

Cleantech Building Materials plc

INTERIM UNAUDITED FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
30 JUNE 2021

Registered Number: 09357256 (England and Wales)

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INTERIM MANAGEMENT REPORT

Strategy and Objectives

The CBM Group's primary strategic objectives for 2021 are:

1. To engage a leading engineering, procurement and construction firm to lead the construction of an Accoya® Wood manufacturing facility in China.
2. Together with the Group's chemical industry joint venture partner, Nantong Acetic Acid Chemical Company Limited ("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 in the Chinese and ASEAN markets.

The Group has made progress towards achieving these objectives during the six months ended 30 June 2021.

Financial Review of the Business

The Group's revenues for the six months ended 30 June 2021 amounted to €680,000 (six months ended 30 June 2020: €447,000). The revenues recovered following the disruption of construction projects in China and the ASEAN regions due to the Covid pandemic in 2020.

The Group realised a net loss of €2,176,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: €1,639,000). The net loss for the current period was mainly due to salaries, share option costs and professional costs. Strict cost control has limited the extent of the loss.

As at 30 June 2021, the Group had cash and cash equivalents of €60,000 (30 June 2020: €40,000) and net current liabilities of €211,000 (30 June 2020: €839,000). The Group's equity and debt financing arrangements provide sufficient working capital to continue the expansion of the Group's marketing and sales activities in China and the ASEAN markets, and to progress the financing and build plans for its own Accoya® Wood factory in China. The Group continues to closely manage its cash position to ensure that any costs of financing are mitigated as fully as possible. In December 2020, the Group obtained an additional loan facility of €1m to March 2022 to support the Group's operations. In March 2021 the joint venture agreement with NTAAC was signed and NTAAC subsequently made capital contributions to the joint venture corresponding to agreed milestones. On 1 June 2021 the Family Office Investor made equity investments corresponding to agreed milestones.

The Group has been investing to increase its marketing and sales activities and has successfully appointed eight wholesalers and distributors of Accoya® Wood in the China and ASEAN regions. These agreements include escalating volume purchase commitments over a three-year period in exchange for market segment exclusivity. All of these Offtake Distribution agreements are extendable beyond 2021, conditional on sales performance. The Group foresees a growing order book from 2021 onwards; but in the short term remains constrained by Titan Wood's limited supply of Accoya® wood until the Group has completed the construction of its own Accoya® wood factory.

The Group continues to work closely with our Chinese JV partner, NTAAC, to progress the construction of the first Accoya® Wood factory in Asia. Once the Group is producing its own Accoya® wood, the CBM Board believes the financial performance of the Group will be radically transformed.

Business Update

On 31 March 2021 the Group announced the signing of a comprehensive joint venture agreement with NTAAC to form a joint venture company, Jiangsu Dragon Wood, ("JDW") that will develop and operate an Accoya® Wood factory in Nantong China.

On the 18 May 2021 the Group announced that the joint venture company, JDW, had signed a long-term contract for land, utilities and various tax incentives with the Nantong local government's Administration Committee of Jiangsu Rudong Yangkou Port Economic Zone. Under this contract, JDW will acquire 16 hectares of land on which it will build the factory. The factory will initially produce 40,000 m³ of Accoya® Wood annually, but the land available will potentially allow expansion of the factory to increase annual production to 480,000 m³ of Accoya® Wood.

On 1 June 2021 the Group announced that the Family Office Investor, which signed a Subscription Agreement in 2019 to invest €15 million euros based on agreed milestones, had made a further equity investment at €1.25 per share related to milestone 2 completion. This is the third equity investment made by the Family Office, demonstrating their commitment to CBM and JDW.

Finally, on 28 June 2021, the Group announced that our subsidiary, Diamond Wood China Limited, (“Diamond Wood”) had entered into a distribution and offtake agreement with Halogen Corporation. Halogen Corporation are based in Ho Chi Minh City and sells prestigious building material brands for its customers from its facility in Thuan An City, and throughout Vietnam across its distribution network. This is the latest of a number of distribution agreements that Diamond Wood have signed, creating an extensive distribution network across China and the ASEAN Region.

ON BEHALF OF THE BOARD

A P Richards
Chairman
31 August 2021

UNAUDITED CONSOLIDATED INCOME STATEMENT

		Six months to 30 June 2021 €'000	Six months to 30 June 2020 €'000
	Notes		
Revenue		680	447
Cost of inventories		(615)	(414)
Gross profit		65	33
General and administrative expenses		(2,142)	(1,549)
Loss from operations		(2,077)	(1,516)
Finance costs		(73)	(123)
Share of loss of equity-accounted associates, net of tax	3	(26)	-
Loss before taxation		(2,176)	(1,639)
Income tax		-	-
Loss for the period		(2,176)	(1,639)
Allocation of loss for the period			
Shareholders of the Company		(2,162)	(1,611)
Non-controlling interest		(14)	(28)
Loss for the period		(2,176)	(1,639)
Earnings per share (basic and diluted)	7	(€0.03)	(€0.02)

UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months to 30 June 2021 €'000	Six months to 30 June 2020 €'000
Loss for the period	(2,176)	(1,639)
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	(23)	(375)
Other comprehensive income for the period, net of tax	(23)	(375)
Total comprehensive loss for the period, net of tax	(2,199)	(2,014)
Attributable to shareholders of the Company	(2,185)	(1,985)
Attributable to the non-controlling interest	(14)	(29)
	(2,199)	(2,014)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 €'000	30 June 2020 €'000	31 December 2020 (Audited) €'000
	Notes			
Non-current assets				
Intangible asset	2 (a)	10,653	11,793	11,223
Equity-accounted associates	3	535	-	-
		11,188	11,793	11,223
Current assets				
Trade and other receivables		279	632	263
Cash and cash equivalents		60	40	25
		339	672	288
Current liabilities				
Trade and other payables and accruals		(550)	(1,511)	(1,085)
		(550)	(1,511)	(1,085)
Net current liabilities		(211)	(839)	(797)
Total assets less current liabilities		10,977	10,954	10,426
Non-current liabilities				
Interest-bearing borrowings		(309)	(446)	-
Licence fee payable	2 (b)	(545)	(545)	(545)
		(854)	(991)	(545)
Net assets		10,123	9,963	9,881
Equity attributable to shareholders of the Company				
Share capital	4	9,075	8,053	8,549
Share premium		13,889	10,807	12,227
Share based payment reserve		3,044	2,659	2,791
Merger reserve		35,713	35,713	35,713
Exchange reserves		2,054	1,730	2,077
Retained losses		(53,766)	(49,042)	(51,490)
Shareholders of the Company		10,009	9,920	9,867
Non-controlling interest		114	43	14
Total equity		10,123	9,963	9,881

The financial information on pages 4 to 12 were authorised for issue by the Board of Directors on 31 August 2021 and were signed on its behalf by:

A P Richards
Chairman
 Company number: 09357256

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	2,415	35,713	2,105	(47,432)	10,908	72	10,980
Transactions with owners:									
Share issue	116	200	-	-	-	-	316	-	316
Loan conversion	119	318	-	-	-	-	437	-	437
Share based payment for the period	-	-	244	-	-	-	244	-	244
Loss for the period	-	-	-	-	-	(1,610)	(1,610)	(29)	(1,639)
Other comprehensive income:									
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	(375)	-	(375)	-	(375)
Total other comprehensive income	-	-	-	-	(375)	-	(375)	-	(375)
Total comprehensive loss for the period	-	-	-	-	(375)	(1,610)	(1,985)	(29)	(2,014)
At 30 June 2020	8,053	10,807	2,659	35,713	1,730	(49,042)	9,920	43	9,963
Transactions with owners:									
Loan conversion shares	376	1,155	-	-	-	-	1,531	-	1,531
Share based payment for the period			132	-	-	-	132	-	132
Share issue	120	265	-	-	-	-	385	-	385
Loss for the period	-	-	-	-	-	(2,448)	(2,448)	(29)	(2,477)
Other comprehensive income:									
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	347	-	347	-	347
Total other comprehensive loss	-	-	-	-	347	-	347	-	347
Total comprehensive loss for the period					347	(2,448)	(2,101)	(29)	(2,130)
At 31 December 2020	8,549	12,227	2,791	35,713	2,077	(51,490)	9,867	14	9,881

Cleantech Building Materials PLC

	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 2021	8,549	12,227	2,791	35,713	2,077	(51,490)	9,867	14	9,881
Transactions with owners:									
Share issue	88	532	-	-	-	-	620	-	620
Loan conversion	438	1,130	-	-	-	-	1,568	-	1,568
Share based payment for the period	-	-	253	-	-	-	253	-	253
Other movements in Non-controlling interest - capital contribution	-	-	-	-	-	(114)	(114)	114	-
Loss for the period	-	-	-	-	-	(2,162)	(2,162)	(14)	(2,176)
Other comprehensive income:									
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	(23)	-	(23)	-	(23)
Total other comprehensive income	-	-	-	-	(23)	-	(23)	-	(23)
Total comprehensive loss for the period	-	-	-	-	(23)	(2,162)	(2,185)	(14)	(2,199)
At 30 June 2021	9,075	13,889	3,044	35,713	2,054	(53,766)	10,009	114	10,123

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	30 June 2021 €'000	30 June 2020 €'000
Operating activities		
Loss before taxation	(2,176)	(1,639)
Adjustments for:		
Finance costs	73	123
Share based payment	252	244
Share of loss of equity accounted associates	26	-
Amortisation of intangibles	570	570
Operating loss before changes in working capital	(1,255)	(702)
Decrease in trade and other receivables	(15)	(320)
(Decrease)/increase in trade and other payables	(574)	440
Net cash used in operating activities	(1,844)	(582)
Financing activities		
Proceeds of interest-bearing borrowings	1,848	521
Share issue	620	316
Interest paid	(5)	(123)
Net cash generated from financing activities	2,463	714
Investing activities		
Funding to associates	(561)	-
Net cash generated from investing activities	(561)	-
Net increase/(decrease) in cash and cash equivalents	58	132
Effect of foreign exchange differences	(23)	(375)
Cash and cash equivalents at beginning of period	25	283
Cash and cash equivalents at end of period	60	40

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial information for the 6 months ended 30 June 2021 comprises Cleantech Building Materials plc ("CBM" or the "Company") and its subsidiaries (the "CBM Group" or the "Group").

1. BASIS OF PREPARATION

CBM is a public limited liability 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 principal activities of the Group are the sale of specialist wood products, technology licensing, sourcing and procurement, business development and investment holding.

The interim financial information has been prepared in accordance with the basis of the accounting policies set out in the annual report and accounts for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards in conformity with the requirements of Companies Act 2006 (IFRSs). The interim financial information is unaudited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The same accounting policies, presentation and methods of computation have been followed in this unaudited interim financial information as those which were applied in the preparation of the Group's annual statements for the year ended 31 December 2020, upon which the auditors issued an unmodified opinion with a material uncertainty relating to the going concern, and which have been delivered to the registrar of companies.

The interim financial information has been drawn up using accounting policies and presentation expected to be adopted in the Group's full financial statements for the year ending 31 December 2021. Any new standards that will be adopted in full for the first time in the year-end financial statements did not have a material impact on this interim financial information.

Going concern

The Directors have considered the future liquidity of the Group given the net loss of €2,176,000 (six months ended 30 June 2020: €1,639,000) during the current period and the net current liabilities as at 30 June 2021 of €211,000 (30 June 2020: €839,000).

The Directors have reviewed the Group's cash flow projections prepared by management covering a period of twelve months from the date of the approval of the interim financial information. Management's projections make key assumptions with regard to (i) the anticipated cash flows from the Group's operations, (ii) the availability of future funding from the Loan Facility, and (iii) the financing from the Family Office Investor, NTAAC and Bank of Jiangsu. In December 2020, the Group obtained an additional loan facility of €1m to March 2022 to support the Group's operations. In March 2021 the joint venture agreement with NTAAC was signed and NTAAC subsequently made capital contributions to the joint venture corresponding to agreed milestones. On 1 June 2021 the Family Office Investor made equity investments corresponding to agreed milestones.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparing the financial statements.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these potential adjustments has not been reflected in the interim financial information.

The interim financial information for the six months ended 30 June 2021 was approved by the Board on 31 August 2021.

2. INTANGIBLE ASSET AND LICENCE FEE PAYABLE

a) Intangible asset

	30 June 2021	30 June 2020
	€'000	€'000
Intellectual Property Rights		
Cost		
As at 30 June 2021 and 30 June 2020	19,383	19,383
Less: Accumulated amortisation		
Beginning of the period	8,160	7,020
Amortisation	570	570
End of the period	8,730	7,590
Net book value		
As at 30 June 2021 and 30 June 2020	10,653	11,793

On 12 August 2010, Diamond Wood and Titan Wood entered into the Technology Licence Agreement in order to replace previous licence agreements signed in prior years (the "Licence Agreement").

The key terms of the Licence Agreement are summarised as follows:

DW has acquired the rights to manufacture, market, distribute and sell Accoya® wood into China and the ASEAN countries. These rights continue for as long as TW's patents are valid related to the acetylation of wood.

In China, this right is exclusive for as long as TW's patents related to the acetylation of wood are valid, or the know how remains confidential. Patents generally expire 20 years after their application or priority date. The most recent patent was applied for by TW in 2015, so the soonest date exclusivity in China might end would be 2035. However, TW continues to generate new patents, and the exclusivity date may be extended for many more years when new patent applications falling under the Licence Agreement are filed.

In the ASEAN markets, DW has the right to manufacture, market, distribute and sell Accoya® wood into the ASEAN countries until 2035, or beyond.

	China Market	ASEAN Markets
Accoya® wood Rights		
- Manufacture	Exclusive right while Accoya® wood patents are valid or know how is confidential (year 2035 +).	The right to manufacture, market, distribute and sell Accoya® Wood into the ASEAN countries while Accoya® Wood patents are valid, or know how is confidential (year 2035 +).
- Market, Distribute and Sell		

Additional key terms of the Licence Agreement terms are:

- a right of first refusal to enter into exclusive licensing arrangements for Tricoya Wood Elements technology in the PRC.
- DW may sub-licence the Intellectual Property Rights to its subsidiaries or any affiliate of the Company without obtaining consent from TW.
- Titan Wood Technology B.V. ("TWTBV") will provide advice and technical services to support the Group to construct facilities and commission the licenced capacity. Service fees are charged by TWTBV to the Group at a per diem charge per person, plus all associated expenses.

b) Licence fee payable

The Group has a licence fee payable as follows:

Present value of the minimum fee payable	Total minimum fee payable
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	€'000	€'000
As at 30 June 2021 and 30 June 2020		
Repayable		
- over one year but not exceeding two years	545	545
	545	545

As at 30 June 2021, the present value of the licence fee payable was €545,000. Such amount will only become due nine months after plant construction commences on future capacity increases beyond the first phase of the factory. According to the Licence Agreement, Diamond Wood shall also pay Titan Wood a royalty fee ("**Royalty Fee**") of €25 per m³ of Accoya® wood sold for the first 20 years following commissioning of the respective production project and thereafter, an amount equal to 25% of the royalty payable during the last year of payments. As plant construction has not yet commenced as at 30 June 2021, the repayment term of licence fee payable is not yet effective and no such royalty fee is due.

3. EQUITY ACCOUNTED ASSOCIATES

In March 2021 the Company entered into a joint venture agreement with NTAAC to build the first Accoya® Wood factory in China. Under the terms of the agreement, a new joint venture company was formed between CBM's subsidiary Diamond Wood China Limited and NTAAC, called Jiangsu Dragon Wood Company Limited. Diamond Wood and NTAAC have agreed specific factory-related milestones and equity contributions by each party. Diamond Wood will contribute 51% equity for a majority shareholding.

	30 June 2021 €'000
Share of equity accounted associates	
At 1 January 2021	-
Investment in associate	561
Share of loss of associate	(26)
At 30 June 2021	535

4. SHARE CAPITAL

	Note	Number of shares	€'000
Issued and fully paid			
At 1 January 2021		72,862,585	8,549
Issued during the period – option exercise	5	360,000	42
Issued during the period – investment funding		394,960	46
Issued during the period – loan conversion	6	3,763,188	438
At 30 June 2021		77,380,733	9,075

Investment funding in the period was part of a subscription agreement with a private family office.

5. SHARE BASED PAYMENTS

During the period, 6,866,250 share options were issued to members of senior management, with an exercise price of €0.42, which replaced 6,562,574 share option issues under the 2017 scheme. 360,000 options issued under the 2016 scheme were exercised, at an exercise price of €0.35. At 30 June 2021 there were 7,583,650 options outstanding, relating to employee and consultant incentive schemes.

6. INTEREST BEARING BORROWINGS

On 17 February 2021 the Company agreed a fixed rate loan of £50,000 with RBS under the UK Government's Bounce Back Loan Scheme ("BBLS"). The loan does not attract interest or require repayment for the first 12 months, but interest accrues thereafter at a rate of 2.5%. The loan has a term of 6 years.

On 11 May 2021, loan principal and accrued interest amounting to €1,567,995 was converted to 3,763,188 shares. The convertible loan amounts to €250,771 at 31 June 2021 (2020: €445,898).

	Convertible loan €'000	BBLs €'000	Total €'000
At 31 December 2020	-	-	-
Loan drawdowns	1,790	58	1,848
Accrued interest	29	-	29
Loan conversion	(1,568)	-	(1,568)
At 30 June 2021	251	58	309

7. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Group of approximately €2,161,000 (six months ended 30 June 2020: €1,610,000) and the weighted average number of 74,064,868 ordinary shares (six months ended 30 June 2020: 67,240,484 ordinary shares) in issue during the period.

b) Diluted loss per share

In accordance with IAS 33 "Earnings per share", where an entity has reported a loss for the period, the potential ordinary shares held under option are anti-dilutive.

8. Events after the reporting date

No material matters to report.