

DIRECTA PLUS UK LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2015



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DIRECTA PLUS UK LIMITED

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Throughout this document 'Directa' or 'the Company' means Directa Plus UK Limited

COMPANY INFORMATION

1 Directa Plus UK Limited (the 'Company') is domiciled in the United Kingdom

Reporting period

The financial statements were prepared for the twelve months ended 31 December 2015, with comparative information presented for the period ended 31 December 2014

Going concern assumption

After making enquiries the Directors have formed a judgement that, as at the date of approving the financial statements, there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors are confident that the admission to the AIM market will be successful and adequate funds will be raised. For this reason, the Directors have adopted the going concern basis in preparing the financial statements. If the IPO does not successfully complete, the Company will require financial support from its operating subsidiary, support of key stakeholders or raise further funds either through debt or equity.

2 Incorporation and principal activities

Registered office

18 South Street
Mayfair, London
UK, W1K 1DG

Registration in the National Court Register

Date 26 February 2003

Company number 04679109

The principal activity of the Company is the holding of investments outside the United Kingdom

The Company was established for an indefinite period

DIRECTORS' REPORT

Directors

The directors who served the company during the year were as follows

Mr G R J Davis

Mr W R Hawes

Giulio Giuseppe Cesareo

Sir Peter Middleton

Giuseppe Monti

Luca Lodi Rizzini

Elizabeth Marie Robinson

Marco Ferrari

Professor David Michael Gann

Neil William Warner

Giulio Giuseppe Cesareo was appointed as a director on 31 March 2015

Sir Peter Middleton was appointed as a director on 31 March 2015

Giuseppe Monti was appointed as a director on 31 March 2015

Luca Lodi Rizzini was appointed as a director on 31 March 2015

Elizabeth Marie Robinson was appointed as a director on 31 March 2015

Marco Ferrari was appointed as a director on 28 April 2016

Professor David Michael Gann was appointed as a director on 28 April 2016

Neil William Warner was appointed as a director on 28 April 2016

Mr G R J Davis retired as a director on 31 March 2015

Mr W R Hawes retired as a director on 31 March 2015

Statement of directors' responsibilities

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and as adopted by the European Union

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 Company. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether in preparation of the financial statements the Company has complied with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements,
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

This report was approved by the Board on 19 May 2016 and signed on its behalf

Marco Ferrari
Director

A handwritten signature in black ink, appearing to read 'Marco Ferrari', written over the printed name and title.

DIRECTA PLUS UK LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

DIRECTA PLUS UK LIMITED			
Statement of Profit or Loss and Other Comprehensive Income			
<i>In euro</i>	Note	31 Dec 2015	31 Dec 2014
Continuing operations			
Employee benefits expenses	3	(86,205)	-
Depreciation and amortisation	7	(763)	(296)
Other expenses	4	(386,296)	(59,814)
Loss from operating activities		(473,264)	(60,110)
Fair value movement on embedded derivative	15	(706,525)	-
Finance income	5	-	-
Finance costs	5	(403,176)	(46,302)
Net finance costs		(1,109,701)	(46,302)
Loss before tax		(1,582,965)	(106,412)
Tax expenses		-	-
Loss after tax		(1,582,965)	(106,412)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(1,582,965)	(106,412)

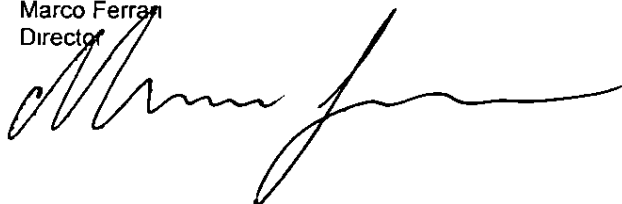
DIRECTA PLUS UK LIMITED

STATEMENT OF FINANCIAL POSITION

DIRECTA PLUS UK LIMITED			
Statement of financial position			
<i>In euro</i>	Note	31 Dec 2015	31 Dec 2014
Assets			
Investments	6	7,057,490	3,162,398
Property, plant and equipment	7	1,903	2,666
Non-current assets		7,059,393	3,165,064
Trade and other receivables	8	34,394	654,287
Cash and cash equivalent	9	319,339	1,197,438
Current assets		353,733	1,851,725
Total assets		7,413,126	5,016,789
Equity			
Share capital	10	503,100	503,100
Share premium	10	3,885,816	3,885,816
Reserves	10	(2,054,031)	(1,947,619)
Result for the year	10	(1,582,965)	(106,412)
Total equity		751,920	2,334,885
Liabilities			
Loans and borrowings	11	-	2,477,652
Non-current liabilities		-	2,477,652
Embedded derivative	12	706,525	-
Loans and borrowing	11	5,813,847	189,185
Trade and other payables	13	140,834	15,067
Current liabilities		6,661,206	204,252
Total liabilities		6,661,206	2,681,904
Total equity and liabilities		7,413,126	5,016,789

The financial statements were approved by the board of directors and authorised for issue on 19 May 2016

Marco Ferran
Director



STATEMENT OF CHANGES IN EQUITY

DIRECTA PLUS UK LIMITED

<i>In euro</i>	Share Capital	Share premium	Retained earnings	Total Equity
Balance at 31 December 2013	363,202	3,885,816	(1,947,619)	2,301,399
Total comprehensive income for the year	-	-	-	-
Loss for the year	-	-	(106,412)	(106,412)
Total comprehensive income for the year	-	-	(106,412)	(106,412)
Issue of the ordinary shares	139,900	-	-	139,900
Ordinary shares cancelled	(2)	-	-	(2)
Balance at 31 December 2014	503,100	3,885,816	(2,054,031)	2,334,885
Total comprehensive income for the year	-	-	-	-
Loss for the year	-	-	(1,582,965)	(1,582,965)
Total comprehensive income for the year	-	-	(1,582,965)	(1,582,965)
Balance at 31 December 2015	503,100	3,885,816	(3,636,996)	751,920

STATEMENT OF CASH FLOW

DIRECTA PLUS UK LIMITED		
Statement of cash flow		
<i>In euro</i>	2015	2014
Cash flows from operating activities		
Loss for the year	(1,582,965)	(106,412)
<i>Adj for</i>		
Depreciation	763	296
Fair value movement on derivative	706,525	-
Net finance costs	403,177	45,282
	(472,500)	(60,834)
<i>Changes in</i>		
- trade and other receivables	(2,374)	(6,144)
- trade and other payables	125,767	(228)
Cash used for operating activities	(349,107)	(67,206)
Net cash from operating activities	(349,107)	(67,206)
Cash flows from investing activities		
Investment in subsidiary	(3,250,000)	(725,052)
Amounts repaid from / (lent to) subsidiary	(22,825)	(450,000)
Net cash used in investing activities	(3,272,825)	(1,175,052)
Cash flows from financing activities		
Drawdown of borrowings	2,743,833	2,424,961
Net cash from (used in) financing activities	2,743,833	2,424,961
Net increase (decrease) in cash and cash equivalent	(878,099)	1,182,703
Cash and cash equivalent at 1 January	1,197,438	14,735
Cash and cash equivalent at 31 December	319,339	1,197,438

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and as adopted by the European Union. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Management and the Directors have also chosen not to produce consolidated financial statements in line with the requirements of IAS 10.

(b) Notes concerning the First-Time adoption of IAS/IFRS

The financial information, for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 is the first time the Company has prepared in accordance with IFRS. For the periods up to and including the year ended 31 December 2012, the Company prepared financial statements in accordance with generally accepted accounting practice in the United Kingdom.

Accordingly, Management and the Directors have prepared financial information which complies with IFRS applicable for periods ending on or after 31 December 2012, as described in the accounting policies. In preparing this financial information, the Company's opening statement of financial position, was prepared at the date of transition (1 January 2012), and has been adjusted to comply with IFRS as adopted by the EU. Management has analysed for conversion differences between UK GAAP and IFRS and none were noted.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise stated.

(d) Functional and presentation currency

These financial statements are presented in Euro ('€') and is considered by the Directors to be the most appropriate presentation currency to assist the users of the financial statements. The functional currency of the Company is Euro ('€').

(e) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS, as adopted by the EU, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Critical estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and/or have a significant risk of resulting in a material adjustment within the next financial year are as follows:

- Valuation of embedded derivative – Note 12

(f) New standards and interpretations not yet adopted

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2015 or later periods, but which the Company has not early adopted.

- IFRS 9 Financial instruments (effective 1 January 2018)

Amendments

- Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses (effective 1 January 2017)

Management is currently evaluating the impact of IFRS 9 on the financial statements. All other standard updates have been deemed to have no impact.

(g) Going concern

After making enquiries the Directors have formed a judgement that, as at the date of approving the financial statements, there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors are confident that the admission to the AIM market will be successful and adequate funds will be raised. For this reason, the Directors have adopted the going concern basis in preparing the financial statements. If the IPO does not successfully complete, the Company will require financial support from its operating subsidiary, support of key stakeholders or raise further funds either through debt or equity. This indicates the existence of a material uncertainty related to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

2 Significant accounting policies

(a) Foreign currency

Transactions in foreign currencies are translated to € at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to € at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between carrying value in € at the beginning of the year, adjusted for effective

interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year

There are no non-monetary items in a foreign currency

(b) Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company's non-derivative financial assets comprise loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payment terms that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Loans and receivables comprise cash and cash equivalents, and trade and other receivables. Trade and other receivables are stated at cost less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Other financial liabilities comprise trade and other payables.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in the statement of comprehensive income over the estimated useful lives of each component.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives of significant items of property, plant and equipment are as follows:

- Office equipment 10% yearly

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Investments in equity securities

Investments in equity securities classified as non-current assets are stated at purchase price. Where there is objective evidence that the investment in equity securities have been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Company prepares consolidated financial statements for the Group, which comprise:

- Directa Plus SPA become 100% owned subsidiary in 2014 as Directa Plus UK Ltd acquired the remaining shares from the minority interest.

- Directa Plus Asia Limited associate company

(e) Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or Cash Generating Unit ('CGU') exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

(f) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised in profit or loss, using the effective interest method. Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(g) Taxation

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future, and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(h) Convertible Loan Notes

The proceeds received on issue of the Company's convertible loans are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The Company's convertible loan notes do not contain an equity component.

Derivatives embedded in host debt contracts, such as convertible loan notes, are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

3 Employee benefits expenses

	2015	2014
Wages and salaries	86,205	-
Total	86,205	-

The average number of employees during the period was

	2015	2014
Manager	1	-
Total	1	-

DIRECTA PLUS UK LIMITED

The Directors' emoluments are the following

	2015	2014
Wages and salaries	86,205	-
Total	86,205	-

4. Other expenses

Other expenses include

	2015	2014
Professional fees	376,943	58,096
Other	9,353	1,718
Total	386,296	59,814

5 Finance income and finance expenses

Finance income includes

	2015	2014
Interest income on cash balances held	-	-
Total	-	-

Finance expenses include

	2015	2014
Interest and other financial costs	402,247	45,283
Losses on exchange rate	929	1,019
Total	403,176	46,302

6. Investments

	Directa Plus SPA	Directa Plus Asia Limited	Total
Balance at 31/12/2013	2,297,446	-	2,297,446
Additions	864,900	52	864,952
Balance at 31/12/2014	3,162,346	52	3,162,398
Additions	3,895,092	-	3,895,092
Balance at 31/12/2015	7,057,438	52	7,057,490

DIRECTA PLUS UK LIMITED

Directa Plus SPA

The company owns 100% of the issued ordinary share capital of Directa Plus S P A , a company incorporated in Italy Directa Plus S P A owns a production technology called G+ technology, which is covered by proprietary trade secrets and patented intellectual property G+ technology leads to products based on pristine graphene nanoplatelets with its specific technical characteristics

	2015	2014
Shares	100%	100%
Loss for the year	(2,871,815)	(1,115,116)
Total comprehensive income for the year	(2,865,606)	(1,117,175)
Equity	4,059,515	3,030,031

Directa Plus Asia Limited

The company owns 49% of the issued ordinary share capital of Directa Plus Asia Limited, a company incorporated in Hong Kong The company has been incorporated on 16 October 2014 and the first Financial Statement has been prepared on 31 December 2015 The principal activities of the Company are marketing, distribution and trading of graphene-based products

	2015	2014
Shares	49%	49%
Loss for the year (in US\$)	(109,498)	n a
Total comprehensive income for the year (in US\$)	(109,498)	n a
Equity	(109,369)	n a

7. Property, plant and equipment

	Office Equipment	Total
Cost		
Balance at 31/12/2013	7,627	7,627
Additions	-	-
Balance at 31/12/2014	7,627	7,627
Additions	-	-
Balance at 31/12/2015	7,627	7,627
Depreciation		
Balance at 31/12/2013	4,665	4,665
Depreciation 2014	296	296
Balance at 31/12/2014	4,961	4,961
Depreciation 2015	763	763
Balance at 31/12/2015	5,724	5,724
Carrying amounts		
Balance 31/12/2013	2,962	2,962
Balance 31/12/2014	2,666	2,666
Balance 31/12/2015	1,903	1,903

8. Trade and other receivables**Current**

	31 Dec 2015	31 Dec 2014
Intercompany receivables	22,825	645,092
VAT receivables	7,527	6,520
Other receivables	4,042	2,675
Total	34,394	654,287

Intercompany receivables 2015 €22 825 is an interest free loan to Directa Plus Asia Limited of USD 24,937 (2014 nil) It is unsecured and repayable on demand Intercompany receivables 2014 €645 092 is an interest free loan to Directa Plus S P A

DIRECTA PLUS UK LIMITED

9 Cash and cash equivalent

	31 Dec 2015	31 Dec 2014
Bank balances	319,339	1,197,438
Total	319,339	1,197,438

10 Net equity

	2015	2014
Share Capital	503,100	503,100
Share Premium	3,885,816	3,885,816
Reserves	(2,054,031)	(1,947,619)
Result of the year	(1,582,965)	(106,412)
Balance at 31 December	751,920	2,334,885

Share Capital

	2015	2014
Balance at the beginning of the year	503,100	363,202
Issue of ordinary shares	-	139,900
Ordinary shares cancelled	-	(2)
Balance at 31 December	503,100	503,100

On 13 October 2014 a share swap arrangement was agreed with the non-controlling interest of Directa Plus S P A whereby Directa Plus UK issued 139 000 new €1 shares in exchange for acquiring 413 111 shares in Directa Plus S P A from the non-controlling interest. During the year 2014 the Company re-purchased and subsequently cancelled, 2 ordinary shares of 1 Pound each, paid at par value. The Company also issued 139 900 Ordinary Shares of 1 Euro each.

The share capital is composed by number 503 100 ordinary shares of the nominal value of Euro 1 each.

Share capital

Financial instruments issued by the Directa are treated as equity only to the extent that they meet the definition of a financial liability. Directa's ordinary shares are classified as equity instruments.

Share premium

To the extent that the Company's ordinary shares are issued for a consideration greater than the nominal value of those shares (in the case of the company, €1 per share), the excess is deemed Share Premium. Costs directly associated with the issuing of those shares are deducted from the share premium account, subject to local statutory guidelines.

Retained earnings

This is Company's cumulative losses from prior periods.

11. Loans and borrowings**Non-current**

	31 Dec 2015	31 Dec 2014
Loan	-	2,477,652
Total	-	2,477,652

Current

	31 Dec 2015	31 Dec 2014
Loan	5,809,847	-
Loan from Directa Plus SPA	4,000	4,000
Shareholder loan	-	185,185
Total	5,813,847	189,185

The loan from Directa Plus SPA is a unsecured loan, interest free and repayable on demand.

The Company received two shareholder loans totalling Euro 185,185 in 2014. They were interest free and switched into the convertible loans in 2015.

Included in loans are 39 (2014: 12) convertible loans with drawdowns totalling €5,529,041 (2014: €2,450,220 presented as non-current). The convertible loans are repayable on or before 31/12/2016 and bear interest at 8%. Accrued interest is payable on each anniversary of the agreements or earlier, when the Loans are payable in full. If any due payments are unpaid, interest on the unpaid

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amount shall accrue daily, from the date of non-payment to the date of actual payment, at 3% above the specified rate. There is a late payment date of 31/12/2017.

In the event that an exit has not occurred by 31/12/2016, the lenders may elect by serving written notice to the Borrower at least two weeks before the Repayment Date, to extend the Loan until no later than the late payment date.

In the event of an exit prior to the repayment or late payment date, the Loan can be converted into ordinary shares at the discounted rate of 25% discount per Share to the Sale Price or the IPO Price.

12. Embedded derivative

	31 Dec 2015	31 Dec 2014
Embedded derivative	706,525	-
Total	706,525	-

The embedded derivative relates to the conversion option contained in the convertible loan notes disclosed in note 12. The loan note holders have an option to convert at a 25% discount to the IPO listing price. This breaks the fixed for fixed conversion under IAS 39 and has therefore been fair valued as an embedded derivative. The key variable contained in the fair valuation is the probability that the IPO will occur and the conversion option becomes exercisable. This is deemed to be a key judgement applied by Management and is described below.

On inception at the end of 31 December 2014 and the beginning of 2015 when the loan notes were drawn down the fair value of the embedded derivative is deemed to be nil, as at this stage the Company had not confirmed the IPO strategy and no steps had been taken to start the IPO process. Therefore the chance of success is deemed to be remote.

As at 31 December 2015 Management has reassessed the fair value of the embedded derivative. The factors that they have considered are as follows:

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- A decision to undertake an AIM listing had been agreed but the Company was only at the start of the process in appointing advisors and initiating listing activity,
- No marketing activity had commenced,
- Average success rates for companies listing on the AIM market and the wider current IPO activity,
- Macro-economic factors which impact upon any IPO success

Management has applied a probability factor that reflects the above criteria. Management notes that as at 31 December 2015 if the probability factor was to increase or decrease by 10% then the impact upon the embedded derivative liability and profit or loss for the period would be +/- €200k

13 Payables

Payables include

	31 Dec 2015	31 Dec 2014
Trade payables	29,600	2,675
Other payables	20,099	52
Accruals	91,135	12,340
Total	140,834	15,067

14. Financial instruments

Financial risk management

The Company's operations expose it to a variety of financial risks that include liquidity risk. The Company has in place a risk management programme that seeks to limit the adverse effect of such risks on its financial performance.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterpart to a financial instrument fails to meet its contractual obligations.

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Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	31 Dec 2015	31 Dec 2014
Trade and other receivables	9	34,394	654,287
Cash and cash equivalent	10	319,339	1,197,438
Total		353,733	1,851,725

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The management reviews its facilities regularly to ensure it has adequate funds for operations and expansion plans.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

31 Dec 2015	Contractual cash flows		
	Carrying amount	Up to 1 year	1 -5 years
Financial liabilities			
Trade payables	29,600	29,600	-
Embedded derivative	706,525	706,525	-
Loan Directa Plus SPA	4,000	4,000	-
Loans	5,809,847	6,252,170	-
Total	6,549,972	6,992,295	-

31 Dec 2014	Contractual cash flows		
	Carrying amount	Up to 1 year	1 -5 years
Financial liabilities			
Trade payables	2,675	2,675	-
Loan Directa Plus SPA	4,000	4,000	-
Loans	2,477,652	-	2,675,864
Shareholder loan	185,185	185,185	-
Total	2,669,512	191,860	2,675,864

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its of financial instruments

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return At present, the Directors do not consider these risks to be significant to the Company

Currency risk

The Company, currently, is not exposed to a significant currency risk

15. Fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities carried at fair value, including their levels in the fair value hierarchy

31 Dec 2015	Carrying amount			Fair value		
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial liabilities not measured at fair value						
Embedded derivative	-	706,525	706,525	-	706,525	-
Total	-	706,525	706,525	-	706,525	-

As at 31 12 14 there are no financial assets or liabilities carried at fair value All financial assets and liabilities are deemed short term and therefore their carry value is deemed to approximate fair value

Measurement of fair values valuation techniques and significant unobservable inputs

DIRECTA PLUS UK LIMITED

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs
Embedded derivative	Risk based pricing model	Not applicable

Capital management

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support continued operations

16 Related parties

The following are deemed as related party transactions as the parties are shareholders and loan note holders

- 1 Finanziaria Le Perray Euros 500,000 loaned on 8 October 2014, accrued interest at 31 12 2015 Euros 47,046,
- 2 Guiseppe Lazzaroni Euros 225,000 loaned on 8 October 2014 accrued interest at 31 12 2015 Euros 4,191,
- 3 Finanziaria Le Perray Euros 525,219 loaned on 31st December 2014, this was an original shareholder loan converted into convertible loans including accrued interest to 31 December 2014 Accrued interest at 31 12 2015 Euros 42,017,
- 4 Como Ventures SRL Euros 100,000 loaned on 5th February 2015 accrued interest at 31 12 2015 Euros 5,895,
- 5 Quadrivio Capital SGR SPA Euros 500,000 loaned on 5th February 2015 accrued interest at 31 12 2015 Euros 30,027

Guiseppe Lazzaroni is President of the board of Directa Plus S P A

17. Ultimate controlling party

There is no ultimate controlling party

18 Post Balance Sheet events

Share Capital reorganisation

On 22 April 2016 the shareholders passed an ordinary resolution to redenominate the issued ordinary shares of €503,100 (comprised of 503,100 ordinary shares at €1 each) into an aggregate nominal value of £398,908 (comprised of 503,100 ordinary shares at £0.7929 each)

On 22 April 2016 the shareholders passed a special resolution, effective 25 April 2016 to cancel the share premium account of the Company and to be credited to reserves and the aggregate nominal value of the issued ordinary shares in the capital of the Company, being £398,907.99 (comprised of 503,100 ordinary shares of £0.7929 each), be reduced to £50,310.00 (comprised of 503,100 ordinary shares of £0.10 each) and the amount by which the share capital is so reduced be credited to a reserve