Registered in England and Wales number 10114644

Verditek PLC

Group Annual Report and Financial Statements

Year Ended 31 December 2018

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STRATEGIC REPORT

Verditek takes early stage positions in clean-tech businesses and provides funding and management to take them through to commercial revenue and profit. Through our subsidiaries we bring new technology to emerging and fast growing sectors that reduce the environmental footprint of conventional industry. We continue to evaluate opportunities in technology businesses and partnerships where we believe our commercial discipline and network can provide a route to commercial revenue and growth.

Verditek holds interests in three businesses operating within this sector. This includes full control of Verditek Solar Italy housed in a new factory in Lainate Italy comprising two solar manufacturing lines (total of 20MWp p.a.) producing innovative lightweight solar modules. Additionally, the company has interests in a sustainable filtration and deodorization technology which is commercially proven to remove a wide range of odours found in wastewater and exhausts, and a unique liquid gas absorption technology which can revolutionize the global CO2-capture industry. At the date of approval of this report the Company has the following holdings:

100% holding in Verditek Solar Italy s.r.l – our Verditek Solar Italy subsidiary manufactures light weight solar modules which offer several innovations including: interconnectivity of individual PV cells, increased flexibility, and are particularly light weight compared to conventional PV modules. These properties open up markets that otherwise cannot consider solar energy to address their power requirements. The business will generate revenues from the sale of 'solar enhanced' PV products. Our start-up capacity comprises two solar PV production lines with a total manufacturing capacity of 20MWp of solar panels per annum.

51% holding in BBR: BBR applies patented filtration and deodorisation technology to wastewater and industrial effluents. Our technology can be adapted to address specific odour, VOC, and HAP problems, using sustainable green methods to process industrial scale volumes of effluent. For example, our technology can remove over 99% of hydrogen sulphide from wastewater streams, as well as nuisance odours arising from mercaptans and aldehydes. Our patented reactor provides a highly efficient and cost-effective solution that can be scaled from small to very large process streams.

23.64% holding in WES: Many important industrial processes are governed by the effectiveness of mixing a gas with a liquid in order to bring about a separation or reaction of chemicals. The WES gas-liquid contactor does this significantly more efficiently than conventional reactors and is particularly effective when processes are influenced by precipitation. An extremely important example is that of Carbon Capture where typical flue gas streams (e.g. electricity generation, cement manufacture) must by treated to prevent carbon dioxide from entering the atmosphere. Another huge application is the treatment of natural gas (commonly contaminated with 2-5% of H_2S) to meet sales gas requirements (<25 ppm). WES has developed a novel multiphase contacting process using a proprietary froth generator that can dramatically enhance mass transfer in gas/liquid absorption systems. We believe the reduction in capital costs, as well as operational burden, will revolutionize these markets, making access to the technology affordable to industry and protecting our planet.

In October 2018 the shareholders of WES accepted an offer to sell the trade and assets of WES to Industrial Climate Solutions (ICSI), an unlisted company registered in Canada, for $500,000. Acceptance of the offer, together with the absence of commercial sales, means that the realisable value of Verditek's investment in WES at the reporting date was substantially impaired. The amount of such impairment is uncertain, being conditional on the final unwinding of Verditek's investment in WES which was not completed at the date of approval of this report. On finalising the unwinding of WES, the Company will have a 22.34% holding in ICSI. See note 12 to the Notes to the Consolidated Financial Statements.

In addition to these holdings, we have an exciting relationship in place with Paragraf, a start-up which has developed what we believe to be world-leading graphene technology. Together we are working to integrate the extraordinary properties of graphene into silicon PV technology to generate a new technology that can rapidly be commercialized.

This year was one of consolidation of our positions in our holdings, repositioning them geographically, and attracting new talent to the company to energize leadership aligned with our commercial goals. There is more hard work required as we move to secure sales and prove that we can execute projects efficiently with our partners.

On behalf of the Board

Dr Geoffrey Nesbitt
Chief Executive Officer
28 June 2019

2018 HIGHLIGHTS

Our focus was the delivery of first sales of our leading solar cell PV technology in 2019, continued participation in the Paragraf and Verditek joint development project (JDP) and development of the BBR commercial funnel.

In July 2018 we completed commissioning of the solar production line and moved to a larger facility in Lainate, Italy at the same time creating a new wholly owned subsidiary – Verditek Solar Italy s.r.l. Having complete control of the company and assets has allowed Verditek Solar Italy s.r.l. to move forward quickly with refurbishing the Lainate manufacturing facilities and refining the formulation of our lightweight PV modules. The result is a novel solar PV product that is significantly lighter and easier to install than conventional panels. This opens up new market opportunities with clients who could not consider a solar solution due to the weight and installation challenges of conventional panels.

At the year-end we were at an advanced stage in negotiating full control of Greenflex Energy Limited and liquidating Greenflex RSM s.r.l. At the date of approval of this report those objectives had been achieved with full consent of the minority interest owner.

In addition, in pursuit of more rapid commercialisation, at the date of approval of this report, we have announced:

- the signing of a framework agreement with Engenera Renewables Limited – an Engineering, Procurement and Construction (EPC) company - to advance commercial opportunities and jointly provide end-to-end solar solutions to clients. Under the agreement the two firms have agreed to work together to source, tender, finance and create renewable energy generation projects.

- confirmation of our first material distribution agreement comprising a multi-year take or pay contract that begins with a minimum of 1 MW in the first year and increases to 3 MW in the second year. Further orders are under negotiation and the directors are confident the pipeline will deliver firm commitments in the near future.

- the signing of a framework agreement with Optimeyes Energy Limited to advance commercial opportunities jointly. Under the arrangement the two firms will collaborate on projects in which Verditek technology and expertise can be used to the advantage of Optimeyes projects which are under development in Europe. Several projects are currently being developed which will demonstrate the synergies that the two firms can offer working together.

We continued to make excellent progress with our joint solar development project with Paragraf – a spin out from Cambridge University - to develop and verify the integration of graphene into silicon solar technology which we believe could be transformational for the industry. Progress was such that at the date of approval of this report, we have announced:

- the application of Paragraf's proprietary manufacturing process of large scale, high quality, graphene to Verditek solar technology and the successful completion of the first development project. The program has developed unique methodologies to successfully produce graphene on photovoltaic Proof of Concept (PoC) cells, to harness the superior electrical and mechanical properties that graphene can impart. The revolutionary cell works without the encumbrance of metallic busbars or backplates required in conventional PV cells

- a second JDP between Paragraf and Verditek, building on the first project, to improve the performance of the cells, develop the opportunity to file patents and, upon attainment of additional performance targets, commence commercial discussions for industrial manufacture and application of the new material. The second JDP is underway with a fast-track schedule of objectives.

2018 HIGHLIGHTS (Continued)

Regarding BBR, at the date of approval of this report we have announced a termination notice of our Shareholder Agreement to the minority BBR Filtration shareholders. This will enable BBR Filtration to develop alternative commercial relationships in conjunction with a new company and allow management to provide better focus of on its solar business in Italy.

The Board believes that WES/ICSI is a blue-sky investment opportunity, which could revolutionise the carbon capture market for the cement industry, natural gas processing, petroleum refineries and numerous other industries. This year we have moved operations from Maui, USA to Calgary, Canada to take advantage of funding programs offered by the Canadian government in the carbon-capture and sequestration industry and with new leadership in place are pursuing projects and further investment in the company.

In December 2018, Verditek successfully closed on £1.17m of funding through the issuance of a 10% Convertible Loan Note for working capital purposes to support of the continued growth of the Company's solar manufacturing capacity and to further fund the Joint Development Programme with Paragraf.

During the period the businesses did not record any revenue with first commercial sales expected in 2019. The investment funds raised during the year were used to invest in additional production equipment, sales and marketing, product development and other operating expenses.

CHAIRMAN'S STATEMENT

I was delighted to take over from Geoff Nesbitt as Chairman in April 2018 and, as a strong supporter of clean technologies, I continue guide this forward-thinking business in its mission to commercialise clean technologies. I believe that Verditek's innovative range of clean energy products will help to meet the growing demand for a greener, cleaner planet.

During 2018 and into 2019 the executive team have continued to make significant progress towards achievement of the operational plans and put in place a strong foundation of governance under which the group can effectively operate.

Undoubtedly the focus during 2018 and into 2019 has been the establishment of our new wholly owned subsidiary – Verditek Solar Italy - manufacturing light weight solar modules which offer several innovations including, interconnectivity of individual PV cells, increased flexibility, and are particularly light weight compared to conventional PV modules. These properties open up markets that otherwise cannot consider solar energy to address their power requirements. The business will generate revenues from the sale of 'solar enhanced' PV modules for applications which require exceptional performance without the weight. Our start-up capacity comprises two solar PV production lines with an initial manufacturing capacity of 20 MWp of solar panels per annum.

I am excited by the significant progress that we have made in pursuing commercialisation of our light-weight solar modules, notably our collaboration agreements with Engenera Renewables Limited and Optimeyes Energy Limited with whom we are actively participating to generate end-to-end solar solutions to clients. In addition, our first material distribution agreement is a significant step towards commercialisation.

With the announcement that we have created a working proof of concept graphene integrated photovoltaic cell, we are very excited about entering the second Joint Development Project with Paragraf Ltd, a spin out from Cambridge University. This JDP will look to improve performance of the PoC cell, develop patents and commence commercial discussions for the product. We envisage the development of this technology coupled with our current solar offering, will further transform the durability and performance of conventional light-weight cells, opening up new applications of solar technology. We anticipate the new technology can be integrated into a wide range of electronic devices demanding a supremely robust, lightweight material that converts light into power.

With its modular solution to odour control BBR is ideally suited to exploit the trend for new biological based solutions and we are actively pursuing partnerships to commercialise the opportunity.

In WES/ICSI we have been active in developing access to CO_2 capture and H_2S removal target markets through work with established partners in order to scale the business.

Altogether the outlook for the business remains positive with strongly growing addressable markets and products – particularly in the solar PV sector - that offer customers good value solutions to their environmental challenges.

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

CHIEF EXECUTIVE'S REVIEW

Through our subsidiaries we are growing commercial opportunities fast-growing sectors of solar energy, industrial air and water deodorisation as well as CO_2 and H_2S emissions capture technology. In the period under review we have made significant investment in the commercialisation of our solar and BBR technologies, development of operating processes and group governance. We remain confident that in our chosen markets our technologies can deliver significant value to our customers as they manage their environmental responsibilities.

Strategy

Verditek takes early stage positions in technology businesses and provides financial discipline and funding to take them through to commercial revenue and growth. Technology and market risk are managed by investing in technologies which service different markets and are at different stages of maturity. Cash generation from interests which are closest to revenue will supplement the investment needs of the businesses with longer technology development cycles. Near term strategic objectives include:

Achieving first sales: Verditek Solar Italy, our next generation solar cell technology company, is now in production and offers our nearest term revenue generation opportunity. Our current focus is to push the solar technology into market and secure sales contracts. To that end we have entered into collaboration agreements with Engenera Renewables Limited and Optimeyes Energy Limited:

- Engenera is a premier UK EPC company specialising in renewable energy solutions for its clients and has developed a four-step process to help businesses reduce energy bills and their carbon footprint, removing up-front costs and maintenance burden as barriers to a sustainable future. Together with Verditek Solar Italy, the two organisations can offer a tailored solution that helps remove the threat of volatile utility prices and provides project owners and businesses with a ready-made solution and predictable savings.
- Optimeyes is a project developer providing clients with integrated solutions in renewable energy generation projects in the EU and the UK. Optimeyes has developed a full range of services comprising energy compliance audits, optimization analysis for businesses, energy efficiency programs to reduce utility spending, and has a track record in creating financial instruments to ease client entry into capital purchases that reduce the long-term burden of utility costs. Several projects are currently being developed which will demonstrate the synergies that Optimeyes and Verditek Solar Italy can offer working together.

In addition, we have secured our first material distribution agreement comprising a multi-year take or pay contract that begins with a minimum of 1 MW in the first year and increases to 3 MW in the second year. Further orders are under negotiation and the directors are confident the pipeline will deliver firm commitments in the near future.

In order to provide better focus of Verditek on its solar business in Italy, the Verditek Board has issued a termination notice of their Shareholder Agreement to the minority BBR Filtration shareholders. Henceforth BBR Filtration will develop alternative commercial relationships in conjunction with a new company. The Board believes this is in the best interest of all parties and will ultimately provide better commercial delivery.

Continuing to invest in longer term development opportunities: The joint development project with Paragraf Limited has been created to harness the significant potential advantages of graphene to improve the performance of solar power generation over state of the art cells and panels.

The first development project is completed and has resulted in the realisation of working graphene integrated photovoltaic Proof of Concept (PoC) cells that successfully convert sunlight to electrical energy without the encumbrance of busbars or backplates required in conventional PV cells. A second JDP will look to improve performance of the PoC cell, develop patents and commence commercial discussions for the product.

CHIEF EXECUTIVE'S REVIEW (continued)

This is very exciting and provides an opportunity to move the Verditek solar business to the cutting edge of the solar industry.

The investment in WES with its unique liquid gas absorption technology, is set to revolutionize the global CO_2 capture market offers a longer-term blue-sky opportunity for investors.

Develop the organisation: build out a strong and reliant organisation with an emphasis on attracting and retaining excellent people supported by effective systems, processes and tools.

Markets and Products

During the period we continued to see strong growth in our addressable markets.

Solar: We estimate that the lightweight solar market is growing strongly and is going to be at least $28 billion by 2022. Greenflex can offer customers solar modules at a fraction of the weight of conventional glass panels opening up new market opportunities for customers with residential and light industrial estates.

Filtration: Our BBR fluidized biofilter offers deodorisation and filtration systems into established markets where growth is driven by increasingly strict national and local regulations. Addressable markets include food processing, wastewater treatment, industrial and chemical processing. The scale of the global market for new capital equipment expenditure on abatement technology is estimated to be in the region of £450m-£600m per annum, and BBR is ideally suited to exploit the trend for new biological based solutions.

CO_2 and H_2S removal: The unique WES liquid gas absorption technology provides the opportunity to supply more space efficient absorption solutions to customers with lower running costs than existing solutions. Addressable market growth is driven by increased legislative pressure and growth in the underlying markets. Markets include fossil fuel power generation plants, cement production, oil refining, upstream management of sour gas, any precipitating solvent process and ultra-fine particular scrubbing. The sour gas market is growing rapidly and expected to be around $55 billion by 2022.

Financials

During the period the businesses did not record any revenue. The investment funds raised during the year were used to invest in additional production equipment, sales and marketing, product development and other operating expenses.

Outlook

We are excited about the future of Verditek and believe the outlook remains very positive.

When we set about creating Verditek we did so with the vision of building a leading clean technology company, which delivers game changing technology solutions for the sector. We believe with our initial three investments in solar, bio filtration and gas processing and carbon capture, we are well placed to do this.

Our growth strategy is centered on accelerating the Verditek Solar commercialisation and defining the commercial opportunities of the Paragraf JDP, to drive first revenues and enhance shareholder value for the Company.

All of our businesses hold the following characteristics which we believe set us apart from our peers; they are all proven proprietary products, technologies within emergent and fast growing cleantech sector and have large, lucrative and global addressable markets. We also have the ability to add investments in synergistic technologies that bring value to our core three businesses.

CHIEF EXECUTIVE'S REVIEW (continued)

Our focus continues to be delivery of first sales of our leading solar cell PV technology. We have completed commissioning of the production line and recently moved to a larger facility in Lainate, Italy under the wholly owned subsidiary Verditek Solar Italy.

We are very excited about our joint solar development project with Paragraf Limited to develop and verify the application of graphene to solar devices which we believe could be a game changer for the industry.

We are confident that the repositioning of the BBR's bio filtration products will be successful.

The Board believes that WES is a blue-sky investment opportunity, which could revolutionise the carbon capture market for the cement industry, natural gas processing, petroleum refineries and numerous other industries.

We will also continue to invest in developing the Verditek organisation building on the strong foundations that have been laid down so far.

I would like to take this opportunity to thank my fellow Board members, valued shareholders and advisers for their support during this year. As noted, we look forward to delivering on our vision of building a cash-generative and profitable clean technology company and we will continue to update the market in the coming months on these developments.

Dr Geoffrey Nesbitt
Chief Executive Officer

FINANCIAL REVIEW

Income statement

During the year 2018 the Group's loss after taxation was £2,663,415 (December 2017: £1,979,479). The administration costs incurred for the year ended 31 December 2018 of £1,919,700 included impairment of goodwill of £31,405 (December 2017: £1,807,184 included non-recurring costs of £673,012, being costs associated with AIM admission and fundraising costs, and impairment of goodwill of £357,236).

Loss per share

The basic and diluted loss per share was £0.01 (2017: £0.01).

Financial Position

At 31 December 2018, the Group's net liabilities were £112,449 (2017: net assets of £2,527,371). This comprised total assets of £1,639,106 and total liabilities of £1,751,555. The total assets included property, plant and equipment and goodwill of £498,969 (2017: £440,588).

Cashflow

The Group's cash balance at the period end was £683,885 (2017: £1,190,975).
During the period the net cash outflow from operating activities was £1,704,546 (2017: 1,613,455) with financing activities generating net proceeds of £1,483,328 (2017: £3,600,741).

Dividends

No dividend is recommended (2017: £nil) due to the early stage of the development of the Group.

Capital management

The Board's objective is to maintain a statement of financial position that is both efficient and delivers long term shareholder value. The Group had cash balances of £683,885 at 31 December 2018. The Board continues to monitor the balance sheet to ensure it has an adequate capital structure.

Key Performance Indicators

As the group is pre-revenue the main measures of performance are the level of expenditure compared to budget and forecast expectations. Going forwards the Board will work with the businesses to develop a suite of KPIs to monitor and report performance.

Events after the reporting period

Events after the reporting period are described in Note 26 to the financial statements.

Tim Lord
Chief Financial Officer

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is committed to protecting and enhancing our reputation and assets, while safeguarding the interests of our shareholders. It has overall responsibility for the Group's system of risk management and internal control.

The Board assesses the Company's principal risks and monitors the risk management process at least twice a year. Over the course of the year, the Board has also considered specific risks of intellectual property and physical asset security, fluctuations in exchange rates and liquidity.

Accepting that it is not possible to identify, anticipate or eliminate every risk that may arise and that risk is an inherent part of doing business, our risk management process aims to provide reasonable assurance that we understand, monitor and manage the main uncertainties that we face in delivering our objectives. Our principal risks are shown in the table below.

Risk Framework

Managing risk is an inherent part of any vital commercial enterprise. Verditek has prepared a risk review using an established framework that assists the recognition and mitigation of risk. Ranking risk and opportunity is critical to any successful business and assists the executive in managing priorities to extract the maximum value from our investments, while maintaining vigilance on those aspects which most influence an outcome.

Over the course of the year we have continued to focus on the risk framework developed in our first year of operation to maintain and enhance a fit for purpose governance model and to ensure compliance. Financial control continues to figure prominently in this overall framework.

Risk Review

Verditek businesses span three separate markets and industry segments, providing a natural hedge to the company. The key risks identified per business are as follows:

	RISK	MITIGATION and MANAGEMENT	ASSESSMENT
Market conditions	Solar: subsidized tariffs for conventional "brown" electricity and the application of massive investment of capital automation similar to what happened in conventional PV. Deodorisation: established players enter into a price war, destroying value proposition in the market or, regulatory bodies relax odour emission laws. CO_2 & H_2S Capture: major governments opt out of the Paris accord, encouraging industry to vent CO_2, or sulphur emissions legislation is relaxed by the IMO and EU.	For all three businesses the mitigation strategy is similar: pursue clients who are themselves active in different regions, markets, and industry segments. In Solar we are securing relationships with developers in India, Australia the GCC and Europe. Our product can be used in light industrial sheds, mining camps and affordable housing projects. In our deodorisation business we are pursuing relationships in the US across many new areas such as food processing and horticulture (e.g. cannabis). In CO_2 and H_2S capture we are working with recognised industry leaders to benchmark our technology in CO_2 capture and H_2S gas processing.	The risk requires constant vigilance.
Commercial Success	Our products are considered too expensive or providing a low return on investment. Since we are ramping up production our leverage on procurement costs and economies of scale are low. Establishing organic sales leads is slow.	In our solar business we are establishing procurement relationships and debottlenecking our WIP cycle to optimize material cost. As we grow, we will be able to negotiate more competitive rates. In our deodorisation business we are working with our supplier to analyse costs and where possible manufacture in-country to avoid FX burden. Our CO_2 and H_2S capture investment will remain precommercial until 2019. We are pursuing licensing relationships in both solar and deodorisation to benefit from established sales presence.	The risk requires continued vigilance

	RISK	MITIGATION and MANAGEMENT	ASSESSMENT
License to Operate	Failure to meet AIM corporate governance requirements. Leadership in Verditek or our operating companies behave fraudulently HSE violations in our operating companies.	The executive benchmarked its corporate governance, policies and procedures against the newly published QCA guidelines to ensure compliance. We have published our Code of Conduct and rolled out to the Board and executive. The Board has agreed that each member of Verditek sign the CoC and confirm they have read and understand the contents. Regarding HSE we are directly responsible for installing and auditing an HSE culture in our solar business, auditing our supplier in our deodorisation business and advising in our CO_2 & H_2S capture business. Implementation of an HSE program is underway in our solar business, and we are working with our supplier in deodorisation to implement policy in the manufacture of the equipment.	The HSE risk requires vigilance
Financial	Failure to secure cashflow and remain a going concern. Growth ambitions outpace cash reserves.	We are taking steps to develop a differentiated approach to contracting to encourage lease, lease to buy and sales contracts which will build robust line of sight on earnings. Short to medium-term funding is being addressed in Q3 2019. Early stage financing of growth will be done with partners, using major anchor projects to provide line of sight on income and service financing.	The risk requires constant vigilance.
Legal	Poorly constructed sales contracts expose the company to punitive commercial conditions. Partnering relationships expose Verditek to unlimited liabilities.	Verditek has secured Peachey as their single corporate counsel and have developed a suite of proforma contracts to ensure commercial negotiations begin soundly.	This risk is in control.

GOVERNANCE

BOARD OF DIRECTORS

Since 31 December 2017 there have been a number of Board changes. Theo Chapman resigned as Chief Executive Officer and was replaced by Geoffrey Nesbitt, who was previously Non-Executive Chairman. Jose Luis del Valle and Anthony Rawlinson, both Non-Executive Directors) and Janet Donovan, Chief Financial Officer have also stepped down from the Board to pursue other endeavours. The Rt Hon. Lord David Willetts FRS has joined the Board as Non-Executive Chairman along with Tim Lord as Chief Financial Officer. Gavin Mayhew completed additions to the Board, increasing our depth as a proven entrepreneur, company CEO and Director.

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

Geoffrey Nesbitt Chief Executive Officer

Geoff was the Chairman of Verditek and in early 2018 became the Chief Executive Officer. Geoff has served over 30 years in the oil & gas and energy sectors. He was the CTO of FTSE 250 group Petrofac plc. Prior to Petrofac plc, he held a number of senior roles in Shell in the Middle East, India, the US, and Europe for 23 years. Geoff has a PhD in Chemistry from Durham University, UK.

Tim Lord (Chief Financial Officer)

Tim has held a number of CFO positions, including at JP Morgan, based in Japan, and Société Générale, based in France, USA and Japan. Most recently he was the Financial Controller at Standard Chartered in Singapore and the UK. Tim is a qualified Chartered Accountant, holds a BSc (hons) in Physics from Imperial College London and an MSc in Geophysics from Birmingham University.

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

The Rt Hon. Lord David Willetts is the Chairman of Verditek plc. He is also the Executive Chair of the Resolution Foundation. He served as the Member of Parliament for Havant (1992-2015), as Minister for Universities and Science (2010-2014) and previously worked at HM Treasury and the No. 10 Policy Unit.

Lord Willetts is a visiting Professor at King's College London, Member of the Board of the Biotech Growth Trust and a member of the Council of the Institute for Fiscal Studies. He is an Honorary Fellow of Nuffield College Oxford.

George Katzaros (Non-Executive Director)

George is the founder of Verditek plc, identifying the three core technologies and leading the company to IPO on AIM. George has over 30 years' experience in advisory and asset management as well as investment banking and venture capital particularly for cleantech companies.

Gavin Mayhew (Non-Executive Director)

Gavin was formerly the CEO of Energy Savers FZE, a UAE consultancy providing energy saving solutions to commercial and industrial clients. Before that Gavin was president of Zubair Terminal Company in Iraq, which was set up to finance, develop and operate a new commercial port in Iraq – a 38 year port concession was signed with the Iraqi government in 2018. He has over 20 years of business management experience in Latin America, Europe and the Middle East. Gavin has an MBA from INSEAD and undergraduate degree from Brown University in the USA.

The Board and responsibilities

The Board hold strategic face to face meetings 4 times a year, complemented with teleconference meetings 8 times a year to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. There is an Audit Committee and a Remuneration Committee in place with formally delegated duties and responsibilities and with specific terms of reference. From time to time separate committees may be set up by the Board to consider specific issues when the need arises. Due to the size of the Group, the Directors have decided that issues concerning the nomination of directors will be dealt with by the Board rather than a committee but will regularly reconsider whether a nominations committee is required.

The Audit Committee
The Audit Committee comprises The Rt Hon. Lord David Willetts FRS as chairman and Gavin Mayhew.

The Audit Committee determines the terms of engagement of the Group's auditors and will determine, in consultation with the auditors, the scope of the audit. The Audit Committee receives and reviews reports from management and the Group's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee has unrestricted access to the Group's auditors.

The Audit Committee Report is presented on page 20.

The Remuneration Committee
The Remuneration Committee comprises Gavin Mayhew as chairman and George Katzaros.

The Remuneration Committee reviews the scale and structure of the executive Directors' and senior employees' remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the non-executive Directors are set by the entire Board.

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

Board Members	**Eligible to attend**	**Attended**
Executive Directors		
Geoffrey John Nesbitt	12	12
Tim Lord	5	5
Janet Rachel Donovan	5	5
Theodore Edward Chapman	-	-
Non-Executive Directors		
The Rt Hon. Lord David Willetts FRS	8	8
George Francis Katzaros	12	12
Anthony Neil Rawlinson	12	12
José Luis Del Valle Doblado	3	3

The Directors' Remuneration Report is presented on page 21.

Investor relations

The General Meeting is the principal forum for dialogue with shareholders. Updates on the progress of the business are regularly published on the Group's website.

On behalf of the Board

GNesbitt

Dr Geoffrey Nesbitt
Chief Executive Officer

CORPORATE GOVERNANCE REPORT

The Directors recognise that good corporate governance is a key foundation for the long-term success of the Group. As the Company is listed on the AIM market of the London Stock Exchange and is subject to the continuing requirements of the AIM Rules. The Board has therefore adopted the principles set out in the Corporate Governance Code for small and midsized companies published by the Quoted Companies Alliance ("QCA Code").

The principles are listed below with an explanation of how the Company applies each principle, and what we do and why.

QCA Code Principle	Application (as set out by QCA)	What we do and why
1. **Establish a strategy and business model which promote long-term value for shareholders**	The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.	Verditek's strategy is explained fully within our Strategic Report section of our Report and Accounts for the year ended 31 December 2018. Our strategy is focused on achieving first sales; investing in longer term development opportunities and developing the organisation. The key challenges to the business and how these are mitigated are detailed on pages 10 to 12 of our Report and Accounts for the year ended 31 December 2018.
2. **Seek to understand and meet shareholder needs and expectations**	Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.	Whilst the company is pre-revenue the Board is committed to returning value to our shareholders through execution of our strategy.
	The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.	Verditek plc encourages two-way communication with its investors and responds quickly to all queries received. The Board recognises the AGM as an important opportunity to meet shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM. The people responsible for shareholder liaison are: The Chief Executive Officer The Chief Financial Officer Nomad (W.H. Ireland Limited) Details of the investor engagement and the people responsible for shareholder liaison can be found on the Company website.
3. **Take into account wider stakeholder and social implications for long-term success responsibilities and their**	Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the	The executive has created a communications program that engages with trade and interest groups working in the markets where our products are sold and applied.

QCA Code Principle	**Application** (as set out by QCA)	**What we do and why**
implications for long-term success	company's stakeholders and understand their needs, interests and expectations.	
	Where matters that relate to the company's impact on society, the communities within which it operates, or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.	We have prepared and published articles on topics addressing the ethical and social aspects of our products as a renewable energy solution alternative to conventional products. We attend conferences each year to ensure we remain informed.
	Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.	Our website maintains a channel to receive feedback from all stakeholders.
4. **Embed effective risk management, considering both opportunities and threats, throughout the organisation**	The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.	Risk Management on pages 10 to 12 of our Report and Accounts for the year ended 31 December 2018 details the risks to the business and how these are mitigated.
	Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).	The Board considers risk to the business at every Board meeting. The Board are appraised of any changes in the risk profile through monthly Board calls and quarterly face to face Board meetings. The Company formally reviews and documents the principal risks to the business at least annually.
5. **Maintain the board as a well-functioning, balanced team led by the chair**	The board members have a collective responsibility and legal obligation to promote the interests of the company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.	The Company is controlled by the Board of Directors. The Rt Hon. Lord David Willetts FRS, the Non-executive Chairman, is responsible for the running of the Board and Geoff Nesbitt, the Chief Executive, has executive responsibility for running the Group's business and implementing Group strategy.
	The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.	All Directors receive regular and timely information on the Group's operation and financial performance. Relevant information is circulated to the Directors in advance of meetings. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of the duties, if necessary, at the company's expense.
	The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non- executive	The Board comprises two Executive Directors and three Non-Executive Directors. The Board considers that all Non- executive Directors bring an independent judgement to bear.

QCA Code Principle	**Application** (as set out by QCA)	**What we do and why**
	directors. Independence is a board judgement.	
	The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.	The Executive Directors are full time and the Non-Executive Directors provide such time as is required to fully and diligently perform their duties.
	Directors must commit the time necessary to fulfil their roles.	The Board holds monthly Board calls and quarterly face to face Board meetings. Details of the attendance record of each director at Board meetings is included in Director's report of the Annual Report.
6. **Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**	The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.	Directors of the Board have attended professional NED instruction and have proven track-records of serving on boards previously. The Board comprises members with a mix of class and national origins and speaks four languages.
	The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.	The Board will work to increase the diversity of the Directors.
	As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.	Further information about the Board's skillset, including each Director's experience and CV, is set out on the Company website and additional information is shown in page 13 of the Annual Report for the year ending 31 December 2018.
7. **Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**	The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.	The Company was admitted to trading on AIM in August 2017. Since that time there has been a greater than 50% turnover in Board membership with the appointment of a new Non-Executive Chairman; a new CEO; a new CFO and resignation of two Non-Executive Directors and the appointment of one Non-Executive Director. Appraisals are scheduled to be carried out each year with all Executive Directors. All continuing Directors stand for re-election on an annual basis. The Company has no previous performance criteria were in place from which the current performance criteria set out above have evolved.

QCA Code Principle	**Application** (as set out by QCA)	**What we do and why**
	The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.	The Company is pre-revenue and as such the new Board has been focussed on ensuring that sufficient capital is in place to execute its strategy: first sales; investing in longer term development opportunities and developing the organisation. It is against the performance of this strategy that the Board is currently assessed.
	It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.	As the Board of the Company was formed only relatively recently, no formal succession plans are currently in place, but the Board will continue to review this also keeping in mind the outcome of each performance review.
8. **Promote a corporate culture that is based on ethical values and behaviours**	The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage. The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team.	The Corporate and Social Responsibility section on page 23 of our Report & Accounts for the year ended 31 December 2018 details the ethical values of the Company.
	Corporate values should guide the objectives and strategy of the company. The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company. The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.	The Company's Policy and Procedures manual is made available to staff as part of their induction and anti-bribery and anti-corruption training is compulsory. Staff are encouraged to ask questions and seek clarifications from senior members of the team on these policies. This year, to complement our existing Policies and Procedures, the company has implemented policies around Code of Conduct, Social Media and Share Dealing.
9. **Maintain governance structures and processes that are fit for purpose and support good decision- making by the board**	The company should maintain governance structures and processes in line with its corporate culture and appropriate to its: • size and complexity; and • capacity, appetite and tolerance for risk.	Our Corporate Governance Report on page 15 to 19 of our Report & Accounts for the year ended 31 December 2018 details the company's governance structures and why they are appropriate and suitable for the company.
	The governance structures should evolve over time in parallel with its objectives, strategy and business	The Board has a formal schedule of matters reserved to it and is supported by the Audit and Remuneration Committees. Due to the

QCA Code Principle	Application (as set out by QCA)	What we do and why
	model to reflect the development of the company.	size of the Group, the Directors have decided that issues concerning the nomination of directors will be dealt with by the Board rather than a committee but will regularly reconsider whether a nominations committee is required The Audit Committee and a Remuneration Committee have formally delegated duties and responsibilities and with specific terms of reference and these are available from the Company website.
10. **Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.**	A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.	The Company encourages two-way communication with its investors and responds quickly to all queries received. The Board recognizes the AGM as an important opportunity to meet private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM.
	Appropriate communication and reporting structure should exist between the board and all constituent parts of its shareholder base. This will assist: • the communication of shareholders' views to the board; and • the shareholders' understanding of the unique circumstances and constraints faced by the company.	The executive has developed a mature communications program to engage in dialogue with our stakeholders through a mix of media channels. A range of corporate information (including all Company announcements, historical annual reports and other governance related material since the company was admitted to AIM in August 2017) is also available to shareholders, investors and the public on the Company website.
	It should be clear where these communication practices are described (annual report or website).	The Company will disclose outcomes of all votes at shareholder meetings in a clear and transparent manner by either publishing a market announcement or by reporting it on the Company website. If a considerable proportion of votes (20%) have been cast against a resolution at any meeting of shareholders, the Company will include an explanation of what actions it intends to take to understand the reasons behind that vote result and, where appropriate, any different action it has taken, or will take, as a result of the vote.

AUDIT COMMITTEE REPORT

The Audit Committee helps the Board discharge its responsibilities regarding financial reporting, external and internal audits and controls as well as reviewing the Group's annual and half-year financial statements, other financial information and internal Group reporting.

This will include:

- considering whether the Company has followed appropriate accounting standards and, where necessary, made appropriate estimates and judgments taking into account the views of the external auditors;
- reviewing the clarity of disclosures in the financial statements and considering whether the disclosures made are set properly in context;
- where the audit committee is not satisfied with any aspect of the proposed financial reporting of the Company, reporting its view to the Board of directors;
- reviewing material information presented with the financial statements and corporate governance statements relating to the audit and to risk management; and
- reviewing the adequacy and effectiveness of the Company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the Board itself, review the Company's internal control and risk management systems and, except where dealt with by the Board or risk management committee, review and approve the statements included in the annual report in relation to internal control and the management of risk.

The Audit Committee assists by reviewing and monitoring the extent of non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Group's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the Annual Report and financial statements and the half-yearly reports remains with the Board.

For the year under review, there were no non-audit services rendered to the Group and the Company. The audit committee considered the nature, scope of engagement and remuneration paid were such that the independence and objectivity of the auditors were not impaired. Fees paid for audit services are provided in Note 5.

During the financial year, the Audit Committee met twice with the auditor, Crowe U.K. LLP, to review audit planning and findings with regard to the Annual Report and the comment review of the interim financial statements.

Significant reporting issues considered during the year included the following:

1. Carrying value of investment

The Committee has reviewed the carrying values of the Group's investment, comprised of the investment in associate, WES. Based on the work performed during the audit, and through discussions with management, the committee consider that the carrying value of the investment is fairly stated.

2. Going concern

The Committee also considered the Going Concern basis on which the accounts have been prepared and can refer shareholders to the Group's accounting policy set out in Note 2.4. The directors are satisfied that the going concern basis is appropriate for the preparation of the financial statements.

The Rt Hon. Lord David Willetts FRS

Chairman – Audit committee

DIRECTORS' REMUNERATION REPORT

This report sets out the remuneration policy operated by the Company in respect of the Executive and Non-Executive Directors. The remuneration policy is the responsibility of the Remuneration Committee, a sub-committee of the Board. No Director is involved in discussions relating to their own remuneration.

Remuneration policy

The objective of the proposed remuneration policy is to attract, retain and motivate high calibre executives to deliver outstanding shareholder returns and at the same time maintain an appropriate compensation balance with the other employees of the Group.

Directors' remuneration

The normal remuneration arrangements for Executive Directors consists of base salary, performance bonuses and other benefits as determined by the Board. Each of the Executive Directors has a service agreement that can be terminated at any time by either party giving to the other six months' written notice. Compensation for loss of office is restricted to base salary and benefits only.

The remuneration packages for the Executive Directors are detailed below:

- **Base Salary:**
  Annual review of the base salaries of the Executive Directors are concluded after considering the Executive Directors' role, responsibilities and contribution to the Group performance.

- **Performance Bonus:**
  Bonus arrangements are discretionary and are payable depending on the performance of the Executive Directors in meeting their key performance indicators and in the wider context with the performance of the Group.

- **Benefits:**
  Benefits include payments for provident funds that are mandatory and statutory pension payments as required by laws of the resident countries of the Executive Directors, health insurance and other benefits.

- **Longer term incentives:**
  In order to further incentivise the Directors and employees, and align their interests with shareholders, the Company has granted share options in the current year, as set below. The share options will vest at various future dates as described in the Note 21 to the financial statements. There are no conditions attached to vesting other than service conditions.

Non-Executive Directors are remunerated solely in the form of Director Fees and shares determined by the Board and not entitled to pensions, annual bonuses or employee benefits.

DIRECTORS' REMUNERATION REPORT (Continued)

Performance evaluation

All Directors undergo a performance evaluation before being proposed for re- election to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

Appraisals are carried out each year with all Executive Directors. All continuing Directors stand for re-election on annual basis. Succession planning at the current time is limited due to the current size of the Board.

The remuneration of the directors in Verditek plc who held office during the year to 31 December 2018 was as follows:

The emoluments of the Directors were as follows (Audited):					
	Year ended 31 December 2018				Year ended 31 December 2017
	Salary & Directors' fees	Pension Contributions	Share based payment	Total	Total
	£	£	£	£	£
Executive directors					
Geoffrey Nesbitt	141,265	269	-	141,534	42,882
Tim Lord (Appointed 25 August 2018)	65,256	269	-	65,525	-
Theo Chapman (Resigned 31 January 2018)	52,590	-	-	52,590	95,000
Janet Donovan (Resigned 24 May 2018)	53,954	-	-	53,954	33,310
Non-executive directors					
The Rt Hon. Lord David Willetts FRS (Appointed 26 April 2018)	33,267	-	8,727	41,994	-
George Katzaros	27,133	-	-	27,133	24,740
Gavin Mayhew (Appointed 4 March 2019)	-	-	-	-	-
Anthony Rawlinson (Resigned 4 March 2019)	30,894	-	-	30,894	26,389
José Luis Del Valle Doblado (Resigned 9 May 2018)	12,016	-	-	12,016	28,038
			-		
Total	416,375	538	8,727	425,640	250,359

During the year, the Company granted 1,500,000 share option to The Rt Hon. Lord David Willetts FRS, details are shown in Note 21.

The directors fees for The Rt Hon. Lord David Willetts FRS, Geoffrey Nesbitt and José Luis Del Valle Doblado have all been deferred.

George Katzaros

Chairman – Remuneration committee

CORPORATE AND SOCIAL RESPONSIBILITY

The Company understands that its impact reaches beyond that of its core business and into the environment and society in which it operates. With integrity at the heart of our corporate social goals our aim is to make a lasting positive contribution to all our stakeholders.

In view of the limited number of stakeholders, the Company has not adopted a specific policy on Corporate Social Responsibility. However, it does seek to protect the interests of stakeholders in the Company through its policies, combined with ethical and transparent business operations. The Company has adopted an Anti-Corruption and Anti-Bribery Policy and compliance with regulations like Competition Law.

Environment

Verditek Plc is sensitive to the environment in which it operates and has established well defined operating guidelines with some of the manufacturing partners where it seeks their compliance with ISO14001 when relevant, to ensure certain environmental standards are complied with.

Human Rights

Verditek plc is committed to social and morally responsible research, development and manufacturing processes for the benefit of all stakeholders. The activities of the Company are in line with applicable laws on human rights.

Employees

Our employees are key to achieving the business objectives of the Company. The Company has established policies for recruitment, diversity and equal opportunities, training and development. Our priority is to provide a working environment in which our employees can develop to achieve their full potential and have opportunities for both professional and personal development. We aim to invest time and resource to support, engage and motivate our employees to feel valued, to be able to develop rewarding careers and want to stay with us. The Company embraces employee participation in issue raising and resolution through regular update sessions that value contributions from all levels regardless of position in the business.

Shareholders

The Board of Directors actively encourage communication and they seek to protect the interest of shareholders at all times. The Company updates shareholders regularly through regulatory news, financial reports and through our nominated Financial PR firm. The company also engages directly with investors at our Annual General Meeting or investor events.

Health and Safety

Company activities are carried out in according with its Health and Safety Policy which adheres to all applicable laws and are audited both internally and by an external organisation.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for Verditek plc ("Verditek" or the "Company") for the year ended 31 December 2018.

The preparation of financial statements is in compliance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The Group financial statements comprise of the financial information of the parent Company and its subsidiaries (together with the "Group"). The parent Company financial statements present information about the Company as a separate entity and not about its Group.

Principal Activities

Verditek plc is a holding company based in UK. The principal activity of the Group is to develop and commercialise clean technologies.

A detailed review of the business activities of the Group is contained in the Strategic Report.

Business review and future developments

The review of the business's operations, future developments and key risks is contained in the Strategic Report. The Directors do not recommend a final ordinary dividend for the year (2017: £nil).

Directors and directors' interests

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

Geoffrey John Nesbitt	
Tim Lord	(appointed 25 August 2018)
The Rt Hon. Lord David Willetts FRS	(appointed 26 April 2018)
George Francis Katzaros	
Gavin Mayhew	(appointed 4 March 2019)
Anthony Neil Rawlinson	(resigned 4 March 2019)
Janet Rachel Donovan	(resigned on 24 May 2018)
José Luis Del Valle Doblado	(resigned on 9 May 2018)
Theodore Edward Chapman	(resigned on 31 January 2018)

With regard to the appointment and replacement of Directors, the Company is governed by its articles of association, the Companies Act and related legislation. The articles themselves may be amended by special resolution of the shareholders.

DIRECTORS' REPORT (Continued)

Directors' interests

The Directors held the following beneficial interests in the shares of Verditek plc at the date of this report:

	Note	Ordinary shares of £0.0004 each	Issued share capital %
George Katzaros	1.1	26,166,675	13.00%
Gavin Mayhew	1.2	3,000,000	1.50%
Geoffrey Nesbitt		4,875,000	2.40%

Notes

1.1 Shares held by George Katzaros	
- through BBHISL NOMINEES LIMITED A/c 120165	10,550,000
- through MF Limited	5,900,000
- directly	9,000,000
- family member	716,675
	26,166,675
1.2 Shares held by Gavin Mayhew	
- through Platform Securities Nominees Limited	3,000,000

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Post Balance Sheet Events

There are no material post balance sheet events to disclose, other than those disclosed in the note 26 of the accounts.

Research and Development Activities

Verditek continues to invest in research and development activities such as the joint development project with Paragraf Limited on application of graphene to solar devices. Research and development seeks to develop and enhance the existing product portfolio and new products that will compliment and expand the product offering and spent £55,486 during the year (2017: £nil).

Financial Risk management

Details of financial risk management are provided in Note 3 to the accounts.

Political and charitable contributions

The Group made no charitable or political contributions during the year.

Going Concern

As described in note 2.4, the Directors, having made appropriate enquiries, consider that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT (Continued)

Substantial shareholdings

The Company has been advised of the following interests in more than 3% of its ordinary share capital as at 31 December 2018:

	Note	No. of Shares	%
HARGREAVES LANSDOWN (NOMINEES) LIMITED A/C VRA		23,933,418	11.80%
HA AVIATION LIMITED		9,890,000	5.20%
PLATFORM SECURITIES NOMINEES LIMITED A/C KKCLT		9,221,369	4.60%
GEORGE KATZAROS		9,000,000	4.40%
HARGREAVES LANSDOWN (NOMINEES) LIMITED A/C HLNOM		8,167,550	4.00%
CARRICK INTERNATIONAL HOLDINGS LIMITED		7,350,000	3.60%
ROCK (NOMINEES) LIMITED A/C CSHNET		7,192,842	3.60%
PERSHING NOMINEES LIMITED A/C WRCLT		7,100,000	3.00%

Statement of Disclosure to the Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors appointment

On 25 June 2018 Crowe Clark Whitehill LLP changed its name to Crowe U.K. LLP.

Crowe U.K. LLP has indicated its willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

G Nesbitt.

Dr Geoffrey Nesbitt
Chief Executive Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and elected to prepare the parent company financial statements under United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws including FRS 101 Reduced Disclosure Framework).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs or UK Accounting Standards have been followed, subject to any material departures disclosed and explained;
- Prepare the Strategic Report and Directors' report which comply with the requirements of the Companies Act 2006; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also generally responsible for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Information published on the website is accessible in many countries and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Each of the directors confirms that, to the best of their knowledge:

The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERDITEK PLC

Opinion

We have audited the financial statements of Verditek plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's loss 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 United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- 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.

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

Our audit approach

Overview of the scope of our audit

Our audit approach was developed by obtaining a thorough understanding of the Group's activities and is risk based. Based on this understanding we assessed those aspects of the Group and subsidiary companies transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error. Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly. We undertook a combination of analytical procedures and substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Materiality

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

Based on our professional judgement, we determined overall materiality for the financial statements as a whole to be £97,500, based on approximately 5% of Group's normalised loss for the year (2017: £60,000), which is the most appropriate measure for an entity which has yet to record revenues.

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

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

We agreed with the Audit Committee to report to it all identified errors in excess of £4,500. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. 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.

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

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

Key audit matter	How our audit addressed the key audit matter
Carrying value of investments The Group invested £750,000 in WES, an associate, which is loss making. In the period the investment was impaired to its net realisable amount. There is a risk that the carrying value of the investment is mis-stated and that the investment may be further impaired at the year end.	We reviewed the accounting for the investment in WES, which including the following: - Obtained and reviewed the asset purchase agreement; - Discussed with Management and reviewed their assessment of impairment. We also assessed the completeness and accuracy of the matters and the critical judgments, as set out in note 12 and note 2.15.1 respectively.

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns;
- 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 on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

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

Use of our report

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

Stephen Bullock (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

London

28 June 2019

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 18 £	Year ended 31 December 17 £
Revenue		-	-
Administrative expenses		(1,919,700)	(1,807,184)
Operating loss	5	**(1,919,700)**	**(1,807,184)**
Finance costs	7	(20,553)	(13,208)
Impairment loss of net investment in associate	9	(624,926)	-
Share of post-tax loss of equity accounted associate	9	(98,236)	(158,729)
Loss before tax		**(2,663,415)**	**(1,979,121)**
Income Tax	8	-	(358)
Loss for the period		**(2,663,415)**	**(1,979,479)**
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Translation of foreign operations		14,868	(9,753)
Total comprehensive loss for the period from continuing operations		**(2,648,547)**	**(1,989,232)**
Loss for the period attributable to:			
Owners of the Company		(2,396,962)	(1,793,819)
Non-controlling interest		(266,453)	(185,302)
		(2,663,415)	**(1,979,121)**
Total comprehensive loss for the period attributable to:			
Owners of the Company		(2,387,424)	(1,802,966)
Non-controlling interest		(261,123)	(186,266)
		(2,648,547)	**(1,989,232)**
Loss per ordinary share - basic and diluted (£)	10	(0.01)	(0.01)

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

All amounts are derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 18 £	31 December 17 £
Assets			
Non-current assets			
Intangible assets – goodwill	11	-	31,405
Investment in associate	12	25,153	591,271
Property, plant and equipment	13	498,969	409,183
Total non-current assets		**524,122**	**1,031,859**
Current assets			
Inventories	15	-	446
Trade and other receivables	16	431,099	326,264
Unpaid share capital		-	380,000
Cash and cash equivalents	17	683,885	1,190,975
Total current assets		**1,114,984**	**1,897,685**
TOTAL ASSETS		**1,639,106**	**2,929,544**
Equity and liability			
Non-current liabilities			
Loans and borrowings	19	1,170,000	-
Total non-current liabilities		**1,170,000**	-
Current liabilities			
Trade and other payables	18	538,312	296,855
Loans and borrowings	19	43,243	105,318
Total current liabilities		**581,555**	**402,173**
TOTAL LIABILITIES		**1,751,555**	**402,173**
Equity			
Share capital	20	80,847	80,847
Share premium account		3,858,691	3,858,691
Share based payment reserve	21	8,727	-
Accumulated losses		(3,817,534)	(1,420,572)
Foreign exchange reserve		749	(8,789)
Equity attributable to equity holders of the parent		131,480	2,510,177
Non-controlling interests	22	(243,929)	17,194
Total shareholder's equity		**(112,449)**	**2,527,371**
TOTAL EQUTY AND LIABILITES		**1,639,106**	**2,929,544**

These financial statements were approved and authorised for issue by the Board of directors on 28 June 2019 and were signed on its behalf by:

G Nesbitt

Dr Geoffrey Nesbitt
Chief Executive Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Share capital	Share Premium	Share based payment reserve	Accumulated losses	Foreign Exchange reserve	Non-Controlling interests	Total
	£	£		£	£	£	£
Balance as at 1-Jan-17	**100**	-	-	**(146,142)**	-	-	**(146,042)**
Loss for the year	-	-	-	(1,794,177)	-	(185,302)	**(1,979,479)**
Translation of subsidiary	-	-	-	-	(8,789)	(964)	**(9,753)**
Total comprehensive loss	-	-	-	**(1,794,177)**	**(8,789)**	**(186,266)**	**(1,989,232)**
Issue of shares net of expenses	72,500	3,858,691	-	-	-	-	**3,931,191**
Conversion of loan notes	8,247	519,747	-	-	-	-	**527,994**
Capital reduction	-	(519,747)	-	519,747	-	-	-
Non-controlling interest on acquisition	-	-	-	-	-	203,460	**203,460**
Balance as at 31-Dec-17	**80,847**	**3,858,691**	-	**(1,420,572)**	**(8,789)**	**17,194**	**2,527,371**
Loss for the year	-	-	-	(2,396,962)	-	(266,453)	**(2,663,415)**
Translation of subsidiary	-	-	-	-	9,538	5,330	**14,868**
Total comprehensive loss	-	-	-	**(2,396,962)**	**9,538**	**(261,123)**	**(2,648,547)**
Share based payment	-	-	8,727	-	-	-	**8,727**
Balance as at 31-Dec-18	**80,847**	**3,858,691**	**8,727**	**(3,817,534)**	**749**	**(243,929)**	**(112,449)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Cash flows from operating activities		
Loss after tax from continuing operations	(2,663,415)	(1,979,121)
Adjustments for:		
Finance costs	20,553	13,208
Share of post-tax profits of equity accounted associates	98,236	158,729
Depreciation	6,081	947
Loss on disposal of assets	47,905	-
Share based payment	8,727	-
Impairment of investment in associate	467,882	-
Impairment of associate loan	157,044	-
Impairment of goodwill	31,405	357,236
Write off of assets	-	42,860
	(1,825,582)	**(1,406,141)**
Working capital adjustments		
Decrease / (increase) in inventory	446	(446)
Decrease / (increase) in trade and other receivables	63,719	(79,407)
Increase / (decrease) in trade and other payables	56,871	(127,103)
Cash used in operations	**(1,704,546)**	**(1,613,097)**
Taxation	-	(358)
Net cash outflow from operating activities	**(1,704,546)**	**(1,613,455)**
Investing activities		
Acquisition of subsidiaries, net of cash acquired	-	9,096
Acquisition of associate	-	(750,000)
Associate Loan	(157,044)	-
Purchase of property, plant and equipment	(137,018)	(78,634)
Net cash outflow from investing activities	**(294,062)**	**(819,538)**
Financing activities		
Issue of ordinary share capital (net of expenses)	380,000	3,601,291
Issue of Convertible bonds (Refer note 19)	1,170,000	-
Loan Interest paid	(4,597)	(6,412)
Proceeds from loans	-	5,862
Repayments of loans (Refer note 19)	(62,075)	-
Net cash inflows from financing activities	**1,483,328**	**3,600,741**
Net increase in cash and cash equivalents	**(515,280)**	**1,167,748**
Cash and cash equivalents at the beginning of the year	1,190,975	21,675
Exchange gains on cash and cash equivalents	8,190	1,552
Cash and cash equivalents at the end of the year	**683,885**	**1,190,975**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Verditek plc ("Verditek", "Company") is a public limited company incorporated, registered and domiciled in England Wales (registration number 10114644), whose shares are quoted on the Alternative Investment Market on the London Stock Exchange. Its registered office is located at 29 Farm Street, London W1J 5RL.

Verditek is the holding company of a group of companies engaged in the clean technology sector.

The consolidated financial statements comprised of the Company and its subsidiaries (together referred to as "the Group") as at and for the year to 31 December 2018. The parent Company financial statements present information about the Company as a separate entity and not about its Group.

The comparative financial information for the year ended 31 December 2017.

2. Accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards (IASB) and Interpretations (collectively IFRSs), as adopted by the European Union ("adopted IFRSs") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis except for certain assets which are stated at their fair value.

The consolidated financial statements are presented in GBP, which is also the Group's functional currency.

2.2. Basis of consolidation

The financial information consolidates the financial statements of Verditek plc and the entities controlled by the Company.

2.2.1. Subsidiaries

Subsidiaries are all entities (including special purpose entities) over whose financial and operating policies the Group has the power to govern, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of the potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2. Basis of consolidation (continued)

2.2.2. Business combinations and goodwill

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the total net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the Statement of Comprehensive Income.

Goodwill is capitalised as an intangible asset at cost less any accumulated impairment losses. Any impairment in carrying value is being charged to the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed.

Goodwill is allocated to appropriate cash generating units (CGUs). Goodwill is not amortised but is tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

2.2.3. Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3. Changes in accounting policies and disclosures

2.3.1. New standards, interpretations and amendments effective from 1 January 2018
New standards impacting the Group that were adopted in the annual financial statements for the year ended 31 December 2018, and which have given rise to changes in the Group's accounting policies are:

- IFRS 9 Financial Instruments (IFRS 9); and
- IFRS 15 Revenue from Contracts with Customers (IFRS 15)

The Group's assessment of the impact of applying IFRS 9 and IFRS 15 are discussed below:

IFRS 15 Revenue from Contracts with Customers, effective date 1 January 2018, is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. This standard replaces the previous standard IAS 11 Construction Contracts, IAS18 Revenue and revenue related IFRICs. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 9 Financial Instruments is effective for periods commencing on or after 1 January 2018. The standard is a replacement for IAS 39 'Financial Instruments'. The Group's financial assets consist of receivables, cash and cash equivalents and the liabilities consist of payables and borrowings. Under the provisions of the standard the treatment of any doubtful receivables will change to reflect an expected credit loss rather than an incurred credit loss.

The Group has yet to record any revenues and therefore impact of IFRS 9 and IFRS 15 have been minimal. There were no adjustments as a consequence of adopting the standard.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

2.3.2. New, amended standards, interpretations not yet effective and not adopted by the Group

As at date of approval of the Group financial statements, the following new and amended standards, interpretations and amendments in issue are applicable to the Group but not yet effective and thus, have not been applied by the Group:

	Effective Date*
Annual Improvements 2015–2017 Cycle	1 January 2019†
IFRS 16 Leases	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020†
Amendments to IFRS 3: Business combinations	1 January 2020†

* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards.]
† At the date of authorisation of these financial statements, these standards and interpretation have not yet been endorsed or adopted by the EU.

The Directors do not expect the adoption of these standards, interpretations and amendments to have a material impact on the Consolidated or parent Company financial statements in the period of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Going concern

The Group had not commenced generating revenues in the period and has yet to make its first commercial receipt at the date of approval of the financial statements. As such the Group must develop its business plan to commercial revenues based on its current cash resources and on expected revenues in the future based on commercial arrangements put in place to date.

The Group is likely to require additional funds and/or funding facilities in order to fully develop its business plan. Such funds are likely to come from a combination of further equity issues and the arrangement of appropriate debt and/or working capital finance facilities as production activities increase. As set out in notes 25 and 26, subsequent to the reporting date the company entered into a secured loan with Gavin Mayhew, a non-executive director of the Company. The principal amount of the loan is $600,000 initially for a term of 3 months but extendable at the Company's discretion to 6 months and since extended to 30 June 2020 with interest payable at 20% per annum at maturity and compounded quarterly.

The Directors have prepared cash flow forecasts covering a period extending beyond 12 months from the date of these financial statements. The forecast contains certain assumptions about the performance of the business including growth in future revenue, the cost model and margins; and importantly the level of cash recovery from trading. The Directors are aware of the risks and uncertainties facing the business and the assumptions used are the Directors' best estimate of the future development of the business.

After considering the forecasts and the risks, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.5. Foreign currency

The Group's consolidated financial statements are presented in Sterling. The functional currencies of the Group's subsidiaries include the Euro and the US dollar. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the period. The exchange differences arising on translation for consolidation are recognized in Other Comprehensive Income.

2.6. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the two main directors and two non-executive directors.

The Board considers that the Group's activity constitutes one operating and one reporting segment, as defined under IFRS 8. Management reviews the performance of the Company by reference to total results against budget.

The total profit measures are operating profit and profit for the period, both disclosed on the face of the income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Group's financial information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.7. Employee benefits and post-employment benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

The Group provides post-employment benefits through a defined contribution. The Group pays fixed contributions into independent entities in relation to several state plans and insurances for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that related employee services are received.

2.8. Share-based payments

The Group has issued share options to one Non-Executive Director, in return for which the Group receives services from the Non-Executive Director. The fair value of the services received in exchange for the grant of the options is recognised as an expense. The Group fair values the options at the grant date using the Black Scholes valuation model to establish the relevant fair values.

The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions (for example the Group's share price) but excluding the impact of any service or non-market performance vesting conditions (for example the requirement of the grantee to remain an employee of the Group).

Non-market vesting conditions are included in the assumptions regarding the number of options that are expected to vest. The total expense is recognised over the vesting period. At the end of each period the Group revises its estimates of the number of options expected to vest based on the non-market vesting conditions. It recognises the impact of any revision in the income statement with a corresponding adjustment to equity.

2.9. Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.10. Property, plant and equipment

Property, plant and equipment is stated at historic cost, including expenditure that is directly attributable to the acquired item, less accumulated depreciation and impairment losses.

Depreciation is provided to write off cost, less estimated residual values, of all property, plant and equipment, evenly over their expected useful lives, when the asset comes into service, and calculated at the following rates:

Property improvements	- 20% straight line
Plant and machinery	- 10% straight line
Computer equipment	- 33.33% straight line

In the case of leased assets, expected useful lives are determined by reference to comparable owned assets or the term of the lease, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

The carrying value of the property, plant and equipment is compared to the higher of value in use and the fair value less costs to sell. If the carrying value exceeds the higher of the value in use and fair value less the costs to sell the asset, then the asset is impaired and its value reduced by recognising an impairment provision.

2.11. Leased assets

Management applies judgmental in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

See Note 2.10 for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

2.12. Financial Instruments

The Group classifies a financial instrument, or its component parts, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.12. Financial instrument (continued)

2.12.1. Financial assets
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and loan to related parties, are included under other non-current financial assets. In the periods presented the Group does not have any financial assets categorised as fair value through OCI.

2.12.2. Financial liabilities
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans after initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.12. Financial instrument (continued)

2.12.3. Impairment
The Group assess all other current receivables on a forward looking basis, with expected credit losses (ECL) associated with debt instruments measured at amortised cost. These are deemed short term (i.e., less than 12 months) and apply the Group policy for credit rating and risk management policies in place.

The impairment stages are defined as:
Stage 1 – When a receivable is recognised, ECLs resulting from default events that are possible within the next 12 months are expensed to the statement of comprehensive income (12-month ECL) and a loss allowance is established. On subsequent reporting dates, 12-month ECL also applies to existing receivables with no significant increase in credit risk since their initial recognition. In determining whether a significant increase in credit risk has occurred since initial recognition, the Company assesses the change, if any, in the risk of default over the expected life of the receivable (that is, the change in the probability of default, as opposed to the amount of ECLs).

Stage 2 – If the receivables credit risk has increased significantly since initial recognition and is not considered low, lifetime ECLs are recognised.

Stage 3 – If the receivables credit risk increases to the point where it is considered credit-impaired, lifetime ECLs are recognised, as in Stage 2.

The impairment methodology applied for the Group is stage 1, which require 12 month expected credit losses to be recognised until a change in credit risk occurs in which case stage 2 would apply.

2.13. Inventories
Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis;
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.14. Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held on call, together with other short term highly liquid investments which are not subject to significant changes in value and have original maturities of less than three months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.15. Summary of critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

2.15.1. Estimates

Useful lives of depreciable assets

Management reviews the useful lives and residual value of depreciable assets at each reporting date to ensure that the useful lives represent a reasonable estimate of likely period of benefit to the Group. Tangible fixed assets are depreciated over their useful lives taking into account the residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Share based payments

Share options are recognised as an expense based on their fair value at date of grant. The fair value of the options is estimated through the use of a valuation model – which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life - and is expensed over the vesting period. Some of the inputs used to calculate the fair value are not market observable and are based on estimates derived from available data, such as employee exercise behaviour and employee turnover.

Impairment of investments in associates

Determining whether the company's investments in associates have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the associate and suitable discount rates in order to calculate present values. The carrying amount of associates, along with any loans advanced, at the balance sheet date shows that there is an impairment £467,882 in its investment value and an impairment of £157,044 in loans provided, note 12.

2.15.2. Judgements

Associates

Where the Group holds more than 20% but less than 50% of voting rights in an investment but the Group has the power to exercise significant influence, such an investment is treated as an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Financial Risk Management

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

3.1. Principal financial instruments and their categories

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

Categories of financial assets	31 December 2018 £	31 December 2017 £
Cash and cash equivalents	683,885	1,190,975
Other receivables	148,591	247,902
Loans to related parties	62,100	47,295
Unpaid Share Capital	-	380,000
Total current financial assets at amortised cost	**894,576**	**1,866,172**

Categories of financial liabilities

	31 December 2018 £	31 December 2017 £
Trade payables	161,145	41,305
Wages payable	42,103	6,536
Pension payable	504	-
Accruals	278,259	211,906
Loans from related parties	29,403	29,403
Trade and other payables	511,414	289,150
Current	43,243	105,318
Non current	1,170,000	-
Total Loans and borrowings	1,213,243	105,318
Total financial liabilities at amortised cost	**1,724,657**	**394,468**

3.2. General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the CFO through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3.2. General objectives, policies and processes (continued)

3.2.1. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk the Group endeavours only to deal with companies which are demonstrably creditworthy.

The aggregate financial exposure is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount of bank balances. The Group's exposure to credit risk on cash and cash equivalents is considered low as the bank accounts are with banks with high credit ratings. Amounts due from related parties is considered to be low risk as the large part of this amount is related to a payment in advance under a distribution rights agreement. Other receivables included a supplier advanced payment of £109,162, which is overdue for repayments by greater than one year, which management is actively seeking to recover, a 50% allowance is made for non recovery, other receivables of £94,010 related to various advanced payments to some suppliers.

3.2.2. Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

The Group currently holds cash balances to provide funding for normal trading activity and is managed centrally. Trade and other payables are monitored as part of normal management routine.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The liquidity risk of each group entity is managed centrally by the group treasury function. Each operation has a facility with group treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the Board in advance, enabling the Group's cash requirements to be anticipated. Where facilities of group entities need to be increased, approval must be sought from the group finance director. Where the amount of the facility is above a certain level, agreement of the Board is needed. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 3 Months	**Between 3 and 12 months**	**Between 1 and 2 year**	**Between 2 and 5 years**
Trade payables	161,145	-	-	-
Wages payable	42,103	-	-	-
Pension payable	504	-	-	-
Accruals	278,259	-	-	-
Loans from related parties	29,403	-	-	-
Current loan	-	43,243	-	-
Non-current loan – interest bearing	-	-	1,404,000	-
Financial liabilities at amortised costs	**511,414**	**43,243**	**1,404,000**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3.2. General objectives, policies and processes (continued)

3.2.3. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The Group's exposure to interest rate risk is minimal as all its loans and borrowings are interest-free except for the convertible loan £1,170,000, which has a fixed interest rate of 10%.

3.2.4. Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

In order to monitor the continuing effectiveness of this policy, the Board receives a monthly forecast, analysed by the major currencies held by the Group, of liabilities due for settlement and expected cash reserves. The current year shows that the Group is predominantly exposed to currency risk on purchases made in EUR and USD.

Financial assets	**USD**	**GBP**	**EUR**	**Total**
	£	**£**	**£**	**£**
Cash and cash equivalents	547	670,342	12,996	683,885
Other receivables	-	53,871	94,720	148,591
Loans to related parties	-	62,100	-	62,100
Financial assets at amortised costs	**547**	**786,313**	**107,716**	**894,576**

Financial liabilities	**USD**	**GBP**	**EUR**	**Total**
	£	**£**	**£**	**£**
Trade payables	-	88,385	72,760	161,145
Wages payable	-	42,103	-	42,103
Pension payable	-	504	-	504
Accruals	-	272,415	5,844	278,259
Loans from related parties	-	29,403	-	29,403
Current loans	-	43,243	-	43,243
Non-current loans	-	1,170,000	-	1,170,000
Financial liabilities at amortised costs	**-**	**1,646,053**	**78,604**	**1,724,657**

As of 31 December 2018 the Group's net exposure to foreign exchange risk was as follows:

	USD	**GBP**	**EUR**	**Total**
	£	**£**	**£**	**£**
Net Financial Assets/(Liabilities)	**547**	**(859,740)**	**29,112**	**(830,081)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3.2. General objectives, policies and processes (continued)

3.2.4. Foreign exchange risk (continued)

As of 31 December 2017, the Group's net exposure to foreign exchange risk was as follows:

	USD	GBP	EUR	Total
	£	£	£	£
Net Financial Assets/(Liabilities)	**1,449**	**1,344,527**	**125,728**	**1,471,705**

The following tables demonstrate the sensitivity to a reasonably possible change in GBP and EUR exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

Change in USD	Effect on Loss before tax	Change in Net Assets	Change in EUR	Effect on Loss before tax	Change in Net Assets
	£	£		£	£
1%	**991**	**(991)**	**1%**	**6,042**	**(6,042)**
-1%	**(991)**	**991**	**-1%**	**(6,042)**	**6,042**

4. Segment information

The chief operating decision maker has been identified as the management team including the two main directors and two non-executive directors. The chief operating decision-maker allocates resources and assesses performance of the business and other activities at the operating segment level.

The chief operating decision maker has determined that in the year end 31 December 2018 Verditek had one operating segment, the development and commercialisation of clean technologies, although it is likely that in future periods the Group's segmental reporting will be expanded as different technologies are developed and commercialised.

Geographical Segments

Apart from holding company activities in the UK the Group's had operations in San Marino in Europe and US in the period.

An analysis of non-current assets by geographical market is given below:

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
UK	28,416	627,310
Rest of Europe	495,706	402,937
USA	-	1,612
	524,122	**1,031,859**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Operating loss

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Operating loss is stated after charging:		
Auditors' remuneration:		
Audit fees – audit of the company and its subsidiaries pursuant to legislation	27,650	25,000
Non-audit fees – other assurance services	-	118,889
Depreciation of fixed assets	6,081	947
Goodwill Impairment	31,405	-
Disposal of asset	47,904	-
Staff costs (note 6)	709,297	317,324
AIM IPO costs	-	673,012
Advertising, marketing and development	352,498	-
Re-organisation costs	133,993	-
Research costs	55,486	-
Other costs	555,386	314,776

6. Employees and directors

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

	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Directors	6	8
Administrative	2	2
Total	8	10

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

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Salaries	676,211	296,055
Share based payments	8,727	-
Social security costs	23,553	21,269
Pension costs	806	-
	709,297	**317,324**

Key management personnel compensation

The compensation of key management personnel, the directors of Verditek plc, are disclosed in the Directors' Remuneration Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Finance costs

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Finance expenses		
Interest on loans (note 19)	19,766	13,206
Finance charge	781	2
Interest on Overdue Taxation	6	-
Total finance expense	**20,553**	**13,208**

Details of the interest rate on the loans are shown in note 19.

8. Income tax

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
UK Corporation tax		
Tax expense– current year	-	358
Total current tax		358
Deferred tax		
Origination and reversal of timing differences	-	-
Total tax expense	-	358

The current corporation tax expense for year ended 31 December 2018 relates to a foreign withholding tax expense.

Factors affecting the tax expense

The reasons for the difference between the actual tax expense for the year and the standard rate of corporation tax in the United Kingdom applied to the result for the year are as follows:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Loss on ordinary activities before income tax	(2,663,415)	(1,979,121)
Standard rate of corporation tax	19.00%	19.25%
Loss before tax multiplied by the standard rate of corporation tax	(506,049)	(380,981)
Effects of:		
Adjustment in respect of the previous year		
Non-deductible expenses	132,843	203,359
Difference in overseas tax rates	32,135	64,713
Deferred tax not recognised	341,071	112,909
Withholding tax	-	358
Tax credit	-	358

The Group has not recognised deferred tax assets arising from the accumulated tax losses due to uncertainty of their future recovery. The deferred tax asset not recognised is £480,281 at 31 December 2018 (2017: £139,210).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Share of post-tax loss of equity accounted associate

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Share of post tax loss of equity associated for the year	98,236	158,729
Impairment of investment (note 12)	467,882	-
Impairment of loan provided to associate (note 12)	157,044	-
Total share of post tax loss of equity associate	**723,162**	**158,729**

10. Earnings per share

	Year ended 31 December 2018	Year ended 31 December 2017
Basic and diluted		
Loss for the period and earnings used in basic & diluted EPS (£)	(2,396,962)	(1,793,819)
Weighted average number of shares used in basic and diluted EPS	202,117,265	142,487,079
Loss per share:		
Basic and diluted	1.2p	1.3p

Basic loss per share is calculated by dividing the loss for the period from continuing operations of the Group by the weighted average number of ordinary shares in issue during the period. Due to the loss in the periods and there are no potentially dilutive ordinary shares, there is no difference between the basic and diluted loss per share.

11. Intangible assets

	Goodwill £
COST	
At 1 January 2017	-
Acquisitions through business combinations	388,641
At 31 December 2017 and 31 December 2018	**388,641**
IMPAIRMENT	
At 1 January 2017	-
Impairment losses	357,236
At 31 December 2017	**357,236**
Impairment losses	31,405
At 31 December 2018	**388,641**
NET BOOK VALUE	
At 31December 2017	**31,405**
At 31 December 2018	**-**

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The carrying value of the goodwill, arose from the acquisition of Greenflex UK, and following the decision to migrate the assets from Greenflex RSM S.r.l to Verditek Solar Italy S.r.l, and the liquidation of Greenflex RSM S.r.l the carrying value of the Goodwill has been fully impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Investments

	Investment in associates	Loans to associates	Total
	£	£	£
Cost			
At 1 January 2017	1	-	1
Additions	750,000	-	750,000
Share of post-tax loss of equity accounted associate for the period	(158,729)	-	(158,729)
Transfer associate becoming a subsidiary	(1)	-	(1)
At 31 December 2017	**591,271**	-	**591,271**
Additions		157,044	157,044
Share of post-tax loss of equity accounted associate for the period	(98,236)	-	(98,236)
Impairment of loan[1]	-	(157,044)	(157,044)
Impairment of investment[2]	(467,882)	-	(467,882)
At 31 December 2018	**25,153**	-	**25,153**

On 10 August 2017, on admission to AIM, the Company's subsidiary, Verditek acquired 23.64 percent. Of the membership interest of Westec Environmental Solutions, LLC ("Westec") for cash consideration of £750,000 pursuant to an agreement dated 7 June 2017, as further amended on 27 July 2017.

Westec had granted Verditek an option to purchase up to that number of additional membership units that would result in Verditek increasing its interest to 51% of the fully diluted equity of Westec for consideration of £1.25 million. The option was exercisable for a period of 12 months from the 7 June 2017.

[1] During the year Verditek made an interest free working capital loan of $225,000 to WES. As a consequence of the lapse of the option agreement, the sale of the trade and assets (referred to below) and the absence of commercial sales the loan is considered fully impaired.

[2] Following the lapse of Verditek's option agreement, in October 2018 the shareholders in WES accepted an offer to sell the trade and assets of WES to Industrial Climate Solutions (ICSI), an unlisted company registered in Canada for $500,000. Acceptance of the offer, together with the absence of commercial sales, means that the realisable value of Verditek's investment in WES at the reporting date was substantially impaired. The amount of such impairment is uncertain, being conditional on the final unwinding of Verditek's investment in WES. The directors have estimated the recoverable amount of Verditek's investment in WES at the reporting date to be £25,153 resulting in an impairment in the carrying value of Verditek's investment of £467,882 at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Property, plant and equipment

	Plant & Machinery	Computer equipment	Leasehold Improvements	Total
	£	£		£
Cost				
At 1 January 2017	**2,228**	-	-	**2,228**
Additions	73,315	5,319	-	**78,634**
Acquired through business combination	462,093	-	-	**462,093**
Impaired assets	(42,860)	-	-	**(42,860)**
Reclassified to other receivable	(107,726)	-	-	**(107,726)**
Exchange adjustments	17,761	-	-	**17,761**
At 31 December 2017	**404,811**	**5,319**	-	**410,130**
Additions	109,705	-	27,313	**137,018**
Disposal of assets	(48,009)	-	-	**(48,009)**
Exchange adjustments	6,647	84	-	**6,731**
At 31 December 2018	**473,154**	**5,403**	**27,313**	**505,870**
Depreciation				
At 1 January 2017	-	-	-	-
Charge for the year	624	323	-	947
At 31 December 2017	**624**	**323**	-	**947**
Charge for the year	889	2,939	2,253	6,081
Disposal of assets	(105)	-	-	(105)
Exchange adjustments	**(20)**	**(8)**	6	(22)
At 31 December 2018	**1,388**	**3,254**	**2,259**	**6,901**
Net book value				
At 31 December 2017	404,187	4,996	-	409,183
At 31 December 2018	**471,766**	**2,149**	**25,054**	**498,969**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Subsidiary undertakings

As at 31 December 2018, the subsidiaries of Verditek plc, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Parent	Proportion of ownership interest at 31 December 2018	Nature of business
Greenflex Energy Limited[1]	UK	Verditek plc	51%	Dormant
Greenflex RSM S.r.l [2]	San Marino	Greenflex Energy Limited	51%	Solar technology services
Verditek Solar S.r.l	Italy	Verdiek plc	100%	Solar technology services
BBR Filtration Limited	UK	Verditek plc	51%	Filtration technology services
BBR Filtration USA, LLC [3]	USA	BBR Filtration Limited	50.49%	Dormant
Verditek USA, Limited	USA	Verditek plc	100%	Dormant
Greenflex Trading Limited [3]	UK	Verditek plc	50%	Dormant

[1] On 17th April 2019 the Minority shareholder in Greenflex UK Limited transferred his 49% shareholding to Greenflex UK Limited, resulting in Verditek shareholding being increased to 100%.

[2] - Greenflex RSM S.r.l ceased to trade in July 2018, and an application to liquidate the company was made in February2019;

[3] - BBR Filtration USA LLC ceased to trade from July 2018.

[4] Greenflex Trading Limited was dissolved on 4th June 2019.

Name	Registered address
Greenflex Energy Limited	29 Farm Street, London, England, W1J 5RL
Greenflex RSM S.r.l [1] (100%)	Via L. Cibrario, 25, 47893 Cailungo, San Marino
Verditek Solar S.r.l	Via Pogliano, 26, 20020 Lainate, Italy
BBR Filtration Limited	29 Farm Street, London, England, W1J 5RL
BBR Filtration USA, LLC (99%)[2]	C/o 2605, Ponce De Leon, Boulevard, Coral Gables, Florida 33134
Verditek USA, Limited	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
Greenflex Trading Limited[3]	29 Farm Street, London, England, W1J 5RL

15. Inventories

	2018	2017
	£	£
Finished goods	-	446
	-	446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Trade and other receivables

	2018	2017
	£	£
Other receivables	148,591	247,902
Amounts due from related parties	62,100	47,295
VAT receivable	196,842	28,289
Prepayments	23,566	2,778
	431,099	**326,264**

17. Cash and cash equivalents

	2018	2017
	£	£
Cash at bank and in hand	683,885	1,190,975

The fair value of the cash & cash equivalent is as disclosed above.
For the purpose of the cash flow statement, cash and cash equivalents comprise of the amounts shown above.

18. Trade and other payables

	2018	2017
	£	£
Trade payables	161,145	41,305
Accruals	278,259	211,906
Wages payable	42,103	6,536
Pension payable	504	-
Amounts due to related parties	29,403	29,403
Financial liabilities at amortised costs other than loans and borrowings	511,414	289,150
Social security & other taxes payables	26,898	7,705
Total trade and other payables	**538,312**	**296,855**

19. Loans and borrowings

	2018	2017
	£	£
Current		
Investor loans	-	62,075
Related party loan	43,243	43,243
Total Current loans and borrowings	43,243	105,318

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Loans and borrowings (continued)

The 2017 investors loans were repaid during the year, the other related party loans are interest-free and repayable on demand.

	2018	2017
	£	£
Non – current		
Convertible loans	1,170,000	-
Total non - current loans and borrowings	1,170,000	-

On the 17th December 2018 Verditek issued unsecured convertible loan notes with a total value of £1,170,000 with a conversion price of £0.10 per ordinary share. The loan notes carry a 10% fixed rate redeemable on the earliest of

- 17th December 2020; or
- Date of change of control; or
- If the investor majority determines following a material breach.

At the dates of issue of the convertible loan notes the company's share price was at a substantial discount to the conversion price of 10p. The quantum of any possible equity component relating to conversion rights is therefore considered to be immaterial to the fair value of the convertible loans, equity in the statement of financial position and potential consequent impact on the finance charge on the instruments and therefore no equity component has been recognised.

Cashflow - net debt analysis

	01-Jan-18	Cash flow	31-Dec-18
	£	£	£
Investor loans	62,075	62,075	-
Related party loan	43,243	-	43,243
Convertible bonds	-	(1,170,000)	1,170,000
	105,318	**(1,107,925)**	**1,213,243**

20. Share capital and reserves

	Number of Shares Par Value £0.0004	Share capital £	Share premium £
At 31 Dec 2016	**100**	**100**	-
Sub-division 28 February 2017	249,900	-	-
Conversion of loan notes	20,617,265	8,247	519,747
Capital reduction	-	-	(519,747)
Shares issued 28 Feb 2017	136,250,000	54,500	-
Share issued (net of expenses) 10 Aug 2017	30,555,556	12,222	2,737,778
Share issued 21 December 2017	14,444,444	5,778	1,294,222
Share issue cost relating to the IPO	-	-	(173,309)
At 31 December 2017	**202,117,265**	**80,847**	**3,858,691**
At 31 December 2018	**202,117,265**	**80,847**	**3,858,691**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Share based payment reserve

The Company operates an equity-settled share based remuneration schemes for Senior Executives, under the terms of the Company's EMI and Non-Qualifying Share Option Plan (the "Option Plan"). The options are valid for 10 years from the date of grant. After satisfaction of any performance condition included in the award the options will become exercisable in equal tranches on each anniversary of the Grant Date during the first three years.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions (for example the Company's share price) but excluding the impact of any service or non-market performance vesting conditions (for example the requirement of the grantee to remain an employee of the Group).

Non-market vesting conditions are included in the assumptions regarding the number of options that are expected to vest. The total expense is recognised over the vesting period. At the end of each period the Group revises its estimates of the number of options expected to vest based on the non-market vesting conditions. It recognises the impact of any revision in the income statement with a corresponding adjustment to equity.

The Company uses a Black Scholes model to estimate the cost of share options. The following information is relevant in the determination of the fair value of options granted. The assumptions inherent in the use of this model are as follows:

• The option life is the estimated average period over which the options will be exercised.
• There are no vesting conditions remaining which apply to the share options other than that they vest at the earlier of 3 years' continued service with the Group.
• No variables change during the life of the option (e.g. dividend yield remains zero).

The following options were granted during the period:

Date:	30-Apr-18
No. of Shares	1,500,000
Stock Price (p)	6.5p
Exercise Price (p)	9.0p
Fair Value per share (p)	2.6p
Vesting Period – Years	3
Staff Retention Factor	100%
Volatility	40%
Time to maturity	112 months
Risk Free Rate	0.7103%
Annual expense	13,000

The expense recognised during the period was £8,727. The weighted average remaining life of the options outstanding at the end of the period was 10 years. No options were exercised during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Non-controlling interests

Following the acquisition of Greenflex Energy Ltd and BBR Filtration Limited, both 51% owned subsidiaries of the Company, have material non-controlling interests (NCI).

Summarised financial information in relation to Greenflex and BBR Filtration Limited, before intra-group eliminations, is presented below together with amounts attributable to NCI:

	Greenflex	BBR Filtration	Total
	£	£	£
For the period ended 31 December			
Revenue	-	-	-
Loss after tax	162,854	380,929	543,783
Total comprehensive income allocated to NCI	**79,798**	**186,655**	**266,453**
Cash flows from operating activities	(298,712)	(291,385)	(590,097)
Cash flows from investing activities	400,277	(84)	400,193
Cash flows from financing activities	(95,318)	(5)	(95,323)
Net cash inflows	**6,247**	**(291,474)**	**(285,227)**
Total assets	22,314	93,752	116,066
Total liabilities	(448,343)	(165,539)	(613,882)
Net Assets/(Liabilities)	(426,029)	(71,787)	(497,816)
Accumulated non-controlling interests	**(208,754)**	**(35,175)**	**(243,929)**

23. Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follow:

	31 December 2018	31 December 2017
	£	£
Plant and Machinery	-	106,045
Total	-	106,045

24. Reserves

The following describes the nature and purpose of each reserve within equity:

Share premium - Amount subscribed for share capital in excess of nominal value.

Share based payment reserve - The share based payment reserve represents equity settled share based employee remuneration until such share options are exercised.

Foreign exchange reserves - Foreign exchange translation gains and losses on the translation of the financial statements of subsidiary from the functional to the presentation currency.

Retained earnings - All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Related Party Transactions

The Group has related party transactions with related parties who are not members of the group.

	Transactions during the year		Amounts owed by related parties		Amounts owed to related parties/loans	
	2018	2017	2018	2017	2018	2017
	£	£	£	£	£	£
Geoffrey John Nesbitt[1]	141,265	4,102	-	-	-	-
Timothy Lord[2]	65,256	-	-	-	-	-
The Rt Hon. Lord David Willetts FRS[3]	33,267	-	-	-	-	-
George Katzaros[4]	27,133	58,616	-	-	33,243	32,697
Gavin Mayhew[5]	-	-	-	-	1,000,000	-
Carrick International Holdings Limited[6]	30,894	25,082	-	-	-	-
Krino Partners Limited[7]	53,954	29,666	-	-	-	-
C2E Holdings Limited[8]	57	(46,034)	-	-	10,403	10,403
Envolution (Project Management) Limited[9]	70,944	11,793	-	100	-	-
Jeremy Evans[10]	-	10,000	-	-	10,000	10,000
BBR Enviro Systems Pvt Ltd[11]	33,508	(38,133)	62,195	47,195	-	-
Claudio Marati[12]	17,570	47,878	-	-	-	-
James Buchan[13]	-	(20,000)	-	-	19,000	19,000
Summit Trust International[14]	-	62,621	-	-	-	62,621
Paul Harrison[15]	-	30,000	-	-	-	13,852
José Luis Del Valle Doblado[16]	12,016	-	-	-	-	-
Theodore Edward Chapman[17]	52,590	-	-	-	-	-

Notes:

[1]Geoffrey John Nesbitt	Mr. Geoffrey John Nesbitt, Director of Verditek plc, was entitled to Directors fee and salaries of £141,265 during the year. At the year end, Geoff Nesbitt was owed £68,384 in relation to his Directors fees and salary.
[2]Timothy Lord	During the year Timothy Lord, and executive director of Verditek plc, was paid £65,256 for his services as a Director.
[3] The Rt Hon. Lord David Willetts FRS	David Willetts was appointed Chairman during the year and was entitled to fees and services of £33,267 during the period, all of which remains outstanding at the end of the year. David Willets was also issued some share options, details of which are disclosed in the note 21.
[4]George Katzaros	Mr. George Katzaros, a non-executive director of Verditek plc, provided an interest free loan of £15,000 during the year which was repaid during the year. Mr. George Katzaros was entitled to Directors fees of £27,132 during the year. At the year-end George Katzaros was owed a Directors fee of £22,603 and an interest free loan from the prior year of £33,403.
[5]Gavin Mayhew	Gavin Mayhew was appointed a Director after the year end, but who holds 3 million shares in the Company and provided a £1,000,000 in nominal amount of the Company's Convertible Loan Note, the terms are disclosed in note 19. After the reporting date the company entered into a secured loan with Gavin Mayhew. The principal amount of the loan is $600,000 initially for a term of 3 months but extendable at the Company's discretion to 6 months and since extended to 30 June 2020 with interest payable at 20% per annum at maturity and compounded quarterly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Related Party Transactions (continued)
27.

[6] Carrick International Holdings Limited	Mr. Anthony Neil Rawlinson, a non-executive director of Verditek plc has an interest in Carrick International Holdings Limited. His Directors fees were paid to Carrick International Holdings Limited.
[7]Krino Partners limited	Ms. Janet Rachel Donovan, who resigned during the year as a director of Verditek plc has an interest in Krino Partners Limited, which has provided financial management services during the year to the Group. Janet Donovan was paid a Directors fee of £15,816 and £38,138 to Krino Partners during the year in relation to services that she provided.
[8]C2E Holdings Limited	C2E Holdings Limited("C2E") is a shareholder of BBR Filtration Limited. Theo Chapman and James Buchan have an interest in C2E. During the year, expenses of £57 were charged by the company.
[9]Envolution (Project Management) Limited	Mr. John Norris, who resigned as a director of BBR Filtration("BBR"), is also a Director of Envolution (Project Management) Limited, which charged £70,000 for his services during the year. Some fixed assets were sold to Mr Norris when he left, the assets were sold at market value. There is £10,886 outstanding due in relation to these fees at the end of the year.
[10]Jeremy Evans	A shareholder of Verditek plc provided an interest-free loan of £10,000 which remains outstanding at the year end.
[11]BBR Enviro Systems Pvt Ltd	BBR Enviro Systems Pvt Ltd who have a 10% stake in BBR Filtration, were paid £18,508 for royalty fees and a further £15,000 advance of future royalty fees during the period.
[12]Claudio Marati	Claudio Marriott who owns 49% of Greenflex Energy Ltd was paid £15,582 during the year for services provided during the year and reimbursement of business expenses of £32,296.
[13]James Buchan	James Buchan, a shareholder of Verditek plc.
[14] Summit Trust International	A shareholder of Verditek plc provided an interest-bearing loan in 2017 and were repaid during the year.
[15] Paul Harrison	A shareholder of Verditek plc assisted in the fund raising in Dec 2017 and was paid a commission of £30,000 during the year.
[16] José Luis Del Valle Doblado	During the year José Luis Del Valle Doblado, and non-executive director of Verditek plc, was paid £12,016 for his services as a Director.
[17] Theodore Edward Chapman	During the year Theodore Edward Chapman, and director of Verditek plc, was paid £52,590 for his services as a Director.

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

28. Events subsequent to the reporting date
In February 2019, Greenflex UK Limited applied to the Courts in San Marino to dissolve Greenflex RSM S.r.l.

On 17th April 2019 the Minority shareholder in Greenflex UK Limited transferred his 49% shareholding to Greenflex UK Limited, resulting in Verditek shareholding being increased to 100%.

On 3rd May 2019 the company entered into a secured loan with Gavin Mayhew, a non-executive director of the Company. The principal amount of the loan is $600,000 initially for a term of 3 months but extendable at the Company's discretion to 6 months and since extended to 30 June 2020 with interest payable at 20% per annum at maturity and compounded quarterly.

On 4th June 2019 Greenflex Trading Limited was dissolved.

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

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2018 £	31 December 2017 £
Non-current assets			
Investments in subsidiaries	3	169,454	160,539
Other investments	4	25,153	591,270
Property, plant and equipment	5	1,114	1,249
Total non-current assets		**195,721**	**753,058**
Current assets			
Trade and other receivables	6	199,060	15,182
Net amounts due from subsidiaries	7	949,133	807,120
Unpaid Share Capital	6	-	380,000
Cash and cash equivalents	8	670,343	892,266
Total current assets		**1,818,536**	**2,094,568**
Total assets		**2,014,257**	**2,847,626**
Liabilities			
Non-current liabilities			
Loans and borrowings	10	1,170,000	-
Total non-current liabilities		**1,170,000**	**-**
Current liabilities			
Trade and other payables	9	461,476	208,020
Loans and borrowings	10	43,243	10,000
Total current liabilities		**504,719**	**218,020**
Net assets		**339,538**	**2,629,606**
Share capital	11	80,847	80,847
Share premium		3,858,691	3,858,691
Share based payment reserve	12	8,727	-
Retained losses		(3,608,727)	(1,309,932)
Total equity		**339,538**	**2,629,606**

The Company's loss for the year was £2,298,795 (2017: £1,683,537) and is included within the consolidated statement of comprehensive income.

These financial statements were approved and authorised for issue by the Board of Directors on 28 June 2019 and were signed on its behalf by:

G Nesbitt

Dr Geoffrey Nesbitt
Chief Executive Officer
Company Registration Number: 10114644

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Share based payment reserve	Retained losses	Total
	£	£		£	£
Equity as at 1 January 2017	**100**	**-**	**-**	**(146,142)**	**(146,042)**
Loss for the year	-	-	-	(1,683,537)	(1,683,537)
Total comprehensive loss	**-**	**-**	**-**	**(1,683,537)**	**(1,683,537)**
Issue of shares (net of expenses)	80,747	4,378,438	-	-	4,459,185
Capital reduction	-	(519,747)	-	519,747	-
Equity as at 31 December 2017	**80,847**	**3,858,691**	**-**	**(1,309,932)**	**2,629,606**
Loss for the year	-	-	-	(2,298,795)	**(2,298,795)**
Total comprehensive loss	**-**	**-**	**-**	**(2,298,795)**	**(2,298,795)**
Share based payments	-	-	8,727	-	**8,727**
Equity as at 31 December 2018	**80,847**	**3,858,691**	**8,727**	**(3,608,727)**	**339,538**

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies

The accounting policies that are applicable, as set out in note 2 to the consolidated financial statements have been applied together with the following accounting policies that have been consistently applied in the preparation of these Verditek PLC ("the Company") financial statements.

Basis of preparation

The financial statements of Verditek PLC have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified and in accordance with the Companies Act 2006.

The Company has taken advantage of Section 408 of the Companies Act 2006 in not presenting its own statement of comprehensive income.

The Company has taken advantage of the following disclosure exemptions under FRS 101, on the basis that equivalent disclosures are, where required, are given in the consolidated financial statements of Verditek plc:

a. a Cash Flow Statement and related notes as required by IAS 7 – 'Statement of Cashflows';
b. the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(IV) of IAS 1 – a reconciliation of the share capital at beginning and end of the period;
c. the requirements of paragraphs 134 – 136 of IAS 1 'Presentation of Financial Statements' to disclose the management of the capital of the Company;
d. the requirements of paragraphs 30 and 31 of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' to disclose the new or revised standards that have not been adopted and information about their likely impact;
e. all of the disclosure requirements of IFRS 9 'Financial Instruments: Disclosures';
f. the requirements of paragraph 17 of IAS 24, 'Related Party Disclosures' to disclose key management personnel; and
g. the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiaries which is a party to the transaction is wholly owned by such a member.

Investments in subsidiaries and associates

The Company's investment in its subsidiaries and associates are carried at cost less provision for any impairment. Investments denominated in foreign currency are recorded using the rate of exchange at the date of acquisition. The carrying value is tested for impairment when there is an indication that the value of the investment might be impaired When carrying out impairment tests, the recoverable amount is based upon future cash flow forecasts and these forecasts would be based upon management judgement. Where the carrying value is more than the recoverable amount, no impairment provision is made.

Financial Instruments

The Company has implemented IFRS 9, which has resulted in the following accounting policy changes, there has been no impact on the classification of Financial Instruments it is purely a change in terminology.

Financial assets

Debt instruments at amortised cost - loans and receivables

The Company's other receivables comprise of loans and other receivables in the statement of financial position. These are measured at amortised cost.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

Impairment
The Company assess all other current receivables on a forward looking basis, with expected credit losses associated with debt instruments measured at amortised cost. These are deemed short term (i.e., less than 12 months) and apply the Group policy for credit rating and risk management policies in place.

The impairment stages are defined as:
Stage 1 – When a receivable is recognised, ECLs resulting from default events that are possible within the next 12 months are expensed to the statement of comprehensive income (12-month ECL) and a loss allowance is established. On subsequent reporting dates, 12-month ECL also applies to existing receivables with no significant increase in credit risk since their initial recognition. In determining whether a significant increase in credit risk has occurred since initial recognition, the Company assesses the change, if any, in the risk of default over the expected life of the receivable (that is, the change in the probability of default, as opposed to the amount of ECLs).
Stage 2 – If the receivables credit risk has increased significantly since initial recognition and is not considered low, lifetime ECLs are recognised.
Stage 3 – If the receivables credit risk increases to the point where it is considered credit-impaired, lifetime ECLs are recognised, as in Stage 2.
The impairment methodology applied for the Company is stage 1, which require 12 month expected credit losses to be recognised until a change in credit risk occurs in which case stage 2 would apply.

Critical accounting estimates and judgments
The preparation of financial information in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follow:

Impairment of investments in subsidiaries. This is detailed in the accounting policy Investment in subsidiaries above.

2. Staff costs

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

	2018 Number	**2017 Number**
Directors	5	5
Administrative	1	-
Total	6	5

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

	2018 £	**2017 £**
Salaries (including directors)	564,617	220,693
Share based payment	8,727	-
Social security costs	19,612	15,751
Pension cost	806	-
Total staff costs	**593,762**	**236,444**

NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

3. Investments in subsidiary undertakings

	Investment in subsidiary £
At 1 January 2017	-
Transfer from investments in associates	1
Additions	600,000
Write off of investments	-
At 31 December 2017	**600,001**
Transfer from investments in associates	-
Additions	8,915
Write off of investments	-
At 31 December 2018	**608,916**
IMPAIRMENT	
At 1 January 2016	-
Impairment of investment in subsidiary	439,462
At 31 December 2017	**439,462**
Impairment of investment in subsidiary	-
At 31 December 2018	**439,462**
Net book value	
At 31 December 2017	**160,539**
At 31 December 2018	**169,454**

On 11 July 2018 the Verditek incorporated Verditek Solar S.r.l, registered number MI - 2529932, in Italy with a share capital of 10,000 €1 Euro's ordinary shares, (£8,916). The details of the subsidiaries of Verditek plc, are set out in the Note 14 to the consolidated financial statements.

4. Other investments

	Investment in associates £	Loans to associates £	Total £
Cost			
At 1 January 2017	1	-	1
Additions	750,000	-	750,000
Impairment of investment in associates	(158,729)	-	(158,729)
Transfer associate becoming a subsidiary	(1)	-	(1)
At 31 December 2017	**591,271**	-	**591,271**
Additions		157,044	157,044
Impairment of loan		(157,044)	(157,044)
Impairment of investment	(566,118)	-	(566,118)
At 31 December 2018	**25,153**	-	**25,153**

The associate in which the company's interest at the year-end is as follows:

Name	Country of incorporation	Parent	Proportion of ownership interest	Nature of business
Westec Environmental	USA	Verditek USA, Limited	23.64%	Clean technology

For further details of the associates, are set out in the Note 12 to the consolidated financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

5. Property, plant and equipment

	Plant and machinery £
At 1 January 2017	**2,228**
Additions	-
Amount derecognised	(355)
At 31 December 2017	**1,873**
Additions	1,889
Disposal of asset	(1,260)
At 31 December 2018	**2,502**
DEPRECIATION	
At 1 January 2017	-
Charge for the year	**624**
At 31 December 2017	**624**
Charge for the year	869
Disposal of asset	(105)
At 31 December 2018	**1,388**
Net book value	
At 31 December 2017	1,249
At 31 December 2018	**1,114**

NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

6. Trade and other receivables

	31 December 2018	31 December 2017
	£	£
Prepayments	5,011	2,778
Other receivables	54,582	-
VAT receivables	139,467	12,404
Total trade and other receivables	**199,060**	**15,182**
Unpaid share Capital	-	380,000
Total	**199,060**	**395,182**

All amounts are due within three months. No amounts are past due.

7. Amounts due from subsidiaries

The directors consider that the carrying amounts owed by and to group undertakings approximates their fair value. The amounts reported under current assets have no fixed repayment terms and repayment on demand. The provision of allowance for the year of £401,000 was recognised in these financial statements.

8. Cash and cash equivalent

	31 December 2018	31 December 2017
	£	£
Cash at bank and in hand	670,343	892,266

9. Trade and other payables

	31 December 2018	31 December 2017
	£	£
Trade payables	135,368	13,405
Accruals and deferred income	263,224	191,139
Social security & other taxes payable	62,379	3,476
Pension cost	504	-
Total trade and other payables	**461,475**	**208,020**

NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

10. Loans and borrowings

	31 December 2018	31 December 2017
	£	£
Current		
Related party loans	43,243	10,000
Non current liabilities		
Convertible Loans	1,170,000	-
Total loans and borrowings	**1,213,243**	10,000

The related party loan is interest free and repayable on demand.

On the 17th December 2018 Verditek issued unsecured convertible loan notes with a total value of £1,170,000 at a 10% fixed rate redeemable on the earliest of

- 17th December 2020; or
- Date of change of control; or
- If the investor majority determines following a material breach.

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

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

13. Related party transactions
The Group has related party transactions with entities in which directors have significant financial interests. For details of the related party transactions see note 25 to the consolidated financial statements.

Details of the directors' emoluments, together with the other related information, are set out in the Report of the Directors. There are no other related party transactions.

14. Commitments
The Company has no lease or capital commitments at the end of the reporting period.

15. Contingent liabilities
The Company has no contingent liabilities, other than what has been disclosed already.

16. Ultimate controlling party
The Company does not have an ultimate controlling party.

17. Events after reporting date
For details of events after reporting date see note 26 of the consolidated financial statements.

OFFICERS AND ADVISERS

Directors:	The Rt Hon. Lord David Willetts FRS Geoffrey John Nesbitt George Francis Katzaros Tim Lord (appointed 23 August 2018) Gavin Mayhew (appointed 4 March 2019) Anthony Neil Rawlinson (resigned 4 March 2019) Janet Rachel Donovan (resigned on 24 May 2018) José Luis Del Valle Doblado (resigned on 9 May 2018) Theodore Edward Chapman (resigned 31 January 2018)
Company secretary and registered office:	David Wilson (appointed 6 August 2018) Peachey & Co LLP 95 Aldwych London, WC2B 4JF
Nominated Adviser and Broker:	W H Ireland Limited 24 Martin Lane, London EC4R 0DR
Bankers:	Natwest Bank plc and Metro bank plc
Auditors:	Crowe U.K. LLP St Bride's House 10 Salisbury Square London, EC4Y 8EH
Solicitors:	Peachey & Co LLP 95 Aldwych London, WC2B 4JF
Registrars:	Neville Registrars Neville House 18 Laurel Lane Halesowen B63 3DA
Company Number:	10114644
Website:	www.verditek.com