The Company-owned activities have also had a good year. FiltaSeal, has enjoyed revenue growth of some 31% and, with the increased efficiency that flows from better utilisation, improved profit margins. Similarly, FiltaDrain, renamed FiltaGMG following the acquisition of Grease Management Limited, has seen its customer base expand and contributed £0.4m in the first four months of our ownership at higher than anticipated profit margins.

Strategic Developments

We took a small but important step into the increasingly in-demand drain-maintenance and grease management space with the acquisition, in August, of Grease Management Limited. FiltaGMG augments our existing drain services and enables us to offer a broader range of drain maintenance options to customers. Since the year-end, as referred to above we have completed the sale of our refrigeration and air-conditioning business, which contributed lower margins than our other activities and was not a business in which we saw opportunities for growth at the same rate as are available elsewhere.

We have also taken a significant step towards building our franchise business in mainland Europe by buying in the master franchise for Germany in January 2018. FiltaFry GmbH will be developed along the same lines as our North American business with the aim being to establish a strong foothold in Germany before extending into neighbouring European countries.

The franchising of FiltaFry services will continue to be the cornerstone of our business wherever we operate but we believe that there are a number of related or ancillary services which, depending on the territories concerned may be more suitable to run as directly owned businesses. We therefore envisage pursuing an Infill strategy to acquire and develop additional service offerings, which, typically, will require only modest capital investment, will be complementary to our existing activities and will contribute to earnings as well as improving return on capital.

Dividends

We have a stated policy to distribute one third of annual earnings by way of dividends to shareholders in respect of each year. However, the Board considers that the one-off, non-cash, deferred tax charge has caused a significant distortion to the profits generated during the year and believes that it is appropriate to maintain the dividend at the same level as that paid in respect of the first half of the year.

The Board is therefore proposing a final dividend of 0.65 pence per share, which together with the second interim dividend of 0.65 pence paid on 29 September 2017 makes a total dividend of 1.30 pence per share in respect of the year and represents 45% of the reported earnings. The proposed final dividend, if approved by shareholders, will be paid on 7 June 2018 to shareholders on the register at the close of business on 25 May 2018.

Current trading and outlook

We saw growth in all our core businesses in 2017 and this has continued into 2018. We have secured 4 new franchisees, allocated 6 further territories and added 10 MFU's in the year to date, all of which will contribute to additional revenues from Fryer Management Services through the year. Our FiltaSeal activity in the first quarter was 8% up on the same period last year and the newly formed FiltaGMG is continuing to gain new clients, thus increasing the repeat revenue base.

With the additional business that we expect to derive from our new European operations and the encouraging progress in Canada, your Board is therefore confident of achieving further growth through the remainder of the year.

Management, staff and Franchise Owners

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

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

Tim Worlledge
Chairman
16 April 2018

OPERATIONS REVIEW

Introduction

I am very pleased to report that the Group's continuing businesses delivered strong results with an operating profit of £1.7m, adjusted EBITDA of £2.1m, an increase of 77% over the previous year, and profit before tax of £1.6m. Equally important, we have increased our deferred revenue balance and, therefore, go into 2018 with higher revenue visibility than at the start of 2017.

Fryer Management Services, our principal activity, exhibited a 36% increase in revenue, driven by both organic growth and new franchise development which, in turn, enlarges the platform for increasing Fryer Management Services revenue in the future. We also experienced robust revenue growth in our Company Owned Operations due to strong performances from, particularly, FiltaSeal, whose revenues were up 31%, and FiltaGMG since the acquisition of Grease Management Limited.

In addition to continuing the growth of our existing franchise and Company-owned businesses, the Group's strategy is to expand our Fryer Management activities into new geographies, to seek complementary activities to add to our portfolio of services and to continually strive for improved margins and return on our capital. The pursuit of this strategy led to several key events during the year:

- In August we launched FiltaFry in Canada with our first Franchise Owner, in Woodstock Ontario, already operating four (two at 31 December 2017) MFUs and strong interest from potential franchisees to start up elsewhere.

- In August we acquired Grease Management Limited, a drain management business with an established client base and, historically, regular income. This expands Filta's UK Company-owned services to include higher margin drain management activities which can be offered in addition to those already being provided.

- On 4 January 2018, the Group completed the sale of Filta Refrigeration Limited, its refrigeration and air-conditioning installation and maintenance business. Whilst a profitable business, Filta Refrigeration did not fit the Group's business ideal of being a fast-turnaround, high margin service offering

- Post year-end, Filta bought-in FiltaFry GmbH, its master licence in Germany and it is intended that this business, which is already established with 6 franchisees and 7 MFU's, will provide the platform for expansion in Europe using Filta's North America franchise model.

Franchise Development

During the year we accounted for a total of 51 new franchise and territory sales. These contributed £1.3m of Franchise Development revenue in the year whilst we added £0.2m to the Deferred Revenue balance to be carried forward to future accounting periods.

Our strategy is to recruit quality Franchise Owners, who have the ambition and business ability to expand their franchises, thereby enlarging the platform for Filta's own Fryer Management repeat revenues to increase year after year. With Filta now operating in many key markets in the US, we have increasingly used business brokers, who are particularly useful in targeting markets in which we need additional coverage. Sales through brokers accounted for 43% of Filta's new franchise sales.

With this increasing coverage in the US, we will see a reduction in the number of available territories for sale which will result in a decrease of new franchise sales in the US over the coming years. However, it is anticipated that our expansion into Canada, where we expect to have 12-15 multi-unit Franchise Owners in the next few years, and Europe will ensure that the franchise base continues to grow.

As our franchise base grows, we are experiencing an increased demand and opportunity for franchise resales with 10 Filta Franchise Owners selling their businesses during 2017, from which we generated fees of £0.1m. We expect resale transactions to grow in value and number in the coming years, which will not only generate increasing fees but will also provide opportunities to strengthen the franchise network.

Fryer Management Services

Fryer Management Services contributed £8.4m of revenues in the year (2016: £6.2m). 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 performances. We are committed to providing the franchisees with the necessary support to give them the best chance of success.

One of our strategic objectives is to encourage multi-unit franchisees, which helps to allay financial risk and to provide Owners with higher investment returns. In 2017, our highest grossing Franchise Owner achieved over $2m (£1.5m) in revenue and six (2016: four) Franchise Owners recorded over $1m (£0.8m) of revenue.

Network revenue, defined as the total revenue of our U.S. based franchisees for all services provided to customers, represents the best indicator of the Filta brands growing strength in the market. Our U.S. franchise network generated $36m (£28m) of revenues in 2017 (2016: $29m/£21m).

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

- **Inside Sales** – our Inside Sales Team, which is our "growth engine", has daily contact with franchise owners and helps them win new customers and upsell new products to existing customers. The team excelled again in 2017.

- **Tech recruitment –** with 394 trucks on the road at year end and growing quickly, hiring and keeping good technicians is the lifeblood of our franchisees' businesses. To help them in managing this resource, Filta expanded the service to assist in the recruitment and retention of technicians.

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

- **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 12 months, we have upgraded a further 21 facilities in the US to this 6k capacity, giving a total of 51 such facilities.

Company Owned Operations (UK)

FiltaSeal

Revenue from FiltaSeal was £1.3m (2016: £1.0m), reflecting the fact that the number of seals fitted grew by 35%, achieved without the need for additional vans. The increased efficiency of our vans has resulted in a positive contribution to gross margin and, although we are now approaching optimal utilisation, we expect to see this trend continue into 2018.

FiltaGMG

Revenues from FiltaGMG in the four months since the acquisition of Grease Management Limited were £0.4m. In 2016 we recognised that there was a developing demand, driven by both legislation and commercial efficiency benefits, for the provision of preventative drain maintenance to commercial kitchens. We therefore started supplying and servicing auto-dosing drip systems to keep drains clear for commercial kitchens and it quickly became clear that there was a far greater opportunity if we could broaden our services to include the maintenance of grease recovery units. This is a highly fragmented, but growing, market and so in August 2017 we acquired Grease Management Limited, a company with a strong reputation and a well-established client base in this area of activity. Moreover, it was located just 30 minutes from our offices in Rugby and has been well known to us for many years.

With a solid customer base and experienced team, Grease Management Limited was integrated into our existing FiltaDrain business to create FiltaGMG, sharing the existing call-centre resources and implementing new operational systems. The integration was relatively straightforward, and the results have fully justified our enthusiasm for expansion into this market. It is our aim to grow this activity through organic growth and further in-fill acquisitions.

Germany

Post year-end we announced that we had bought in FiltaFry GmbH, our master licence holder for FiltaFry in Germany owned by Jos van Aalst, which had six franchisees with seven MFU's operating at that date. Traditionally, Filta has engaged directly with licence holders in the UK and North America but sold master licences for other countries in the world. Although this brought in up-front licence fees and allowed us to achieve a broader reach without imposing undue strain on the management resources, it limited the long-term earnings potential for the Group and relied upon the skills of the master-licensee to develop the markets outside the UK and North America.

Jos van Aalst has held the master-licence for Germany since late 2014 and we have been impressed with the speed with which he has developed the business in Germany. Aware that he had also had past successes in building other brands across Europe, we developed, with him, a plan to expand our FiltaFry business across key markets in Europe using the successful Filta franchise model employed in the US. In order to do this and to give the venture a starting platform, we decided to buy in the German business from Mr van Aalst and to appoint him as our managing director of European operations.

With Jos van Aalst in place as Managing Director of Filta's European business, the plan is to spend 2018 putting the building blocks in place for the franchise support model in Germany before replicating the US model by expanding the business into adjacent countries with multi-unit franchise owners in the years to come. This will be a long-term project with at least the first 12 months to be focussed on developing the German business and refining the model as needs be for the wider European market. This should be making a positive contribution for the current financial year.

International

In 2017, we sold the FiltaFry master-license for Eire, which adds to our successful FiltaFry partners in Benelux and South Africa, both of whom are expanding.

Although we plan to expand across much of mainland Europe with the US franchise model, we still plan to award Master Licenses in countries where we feel it would be best to have a local Master Franchise Owner develop the market.

Filta Refrigeration

On 4 January 2018, we completed the sale of Filta Refrigeration and exited the refrigeration business to enable us to concentrate resources on our higher margin businesses FiltaFry, FiltaSeal and FiltaGMG.

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 they've developed with customers and franchise owners alike. In the US, the management team is very stable with Tom Dunn, Chief Operating Officer, continuing to run the day to day business, enabling us to continue executing on our plans.

In the UK, we significantly strengthened the management team; Alan Richards was hired as Accounts Manager in August, Alastair Anderson joined as Head of Sales in November, Debbie Sarson-Lowe was promoted from Operations Director to Managing Director in January 2018 with Roscoe Urosevic moving into a Corporate Development role. He will focus on identifying suitable acquisition targets and will assist with the management of our expansion into Europe. This experienced team can drive the UK business forward.

With the expansion into Europe, we gained Jos van Aalst whose experience was key in our decision to replicate our US model there. We have also recently added Frank Hartong, an ex-Compass executive, to run the sales department in Germany as we endeavour to develop business for our Franchise Owners.

One of the aims of taking Filta public was the ability to offer all employees share options in the business (SAR's in the US), helping align all goals and giving everybody the opportunity to share in the long-term success of the business. I am pleased to say that we put such a scheme in place and issued options to all staff in May 2017.

Systems

We are continually improving our systems, with the most notable development in 2017 being the implementation of NetSuite to handle the accounting and reporting for the Group. NetSuite provides real-time financial information to our businesses around the world with its multi-company, multi-book, multi-currency functionality, while also allowing our operational systems to integrate directly, thereby streamlining efficiencies and ensuring accuracy.

Market Conditions

Despite the economic and political uncertainties that persisted in both the US and the UK through much of 2017, we experienced a steady level of enquiries from potential franchise owners, with many superior quality candidates coming forward. We see no reason for this to change, particularly in view of the strong U.S. economy. Moreover, the Canadian operation is up and running and we are already seeing a strong level of interest, which will help to maintain our progress on the North American continent as the number of available U.S. territories diminishes. With this and the commencement of the German operation we are excited by the prospect of further progress in the year ahead.

The market for each of Filta's services in the UK and US, remained steady throughout the year and we believe that with the ever-increasing health, safety and food hygiene requirements, the demand for our services is likely to remain constant.

Current Trading & Outlook

In 2017 we continued to build our franchise base and took several strategic steps, including the entry into Canada and the acquisition of Grease Management Limited. This has been followed, more recently, by the purchase of FiltaFry GmbH, all of which laid the ground for further growth and improved margins in the years ahead.

Early 2018 has seen the benefit of these actions with further growth in Fryer Management revenues, the recurring revenue engine, while FiltaSeal volumes have experienced a good start to the year. We continue to integrate FiltaGMG and we anticipate an acceleration in revenue and profitability as it builds its client base through the year.

Franchise Development remains important to the growth of Fryer Management revenues. We have continued to add new franchises, territories and MFU's to our franchise platform through the first quarter and are encouraged by the strength of the new business pipeline.

Finally, we are already seeing an improvement in our gross margins because of the strategic moves outlined above and we expect this trend to continue through the year.

Jason Sayers
Chief Executive Officer
16 April 2018

FINANCIAL REVIEW

Summary

- Group revenue, from continuing operations, increased 36% to £11.5m (2016: £8.5m)
- Fryer Management revenue, primarily recurring in nature, grew 36% to £8.4m (2016: £6.2m)
- Profit before tax was £1.6m (2016: loss of £0.3m)
- Adjusted EBITDA, from continuing operations, was up 77% to £2.1m (2016: £1.2m)
- Deferred income balance grew by £0.2m (£0.5m in constant currency) to £2.9m
- Basic earnings per share from continuing operations was 2.90p (2016: loss per share 1.89p)

Revenue

Group revenue from continuing operations grew 36% to £11.5m (2016: £8.5m).

Revenue, from our continuing operations, in North America was £8.3m, 72% of Group revenue (2016: £5.9m, 70%) while the U.K. delivered £3.2m of revenue, 28% (2016: £2.6m, 30%).

The 36% increase in revenue was a result of robust growth across each of our core service offerings of Franchise Development, Fryer Management, FiltaSeal and the newly-formed FiltaGMG, following the acquisition of Grease Management Limited in August.

Fryer Management Services continues to be the key driver of the business contributing £8.4m of revenue (2016: £6.2m) on higher royalty, national account and waste oil revenues while FiltaSeal experienced a 31% increase in revenue growing to more than £1.3m (2016: £1.0m). We are encouraged by the opportunity that FiltaGMG provides - it has a well-established client base and delivered £0.4m of revenue in the 4 months following its acquisition in late August 2017. The Franchise Development activities also finished the year solidly, up 9%, while maintaining a strong pipeline entering the new year.

Adjusted EBITDA

Adjusted EBITDA increased 77% to £2.1m (2016: £1.2m) at a significantly higher adjusted EBITDA margin of 18.3% (2016: 14.1%), reflecting utilisation efficiencies brought about by delivering a 36% increase in revenue on an adjusted overhead base that was constant as a percent of sales and supported by our strategy to focus on the provision of higher margin service offerings, including the Grease Management Limited acquisition. Gross profit margins were up to 49.2% (2016: 47.5%).

Adjusted EBITDA reconciliation

Adjusted EBITDA has been arrived at as follows:

	2017	2016
	£	£
Profit/(loss) before tax	1,607,727	(328,991)
Acquisition, legal and IPO related costs	120,280	1,260,539
Share-based payments	87,082	-
Depreciation and amortisation	209,912	182,032
Finance costs	90,952	79,738
Adjusted EBITDA	2,115,953	1,193,318

Alternative Performance Measures

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

effectiveness of our cash management activities. It is calculated by dividing EBITDA by net cash flow from operations (measured by earnings before interest, taxes, depreciation and amortisation divided by net cash flow from operations per the consolidated statement of cash flows).

Deferred Revenue

Group revenue for the year ended 31 December 2017 includes £0.6m (2016: £0.5m) which was released from brought forward deferred income during the year and we generated a further £1.0m of deferred revenue, of which £0.1m relates to opening package fees for franchises that will start in 2018, and will therefore be recognised in that year, and £0.9m relates to territory fees on both new and existing franchises and will be recognised over the life of the franchise agreement. The deferred revenue balance grew by £0.2m to £2.9m but was impacted by the foreign exchange effect of a weakening dollar which had a £0.3m negative 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 has exited its refrigeration business. The results of Filta Refrigeration are therefore disclosed as a discontinued operation and will not make any measurable contribution to the Group's future earnings. In 2017, Filta Refrigeration contributed a net profit of £0.03m (2016: £0.1m).

The tax impact of discontinued operations is £Nil (2016: £Nil).

Acquisitions

On 22 August 2017, we acquired Grease Management Limited, a provider of drain-related services in the UK, for a total consideration of £1.2m. This business contributed £0.4m to group revenue and £0.2m to the group's adjusted EBITDA during 2017.

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 effective tax rates on income were 38% in the U.S. and 19.3% in the U.K. The U.S. federal corporate income tax rate has reduced from 35% to 21% following the substantive enactment of US tax reform on 22 December 2017. This necessitated a re-measurement of the existing US deferred tax position in the period to 31 December 2017. As a result, the current year expense includes a non-cash tax accounting charge of £0.3m. Accordingly, the tax expense for the year was £0.8m (2016: £0.1m).

Earnings per share

The basic earnings per share for the year, from continuing operations, is 2.90p (2016: loss per share of 1.89p) while the basic and diluted earnings per share, from continuing and discontinued operations, is 2.99p (2016: loss per share of 1.89p). However, both earnings per share measures were significantly impacted by the effects of the £0.3m deferred tax charge related to the change in the U.S. tax rate.

Cash flows and cash balance

The Group is establishing a consistent record of cash generation with an EBITDA to cash conversion rate of 71%. Cash conversion measures our success in converting operating profit (measured by earnings before interest, tax, depreciation and amortisation ('EBITDA') to cash and reflects both the quality of our earnings and the effectiveness of our cash management activities. The net cash inflow from operations before certain acquisition and legal costs (note 29 to the financial statements) in 2017 was £1.5m (2016: £1.3m). The main cash outflows related to the acquisition of Grease Management Limited £1.2m (2016: £Nil), cash taxes £0.5m (2016: £0.3) and dividends £0.2m (2016: £Nil).

At the year end the Group had cash balances of £4.0m (2016: £4.4m) and outstanding borrowings of £1.1m (2016: £1.2m).

Brian Hogan
Chief Financial Officer
16 April 2018

BUSINESS MODEL & STRATEGY

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

Region 1 – North America (USA & Canada)

Corporate HQ in Orlando, Florida, USA

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

Region 2 - UK

Corporate HQ in Rugby, England

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

Region 3 – Mainland Europe (currently Germany)

Corporate HQ in Debbeshoek, the Netherlands

- Principally a franchise network business
    - Franchisees both single and multi-unit operators
    - Exclusive rights to defined area
- All services provided through Filta Franchise Network
    - Fryer management is principal service
    - Ancillary services include FiltaBio waste oil collection, FiltaGold new oil supply
- Revenues generated mainly from franchise sales, franchise services, oil resales
- Business growth drivers:
    - New Franchise Sales
    - Existing Franchise Owners expanding
- Plan to adapt North America model in Germany before expanding into surrounding countries.

Services

One customer – multi-services

- FiltaFry – Fryer Management
- FiltaSeal - First Time Seal Replacement

- FiltaGMG – Fats Oil and Grease Drain Management

Fryer Management - The FiltaFry Service

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

- FiltaFry provides a total fryer management service, including the on-site micro-filtration, removal and replacement of cooking oil.
- 5,000+ restaurant and food service customers receive FiltaFry services on a weekly basis.
- Fryer Management also includes supplemental services provided by our Franchise Owners to customers such as FiltaCool and FiltaDrain.
- Franchisees operate a total of 394 MFUs of which 349 are in the USA, 2 in Canada and 43 in the UK.

FiltaSeal

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

FiltaGMG

FiltaGMG is a UK-wide provider of drain-related services including live bacteria drain dosing and the installation and servicing of Grease Recovery Units. Over 75% of FiltaGMG's revenue is recurring in nature, with work typically being carried out quarterly under scheduled maintenance programmes.

The Franchise Model

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

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

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

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

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

Typically, in North America, Franchisees are likely to develop into multi-van operations, while, in the UK, they more often remain as single unit operators. Germany is being developed as a multi-unit operator model.

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

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

Business Model

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

1 - Franchise Development

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

2 – Fryer Management Services

- All services are provided by or through Franchise Owners
- Franchisees pay a fixed royalty per MFU
- All products are provided by Filta, generating additional margin
- Franchise Owners' customer growth drives additional Filta revenues at little or no resource cost to Filta, providing increasing revenue visibility (2017 – repeat revenues at 92%)
- Key objective is growth of franchisees' revenue, driving predictable Group revenues at increasing marginal profit

3 – Company Owned Operations (UK Only)

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

Repeat Revenues Underpinned by Growing Royalty Income

A significant base of the Group's total revenues (82%) are earned by way of royalties and other income from an existing customer base which requires continuing and regular service. It provides strong cash flow and, together with a large deferred revenue position, provides good revenue visibility into future years. Repeat revenue measures those revenues earned from existing customers, which are recurring in nature, and consist of our Fryer Management revenue, FiltaSeal revenue and non-installation related FiltaGMG revenue. The 82% measures these revenues over our total reported revenue.

Blue Chip Client Base

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

Strategy

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

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

Growth Opportunities

North America

The Fryer Management Services segment 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 NCA (National and Centralised Accounts) market. This in turn drives royalty and other repeat revenue growth.

In addition, we are increasing the range of services that our franchisees offer customers, including FiltaDrain, a weekly-applied drain cleansing service.

UK

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

Germany

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

New Markets

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

KPIs

We focus intently on a group of key performance indicators that drive our success.

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

Brian Hogan
Chief Financial Officer
16 April 2018

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risk	How we manage the risk	Change in risk during the year	Comment
Organisational risks			
Failure to attract new franchisees in line with the strategic targets may prevent the Group from achieving its operating targets	In the USA, which represents approximately 80% of the franchised operations, we have an increasing number of franchisees who are multi-unit operators, a trend which we are endeavouring to develop. Thus, there is an increasing number of our new MFUs which are being taken up by existing franchisees.	No change in risk	Strong pipeline in both the U.S. and Canada in place.
The failure of a major franchisee may lead to a loss of revenue and/or a bad debt	We now have 184 franchisees, and this is increasing each year, with no franchisee accounting for more than 1% of the Group's revenues, thus mitigating our business risk.	No change in risk	The composition of our franchise base continues to diversify.
Brand or reputational damage may be caused by the actions of either franchisees or the company's own employees	We provide detailed initial training for all new franchisees and their operators. There are also refresher training programmes to ensure that all franchisees are fully cognisant of all procedures to be followed.	No change in risk	Management focuses on positive brand awareness through training and strongly monitors its results.
Undue influence by a major shareholder on the Company and its Board may lead to decisions or actions which are not in the best interests of the business	There is a majority of the Board who are not associated with those members of the Board who are considered to be a concert party and whose obligations to act in the best interests of shareholders as a whole are unfettered.	No change in risk	The risk has not changed during the year. The Board composition has remained constant with strong oversight from the independent directors.
Operational risks			
An incident involving an employee or franchisee in the operation of an MFU may result in a fatal or serious injury	We provide regular and comprehensive training to employees and franchisees in the operation of MFU's and other equipment supplied or used in the Group's business and the procedures are reviewed regularly to ensure the highest safety levels.	No change in risk	The risk has not changed during the year. The risk is monitored both internally and through third party inspections.
A failure of the information or accounting systems employed by the Group or a cyber-attack or data security breach may cause a loss of vital information or render the Group unable to maintain	The Group has employed the same information system for several years with a strong reputation and has proved to be highly reliable. It has recently upgraded its accounting system to a "state-of-the-art" system which also has a good reputation and is used by many major organisations.	Decrease in risk	Our conversion to a new global, cloud-based, accounting platform supported by a tier one provider has enhanced reliability and data integrity. Additionally, we undertake a

Risk	How we manage the risk	Change in risk during the year	Comment
adequate accounting records			periodic review process to ensure we have adequate IT security measures in place.
The loss of key people may compromise the Group's or any part of the Group's ability to operate effectively.	We have widely spread knowledge of the Group's operational systems and procedures, thereby ensuring that there is not over-dependence on any single person. We also have continuous monitoring systems for the identification and progress with new business opportunities, ensuring that there is a broad knowledge of such opportunities.	No change in risk	We have done considerable work this year to improve our processes for talent management, retention and succession planning.
Failure to comply with new GDPR requirements in the U.K. and mainland Europe.	We have undergone a detailed assessment of the readiness of the business and an action plan is being developed with the support of appropriate external advisors.	New risk	We have assigned dedicated resources and are working with an external consultant to ensure we are in compliance.
Financial Risks			
A significant fall in the value of the US Dollar (which accounts for approximately 70% of the Group's earnings) against £ sterling may have an adverse impact on the Group	The Group's activities are such that, the US Dollar costs are covered by US Dollar revenues and, similarly, sterling costs are covered by sterling revenues. Furthermore, any third-party debt is able to be serviced by earnings in the currency of the debt and secured by appropriately denominated assets.	No change in risk	While the uncertainty of the risk has changed slightly this year we do not see a material effect. The risk is monitored on a regular basis against both in-house and external mitigation options.
Strategic Risks			
Competition from new entrants to the market may create margin pressure or loss of customers	We have established a market-leading position amongst the third-party providers of our services and we continually seek to improve our service offering to ensure that we have the best option available.	No change in risk	We have not witnessed any significant change in our competitive landscape.
Change in consumer tastes or habits, as a result, for example, of pressures from health watchdogs, may result in less demand for fryers.	The demand for fried food has always been and continues to be enormous. We consider that the services that we provide help to mitigate the health risks of eating fried foods.	No change in risk	The risk has not changed during the year.
Improved fryer technology may reduce/resolve deterioration of the oil and therefore require less frequent filtering and replacement.	Whilst the technologies may improve, there will always be deterioration of the oil and, therefore, a need for filtering and replacement. The Board believes that any improvements in technology will simply drive standards to a higher	No change in risk	The Group is continually reviewing changes in technology and works collectively with its suppliers to ensure we fully

Risk	How we manage the risk	Change in risk during the year	Comment
	required level.		understand future changes.
Franchisees may seek to impose commercial leverage on the Group, resulting in reduced margins and profitability	We devote a great deal of resource to protecting and assisting our franchisees, thereby building a strong bond of trust. We believe that, for as long as we provide the best option and the opportunity for franchisees to achieve success, there would be little reason for them to seek commercial advantage.	No change in risk	Our franchise base continues to grow and diversify which helps us ameliorate any potential risk.

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Filta Group Holding plc (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2017, which comprise:

- the group statement of comprehensive income for the year ended 31 December 2017;
- the group and parent company statements of financial position as at 31 December 2017;
- the group and parent company statements of cash flows for the year then ended;
- the group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

Overview of our audit approach

Materiality

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

Based on our professional judgement, we determined overall materiality for the group financial statements as a whole to be £90,000 based on a percentage of profit before tax.

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

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

We agreed with the Audit Committee to report to it all identified errors in excess of £5,000. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The finance functions of the parent company and its UK subsidiaries are based in the US and UK, respectively.
A member firm of Crowe Horwath International network in the US (the 'component auditor') undertook a full scope audit of Filta Group Inc., under our direction. Filta Group Inc., accounts for approximately 80% of the group's profit before tax and 75% of the group's revenue.

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

K*ey Audit Matters*

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

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

Key audit matter	***How the scope of our audit addressed the key audit matter***

Revenue recognition	
Revenue is recognised in accordance with the accounting policy set out in the financial statements. The accounting policy contains a number of judgements in respect of franchise sales where a portion of the revenue generated is deferred and recognised over the term of the franchise agreement.	Our audit procedures consisted of the following: • Substantive testing of a sample of transactions throughout the year to determine whether the company's accounting policy on revenue recognition had been correctly applied. • Testing a sample of transactions from the point of origin to the financial statements, covering royalty income, franchising and other revenues. • Testing the deferred revenue balance in the financial statements to assess if this is fairly stated. • Performing a series of procedures to determine if revenue has been recognised in the correct accounting period. • Assessing the appropriateness of the related disclosures in the financial statements.
Acquisition of Grease Management Limited	
Grease Management Limited ('GMG') was acquired by the group in August 2017 for a total consideration of £1,150,000 in cash. Management has performed a valuation of the net assets acquired and identified intangible assets of £374,000 and residual goodwill of £631,000. The valuation of intangible assets contains a number of key judgments.	Our audit procedures consisted of the following: • Obtaining management's detailed valuation report and challenged the assumptions used to calculate the intangible assets, namely the discount rate, customer attrition rate and growth rate. • Comparing the resulting allocation of the purchase price to expectations. • Assessing the appropriateness of the related disclosures in the financial statements.

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Leo Malkin (Senior Statutory Auditor)

for and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

London

16 April 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2017	2016
		£	£
Continuing Operations			
Revenue	5	11,547,299	8,468,687
Cost of sales		(5,870,449)	(4,449,246)
Gross profit		5,676,850	4,019,441
Other income		38,377	25,186
Distribution costs		(124,690)	(80,283)
Administrative costs		(3,891,858)	(4,213,597)
Operating Profit/(loss)		1,698,679	(249,253)
Analysed as:			
Adjusted EBITDA		2,115,953	1,193,318
Acquisition, legal and IPO costs	6	(120,280)	(1,260,539)
Depreciation and amortisation	17,18	(209,912)	(182,032)
Share based payments	31	(87,082)	-
		1,698,679	(249,253)
Finance costs	9	(90,952)	(79,738)
Profit/(loss) before tax		1,607,727	(328,991)
Income tax expense	10	(824,268)	(100,755)
Profit/(loss) from continuing operations		**783,459**	**(429,746)**
Discontinued operations			
Profit from discontinued operations		32,858	87,165
Net profit/(loss) attributable to owners		**816,317**	**(342,581)**
Other comprehensive income			
Exchange differences on translation of foreign operations		(94,174)	(185,557)
Total other comprehensive income for the year		(94,174)	(185,557)
Profit/(loss) and total comprehensive income for the year		**722,143**	**(528,138)**

	Note		
Earnings/(loss) per share			
From continuing operations			
- Basic (pence)	13	2.90	(1.89)
- Diluted (pence)	13	2.87	(1.89)
From continuing and discontinued operations			
- Basic (pence)	13	3.03	(1.51)
- Diluted (pence)	13	2.99	(1.51)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2017** **£**	**2016** **£**
Non-current assets			
Property, plant and equipment	12,18	1,216,388	1,190,651
Deferred tax assets	11	652,131	755,965
Intangible assets	17	484,821	166,624
Goodwill	17	631,380	-
Deposits		2,344	2,572
Trade receivables	19	302,163	379,405
		3,289,227	2,495,217
Current assets			
Trade and other receivables	19	2,506,060	1,960,693
Inventories	20	437,716	288,350
Cash and cash equivalents	21	4,031,174	4,392,350
		6,974,950	6,641,393
Assets classified as held for sale	12	74,372	87,665
Total assets		**10,338,549**	**9,224,275**
Current liabilities			
Trade and other payables	22	2,142,906	1,989,885
Borrowings	23	107,786	103,812
Deferred income		532,682	400,881
		2,783,374	2,494,578
Non-current liabilities			
Deferred tax liability		95,185	-
Borrowings	23	931,765	1,017,506
Deferred income		2,404,645	2,310,477
		3,431,595	3,327,983
Non-current liabilities classified as held for sale	12	66,425	33,486
Total liabilities		**6,281,394**	**5,856,047**
Equity			
Share capital	26	2,713,266	2,695,266
Share premium	26	131,400	3,480,191
Retained profits/(accumulated losses)		1,862,967	(2,256,539)
Translation reserve		(354,577)	(260,403)
Other reserves	27	(295,901)	(290,287)
Total equity		4,057,155	3,368,228
Total equity and liabilities		**10,338,549**	**9,224,275**

The financial statements were approved and authorised for issue by the board on 16 April 2018 and were signed on its behalf by:

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Brian Hogan, Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Other Reserves	Merger Reserve	Foreign Exchange Reserve	Retained Earnings	Total Equity
	£	£	£	£	£	£	£
Balance at 1 January 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)
Total comprehensive income	-	-	-	-	(185,557)	(342,581)	(528,138)
Issue of share capital (note 26)	519,050	3,789,064	-	-	-	-	4,308,114
Share issue expenses	-	(308,873)	-	-	-	-	(308,873)
Share premium reduction (note 26)	-	-	-	-	-	-	49,400
Share based payments (note 27)	-	-	49,400	-	-	-	49,400
Group reconstruction (note 26)	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**
Balance at 1 January 2017	2,695,266	3,480,191	49,400	(339,687)	(260,403)	(2,256,539)	3,368,228
Profit for the year	-	-	-	-	-	816,317	816,317
Foreign exchange translation differences	-	-	-	-	(94,174)	-	(94,174)
Total comprehensive income	-	-	-	-	(94,174)	816,317	722,143
Dividends paid (note 16)	-	-	-	-	-	(226,402)	(226,402)
Issue of share capital (note 26)	18,000	131,400	-	-	-	-	149,400
Transfer between reserves	-	-	(49,400)	-	-	49,400	-
Share premium reduction (note 26)	-	(3,480,191)	-	-	-	3,480,191	-
Share based payments (note 27)	-	-	43,786	-	-	-	43,786
Balance at 31 December 2017	**2,713,266**	**131,400**	**43,786**	**(339,687)**	**(354,577)**	**1,862,967**	**4,057,155**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2017	2016
		£	£
Operating activities			
Profit/(loss) before taxation for the year		1,640,585	(218,244)
Adjustments for non-cash operating transactions:			
Finance costs	9	90,952	79,738
Depreciation	18	109,911	118,855
Amortisation	17	100,001	63,177
Gain on disposal of tangible fixed assets		9,992	-
Share based payment charge	27	87,082	49,400
		2,038,523	92,926
Movements in working capital:			
Increase in trade and other receivables		(526,864)	(964,536)
Increase in trade and other payables		210,973	160,041
Increase in inventories		(106,743)	(76,636)
Increase in deferred revenue		225,969	827,962
Cash flow from operations		**1,841,858**	**39,757**
Taxes paid		(510,187)	-
Net cash flow from operations		**1,331,671**	**39,757**
Investing activities			
Purchase of property, plant and equipment	18	(112,941)	(43,269)
Proceeds from disposals of property, plant and equipment	15	24,836	-
Purchase of subsidiary undertakings, net of cash acquired	15	(1,137,901)	-
Purchase of other intangible assets	16	(55,480)	(153,716)
Net cash used in investing activities		**(1,281,486)**	**(196,985)**
Financing activities			
Repayment of borrowings		(47,058)	(146,065)
Net proceeds from issue of share capital		149,400	3,999,241
Dividends paid to shareholders	16	(226,402)	-
Interest paid	9	(90,952)	(104,828)
Net cash (used in)/from financing activities		**(215,012)**	**3,748,348**
Net change in cash and cash equivalents		(164,827)	3,591,120
Cash and cash equivalents, beginning of the year	21	4,392,350	978,939
Exchange differences on cash and cash equivalents		(196,349)	(177,709)
Cash and cash equivalents, end of year	21	**4,031,174**	**4,392,350**

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2017 £	2016 £
Assets			
Non-current assets			
Investments in subsidiaries	14	2,293,426	2,176,216
Amount due from subsidiaries	19	1,704,716	674,573
		3,998,142	2,850,789
Current assets			
Trade and other receivables		25,802	25,808
Amount due from subsidiaries	18	438,496	-
Cash and cash equivalents	21	1,162,035	3,048,174
		1,626,333	3,073,982
Total assets		**5,624,475**	**5,924,771**
Current liabilities			
Trade and other payables		61,653	4,074
Total liabilities		**61,653**	**4,074**
Equity			
Share capital	26	2,713,266	2,695,266
Share premium	26	131,400	3,480,191
Other reserves	27	43,785	49,400
Retained earnings		2,674,371	(304,160)
Total equity		5,562,822	5,920,697
Total equity and liabilities		**5,624,475**	**5,924,771**

No statement of comprehensive income is presented by the company as permitted by section 408 of the Companies Act. The loss dealt within the financial statements of the parent Company for the year ended 31 December 2017 is £324,658 (2016: £304,160).

The financial statements were approved and authorised for issue by the board on 16 April 2018 and were signed on its behalf by:

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Brian Hogan, Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Other reserve	Retained Earnings	Total Equity
	£	£	£	£	£
On incorporation	-	-	-	-	-
Issue of share capital (note 26)	2,695,266	3,789,065	-	-	6,484,331
Share issue expenses	-	(308,874)	-	-	(308,874)
Loss for the year	-	-	-	(304,160)	(304,160)
Share based payment (note 27)	-	-	49,400	-	49,400
Balance at 31 December 2016	**2,695,266**	**3,480,191**	**49,400**	**(304,160)**	**5,920,697**
Balance at 1 January 2017	**2,695,266**	**3,480,191**	**49,400**	**(304,160)**	**5,920,697**
Loss for the year	-	-	-	(324,658)	(324,558)
Dividends paid (note 16)	-	-	-	(226,402)	(226,402)
Issue of share capital (note 26)	18,000	131,400	-	-	149,400
Transfer between reserves	-	-	(49,400)	49,400	-
Share premium reduction (note 26)	-	(3,480,191)		3,480,191	-
Share based payments (note 27)	-	-	43,785	-	43,785
Balance at 31 December 2017	**2,713,266**	**131,400**	**43,785**	**2,674,371**	**5,562,822**

PARENT COMPANY STATEMENT OF CASH FLOWS

	2017 £	2016 £
Operating activities		
Loss before tax	(324,658)	(304,160)
Movements in working capital:		
Decrease/(Increase) in trade and other receivables	6	(25,808)
Increase in trade and other payables	14,282	4,074
Share based payment charge	87,082	49,400
Net cash used in operations	**(223,288)**	**(276,494)**
Investing activities		
Advances to subsidiaries	(1,468,539)	(674,573)
Net cash used in investing activities	**(1,468,539)**	**(674,573)**
Financing activities		
Proceeds from issue of share capital, net of costs	149,300	3,999,241
Increase in investment in subsidiary	(117,210)	
Dividends paid to shareholders	(226,402)	-
Net cash (used in)/from financing activities	**(194,312)**	**3,999,241**
Net change in cash and cash equivalents	(1,886,139)	3,048,174
Cash and cash equivalents, beginning of the year	3,048,174	-
Cash and cash equivalents, end of year	**1,162,035**	**3,048,174**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

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

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

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

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

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

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

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

The Directors 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.

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

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

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

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

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

3.1 Foreign currencies

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

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

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

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

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

3.2 Segment reporting

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

3.3 Revenue

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

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

The franchise fee consists of two distinct components:

- the opening package; and
- the territory fee

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

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

In circumstances where franchise territories are resold, on an arm's length basis, between our franchisee and a third party, it is our policy to continue to recognise the deferred revenue over the life of the original franchise agreement. Should there be an additional opening package, or territory sale, as part of the resale, these components will follow the aforementioned revenue recognition process under the new franchise agreement policy.

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

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

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 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 IAS 39, 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.

3.7 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	- over 5 years
Customer contracts	- over 5 years
Software development	- over 3 years

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

3.8 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).

3.9 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.

3.10 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.

3.11 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.

3.12 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 27 and 31 for additional information on these instruments.
- "Retained earnings" represents retained profits and accumulated losses.
- "Merger reserve" arises on business combination (Note 2).

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

3.13 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.

3.14 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.

3.15 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 the Group's listing on AIM;
- Excess compensation paid prior to the Group's listing on AIM;
- 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.

3.16 Critical accounting judgments and key sources of estimation uncertainty

Revenue recognition
As outlined in note 3.3, the Group generates revenue from a range of contractual arrangements.

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 £2,937,327 (2016: £2,711,358). The revenue recognised in respect of the opening package and the apportioned territory fee in the current year was £1,348,193 (2016: £1,235,983).

The Group is furthermore reviewing this application as disclosed further in note 4 with the upcoming implementation of IFRS 15.

Business combinations
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 excess earnings method, being customer relationships and customer contracts. 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. An unchanged revenue profile would have estimated the fair value of the customer relationships and customer contracts to be £346,210 and £28,071 respectively.

Furthermore, an additional source of estimation uncertainty arises on the assessment of goodwill impairment. Further disclosure in included in note 17.

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 considering 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 STANDARDS

The following standards are effective for this financial year but have not had significant impact on the reported financial performance or position of the Group:

• Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations;
• Amendments to IAS 1 Disclosure Initiative;

• Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation; and
• Amendments to IAS 27 Equity Method in Separate Financial Statements.

New standards and interpretations not applied.

At the date of the approval of these financial statements, the following standards and interpretations that are relevant to the Group, which have not been applied in these financial statements, were in issue but not yet effective.

International Financial Reporting Standards (IFRS's)	**Effective for period beginning on or after**
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, with the possible exception of those noted below:

- IFRS 9 Financial Instruments replaces IAS 39, covering the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and the new expected credit loss model for calculating impairment.

Impairment

Previously under IAS 39, impairment or credit losses are only recognised when a credit loss event occurs ('incurred loss model'). Under IFRS 9, the new impairment requirements are based on expected credit losses ('expected credit loss model'). Expected credit losses (ECLs) are an estimate of credit losses over the life of a financial instrument and are recognised as a loss allowance or provision.

The main difference between the two accounting standards is that the new standard (IFRS 9) requires a recognition of credit loss allowances on initial recognition of financial assets, whereas previously under IAS 39, impairment is recognised at a later stage, when a credit loss event has occurred. The full impact of IFRS 9 is currently under review, including the practical application of the principles of the standards. Additionally, without foresight into the type, amount and specifics of those financial assets at the next financial statement date, it is not practical to provide a reasonable estimate of the financial effects until this review is complete.

- IFRS 15 introduces a new five-step approach to the timing of revenue recognition based on performance obligations in customer contracts and is effective for periods beginning on or after 1 January 2018. Based on a preliminary review by the Board, it has been determined that IFRS 15 may have an impact on revenue recognition and related disclosures. Management is completing the review and is developing appropriate systems, internal controls, policies and procedures necessary to collect information for the purposes of accounting and disclosure under IFRS15.

Management's review of the impact of IFRS 15 will be concluded in the second quarter. The key impact identified to date is:

- Financing Component – Under IFRS 15 when determining the contract price an entity must consider the existence of a significant financing component in the contract. Where one exists, the company shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract exceeds one year. The Group does, in certain situations, provide for extended payment terms to its franchisees. This change could affect both; (i) the amount of revenue recognised under the contract; and (ii) the recognition of interest income to be realized over the period of the extended terms.

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: U.K. and North America.

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

<u>Revenue</u>

	2017 £	2016 £
U.K.	3,197,973	2,580,674
North America	8,349,325	5,888,013
Total continuing operations	**11,547,299**	**8,468,687**
Discontinued operations	1,937,440	1,606,502
Total	**13,484,739**	**10,075,239**

<u>Non-current assets</u>

	2017 £	2016 £
U.K.	1,544,785	510,854
North America	1,673,329	1,984,363
Total	**3,218,114**	**2,495,217**

Product and services revenue analysis

<u>Revenue</u>

	2017 £	2016 £
Franchise Development	1,348,193	1,235,983
Fryer Management	8,434,262	6,217,772
FiltaSeal	1,327,835	1,014,932
FiltaGMG	437,008	-
Total continuing operations	**11,547,299**	**8,468,687**
Discontinued operations	1,937,440	1,606,552
Total	**13,484,739**	**10,075,239**

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 2017:

	Franchise Development £m	Fryer Management £m	FiltaSeal £m	FiltaGMG £m	Total £m
Sales to external customers	1.3	8.4	1.3	0.4	11.5
Adjusted EBITDA	**0.3**	**1.5**	**0.2**	**0.1**	**2.1**
Acquisition, legal and IPO costs	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)
Share based payments	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)
Depreciation and amortisation	(0.0)	(0.2)	(0.0)	(0.0)	(0.2)
Operating profit	**0.2**	**1.2**	**0.2**	**0.1**	**1.7**
Net finance costs	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)
Profit before taxation	**0.2**	**1.1**	**0.2**	**0.1**	**1.6**
Taxation					(0.8)
Profit from discontinued operations					0.0
Other comprehensive income					(0.1)
Profit and total comprehensive income					**0.7**

Operating segment performance for the year ended 31 December 2016:

	Franchise Development £m	Fryer Management £m	FiltaSeal £m	FiltaGMG £m	Total £m
Sales to external customers	1.2	6.3	1.0	-	8.5
Adjusted EBITDA	**0.2**	**1.0**	**0.1**	**-**	**1.2**
Acquisition, legal and IPO costs	(0.2)	(0.9)	(0.2)	-	(1.3)
Share based payments	-	-	-	-	-
Depreciation and amortization	(0.0)	(0.1)	(0.0)	-	(0.2)
Operating profit	**(0.0)**	**(0.1)**	**(0.1)**	**-**	**(0.2)**
Net finance costs	(0.0)	(0.1)	(0.0)	-	(0.1)
Profit before taxation	**(0.1)**	**(0.1)**	**(0.2)**	**-**	**(0.3)**
Taxation					(0.1)
Profit from discontinued operations					0.1
Other comprehensive income					(0.2)
Profit and total comprehensive income					**(0.5)**

6. Operating profit and adjusted EBITDA

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

	2017 £	2016 £
Depreciation of property, plant and equipment (note 17)	109,911	118,855
Amortisation of intangible assets (note 16)	100,001	63,177
Profit on disposal of plant and equipment	9,992	-

Staff costs, including directors (Note 7)	2,993,670	3,079,535
Cost of acquisition	34,000	-
Foreign exchange gains/(losses)	(22,238)	(62,038)

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 financial statements	61,920	39,500
Subsidiary audit fees	-	23,638
Fees payable to the company's auditor for other services to the Group	-	122,500
Total auditors remuneration	61,920	185,638
Inventory expensed	5,870,449	4,449,246
Operating lease rental expense	24,399	13,459

Exceptional items consist of the following:

	2017 £	2016 £
Acquisition related	65,402	
Legal and professional	54,878	
Costs of IPO	-	580,603
Pre-IPO bonus to shareholders	-	679,936
	120,280	1,260,539

Acquisition related costs are primarily attributable to the Grease Management Limited acquisition while the legal and professional costs relate primarily to the cancellation of the share premium, share option scheme and staffing.

7. STAFF COSTS

	2017 £	2016 £
Gross salaries	2,602,507	2,859,320
Social security costs	195,084	139,364
Pension contributions	9,062	2,391
Share based payment charge	87,082	-
Other staff benefits	99,935	78,460
	2,993,670	3,079,535

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

	2017 No.	2016 No.
Directors	7	7
Staff		
Administration	10	12
Customer Services/Network Support	11	12
Business Development/Marketing	6	8
Sales	7	4
Other	26	19
	67	62

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2017 £	2016 £
Remuneration for qualifying services	732,667	1,296,994
	732,667	1,294,994

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

9. FINANCE COSTS

	2017	2016
	£	£
Bank and other loans	78,452	72,891
Hire purchase and finance lease charges	12,500	6,847
	90,952	79,738

10. INCOME TAX EXPENSE

	2017	2016
	£	£
Corporation Tax		
Charge for the year	775,151	265,723
Deferred tax		
Origination and reversal of temporary differences	(215,878) -	(164,968)
Tax charge related to change in U.S. tax rate	264,995	
Total tax charge	824,268	100,755

Reconciliation of corporation taxation:

	2017	2016
	£	£
Profit/(loss) before tax on continuing operations	1,607,727	(328,991)
Tax at domestic rates applicable	310,934	(64,811)
Expenses disallowed for tax	19,690	110,744
Loss relief	(42,959)	(32,067)
Overseas taxes	487,486	251,857
Total current tax	775,151	265,723
Deferred tax		
Origination and reversal of timing differences	49,117	(164,968)
Total tax expense	824,268	100,755

The Filta Group's effective tax rate for the year ended 31 December 2017 was 51.3% (2016: 19.7%). The effective rate is an amalgamation of UK, US and Canadian rates for the periods reported. The change from year to year has been particularly affected by the non-recurring/non-cash tax charge related to the revaluation of U.S. deferred tax assets due to the U.S. rate reduction, availability of loss reliefs and recognition of deferred tax assets and liabilities. The effective tax rate excluding the tax charge on the U.S. rate reduction is 35.1%.

The Filta Group has tax losses of approximately £516,227 (2016: £667,480) to carry forward against future profits. The tax value of such losses amounted to £98,083 (2016: £133,496). The UK tax losses have no expiry date and a deferred tax asset of £124,249 (2016: £133,496) has been recognised in respect of them.

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

11. DEFERRED TAX ASSETS / LIABILITIES

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

	2017	2016
	£	£
At start of year	755,965	520,439
Addition for the year	210,735	164,968
Charge related to reduction in U.S. tax rate	(264,995)	
Foreign exchange differences	(49,574)	70,558
At end of year	652,131	755,965

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.

	2017	2016
	£	£
Tax losses	124,249	133,496
Deferred revenue	524,658	596,134
Others	3,224	26,335
At end of year	652,131	755,965

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

	2017	2016
	£	£
At start of year	-	-
Acquired with subsidiaries	29,215	-
Intangible Assets acquired in business combination	71,113	-
(Credit) / charge for the year	(5,143)	-
At end of year	95,185	-

12. Discontinued operations

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

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

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

	2017	2016
	£	£
Revenues	1,937,101	1,606,552
Expenses	(1,868,489)	(1,495,805)
Profit before tax	68,612	110,747
Income tax expense	(35,754)	(23,582)
Net profit attributable to discontinued operations	32,858	87,165

Certain assets and liabilities of the operation have been classified as a disposal group held for sale and presented separately on the balance sheet.

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

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

13. EARNINGS PER SHARE

	2017	2016
Basic weighted average number of shares	26,971,892	22,700,716
Dilutive effect of share options and awards	288,081	-
Diluted weighted average number of shares	27,259,973	22,700,716

14. INVESTMENTS IN SUBSIDIARIES

	2017 £	2016 £
Cost at the beginning of the year	2,176,216	-
Additions	117,210	2,176,216
Cost at end of year	2,293,426	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	Class	2017 ownership interest	2016 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%	Support Services
Bio Depot Limited	Ordinary	100%	100%	Dormant
Filta Seal Limited	Ordinary	100%	100%	Dormant
Filta Environmental Canada Limited	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

15. BUSINESS COMBINATIONS

On 21 August 2017, the Group acquired 100 per cent of the voting equity interests of Grease Management Limited, a company whose principal activity is that of a provider of drain related services including live bacteria drain dosing and the installation and servicing of grease recovery units. The acquisition will broaden the product offering of Filta's specialist grease and drain management business, FiltaDrain, and provide additional sales opportunities by the cross-selling of its services into FiltaGMG's customer base and vice versa.

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

	Book value	Adjustment	Fair value
	£	£	£
Customer relationships (intangible asset)	-	346,210	346,210
Customer contracts (intangible asset)	-	28,071	28,071
Property, plant and equipment	135,440	-	135,440
Inventory	54,089	-	54,089
Trade and other receivables	307,425	-	307,425
Cash	12,729	-	12,729
Trade and other payables	(264,386)	-	(264,386)
Deferred tax liability	(29,215)	(71,113)	(100,328)
Total provisional fair value	**216,082**	**303,168**	**519,250**
Consideration paid in cash			1,150,630
Goodwill			**631,380**

The provisional fair values include the recognition of intangible assets related to the value of Grease Management's customer relationships and customer contracts. Both assets will be amortised over a 5-year period with a full year's amortisation recorded in the current year.

Regarding the acquired Trade and other receivables in the transaction of £307,425, the amount estimated to be potentially uncollectible at the acquisition date was £21,508. At 31 December 2017, £15,991 of this balance had been collected.

Deferred tax has been calculated on the value of the intangible assets acquired at a corporation tax rate of 19% and a corresponding amount recognised as goodwill. The amount recognised as goodwill will not be deductible for tax purposes.

Acquisition costs relating to this transaction totalled £34,000 and are disclosed within the statement of comprehensive income.

Since the acquisition date, Grease Management Limited has contributed £413,000 to Group revenues and profit of £121,000 to Group income. If the acquisition had occurred on 1 January 2017, Group revenue would have increased by £1,263,000 and Group income for the period would have increased by £252,000.

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

	2017
	£
Cash paid as consideration on acquisition	1,150,630
Less cash acquired on acquisition	(12,729)
Net cash movement	**1,137,901**

16. DIVIDENDS

	2017	**2016**
	£	**£**
Distributions to equity holders in the year:		
First interim dividend, in lieu of 2016, for the year ended 31 December 2017 of 0.19p per share	51,210	-
Second interim dividend for the year ended 31 December 2017 of 0.65p per share	175,192	-
	226,402	-
Proposed final dividend for the year ended 31 December 2017 of 0.65p per share	176,362	-

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

17. INTANGIBLE ASSETS

	Computer Software £	Goodwill £	Customer Relationships £	Customer Contracts £	Total £
Cost					
Balance at 1 January 2017	391,350	-	-	-	391,350
Additions	55,480	631,380	346,210	28,071	1,061,141
Foreign exchange	(34,713)	-	-	-	(34,713)
Balance at 31 December 2017	412,117	631,380	346,210	28,071	1,417,778
Amortisation and impairment					
Balance at 1 January 2017	224,726	-	-	-	224,726
Amortisation	72,930	-	25,110	1,961	100,001
Foreign exchange	(23,150)	-	-	-	(23,150)
Balance at 31 December 2017	274,506	-	25,110	1,961	301,577
Net book value at 31 December 2017	137,611	631,380	321,100	26,110	1,116,201
Cost					
Balance at 1 January 2016	218,351	-	-	-	218,351
Addition, internally developed	128,097	-	-	-	128,097
Foreign exchange	44,902	-	-	-	44,092
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

The Group is obliged to test goodwill and indefinite life intangible assets for impairment, at least annually, or at any time if there are indications that the goodwill or indefinite life 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 to which the goodwill has been attributed is FiltaGMG.

The recoverable amount of the CGU is determined through the completion of a value in use calculation. The key assumptions for the calculation are discount rates, gross margin and expected changes in future cash flows of the CGU. The pre-tax rates used to discount the forecast cash flows from CGUs was 9.7% derived from the Company's post-tax Weighted Average Cost of Capital, which was 8.8% at 31 December 2017, and adjusted for the risks specific to the market in which the CGU operates.

All CGUs have the same access to the group's treasury functions and borrowing lines to fund their operations. The growth rate of the Filta GMG segment is estimated to be 5% pa., and the EBIT used is 25%, derived from the most recent one-year financial budgets approved by the Board, extrapolated for four future years by the expected growth rate applicable to the CGU with a terminal value using an inflationary growth rate assumption of 3%.

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

18. PROPERTY, PLANT AND EQUIPMENT

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

	Freehold Property	Fixture and Fittings & Equipment	Plant and Machinery	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2017	1,640,785	93,095	183,632	214,643	2,132,155
Additions	4,496	16,394	13,285	78,766	112,941
Acquired with subsidiaries	2,815	5,349	5,567	121,709	135,440
Reclassification to assets held for sale	-	-	-	(84,825)	(84,825)
Disposals	-	-	(820)	(83,150)	(83,970)
Foreign exchange	(128,506)	(3,388)	(3,608)	(594)	(136,096)
At 31 December 2017	1,519,590	111,450	198,056	246,549	2,075,645
Depreciation					
At 1 January 2017	641,013	88,529	99,166	112,795	941,504
Depreciation charge	39,202	12,096	9,175	49,437	109,911
Reclassification to assets held for sale	-	-	-	(59,711)	(59,711)
Disposals	-	-	(367)	(68,759)	(69,127)
Foreign exchange	(56,551)	(3,417)	(3,016)	(335)	(63,320)
At 31 December 2017	623,664	97,208	104,958	33,427	859,257
Net Book Values					
At 31 December 2017	895,926	14,242	93,098	213,122	1,216,388
At 31 December 2016	999,771	4,566	84,465	101,849	1,190,651

Certain of the property, plant and equipment listed above are held as security against bank facilities referred to in note 23.

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

19. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

Total	**2017**	**2016**
	£	**£**
Trade receivables	2,028,107	1,647,665
Prepayments and other receivables	395,677	313,028
Franchise payment plans	384,439	379,405
	2,808,223	2,340,098

Current	**2017**	**2016**
	£	**£**
Trade receivables	1,984,569	1,647,665
Prepayments and other receivables	395,677	313,028

	2017	2016
Franchise payment plans	125,814	99,232
	2,506,060	2,059,925

Non-current	**2017**	**2016**
	£	**£**
Trade receivables	43,538	-
Prepayments and other receivables	-	-
Franchise payment plans	258,625	280,173
	302,163	280,173

Accounts receivable include amounts that the Filta Group has agreed may be settled over extended repayment terms.

The amount due from related parties in the parent company of £2.1m consist of £1.7m of loans to subsidiaries to fund debt repayment and acquisitions and is repayable after more than twelve months while the balance of £0.4m is comprised of £0.1 of management service charges and £0.3m of funding of normal working capital requirements. The loans to subsidiaries bear interest at commercial rates. All amounts are eliminated on the Group Consolidated Statement of Financial Position.

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 Group makes an impairment provision for such amounts. The impairment provision was £56,255 at 31 December 2017 (31 December 2016: £10,302).

Movement in the allowance for doubtful debt:

			2017			**2016**
	UK	**US**	**Total**	**UK**	**US**	**Total**
	£	£	£	£	£	£
At start of year	10,302	-	10,302	5488	51,877	57,365
Impairment loss recognised	24,884	28,340	53,224	4,814	-	4,814
Amounts written off as uncollectable	(7,271)	-	(7,271)	-	(62,545)	(62,545)
Foreign exchange differences	-	-	-	-	10,668	10,668
At end of year	27,915	28,340	56,255	10,302	-	10,302

20. INVENTORIES

	2017	**2016**
	£	**£**
Finished goods	486,974	376,015
Inventory included in assets held for sale	(49,258)	(87,665)
Total	437,716	288,350

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.

21. CASH AND CASH EQUIVALENTS

Group	2017 £	2016 £
Cash at bank and in hand	4,031,174	4,392,350
Company		
Cash at bank and in hand	1,162,035	3,048,174

22. TRADE AND OTHER PAYABLES

	2017 £	2016 £
Trade payables	846,564	1,178,105
Taxes and social security	804,922	360,120
Accruals and other payables	491,420	451,660
	2,142,906	1,989,885

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.

23. LOANS AND OTHER BORROWINGS

	2017 £	2016 £
Total		
Bank loans	928,236	1,037,022
Hire purchase and finance leases	111,315	84,296
	1,039,551	1,121,318

	2017 £	2016 £
Current		
Bank loans	64,102	65,530
Hire purchase and finance leases	43,684	38,282
	107,786	103,812

	2017 £	2016 £
Non-current		
Bank loans	864,134	971,492
Hire purchase and finance leases	67,631	46,014
	931,765	1,017,506

24. OPERATING LEASE COMMITMENTS

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

	2017 £	2016 £
Minimum lease payments due:		
Within 1 year	10,687	8,554
1 to 5 years	2,360	11,305
Total	13,047	19,859

25. RECONCILIATION OF MOVEMENTS IN NET DEBT

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

26. 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.

	2017		2016	
	Number	£	Number	£
Allotted and fully paid				
Total shares in issue at 1 January	26,952,660	2,695,266	-	-
Share for share exchange			21,762,161	2,176,216
Issue of ordinary shares	180,000	18,000	5,190,499	519,050
Share buyback	-	-	-	-
Issued under share option scheme	-	-	-	
Total shares in issue at 31 December	27,132,660	2,713,266	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.

The Company, as contemplated in its admission document, completed a reduction of capital, whereby the entire amount standing to the credit of the Company's share premium account was cancelled to create distributable reserves (the "**Reduction of Capital**"). The Reduction of Capital was formally approved by the High Court of Justice, Chancery Division, and the High Court order was filed with the Registrar of Companies on 18 January 2017. The purpose of the Reduction in Capital was to create distributable reserves to support the Board's dividend policy.

On 22 November 2017, pursuant to a share option agreement with Cenkos Securities plc ("Option Holder"), 180,000 shares of 10 pence each were exercised, and issued, to the Option Holder at a price of 83 pence each, giving rise to a share premium of £131,400.

27. OTHER RESERVES

Group	2017	2016
	£	£
Merger reserve	(339,687)	(339,687)
Share based payment reserve	43,785	49,400
	(295,901)	(290,287)
Company		
Share based payment reserve	43,785	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. Pursuant to this share option agreement the Option Holder exercised and subscribed for all 180,000 ordinary shares which were issued on 22 November 2017. As a result, the share-based payment reserve of £49,400 was charged to Retained Earnings in the current year.

The Company established the Filta Group Holdings Enterprise Management Incentive Scheme in 2017 to award U.K. employees with equity settled share options. The options were granted on 5 May 2017 and vest equally over a three-year period beginning on 5 May 2019. The total charge recognised for share-based payments in respect of employee services received for the year ended 31 December 2017 was £43,785 (2016: £Nil).

28. 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%	(138,791)	10,283
USD	-10%	169,633	(12,568)
CAD	+10%	(1,608)	(11,920)
CAD	-10%	(1,965)	14,569

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.

If interest rates had been 1% higher/lower and all other variables were held constant, the group's profit after tax for the year ended 31 December 2017 and reserves would decrease/increase by £0.009m (2016: £0.01m).

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 IAS39 classification of each of its financial assets and liabilities at 31 December 2017. All amounts are stated at their carrying value.

	2017	**2016**
	£	**£**
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	4,031,174	4,392,350
Trade and other receivables (excluding prepayments)	2,451,072	2,169,130
Deposits	2,344	2,572
	6,484,590	6,564,052
Financial Liabilities		
Trade and other payables	2,142,906	1,989,885
Deferred Income	2,937,327	2,711,358
Borrowings	1,105,976	1,154,804
	6,186,209	5,856,047

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

At 31 December 2017	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	£	£	£	£	£
Trade and other payables	2,095,601	16,038	31,267	-	2,142,906
Deferred income	71,089	355,445	1,884,502	626,291	2,937,327
Borrowings	21,828	109,140	809,815	165,193	1,105,976
Total	2,188,518	480,622	2,725,585	791,484	6,186,209

At 31 December 2016	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	£	£	£	£	£
Trade and other payables	1,886,028	32,217	71,639		1,989,885
Deferred income	66,814	334,068	1,708,091	602,386	2,711,358
Borrowings	17,302	86,510	724,998	325,994	1,154,804
Total	1,970,144	452,795	2,504,727	928,380	5,856,047

29. ADJUSTED CASH FLOW FROM OPERATIONS *

	2017	2016
	£	£
Profit/(loss) before tax	1,607,727	(328,991)
Adjustments for non-cash operating transactions	387,500	447,007
Movements in working capital	(646,531)	(78,259)
Impact of items on operating cash flow – Note 3.15	120,280	1,260,539
	1,468,976	1,300,296

* Adjusted cash flow from operations includes the addition of items disclosed in Note 3.15.

30. 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 £9,062 (2016: £2,391) 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.

31. SHARE OPTION SCHEME

The Company has, on 5 May 2017 ("Grant Date"), introduced a Share Option Scheme to incentivise executives and employees of Filta Group Holdings and its subsidiaries. For U.K. employees, Options have been awarded over a total of 442,500 ordinary shares, equivalent to 1.6% of the Company's current issued share capital. The options vest, subject to the satisfaction of certain conditions, over a period of 4 years from the date of grant. All options issued will meet

the vesting conditions between 2019 and 2021 and are exercisable at any time after vesting and within 10 years from the grant date.

Additionally, all qualifying U.S. employees have been awarded share acquisition rights (SAR's). The SAR's 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 SAR's the same reward value as if the SAR's were share options. The qualifying conditions and timing of vesting are identical to those within the share option scheme for UK employees. All SAR's are settled in cash when exercised. A total of 360,000 SAR's 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.

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 2017	**-**	**-**	
Granted on 5 May 2017 (0.97p)	345,000	360,000	705,000
Granted on 16 October 2017 (1.74p)	97,500		97,500
Total granted during the year	**442,500**	**360,000**	**802,500**
Forfeited during the year (0.97p)	(157,500)	(30,000)	(187,500)
Forfeited during the year (1.74p)	(52,500)		(52,500)
Total forfeited during the year	**(210,000)**	**(30,000)**	**(240,000)**
Outstanding at 31 December 2017 (0.97p)	187,500	330,000	517,500
Outstanding at 31 December 2017 1.74p)	45,000		45,000
Total Outstanding 31 December 2017	**232,500**	**330,000**	**562,500**
Exercisable at 31 December 2017	**-**	**-**	**-**

During the year ended 31 December 2017, the Company issued share options with fair value of £267,776. During the year, the Company recognised an expense of £87,082 related to the fair value of the share-based payment arrangements (2016: £Nil); this was determined using the Black Scholes model, with the following assumptions:

	2017
Weighted average share price	133.4p
Exercise price	97.0p
Risk free rate	0.59%
Dividend yield	0.9%
Volatility	55.05%

32. 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: Nil as at 31 December 2017 (2016: £77,236)

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 2017, the related franchise operator purchased £Nil of equipment and supplies from the company (2016: £10,165). The amounts are classified within trade receivables.

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

Amounts due to related parties – management fees
For the twelve months ended 31 December 2017, management fees of £Nil are included in administrative expense (2016: £736,170) for services provided to The Filta Group, Inc. by Roxanna Holdings, Inc. At 31 December 2017 and 2016, £Nil of this total was payable to the related party.

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 2017 (2016: £Nil).

Interest paid on these loans amounted to £Nil at 31 December 2017 (2016: £8,533).

33. EVENTS AFTER THE REPORTING DATE

On 4 January 2018, the Group announced the sale of its Filta Refrigeration subsidiary for cash and other considerations and further conveyed their intention to exit the refrigeration and HVAC market. The Board believes that the disposal of the refrigeration business is an important strategic step in allowing the Group to focus on its higher margin and higher growth businesses.

On 31 January 2018 the Group announced the acquisition of FiltaFry Deutschland GmbH, the company which owns the master franchise license for Filtafry in Germany. The Group paid initial consideration of €0.2m (£0.2m) satisfied by a mix of cash and shares. There is also a deferred consideration component of €0.1m (£0.1m) to be satisfied by the issue of Filta shares in two equal installments following on at the end of years one and two.

There are no other matters that occurred between the reporting date and the date of approval of these financial statements that the Directors believe are necessary to draw attention to.