

**Cleantech Building Materials plc**

INTERIM UNAUDITED FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED  
30 JUNE 2023

**Registered Number: 09357256 (England and Wales)**

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## INTERIM MANAGEMENT REPORT

The following comprises the unaudited interim financial report for Cleantech Building Materials plc (“CBM”, the “Company”, or together with its subsidiaries and joint venture, the “Group”).

### Strategy and Objectives

The Group's primary strategic objectives for 2023 are:

1. To advance the engineering, procurement and construction of an Accoya® Wood manufacturing facility in China;
2. 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;
3. To develop the Group's international marketing and sales initiatives to further expand market channels and offtake agreements; and
4. To develop the Group's relationships with key suppliers of Radiata Pine and Acetic Anhydride.

The Group has made progress towards achieving these objectives during the six months ended 30 June 2023.

### Financial Review of the Business

The Group's revenues for the six months ended 30 June 2023 amounted to € Nil (six months ended 30 June 2022: €Nil). This is due to the transfer of the commercial activities to the joint venture in Nantong, China from August 2021.

The Group realised a net loss of €2,279,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: €2,412,000). The net loss for the current period was mainly due to salaries, share option costs and third party legal, financial and engineering professional costs. Strict cost control has limited the extent of the loss.

As of 30 June 2023, the Group had cash and cash equivalents of €59,000 (30 June 2022: €464,000) as well as an available facility of approximately €3.34m (“Loan Facility”), and an equity commitment to finance the Chinese joint venture (See Note 3 to the accounts for further details). The Company has net current liabilities of €1,249,000 (30 June 2022: €177,000).

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

### Principal Risks and Uncertainties

The principal risks associated with the Group are its ability to:

1. Receive sufficient imported supply of Accoya® Wood to satisfy current demand until the Group's own factory is operational;
2. Construct and operate an Accoya® Wood manufacturing facility in line with its business plan; and
3. Grow sales of Accoya® Wood in line with its business plan.

The Group's current business plan is the importing and marketing of Accoya® Wood, through its interest in its joint venture in Nantong. The Group has sufficient financing available to operate this existing import business on a going concern basis. The Group's Directors are of a view that an opportunity exists for the Group to build and operate its own Accoya® factory in China.

In order to fund its operations and the construction of the new factory, the Group has a loan facility available from a third party, the financing commitments by NTAAC and a leading Chinese bank, and the 30 December 2022 subscription agreement for €25.5m. However, the provision of the funds is inherently uncertain, as they are conditional on the achievement of project milestones related to the construction of the Accoya® Wood factory in China. These milestones include certain government approvals and project execution deliverables. Several key milestones have already been achieved, and the Company has received equity funds in relation to these milestones. In summary, the validity and success of our business plan is dependent on many factors, some outside of the direct control of the Group's management.

Despite these uncertainties, the Directors are confident that the Group has sufficient financing in place to build an Accoya® Wood factory and to execute the Group's business plan and to fully realise the carrying amount of the non-current assets.

To deal with the above-mentioned risks and uncertainties, the Group is working closely with its technology licensing partner in Europe, Titan Wood, and our local Chinese partners, NTAAC and a leading Chinese bank, to closely manage the execution risks associated with this type of project.

**Events after the Reporting Date**

Following the application made by the Company on 8 September 2023 to terminate the listing of the Company's shares on Nasdaq First North Growth Market Denmark, the application has been approved by Nasdaq Copenhagen A/S, and the 10-week trading period started on 13 September 2023 and the last day of trading will be 22 November 2023.

ON BEHALF OF THE BOARD

**A P Richards**  
**Chairman**  
**29 September 2023**

UNAUDITED CONSOLIDATED INCOME STATEMENT

		Six months to 30 June 2023 €'000	Six months to 30 June 2022 €'000
	<b>Notes</b>		
<b>Revenue</b>		-	-
Cost of inventories		-	-
<b>Gross profit</b>		-	-
General and administrative expenses		(2,049)	(2,196)
<b>Loss from operations</b>		(2,049)	(2,196)
Finance costs		(54)	(61)
Share of loss of equity-accounted associates, net of tax	3	(176)	(155)
<b>Loss before taxation</b>		(2,279)	(2,412)
Income tax		-	-
<b>Loss for the period</b>		(2,279)	(2,412)
<b>Allocation of loss for the period</b>			
Shareholders of the Company		(2,264)	(2,396)
Non-controlling interest		(15)	(16)
<b>Loss for the period</b>		(2,279)	(2,412)
<b>Loss per share (basic and diluted)</b>	7	(€0.03)	(€0.03)

UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months to 30 June 2023 €'000	Six months to 30 June 2022 €'000
<b>Loss for the period</b>	(2,279)	(2,412)
<b>Other comprehensive income for the period</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	93	29
<b>Other comprehensive income for the period, net of tax</b>	93	29
<b>Total comprehensive loss for the period, net of tax</b>	(2,186)	(2,383)
<b>Attributable to shareholders of the Company</b>	(2,171)	(2,367)
<b>Attributable to the non-controlling interest</b>	(15)	(16)
	(2,186)	(2,383)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023 €'000	30 June 2022 €'000	31 December 2022 (Audited) €'000
	<b>Notes</b>			
<b>Non-current assets</b>				
Intangible asset	2 (a)	8,372	9,512	8,942
Interests in joint venture	3	157	95	97
		8,529	9,607	9,039
<b>Current assets</b>				
Trade and other receivables		194	212	215
Cash and cash equivalents		59	464	128
		253	676	343
<b>Current liabilities</b>				
Trade and other payables and accruals		1,491	842	1,078
Interest bearing borrowings		11	11	10
		1,502	853	1,088
<b>Net current liabilities</b>				
		(1,249)	(177)	(745)
<b>Total assets less current liabilities</b>				
		7,280	9,430	8,294
<b>Non-current liabilities</b>				
Licence fee payable	2 (b)	545	545	545
Interest-bearing borrowings		1,208	1,572	36
		1,753	2,117	581
<b>Net assets</b>				
		5,527	7,313	7,713
<b>Equity attributable to shareholders of the Company</b>				
Share capital	4	10,356	9,554	10,356
Share premium		17,447	15,094	17,447
Share based payment reserve		3,934	3,650	3,934
Merger reserve		35,713	35,713	35,713
Exchange reserves		2,150	2,082	2,057
Retained losses		(64,116)	(58,858)	(61,852)
Shareholders of the Company		5,484	7,235	7,655
Non-controlling interest		43	78	58
<b>Total equity</b>				
		5,527	7,313	7,713

The financial information on pages 4 to 13 were authorised for issue by the Board of Directors on 29 September 2023 and were signed on its behalf by:

**A P Richards**  
**Chairman**  
 Company number: 09357256

## Cleantech Building Materials PLC

### 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 2022	9,554	15,094	3,364	35,713	2,053	(56,462)	9,316	94	9,410
Transactions with owners:									
Share issue									
Share based payment for the period	-	-	286	-	-	-	286	-	286
Loss for the period	-	-	-	-	-	(2,396)	(2,396)	(16)	(2,412)
Other comprehensive income:									
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	29	-	29	-	29
Total other comprehensive income	-	-	-	-	29	-	29	-	29
Total comprehensive loss for the period	-	-	-	-	29	(2,396)	(2,367)	(16)	(2,383)
At 30 June 2022	9,554	15,094	3,650	35,713	2,082	(58,858)	7,235	78	7,313
Transactions with owners:									
Share issue	27	273	-	-	-	-	300	-	300
Loan conversion shares	775	2,080	-	-	-	-	2,855	-	2,855
Share based payment for the period			284	-	-	-	284	-	284
Loss for the period	-	-	-	-	-	(2,994)	(2,994)	(21)	(3,015)
Other comprehensive income:									
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	(25)	-	(25)	1	(24)
Total other comprehensive loss	-	-	-	-	4	-	4	1	5
Total comprehensive loss for the period					4	(5,390)	(5,386)	(36)	(5,422)
At 31 December 2022	10,356	17,447	3,934	35,713	2,057	(61,852)	7,655	58	7,713

## 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 2023	10,356	17,447	3,934	35,713	2,057	(61,852)	7,655	58	7,713
Transactions with owners:									
Loss for the period	-	-	-	-	-	(2,264)	(2,264)	(15)	(2,279)
Other comprehensive income:									
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	93	-	93	-	93
Total other comprehensive income	-	-	-	-	93	-	93	-	93
Total comprehensive loss for the period	-	-	-	-	93	(2,264)	(2,171)	(15)	(2,186)
At 30 June 2023	10,356	17,447	3,934	35,713	2,150	(64,116)	5,484	43	5,527



UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	30 June 2023 €'000	30 June 2022 €'000
<b>Operating activities</b>		
Loss before taxation	(2,279)	(2,412)
Adjustments for:		
Finance costs	54	61
Share based payment	-	286
Share of loss of equity accounted associates	176	155
Amortisation of intangibles	570	570
	<hr/>	<hr/>
<b>Operating loss before changes in working capital</b>	(1,479)	(1,340)
Decrease in trade and other receivables	18	26
(Decrease)/increase in trade and other payables	413	128
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	(1,048)	(1,186)
<b>Financing activities</b>		
Proceeds of interest-bearing borrowings	1,126	1,472
Share issue	-	-
Interest paid	(4)	(9)
	<hr/>	<hr/>
<b>Net cash generated from financing activities</b>	1,122	1,463
<b>Investing activities</b>		
Funding to associates	(189)	-
	<hr/>	<hr/>
<b>Net cash generated from investing activities</b>	(189)	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	(115)	277
Effect of foreign exchange differences	46	29
Cash and cash equivalents at beginning of period	128	158
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	59	464
	<hr/> <hr/>	<hr/> <hr/>

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial information for the 6 months ended 30 June 2023 comprises Cleantech Building Materials plc (“**CBM**” or the “**Company**”) and its subsidiaries and joint venture (the “**CBM Group**” or the “**Group**”).

#### 1. BASIS OF PREPARATION OF HALF YEAR REPORT

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 in this report has been prepared in accordance with IAS 34 Interim Financial Reporting, applying the same accounting policies set out in the annual report and accounts for the year ended 31 December 2022. 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 2022, 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 2023. 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.

#### **New and amended standards adopted by the Group**

A number of amended standards became applicable for the group in the current reporting period. The Group did not have to change its accounting policies as a result of adopting these. 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 2023.

#### **Going concern**

The Directors have considered the future liquidity of the Group given the net loss of €2,279,000 (six months ended 30 June 2022: €2,412,000) during the current period and the net current liabilities as at 30 June 2023 of €1,249,000 (30 June 2022: €177,000). The Group have an available loan facility of approximately €3.3m and the Directors have reviewed the Group's cash flow projections prepared by management covering a period of twelve months from the date of approval of these financial statements.

Based on these cash flow projections, the Group and Company will have sufficient financial resources in the twelve months period from the date of approval of these financial statements on a going concern basis.

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 a leading Chinese bank, and (iv) the commitment to contribute further equity financing to JDW for the construction of the Accoya® Wood factory.

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 2023 was approved by the Board on 29 September 2023.

2. INTANGIBLE ASSET AND LICENCE FEE PAYABLE

a) Intangible asset

	30 June 2023	30 June 2022
	€'000	€'000
<b>Intellectual Property Rights</b>		
<b>Cost</b>		
As at 30 June 2023 and 30 June 2022	19,383	19,383
<b>Less: Accumulated amortisation</b>		
Beginning of the period	10,440	9,301
Amortisation	570	570
End of the period	11,011	9,841
<b>Net book value</b>		
As at 30 June 2023 and 30 June 2022	8,372	9,512

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 or so long as the related know how remains confidential, whichever is the later.

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 2021, so the soonest date exclusivity in China might end would be 2041. However, TW continues to generate new patents and know how, and the exclusivity date may be extended for many more years when new patent applications falling under the Licence Agreement are filed.

DW has the right to manufacture, market, distribute and sell Accoya® wood into the ASEAN countries until 2041, or beyond.

	China Market	ASEAN Markets
<b>Accoya® wood Rights</b>		
- <b>Manufacture</b>	Exclusive right while Accoya® wood patents are valid or know how is confidential (year 2041 +).	Non-exclusive right while Accoya® patents are valid, or know how remains confidential (year 2041 +).
- <b>Market, Distribute and Sell</b>		

Additional key terms of the Licence Agreement terms are:

- i) a right of first refusal to enter into exclusive licensing arrangements for Tricoya Wood Elements technology in the PRC.
- ii) DW may sub-licence the Intellectual Property Rights to its subsidiaries or any affiliate of the Company without obtaining consent from TW.
- iii) 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 will be charged by TWTBV to the Group at a per diem charge per person, plus all associated expenses. During the year 2023, TWTBV provided services to the Group in preparation for the construction of the Accoya® Wood factory in Jiangsu Province, China.

**b) Licence fee payable**

The Group has a licence fee payable as follows:

	Present value of the minimum fee payable €'000	Total minimum fee payable €'000
As at 30 June 2023 and 30 June 2022		
Repayable		
- over one year but not exceeding two years	545	545
	545	545

As of 30 June 2023, 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 m<sup>3</sup> 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 of 30 June 2023, the repayment term of licence fee payable is not yet effective and no such royalty fee is due.

**3. INTEREST IN JOINT VENTURES**

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 company was formed between CBM’s subsidiary DWC and NTAAC, called Jiangsu Dragon Wood Company Limited (JDW). The principal place of business of JDW is the PRC. DWC and NTAAC have agreed specific factory-related milestones and equity contributions by each party. DWC has a 51% equity stake in JDW. The joint venture is measured using the equity method.

	30 June 2023 €'000
<b>Share of equity accounted joint venture</b>	
At 1 January 2022	97
Investment in joint venture	189
Capital contribution	45
Share of loss of joint venture	(178)
Foreign exchange	4
	157
At 30 June 2023	157

Under the JV agreement, the Company has a commitment to contribute further equity financing to JDW for the construction of the Accoya® Wood factory as future milestones are met.

	30 June 2023 €'000
<b>Financial information of joint venture – Balance sheet</b>	
Non-current assets	12
Cash and cash equivalents	46
Other current assets	915
Current assets	973
Trade and other payables	(665)
Other current liabilities	-
Current liabilities	(665)
	308
At 30 June 2023	308
51% share of the joint venture included in the Group accounts	157

	30 June 2023 €'000
<b>Financial information of joint venture – Result for the 6-month period</b>	
Revenue	205
Profit or loss from continuing operations	(349)
Other comprehensive income	
	<hr/>
Total comprehensive income for the period	(349)
51% share of the joint venture included in the Group accounts	<u>(178)</u>

#### 4. SHARE CAPITAL

	Note	Number of shares	€'000
<b>Issued and fully paid</b>			
At 1 January 2023		88,516,9361	10,356
		-	-
		<hr/>	<hr/>
At 30 June 2023		<u>88,516,9361</u>	<u>10,356</u>

#### 5. SHARE BASED PAYMENTS

During the period, no share options were issued or exercised. At 30 June 2023, there were 7,827,279 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.

Convertible loan is unsecured and subject to an interest rate of 15%. As part of the existing loan arrangement the Loan Facility has a maturity date of 31 December 2024. Both the loan holder and the Company have the right to convert any amount owing under the facility into Ordinary Shares prior to the maturity date. The convertible loan amounts to €1,176,252 at 30 June 2023 (2022: €1,528,289).

	Convertible loan €'000	BBLS €'000	Total €'000
At 31 December 2022	-	46	46
Loan drawdowns	1,126	-	1,126
Accrued interest	50	1	51
Loan conversion	-	-	-
Repayment	-	(4)	(4)
	<hr/>	<hr/>	<hr/>
At 30 June 2023	<u>1,176</u>	<u>43</u>	<u>1,219</u>

At 30 June 2023, €11,000 of the balance of the BB loan was repayable in less than one year, and €43,000 of the loan was repayable in more than one year.

**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 €2,264,000 (six months ended 30 June 2022: €2,396,000) and the weighted average number of 88,516,936 ordinary shares (six months ended 30 June 2022: 81,424,971 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**

Following the application made by the Company on 8 September 2023 to terminate the listing of the Company's shares on Nasdaq First North Growth Market Denmark, the application has been approved by Nasdaq Copenhagen A/S, and the 10-week trading period starts on 13 September 2023 and the last day of trading will be 22 November 2023.