

Cleantech Building Materials plc

UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021

Registered Number: 09357256 (England and Wales)

CHAIRMAN'S STATEMENT

Despite the logistical challenges arising from the pandemic in 2021, CBM is now in a stronger position for transformative growth in the coming years. In 2021, CBM's subsidiary company Diamond Wood China Limited (DWC) was able to progress on its strategy to build an Accoya® acetylated wood (Accoya® Wood) factory in China, with its Joint Venture (JV) partner, Nantong Acetic Acid Company (NTAAC). NTAAC is amongst China's top speciality chemical companies, serving global multinational food and beverage producers in the US and Europe. NTAAC is listed on the Shanghai Stock Exchange with a market capitalisation of €515 million. As reported in the 2020 Report & Accounts on 31 March 2021, DWC and NTAAC signed the investment agreement constituting the JV.

Since then, and through consultation with local government officials in Jiangsu province, DWC and NTAAC have established the timing and key milestones of the Accoya® Wood factory project. There is a schedule for the construction of the Accoya® Wood factory and the corresponding financing. The factory will be built in the Jiangsu Rudong Yangkou Port Economic Development Zone.

Under the investment agreement between the two parties, DWC is the majority shareholder in the JV company, Jiangsu Dragon Wood Limited (JDW). Additionally, DWC will receive a royalty on profits from JDW. DWC's equity investments into JDW is being financed through CBM, which previously entered into a subscription agreement for €15m euros with a private family office. During 2021, the family office subscribed for CBM shares under the subscription agreement related to the achievement of milestones in the Accoya® Wood factory project.

The following is a brief update of the JDW Accoya® Wood factory developments in China:

- The Accoya® technology licensor, Titan Wood, transferred the Accoya® Basic Engineering Design information to DWC during 2020 and 2021.
- During 2021 Accsys' subsidiary, Titan Wood, provided technical assistance to DWC for the preparation of the Nantong Accoya® Wood factory engineering and equipment selection.
- An LOI with a leading Chinese bank was signed with JDW on 29 April 2021 regarding a €26m debt financing to JDW.
- Registration of JDW was completed and the business license issued on 18 May 2021.
- JDW completed the signing of the Project Investment Agreement with the local Chinese government authority regarding land, utilities and taxes on 18 May 2021.
- Milestone 1 and Milestone 2 capital injections into JDW were completed by both shareholders, NTAAC and DWC, in year 2021.
- All DWC's wholesaler agreements have been officially transferred to JDW during September 2021. The DWC sales staff have also been transferred to JDW.
- The Feasibility Study Report approval was granted to JDW on 15 November 2021 by the Chinese government, and the Registration Certificate of Investment Project of Jiangsu Province obtained. The JDW Project is now officially posted on the government web site (<http://222.190.131.17:8075>).
- The approval of Social Stability Assessment Report was granted for the JDW project on 30 November 2021 by the Chinese government.
- JDW finalized the Front-End Engineering Design with an engineering, procurement and construction (EPC) firm, LBT Shanghai in November 2021.
- The Energy Conservation Assessment application was approved on 24 February 2022 by the Chinese government.
- The Environmental Impact Assessment report has been submitted for final approval by the end of April 2022.

These are material developments towards the construction of the Accoya® Wood factory. The key JDW activities are being undertaken by the Group's people in the region, so international travel restrictions have had minimal impact on the progress of the project.

Accoya® Wood is produced using a cutting-edge patented technology, enabling it to resist rot, defy the elements and stay strong for decades. Guaranteed for 50 years above ground and 25 years in ground or freshwater, the performance and properties associated with the Accoya® brand are sought by joinery manufacturers, architects and builders worldwide.

In 2021 the Group invested in the development of its marketing and sales operations in China and the ASEAN countries, which resulted in a new offtake agreement being added to the growing list of manufacturers and wholesalers in the region committing to purchase significant volumes of Accoya® Wood. These agreements, and the ongoing business with the Company's existing base of distribution partners, attest to a strong and increasing demand for Accoya® Wood in the region.

The Group increased revenues in 2021 to €1,014,000 (2020: €857,000). The Group increased its loss for the 12 months ended 31 December 2021 to €4,891,000 (€4,116,000 in 2020). The increased loss is largely due to the additional loss from the Group's share of the JV, and higher share-based payment charge.

I would like to take this opportunity to again express my sincere gratitude to my fellow Directors and staff for their hard work and commitment over the past year.

I look forward to providing you with further updates at our next Annual General Meeting in June 2022.

Paul Richards
Chairman
29 April 2022

STRATEGIC REPORT

Strategy and Objectives

The Group's primary strategic objectives for 2022 are:

1. To engage a leading engineering, procurement and construction firm to lead the building of an Accoya® Wood manufacturing facility in China.
2. Together with the Group's chemical industry joint venture partner, NTAAC, to ensure that the Accoya® Wood manufacturing facility is constructed on time and on budget, and operated efficiently.
3. To build relationships with large-volume wood product manufacturers through testing and trials in anticipation of Accoya® Wood being produced in the Group's own factory.
4. To develop the Group's marketing and sales initiatives to further expand market channels and offtake agreements.

Financial Review of the Business

The Group's revenues for the year ended 31 December 2021 increased to €1,014,000 (2020: €857,000) and consisted mainly of Accoya® Wood sales to customers in China, Thailand, Vietnam, Singapore, Indonesia, and Malaysia.

The Group realised a net loss of €4,891,000 for the year to 31 December 2021 (2020: €4,116,000). As at 31 December 2021, the Group had cash and cash equivalents of €158,000 (2020: €25,000) as well as an available facility of approximately €3.4m (Loan Facility), and an equity commitment to finance the JV.

Once the Group is producing its own Accoya® Wood, the Board believes the financial performance of the Group will be radically transformed.

ON BEHALF OF THE BOARD

Paul Richards
Chairman
29 April 2022

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Year to 31 December 2021 €'000	Year to 31 December 2020 €'000
Revenue	1,014	857
Cost of inventories	(916)	(788)
Gross profit	98	69
Share based payment	(573)	(376)
General and administrative expenses	(3,855)	(3,531)
Loss from operations	(4,330)	(3,838)
Finance costs	(229)	(278)
Share of loss of equity-accounted associates	(332)	-
Loss before taxation	(4,891)	(4,116)
Income tax	-	-
Loss for the year	(4,891)	(4,116)
Allocation of loss for the year		
Shareholders of the company	(4,857)	(4,058)
Non-controlling interest	(34)	(58)
Loss for the year	(4,891)	(4,116)
Loss per share	(€0.064)	(€0.060)

UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Year to 31 December 2021 €'000	Year to 31 December 2020 €'000
Loss for the year	(4,891)	(4,116)
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of parent company	(24)	(28)
Other comprehensive income for the year, net of tax	(24)	(28)
Total comprehensive loss for the year, net of tax	(4,915)	(4,144)
Attributable to shareholders of the Company	(4,881)	(4,086)
Attributable to the non-controlling interest	(34)	(58)
	(4,915)	(4,144)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2021 €'000	31 December 2020 €'000
Non-current assets		
Intangible asset	10,082	11,223
Interests in associates	244	-
	10,326	11,223
Current assets		
Trade and other receivables	238	263
Cash and cash equivalents	158	25
	396	288
Current liabilities		
Trade and other payables and accruals	709	1,085
Interest bearing borrowings	9	-
	718	1,085
Net current liabilities	(207)	(797)
Total assets less current liabilities	10,004	10,426
Non-current liabilities		
Licence fee payable	545	545
Interest bearing borrowings	49	-
	594	545
Net assets	9,410	9,881
Equity attributable to shareholders of the Company		
Share capital	9,554	8,549
Share premium	15,094	12,227
Share based payment reserve	3,364	2,791
Merger reserve	35,713	35,713
Exchange reserves	2,053	2,077
Retained losses	(56,462)	(51,490)
	9,316	9,867
Non-controlling interest	94	14
Total equity	9,410	9,881

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Share based payments	Merger Reserve	Exchange reserve	Retained losses	Total attributable to shareholders of parent	Non-controlling interest	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2020	7,818	10,289	2,145	35,713	2,105	(47,432)	10,908	72	10,980
Loan conversion to shares	492	1,355	-	-	-	-	1,847	-	1,847
Share issue	239	583	-	-	-	-	822	-	822
Share-based payment for the year	-	-	376	-	-	-	376	-	270
	731	1,938	376	-	-	-	3,045	-	3,045
Other movements in Non-controlling interest – capital contribution	-	-	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	(4,058)	(4,058)	(58)	(4,116)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Exchange differences on translation of parent company	-	-	-	-	(28)	-	(28)	-	(28)
Total other comprehensive loss	-	-	-	-	(28)	(4,058)	(4,086)	(58)	(4,144)
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	-
At 31 December 2020	8,549	12,227	2,791	35,713	2,077	(51,490)	9,867	14	9,881
Loan conversion to shares	831	2,118	-	-	-	-	2,949	-	2,949
Share issue	174	749	-	-	-	-	923	-	923
Capital Contribution	-	-	-	-	-	(115)	(115)	115	-
Share-based payment for the year	-	-	573	-	-	-	573	-	573
Total transactions with shareholders	9,554	15,094	3,364	35,713	2,077	(51,605)	14,197	129	14,326
Loss for the year	-	-	-	-	-	(4,857)	(4,857)	(34)	(4,891)
Exchange differences on translation of parent company	-	-	-	-	(24)	-	(24)	-	(24)
Total other comprehensive loss	-	-	-	-	(24)	(4,857)	(4,881)	(34)	(4,915)
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	-
At 31 December 2021	9,554	15,094	3,364	35,713	2,053	(56,462)	9,316	94	9,410

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year to 31 December 2021 €'000	Year to 31 December 2020 €'000
Operating activities		
Loss before taxation	(4,891)	(4,116)
Adjustments for:		
Finance costs	229	272
Share based payments	573	376
Fees satisfied by share issue	304	464
Share of loss of equity associates	332	-
Depreciation and amortisation	1,140	1,140
Operating loss before changes in working capital	(2,313)	(1,864)
(Increase)/decrease in trade and other receivables	25	48
(Decrease)/increase in trade and other payables	(478)	(124)
Cash used in operations	(2,766)	(1,940)
Tax paid	-	-
Net cash used in operating activities	(2,766)	(1,940)
Net cash generated from investing activities	-	-
Investing activities		
Investment in associates	(561)	-
Net cash used in investing activities	(561)	-
Financing activities		
Proceeds from issue of shares	620	357
Net proceeds of interest-bearing borrowings	2,849	1,325
Interest paid	(9)	-
Net cash generated from financing activities	3,460	1,682
Net increase in cash and cash equivalents	133	(258)
Cash and cash equivalents at beginning of year	25	283
Effect of foreign exchange differences	-	-
Cash and cash equivalents at end of year	158	25

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

1. REPORTING ENTITY

Cleantech Building Materials plc is a public limited liability company (Company) which is quoted on the Nasdaq First North Growth Market, Copenhagen and is incorporated and domiciled in the UK. The address of the registered office is Floor 6, International House, 4 Maddox Street, London, W1S 1QP and the registered number of the company is 09357256.

The consolidated financial information comprises Cleantech Building Materials plc and its subsidiaries (Group).

The principal activities of the Group are the sale of specialist wood products, technology licensing, sourcing and procurement, business development and investment holding.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in compliance with UK adopted International Accounting Standards (IFRSs).

The consolidated financial statements have been prepared under the historical cost convention and are presented in Euros rounded to the nearest thousand (€'000) except where indicated otherwise. The Euro has been chosen as the presentation currency of the Group because the Group is quoted in Euro on the Nasdaq First North Growth Market, Denmark in Copenhagen. In addition, the Euro represents a stable and strong currency and the Eurozone a significant potential source of funding in the future.

3. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of the Company of approximately €4,857,000 (2020: €4,058,000) and the weighted average number of 76,216,236 ordinary shares (2020: 67,966,107 ordinary shares) in issue during the year.

b) Diluted loss per share

In accordance with IAS 33 "Earnings per share", where an entity has reported a loss for the year, the share options are not dilutive.

4. SHARE CAPITAL

	Number of shares	€'000
Issued and fully paid		
1 January 2020	66,296,736	7,818
Issued April 2020	2,069,424	239
Issued December 2020	4,496,425	492
31 December 2020	72,862,585	8,549
Issued May 2021	4,123,188	480
Issued June 2021	394,960	46
Issued November 2021	3,304,345	391
Issued December 2021	739,893	88
At 31 December 2021	81,424,971	9,554

During the year 360,000 shares were issued for cash following exercise of employee share options at €0.35 per share. A further 394,960 shares were issued for cash in accordance with the subscription agreement between the family office and the Company dated 10 July 2019 at a price of €1.25.

There were also non-cash share issues, which included 7,078,935 shares issued following conversion of €2,949,557 debt owing under the Loan Facility, and 728,491 shares were issued in satisfaction of debts totalling €303,538.

The number of shares in issue at 31 December 2021 was 81,424,971 with a par value of £0.10 giving a quoted capitalisation of £9,553,751. Conversion to Euro is at the historical rate.