Cleantech Building Materials plc

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

Registered Number: 09357256 (England and Wales)

CONTENTS OF THE FINANCIAL STATEMENTS

Cleantech Building Materials plc

DIRECTORS, OFFICERS AND ADVISERS

Directors

Andrew Paul Richards – Non-Executive Chairman

Jason Hung-Wen Wang – Chief Executive Officer

Dwight Wei Zou – Chief Finance Officer

Adrian Wyn-Griffiths – Executive Director

Syed Jeff Erik Jaffrey – Non-Executive Director

Simon Allocca – Non-Executive Director

Company Secretary

Adrian Wyn-Griffiths

Registered Office

7 Trebeck Street, London, W1J 7LU

Independent Auditor

Crowe U.K. LLP, 55 Ludgate Hill, London EC4M 7JW

Certified Adviser on Nasdaq First North Growth Market, Copenhagen

Keswick Global AG

Registrars

Neville Registrars Limited

Company number: 09357256

CHAIRMAN’S STATEMENT

Despite the Covid-19 challenges in 2020, CBM is now in a stronger position for transformative growth in the coming years. Shortly before Covid-19 restrictions were imposed in both China and Europe, the Executive Team had held successful discussions and negotiations with our Joint Venture Partners Nantong Acetic Acid Company (“NTACC”) and a road map was agreed to conclude the negotiations on the Joint Venture Agreement and proceed with all of the steps necessary to commence construction of the factory to produce Accoya® Wood. This road map involved meetings both in China and at Accsys Technologies PLC’s Accoya® Wood factory in Arnhem, Netherlands. Once Covid-19 restrictions came in to force these meetings and visits could no longer take place and both ourselves and NTACC have had to find alternative ways to move our joint venture forward. This has taken much more time and the on-going travel restrictions continue to present significant challenges.

However, I am pleased to report that this has been successfully achieved and earlier today we signed the Joint Venture Agreement with NTAAC.

NTAAC is one of China’s leading 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 €395 million.

Following consultations with local government officials in Jiangsu province, CBM and NTAAC have established the timing and key milestones of the construction of the Accoya® Wood factory. A schedule for the construction of the Accoya® factory and the corresponding financing has been agreed. The factory will be built in the Jiangsu Rudong Yangkou Port Economic Development Zone.

Under the terms of the Joint Venture Agreement CBM’s subsidiary, Diamond Wood China (DW), will be the majority shareholder in the joint venture company. Additionally, DW will receive royalties based on profits from the joint venture company. CBM’s equity investments into the joint venture will be financed through its subscription agreement for €15m euros with a private family office (“Investor”).

For its part, NTAAC has significant cash reserves from which it will make its equity investments into the joint venture. Debt funding will be provided by the Bank of Jiangsu who have agreed to provide a facility of €26m euros to fund the construction of the Accoya® Wood factory.

The Board continues to remain of the view that there is sufficient demand in China and the ASEAN territories to warrant the construction of an Accoya® Wood factory in China.

The Group has generally maintained revenues at €857,000 despite the Covid-19 impact, and the Group has reduced its loss for the 12 months ended 31 December 2020 to €4,116,000 versus €4,490,000 in 2019.

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 2021.

Paul Richards
Chairman
31 March 2021

STRATEGIC REPORT

Strategy and Objectives

The Group's primary strategic objectives for 2020 are to:

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, 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.

Financial Review of the Business

The Group's revenues for the 12 months ended 31 December 2020 reduced to €857,000 (2019: €927,000) and consisted mainly of Accoya® Wood sales to customers in Thailand, Vietnam, Singapore, Indonesia and Malaysia.

The Group realised a net loss of €4,116,000 for the year to 31 December 2020 (2019: €4,490,000). As at 31 December 2020, the Group had cash and cash equivalents of €25,000 (2019: €283,000) as well as an available facility of approximately €3.2m ("Loan Facility"), and an equity commitment to finance the Joint Venture of an additional €15m. The Company has net current liabilities of €797,000 (2019: €588,000).

During the course of 2020 DW continued to invest in the development of its marketing and sales operations in China and the ASEAN countries, which resulted in more new offtake agreements 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 our existing base of distribution partners, attest to a strong and increasing demand for Accoya® Wood in the region.

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. To construct and operate an Accoya® Wood manufacturing facility in line with its business plan;
2. To manage delays in the construction schedule due to Covid-19
3. To receive sufficient supply of Accoya® Wood to satisfy current demand until the Group's own factory is operational; and
4. To grow sales of Accoya® Wood in line with its business plan.

The Group's current business is the importing and marketing of Accoya® Wood, which the Group has done since 2008. 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 the 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 its partner bank, and the 10 July 2019 subscription agreement for €15m euros. However, the provision of the funds are 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 including certain government approvals, project execution, and general country risk. The first milestone has already been achieved, and the Company has received equity funds in relation to this milestone. 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 will be able to obtain sufficient funds 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 Bank of Jiangsu, to closely manage the execution risks associated with this type of project.

Directors' statement of responsibilities under section 172 Companies Act 2006

The Directors are fully appraised of their responsibilities under section 172 of the Companies Act 2006 and are so advised and updated on a regular basis by CBM's Group General Counsel and where appropriate by the Group's external legal advisers in London and China.

Business
The nature of the Group's environmentally sustainable business evidences the Directors' aim that the Group be and remain a contributing and good "Corporate Citizen".

Our business is about sustainability. We want to help to ensure that our planet's precious resources are used appropriately for the benefit of current and future generations. The Board considers that the business and strategic decisions which it takes now in furtherance of the Group's business objectives are of long term benefit for the global environment, reducing the need for hardwood deforestation and maintaining the hardwood habitat for wildlife.

Employees
The Group has few employees but those it has are situated and are deployed on the Group's business in China. We ensure that we comply with all local labour laws and apply what the Directors believe are appropriate standards and systems to monitor and to ensure the welfare of those employees. We also investigate and audit the welfare of the employees of our key suppliers in China and elsewhere to seek to ensure the integrity of employee welfare throughout the employment chain.

Stakeholder engagement
The Group's business has existed since 2008. During that time it has built and maintained relationships with key investors, advisers and suppliers and of course with the licensor of the Accoya® Wood product, TW. The Directors recognise the importance of these relationships and take active steps to develop and strengthen them through dialogue and engagement. These relationships are regularly monitored at Board level.

The Chairman ensures that he is available to discuss issues with key shareholders outside of the shareholder meetings which are held. The Company complies with its disclosure obligations under the rules of Nasdaq First North Growth Market to ensure that shareholders are updated on key developments on a timely basis.

Governance
Each Board meeting addresses compliance by the Company with its corporate governance codes and reinforces the Board's requirement that its business be conducted to all due ethical standards and with integrity.

ON BEHALF OF THE BOARD

Paul Richards
Chairman
31 March 2021

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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

RESULTS

The loss for the year amounted to €4,116,000 (2019: loss of €4,490,000). The Directors do not propose the payment of a dividend (2019: €nil).

DIRECTORS

The Directors set out below held office throughout the year except where stated:

Syed Jeff Erik Jaffrey
Adrian Wyn-Griffiths
Andrew Paul Richards
Jason Hung-Wen Wang
Dwight Wei Zou
Simon Allocca

DIRECTORS' REMUNERATION

	Year to 31 Dec 2020 €'000	Year to 31 Dec 2019 €'000
Directors' fees	48	147
Salaries and allowances	636	550
Share based payments	212	180
Employer pension contributions	20	-
	916	877

GOING CONCERN

The Directors have considered the future liquidity of the Group in light of the net loss of €4,116,000 (2019: loss of €4,490,000) during the current year and the net current liabilities as at 31 December 2020 of €797,000 (2019: €588,000) and the material uncertainty regarding the Group's ability to execute the Group's business plan.

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 consolidated financial statements. 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 Investor, NTAAC and Bank of Jiangsu. Covid-19 contributed to the delay in finalising the joint venture agreement with NTAAC due to travel restrictions. Fortunately, within the Nantong region there have been no reported cases of Covid-19 in the past half year, and it is the belief of management that engineering and construction may proceed along a revised schedule. If there is another outbreak in the Nantong region, it could result in delays, although the joint venture management will work to keep such delays to a minimum. In December 2020, the Group obtained an additional loan facility of €1m to March 2022 to support the Group's operations.

Based on these cash flow projections, the Group will have sufficient financial resources in the twelve months period from the date of approval of the consolidated financial statements to meet its financial obligations as and when they fall due. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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 consolidated financial statements.

REPORT OF THE DIRECTORS (continued)

FUTURE DEVELOPMENTS

The Group continues to advance its discussions with potential partners to significantly grow its business and to construct and operate its own Accoya® Wood manufacturing facility. The Group expects to commence construction of its own Accoya® Wood manufacturing facility during late 2021 or early 2022.

FINANCIAL RISK MANAGEMENT

Information relating to the Group's financial risk management is detailed in note 22 to the financial statements.

EVENTS AFTER THE REPORTING DATE

The Joint Venture Agreement with NTAAC has been signed today, which is a key milestone in the construction of the Accoya® Wood factory.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, Directors' Report, any other supporting information and the group and parent company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law, they are required to prepare the group financial statements in accordance with International Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that year. In preparing each of the group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report and Strategic Report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the website. Legislation in the United Kingdom concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

REPORT OF THE DIRECTORS (continued)

Provision of information to auditors
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of the information.

AUDITOR

In accordance with section 489(4) of the Companies Act 2006, a resolution proposing the reappointment of Crowe U.K. LLP will be put to the members at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

Paul Richards
Chairman
31 March 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLEANTECH BUILDING MATERIALS PLC

Opinion

We have audited the financial statements of Cleantech Building Materials plc ("Parent Company") and its subsidiaries ("Group") for the year ended 31 December 2020, which comprise:

- the Group income statement and statement of other comprehensive income for the year ended 31 December 2020;
- the Group and parent company statements of financial position as at 31 December 2020;
- the Group and parent company statements of changes in equity for the year then ended;
- the Group statement of cash flows for the year then ended; and
- the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty relating to going concern

We draw attention to note 2 in the financial statements, which indicates that the Group and the Company still requires additional funds to execute its business plan, construct the planned manufacturing facility and recover the carrying value of its intangible assets. The execution of the business plan and the timing of the above matters are inherently uncertain. Changes in these factors could result in an impairment to the carrying value of the licence asset. We identified the carrying value of the licence asset and the potential for its impairment as a key audit matter and the associated risks are described in the 'Key Audit Matters' section of the audit report. Note 5 of the financial statements provides additional information on the critical accounting judgements and significant estimation uncertainty in relation to the carrying value of the licence, the use of which is inherently linked to the going concern assumption. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicates that a material uncertainty exists that may cast significant doubt on the Group and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and the parent company's ability to continue to adopt the going concern basis of accounting included. An explanation of how we evaluated management's assessment and the key observations arising with respect to the evaluation is detailed below:

The Board is responsible for ensuring that it is appropriate to prepare the financial statements using the going concern basis and that it has sufficient resources to remain in operational existence for a period of at least 12 months from the date of approving these financial statements.

We have obtained and reviewed the Board's paper setting out the going concern assessment and examined supporting working capital forecasts. Our audit procedures were as follows:

- Tested accuracy of the models used by management in their assessment;
- Challenged with management whether the assumptions are realistic, achievable and consistent when compare to past performance and other forecast information used during the audit;
- Discussed the going concern assumption with management and evaluated their assessment of the Group and the Company's liquidity requirements; and
- Assessed the reasonableness of management's budget/forecasts, including comparison to actual results

achieved in the year and the evaluation of downside sensitivities.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant section of this report.

Overview of our audit approach

Materiality

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

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be €230,000 (FY19 €260,000), based on a measure of 2% of total assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration. We agreed with the Audit Committee to report to it all identified errors in excess of €6,000 (2019: €8,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The Group's accounting function is headquartered in Hong Kong. The accounting records for the parent company are maintained by a service organisation in the UK which reports directly to the Chief Financial Officer in Hong Kong. In establishing the overall approach to the group audit, we determined the work that needed to be performed by us, as the group engagement team, and the component auditors, a member firm of the Crowe Global network operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. Senior members of the group engagement team reviewed the work of the component auditors and communicated with the audit teams and local management on a regular basis.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty in relation to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	***How the scope of our audit addressed the key audit matter***
Valuation of intangible assets	
The carrying value of the license asset at 31 December 2020 was €11.2million. There is a risk that the Group may not be able to exploit the value of the Accoya® licence or that the conditions of the Accoya® licence may not be met which could mean the value of the asset is impaired. *There are significant accounting judgements and estimates in relation to the carrying value of the licence, which management has disclosed in note 5 to the financial statements.* *The key judgements are:* *a) that the manufacturing plant is funded and commences construction in H2 2021; and*	*We held discussions with management to understand the progress on the execution of the Business Plan on which certain future committed funding arrangements are predicated. Over the course of the factory build out project, there are a number of additional key milestones still pending completion, including completion of all necessary agreements, which include, the sub-licensing of the relevant technology to the joint venture and the consequent permits and engineering works. We reviewed evidence and documentation to demonstrate the progress of these matters. We also reviewed management's assessment of the recoverable amount of the licence asset. This included an assessment of licence conditions, particularly progress on obtaining the funding and commencing construction of the manufacturing facility and obtaining the appropriate legal and regulatory permissions. It also included a consideration of the appropriateness and methodology of the value in use*

b) construction of the manufacturing plant is reliant on approval from local government, which is considered by management to be received in line with the expected commencement date of construction. *The signing and approval of the joint venture agreement and therefore the execution of the business plan and the timing of the above matters are inherently uncertain. Changes in these factors could result in an impairment to the carrying value of the licence asset.*	*calculation, the assumptions and judgements applied. We considered management's sensitivity analysis and also performed an additional range of sensitivities to assess whether a reasonably likely change to a key input would result in an impairment charge. We also tested to ensure the accuracy of the valuation model presented.*

For the Parent Company we identified one key audit matter:

Key audit matter	***How the scope of our audit addressed the key audit matter***
Carrying value of investments and intercompany receivables – Parent Company *The carrying value of investments in subsidiaries in the parent company financial statements at 31 December 2020 was €22.5 million, as well as an intercompany balance of €9.6 million. The valuation of these investments and the recovery of the intercompany balance are almost entirely dependent on the successful execution of the business plan. Changes in the carrying value of the licence asset, or a failure to execute the business plan would likely result in an impairment to the carrying value of the investments in and loans to subsidiaries.*	*We obtained management's assessment of the impairment of investments in subsidiaries. We considered the following matters:* • *the reasonableness of the assumptions used by management in assessing the ability of the subsidiary companies to generate cash and remit that to the Parent Company; and* • *the accuracy of the underlying forecasts*

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and UK and overseas taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the appropriateness of journals and reviewing accounting estimates for evidence of bias.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

John Glasby (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP
Statutory Auditor
London

31 March 2021

Cleantech Building Materials plc

CONSOLIDATED INCOME STATEMENT

	Notes	Year to 31 December 2020 €'000	Year to 31 December 2019 €'000
Revenue	7	857	927
Cost of inventories		(788)	(853)
Gross profit		69	74
Share based payment		(376)	(270)
General and administrative expenses		(3,531)	(3,455)
Loss from operations		(3,838)	(3,651)
Finance costs	10	(278)	(839)
Loss before taxation	8	(4,116)	(4,490)
Income tax	11	-	-
Loss for the year		(4,116)	(4,490)
Allocation of loss for the year			
Shareholders of the company		(4,058)	(4,425)
Non-controlling interest		(58)	(65)
Loss for the year		(4,116)	(4,490)
Loss per share	13	(€0.060)	(€0.084)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Year to 31 December 2020 €'000	Year to 31 December 2019 €'000
Loss for the year	(4,116)	(4,490)
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	(28)	102
Other comprehensive income for the year, net of tax	(28)	102
Total comprehensive loss for the year, net of tax	(4,144)	(4,388)
Attributable to shareholders of the Company	(4,086)	(4,323)
Attributable to the non-controlling interest	(58)	(65)
	(4,144)	(4,388)

Cleantech Building Materials plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2020 €'000	31 December 2019 €'000
Non-current assets			
Intangible asset	14(a)	11,223	12,363
Property, plant and equipment			-
		11,223	12,363
Current assets			
Trade and other receivables	15	263	311
Cash and cash equivalents	16	25	283
		288	594
Current liabilities			
Trade and other payables and accruals	17	1,085	1,182
		1,085	1,182
Net current liabilities		(797)	(588)
Total assets less current liabilities		10,426	11,775
Non-current liabilities			
Convertible loan liability	18	-	250
Licence fee payable	14(b)	545	545
		545	795
Net assets		9,881	10,980
Equity attributable to shareholders of the Company			
Share capital	19	8,549	7,818
Share premium		12,227	10,289
Share based payment reserve		2,791	2,415
Merger reserve		35,713	35,713
Exchange reserves		2,077	2,105
Retained losses		(51,490)	(47,432)
		9,867	10,908
Non-controlling interest		14	72
Total equity		9,881	10,980

The financial statements on pages 14 to 44 were authorised for issue by the Board of Directors on 31 March 2021 and were signed on its behalf by:

Paul Richards
Chairman
Company number: 09357256

The accompanying accounting policies and notes form an integral part of these financial statements.

Cleantech Building Materials plc

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 2019	4,426	1,074	2,145	35,713	2,003	(43,008)	2,353	254	2,607
Loan conversion to shares	3,366	8,954	-	-	-	-	12,320	-	12,320
Share issue	26	261	-	-	-	-	287	-	287
Share-based payment for the year	-	-	270	-	-	-	270	-	270
	3,392	**9,215**	**270**	**-**	**-**	**-**	**12,877**	**-**	**12,877**
Other movements in Non-controlling interest – capital contribution	-	-	-	-	-	-	-	(117)	(117)
Loss for the year	-	-	-	-	-	(4,425)	(4,425)	(65)	(4,490)
Other comprehensive income									
Exchange differences on translation of parent company	-	-	-	-	102	-	102	-	102
Total other comprehensive loss	-	-	-	-	102	-	-	-	102
Total comprehensive loss for the year	-	-	-	-	**102**	**(4,424)**	**(4,322)**	**(182)**	**(4,505)**
At 31 December 2019	7,818	10,289	2,415	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	-	376
Total transactions with shareholders	**731**	**1,938**	**376**	**-**	**-**	**-**	**3,045**	**-**	**3,045**
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

The accompanying accounting policies and notes form an integral part of these financial statements.

Cleantech Building Materials plc

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year to 31 December 2020 €'000	Year to 31 December 2019 €'000
Operating activities			
Loss before taxation		(4,116)	(4,490)
Adjustments for:			
Finance costs	10	272	826
Share based payments		376	270
Fees satisfied by share issue		464	25
Depreciation and amortisation	8(b)	1,140	1,140
Operating loss before changes in working capital		**(1,864)**	**(2,229)**
(Increase)/decrease in trade and other receivables		48	(108)
(Decrease)/increase in trade and other payables		(124)	(559)
			-
Cash used in operations		(1,940)	(2,896)
Tax paid		-	-
Net cash used in operating activities		(1,940)	(2,896)
Net cash generated from investing activities		-	-
Financing activities			
Proceeds from issue of shares		357	262
Net proceeds of interest-bearing borrowings		1,325	2,924
Net cash generated from financing activities		1,682	3,186
Net increase in cash and cash equivalents		(258)	290
Cash and cash equivalents at beginning of year		283	8
Effect of foreign exchange differences		-	(15)
Cash and cash equivalents at end of year		25	283

For the reconciliation of cashflows arising from financing activities please see note 18 for the convertible loan and note 19 for share issues.

The accompanying accounting policies and notes form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED 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 7, Trebeck Street, London, W1J 7LU 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 International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union as at 31 December 2020.

The consolidated financial statements have been prepared under the historical cost convention and are presented in Euros rounded to the nearest thousand 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 whose primary currency is the Euro. In addition, the Euro represents a stable and strong currency and the Eurozone a significant potential source of funding in the future.

Going concern

The Group's current business is the importing and marketing of Accoya® wood, which the Group has done since 2008. 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 there is an investment opportunity for the Group to build and operate its own Accoya® wood factory in China. By virtue of the Investment Framework Agreement signed with Nantong Acetic Acid Chemical Company Ltd ("NTAAC"), and the subscription agreement entered into between the Company and the Investor, the Directors believe there is now sufficient funding available to build the first Accoya® wood factory in China.

The execution of the business plan is inherently uncertain. The business plan is dependent on the standard milestones in such a project, including the approval of the joint venture by local government officials, and the successful construction and operation of a manufacturing plant.

Despite the uncertainty as to the outcome of the business plan, the Directors are confident that the Group will be able to obtain sufficient funds and to execute the Group's business plan to fully realise the carrying amount of the non-current assets.

The Directors have considered the future liquidity of the Group in light of the net loss of €4,116,000 (2019: loss of €4,490,000) during the current year and the net current liabilities as at 31 December 2020 of €797,000 (2019: €588,000) and the material uncertainty regarding the Group's ability to execute the Group's business plan.

The Directors have reviewed the Group's cash flow projections prepared by management covering a year of twelve months from the date of the approval of the consolidated financial statements. Management's projections make key assumptions with regard to (i) the anticipated cash flows from the Group's operations, (ii) availability of future funding from the Loan Facility, and (iii) the financing from the Investor, NTAAC and Bank of Jiangsu. Covid-19 contributed to the delay in finalising the joint venture agreement with NTAAC due to travel restrictions. Fortunately, within the Nantong region there have been no reported cases of Covid-19 in the past half year, and it is the belief of management that engineering and construction may proceed along a revised schedule. If there is another outbreak in the Nantong region, it could result in delays, although the joint venture management will work to keep such delays to a minimum. In December 2020, the Group obtained an additional loan facility of €1m to March 2022 to support the Group's operations. Based on these cash flow projections, the Group will have sufficient financial resources in the coming twelve months from the date of approval of these financial statements to meet its financial obligations as and when they fall due.

Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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 consolidated financial statements.

3. APPLICATION OF NEW AND REVISED STANDARDS

Standards and amendments to existing standards adopted in these accounts
The following standards, amendments and interpretations became effective and were applied for the first time this year:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business) Conceptual
- Framework for Financial Reporting (Revised)
- IBOR Reform and its Effects on Financial Reporting
- Covid-19-Related Rent Concessions – Amendment to IFRS 16

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company in the 31 December 2020 financial statements:

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
- References to Conceptual Framework (Amendments to IFRS 3).

The Directors do not expect that their adoption will have a material impact on the financial statements of the company in future years.

The Directors continue to monitor the impact of future changes to the reporting requirements but do not believe the proposed changes will significantly impact the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in the preparation of the consolidated financial information.

4.1 Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

4.2 Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and any accumulated impairment losses (see note 4.6):

Depreciation is calculated to write off the cost of each item of property, plant and equipment, using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	3 years or over the lease term, whichever is shorter
Furniture and fixtures	2-5 years
Computer equipment	3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Leased assets

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

The Group has chosen not to recognise lease assets and liabilities associated with the current office lease. Instead the Group has chosen to take the short term lease exemption available under IFRS 16 due to the short term nature of the rental agreement and the uncertainty over renewal.

4.4 Intangible asset

The Group is licenced to have the right to use certain intellectual property rights to manufacture and sell Accoya® acetylated wood. This licence has a finite useful life and is carried at cost less accumulated amortisation and impairment, if any. The cost of the licence represents the discounted value of the minimum fees payable over the licence period and the directly attributable costs of preparing the asset for its intended use. It is recorded together with the related obligations.

Amortisation is calculated using the straight-line method to allocate the cost of the licence over the estimated useful economic life of the licence of 20 years. Interest accreted on the discounted value of the minimum fees payable is charged to the consolidated statement of profit or loss within “finance costs”.

4.5 Impairment of non-financial assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of all non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the greater of its fair value less costs of disposal and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.6 Inventories

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

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4.7 Financial assets and liabilities

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Trade receivables
The Group's trade receivables without a significant financing component are initially measured at the transaction price. The Group recognises a loss allowance for lifetime Expected Credit Losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Financial liabilities
The Group's financial liabilities include borrowings, trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in the income statement.

Trade payables are recognised initially at their fair value and measured subsequently at amortised cost using the effective interest method.

Convertible loans
The Liability components of convertible loan notes are described further in Note 18.

4.8 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or

- different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

4.9 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods
Revenue from sales of goods is recognised when control of the goods has been transferred to the customer, usually at delivery. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

4.10 Employee benefits

Pension schemes
The employees of the Group who are employed in the People’s Republic of China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute certain amounts for the employees in the People’s Republic of China, pursuant to the local municipal government regulations. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Short-term employee benefits
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Share-based payments

Share options
The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, calculated using the Binomial Option Pricing Model, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

Share warrants
The Group has issued warrants to subscribe for ordinary shares in return for services rendered. The fair value of the service provided is determined using the Binomial Option Pricing Model and recognised as an expense in the period in which the service is performed, in a similar way to share options above.

The Group has also issued warrants to subscribe for ordinary shares as part of a funding arrangement agreed in connection with the investment framework for planned development of the Accoya® manufacturing facility. The exercise of these warrants is dependent upon attainment of key milestones within the investment framework. Once each milestone is achieved, the Investor has agreed to apply for allotment of a certain number of shares at a fixed price. The Investor will settle the share consideration in cash, and that cash is to be used in accordance with the investment framework and for the ongoing working capital requirements of the Group.

4.12 Translation of foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rates ruling at the end of the reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The functional currency of the members of the Group is a currency other than the Euro (€). As at the end of the reporting period, the assets and liabilities of the Group are translated into Euros which is the presentation currency of the Group, at the exchange rates ruling at the end of the reporting period and its statement of profit or loss is translated into Euros at the rates on the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve (attributed to non-controlling interest as appropriate). On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows are translated into € at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows which arise throughout the period are translated into € at the weighted average exchange rate for the period.

4.14 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset are excluded from the calculation borrowing costs until substantially all the activities necessary to prepare that asset for its intended use or sale are complete.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.15 Equity

The reserves which form the constituents of shareholders' equity are as follows:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share capital:
Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

The proceeds from the issue of shares in the Company at par value.

Share based payments:
The consideration for equity instruments issued by the Company in exchange for services provided.

Merger reserve:
The fair value of the consideration given that exceeds the nominal value of the ordinary shares issued by the Company for the acquisition of Diamond Wood China Limited.

Exchange reserve:
The translation of the Group's financial results into the reporting currency of the Company.

Retained losses:
The accumulated net losses retained by the Company at the end of the reporting periods.

Non-controlling interest
The portion of equity ownership in Diamond Wood China Limited that is not attributable to the Company.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial information requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and certain disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities in the future.

In the process of applying the Group's accounting policies which are described in note 4, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, as described below.

Key sources of estimation uncertainty and judgement

Impairment of non-current assets
The Group evaluates whether the non-current assets have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The recoverable amount of cash-generating unit ("CGU") has been determined based on a value in use calculation assuming that the Group will obtain sufficient funds to finance the construction of manufacturing plant to realise the economic benefits of the non-current assets. These calculations require the use of estimates and the going concern assumption.

The value in use calculation as at 31 December 2020 applied a discounted free cash flow model using cash flow projections of future expenditure on the plant, together with the expected revenue generated from the manufacturing plant through to the expiry of the rights of the intangible asset. These projections reflect management's best estimate of the future results of the CGU based on past experience and future outlook, having undertaken various market studies on the prospects of this industry in Asia. Based on the value in use calculation, the recoverable amount of the CGU exceeds its carrying amount as at 31 December 2020.

The key accounting judgements in relation to the value of the licence are:

- The construction project commencing in H2 2021. Given the previous delays in the project and the local operating environment, this is a critical assumption. Management have considered a scenario where the commencement of the project is delayed by six months, being the likely timeframe of any possible delay. In this scenario, no impairment is required to the carrying value of the licence asset. If further more significant delays are experienced, an impairment may be required to the carrying value,
- The construction, and subsequent operation, of the manufacturing plant is reliant on the approval from local government which management consider will be in line with the expected commencement date of the construction project.

The key accounting estimates in relation to the assumptions used for the value in use calculation included the following:

- The manufacturing plant will be constructed in Jiangsu Province, China and be operational during 2022. The gross contribution will improve significantly following the construction of the manufacturing plant as a result of lower production costs whilst gradually increasing the sales volume of Accoya® acetylated wood.

- Sales volume prior to operation of the Group's own manufacturing facilities will reflect the volume of supply it can secure from the Licensor. Once the Group's manufacturing plant is operational, production capacity is forecast to progressively increase and reach to capacity of approximately 147,000 m³ per annum by the end of 2028.

- The selling price of Accoya® acetylated wood is forecast to increase by approximately 2.5% year on year up to 2027.

- The purchase cost of Accoya® acetylated wood directly from the Licensor is expected to be increased by 2% per annum.

- Operating overheads are forecast to increase by 2%-5% year on year throughout the projections.

- A discount rate of 21.42% has been applied in the value in use calculation for the period from1 January 2021 to 31 December 2037.

Share based payments
The fair value of share based compensation is calculated using the Binomial Option Pricing Model. The inputs to this model include a business valuation based on discounted free cashflows using cash flow projections of future expenditure on the plant, together with the expected revenue generated from the manufacturing plant, discounted at a weighted average cost of capital rate calculated at point of issue. The key inputs to this calculation are therefore similar to the value in use calculation above. There are also other inputs such as:

5. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS** (continued)

- Volatility rate: calculated with reference to the median of the historical price volatilities of comparable companies that have similar business nature to the Group

- Risk Free Rate: based on the yields of Euro area central government bonds sourced from European Central Bank.

- Expected Dividend Yield: as expected by management

6. SEGMENTAL REPORT

The Directors identify operating segments based upon the information which is regularly reviewed by the chief operating decision maker. The Group considers that the chief operating decision makers are the executive members of the Board of Directors. The Group has identified a single reportable segment which is sale of Accoya® acetylated wood. The Group generates revenue from one geographical region, ASEAN, based on the location of its customers. All of the group's non-current assets are held in the PRC.

7. REVENUE

	Year to 31 December 2020 €'000	Year to 31 December 2019 €'000
Revenue		
Sale of goods	857	927
	857	927

The Group has four customers in 2020 (2019: three) that exceed 10% of total revenues from sale of goods:

	Year to 31 December 2020 €'000	Year to 31 December 2019 €'000
Revenue from external customers over 10%		
Customer A	179	59
Customer B	162	-
Customer C	128	-
Customer D	126	-
Customer E	-	246
Customer F	-	242
Customer G	-	124

8. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging the following:

	Year to 31 December 2020 €'000	Year to 31 December 2019 €'000
a) Staff costs		
Wages and salaries (including directors' remuneration)	899	827
Social security contributions incurred by the Group	22	2
Contribution to defined contribution retirement plans	36	36
	957	865

Average staff number in the year for the Group were as follows:

	Year to 31 December 2020 Number	Year to 31 December 2019 Number
Management	9	9
Administrative	1	1
	10	10

8. LOSS BEFORE TAXATION (continued)

	Year to 31 December 2020 €'000	Year to 31 December 2019 €'000
b) Other items		
Business travel expense	91	154
Cost of inventories	788	853
Short term lease rentals in respect of office space	33	32
Share based payment expense	376	270
Amortisation of:		
- intangible assets	1,140	1,140

9. AUDITOR'S REMUNERATION

	Year to 31 December 2020 €'000	Year to 31 December 2019 €'000
Fees payable to the Groups auditor and its associates for the audit of the Group's annual financial statements	120	118

Audit remuneration payable to Crowe UK LLP in respect of the Company and consolidated financial statements was €26,000 (2019: €25,000). The remainder was payable to Crowe (HK) CPA Ltd in respect of the audit of subsidiaries.

10. FINANCE COSTS

	Year to 31 December 2020 €'000	Year to 31 December 2019 €'000
Interest on borrowings wholly repayable within five years	272	826
Bank charges	6	13
Total interest expense on financial liabilities	278	839

The Group's convertible loans carry an interest charge of 15%.

11. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

No provision has been made for Corporation Tax as the Group did not earn any assessable profit subject to tax for the year ended 31 December 2020 (2019: €Nil). No provision has been made for tax in the subsidiaries of the group in their own countries for the same reason. There is no liability in the consolidated statement of financial position.

(b) Reconciliation between tax expense and accounting loss at the applicable tax rates:

	Year to 31 December 2020 €'000	Year to 31 December 2019 €'000
Loss before taxation	(4,116)	(4,490)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	(583)	(635)
Tax effect of unused tax losses not recognised	349	385
Tax effect of non-deductible expenses	234	250
Tax charge	-	-

INCOME TAX (continued)

(c) Deferred tax assets:

At 31 December 2020, in accordance with the accounting policy the Group has not recognised deferred tax assets in respect of unused tax losses available for offsetting against future profits that may be carried forward for up to five years for EIT purpose, there are no material unrecognised deferred tax liabilities arising from temporary differences (2019: €Nil).

The Group has not recognised deferred tax assets arising from the accumulated tax losses. Subject to the agreement by the Hong Kong Inland Revenue Department and the PRC local tax authority, these tax losses can be carried forward against future taxable income and amount to €24,713,000 (2019: €23,790,000).

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% is applied to Diamond Wood as there is a tax treaty between the PRC and Hong Kong.

The Group is therefore liable to withholding taxes on dividends distributed by the subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

12. DIRECTORS' REMUNERATION

	Year to 31 December 2020 €'000	Year to 31 December 2019 €'000
Directors' fees	48	147
Salaries and allowances	636	550
Share based payments	212	180
Employers pension contributions	20	-
	916	877

All Directors' remuneration is classified as a short-term employee benefit. The highest paid Director received remuneration of €208,000 (2019: €282,000).

13. 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 €4,058,000 (2019: €4,425,000) and the weighted average number of 67,966,107 ordinary shares (2019: 52,628,841 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.

14. INTANGIBLE ASSET AND LICENCE FEE PAYABLE

a) Intangible asset

	Year to 31 December 2020 €'000	Year to 31 December 2019 €'000
Cost		
As at 31 December 2020 and 2019	19,383	19,383
Accumulated amortisation		
Beginning of the year	7,020	5,880
Amortisation charge for the year	1,140	1,140
End of the year	8,160	7,020
Net book value		
As at 31 December	11,223	12,363

14. INTANGIBLE ASSET AND LICENCE FEE PAYABLE (continued)

On 12 August 2010, DW and TW entered into a technology licence agreement ("Licence Agreement") in order to replace previous licence agreements between the parties signed in prior years.

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, the exclusivity of this right expired in July 2020; but DW still retains 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** - **Market, Distribute and Sell**	Exclusive right while Accoya® Wood patents are valid, or know how is confidential (year 2035 +).	Prior to July 2020, DW was granted an exclusive right until 1 July 2030 provided that DW has an EPC contract to produce over 114,000 m^3 of Accoya® Wood. The exclusivity of this right expired on 1 July 2020, but DW still retains 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 +).

<u>Additional key terms of the Licence Agreement are:</u>

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 are charged by TWTBV to the Group at a per diem charge per person, plus all associated expenses. During the year, TWTBV provided services to the Group in preparation for the construction of the Accoya® Wood factory in Jiangsu Province, China.

Please refer to Note 5 for more details of the estimate of uncertainty.

14. INTANGIBLE ASSET AND LICENCE FEE PAYABLE (continued)

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 31 December 2020 and 31 December 2019		
Repayable		
- over one year but not exceeding two years	545	545

As at 31 December 2020, the licence fee payable was €545,000 (2019: €545,000), which will be settled nine months after the plant construction commences according to the Licence Agreement. According to the Licence Agreement, DW shall also pay TW a royalty fee of €25 per m^3 of Accoya® Wood sold for the first 20 years following commissioning of the respective production project ("Royalty Fee") and thereafter, an amount equal to 25% of the royalty payable during the last year of payments. Movements on the license fee were as follows:

	2020 €'000	2019 €'000
License fee payable		
Brought forward	545	545
Cash flows	-	-
Share conversion	-	-
Interest	-	-
As at 31 December	545	545

15. TRADE AND OTHER RECEIVABLES

	31 December 2020 €'000	31 December 2019 €'000
Trade receivables	152	152
Less: allowance for impairment loss	(152)	(152)
		-
Other receivables	74	87
Prepayment and deposits	189	224
	263	311

Movements in the allowance for doubtful debts

	31 December 2020 €'000	31 December 2019 €'000
Beginning of the year	152	151
Exchange difference	-	1
End of the year	152	152

As at 31 December 2020, trade receivables amounting to **€**152,000 (2019: **€**152,000) were individually determined to be impaired. The individually impaired receivables were outstanding for over 60 days at the end of the reporting year or were due from customers with financial difficulties.

Trade receivables that are overdue but not impaired

All trade receivables are impaired. Any trade receivables are due within 60 days from the date of billing. Receivables that are over 60 days relate to a number of independent customers that have a good track record with the Group.

16. CASH AND CASH EQUIVALENTS

	31 December 2020 €'000	31 December 2019 €'000
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	25	283

Bank balances carried interest rates which ranged from 0% to 0.35% per annum (2019: 0% to 0.35% per annum). The bank balances were deposited with banks and financial institutions.

At 31 December 2020, the Group held bank balances of €25,000 (2019: €283,000). Of these amounts €612 (2019: €576) were deposited in bank accounts within the Peoples Republic of China (PRC) which can only be remitted outside the PRC by means of the approval of an application of remittance of foreign exchange by the State Administration for Exchange Control.

17. TRADE AND OTHER PAYABLES

	31 December 2020 €'000	31 December 2019 €'000
Trade payables	367	492
Other payables	304	14
Accruals	414	676
	1,085	1,182

18. INTEREST BEARING BORROWINGS

Convertible loans
The 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 March 2022. On 8 April 2020, loan principal and accrued interest amounting to €436,489 was converted to 1,047,574 shares. On 18 December 2020 a further €1,409,508 of loan principal and accrued interest was converted to 3,382,818 shares. 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 loan amounts to €nil at 31 December 2020 (2019: €250,000). A reconciliation of the movements is shown below:

	2020 €'000	2019 €'000
Interest bearing borrowings		
Brought forward	250	8,820
Cash flows of advance loans	1,325	2,924
Share conversion	(1,847)	(12,320)
Interest and fees	272	826
As at 31 December	-	250

The quantum of any possible equity component relating to conversion rights is considered to be immaterial to the fair value of the convertible loans, equity in the statement of financial position and potential consequent impact on the finance charge on the instruments and therefore no equity component was recognised.

19. SHARE CAPITAL

	Number of shares	€'000
Issued and fully paid		
1 January 2019	36,498,707	4,426
Issued May 2019	24,236,583	2,741
Issued December 2019	230,720	27
Issued December 2019	5,330,726	624
31 December 2019	66,296,736	7,818
Issued April 2020	2,069,424	239
Issued December 2020	4,496,425	492
At 31 December 2020	72,862,585	8,549

During the year 1,021,850 shares were issued for cash following exercise of employee share options at €0.35 per share. There were also non-cash share issues, which included 4,430,392 shares issued following conversion of €1,847,000 debt owing under the Loan Facility Agreement, and 1,113,607 shares were issued in satisfaction of debts totalling €464,000.

The number of shares in issue at 31 December 2020 was 72,865,585 with a par value of £0.10 giving a quoted capitalisation of £7,286,559. Conversion to Euro is at the historical rate.

20. SHARE OPTIONS & WARRANTS

2020 scheme

During 2020 there was a grant of share options to employees and consultants ("2020 scheme"). On 1 January 2020 a total of 303,676 options were granted to an employee with an exercise price of €1.25 per share. The options will vest in four tranches of 25% per year on condition of continued employment. Expiry will be 10 years from the grant date.

2019 scheme

During 2019 there was a grant of share options to employees and consultants ("2019 scheme"). On 17 September 2019 a total of 3,947,793 options were granted to employees and 303,676 to third parties with an exercise price of €1.25 per share. The options will vest in four tranches of 25% per year on condition of continued employment. Expiry will be 10 years from the grant date.

2017 scheme

During 2017 there were two grants of share options to employees ("2017 scheme"):

- 7 July 2017 a total of 1,277,455 options with an exercise price of €1.25 per share. Of the options 50% vested on 23 December 2017 and the remainder will vest in two tranches of 25% each on condition of continued employment. Expiry will be 5 years from the grant date.
- 20 October 2017 a total of 729,974 options to a newly joined director with an exercise price of €1.25 per share. Of the options 25% vested on the first anniversary of their joining and the remainder will vest in three tranches of 25% each on condition of continued employment. Expiry will be 5 years from the grant date.

2016 scheme

Employee Share Option Scheme
On 7 December 2016 and as a result of the closure of the 2013 Scheme and as part of the remuneration package moving forwards, CBM entered into option agreements with the affected option holders granting them 1,381,850 share options in total ("2016 scheme"), which entitle the option holders to subscribe for shares of CBM for €0.35 per share. The options have a 5 year exercise period from the admission date and ending on the expiration of the fifth anniversary of the admission date. Expense relating to this scheme was recognised in previous periods. During the year 1,021,850 of these options were exercised.

Share options granted to third party
On 7 December 2016, 242,400 share options were granted to a third party by CBM for the fund-raising services rendered to the Company, which entitles the option holder to subscribe for shares of CBM for €0.35 per share. The options have a 5 year exercise period from the admission date and ending on the expiration of the fifth anniversary of the admission date. Expense relating to this scheme was recognised in previous periods.

20. SHARE OPTIONS & WARRANTS (continued)

Share warrants
On 7 December 2016, 475,000 share warrants were granted to Keswick Global AG for services rendered to the Company, which entitle the holder to subscribe for shares of CBM for €0.93 per share. The warrants have a 5 year exercise period commencing on 23 December 2016. Expense relating to this scheme was recognised in previous periods.

On 27 December 2019, 13,250,000 share warrants were granted to the Investor relating to the entering into of the subscription agreement with the Company on 10 July 2019 ("Agreement"). The Investor is entitled to subscribe for shares of CBM for €1.25 per share, which is the same price the Investor will subscribe for shares in the Company under the Agreement. The warrants have a 5 year exercise period commencing on 27 December 2019.

The unexpired share options and warrants at the end of the year had exercise prices between €0.35 and €1.25 with a remaining weighted average contractual life of 5.77 years (2019: 6.0 years). The number and weighted average exercise prices of share options and warrants are as follows:

2020	**Weighted average exercise price €**	**Number of options**
Outstanding/unexercised at beginning of the year	1.06	8,358,148
Granted during the year - options	1.25	303,676
Exercised during the year	0.35	(1,021,850)
Outstanding/unexercised at the end of the year	1.16	7,639,974
Exercisable at end of year	1.07	3,965,204

2019	**Weighted average exercise price €**	**Number of options**
Outstanding/unexercised at beginning of the year	0.66	4,106,679
Granted during the year - options	1.25	4,251,469
Outstanding/unexercised at the end of the year	1.06	8,358,148
Exercisable at end of year	0.82	3,741,693

The fair value of services received in return for share options and warrants granted were measured by reference to the fair value of share options and warrants granted and was approximately €464,000 (2019: €270,000). The estimate of the fair value of the share options and warrants granted is measured based on the Binomial Option Pricing Model. The contractual life of the share options is used as an input into this model.

Fair value of share options and warrants and assumptions:

CBM 2020 Scheme	Grant 1 January 2020
Fair value of share options at the measurement date	€0.23
Share price	€0.71
Exercise price	€1.25
Expected volatility	47.081%
Option life	10 years
Expected dividends	0.00%
Risk-free interest rate	-0.174%

CBM 2019 Scheme	Grant 17 September 2019
Fair value of share options at the measurement date	€0.16
Share price	€0.61
Exercise price	€1.25
Expected volatility	48.022%
Option life	10 years
Expected dividends	0.00%
Risk-free interest rate	-0.436%

20. SHARE OPTIONS & WARRANTS (continued)

Expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options) of listed companies operating in similar industries to that of the Group. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimates.

21. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with its related parties including shareholders.

(a) Key management personnel of the Group are the directors. Details of their remuneration are as follows:

	31 December 2020 €'000	31 December 2019 €'000
Directors' fees	48	147
Salaries and allowances	636	550
Share based payment	212	180
Employer pension contributions	20	-
	916	877

(b) All of the transactions were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties. They were summarised as follows:

	31 December 2020 €'000	31 December 2019 €'000
Corporate advice fees charged by a related party (Note (i))	480	492
Interest charged by a shareholder (Note (ii))	267	826
Observation & commitment fees charged by a shareholder (Note (iii))	331	-

Notes:

(i) In 2020, corporate advisory fees of approximately €480,000 (2019: €492,000) were charged by Morinaka S.L., for the provision of services in relation to liaison with shareholders, government officials, business partners and potential investors. The director of Morinaka S.L. is one of the directors of DW.

(ii) Interest of €267,000 was charged for the year ended 31 December 2020 (2019: €826,000) at an interest rate of 15% (2019: 15%) per annum on the Loan Facility drawdown amount. The Loan Facility provider is a minor shareholder in the Company, holding less than 3%.

(iii) Observation, commitment & monitoring fees were charged by Perko Ltd of approximately €331,000 (2019: nil)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing borrowings.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rates risk and foreign currency risk.

a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and the deposits with banks and other current financial assets.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These take into account the customer's past payment history, financial position and other factors. Trade receivables are due within 60 days of the date of billing. There is no concentration of credit risk due to the customer base being large and unrelated. The Group does not hold any collateral over these balances.

The Group mitigates its exposure to credit risk on bank deposits by placing deposits with financial institutions with established credit ratings. Management does not expect any counterparty to fail to meet its obligations.

At 31 December 2020, the Group has certain concentration of credit risk as 98% (2019: 100%) of total bank balances were deposited at three financial institutions with good credit ratings.

b) Liquidity risk

The Group monitors its risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its own operating cash reserve and interest-bearing borrowings. The Group maintains good business relations and ensures compliance with covenants as stipulated in the facility agreements.

The maturity profile of the Group's financial liabilities at the end of the year, based on the contractual undiscounted cash flows, is as follows:

As at 31 December 2020

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total contractual undiscounted cash flows	Carrying amount
	€'000	€'000	€'000	€'000	€'000
Interest bearing loans	-	-	-	-	-
Other payables and accruals	1,085	-	-	-	1,085
Licence fee payable	-	545	-	-	545
	1,085	545	-	-	1,630

As at 31 December 2019

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total contractual undiscounted cash flows	Carrying amount
	€'000	€'000	€'000	€'000	€'000
Interest bearing loans	-	250	-	250	250
Other payables and accruals	1,182	-	-	1,182	1,182
Licence fee payable	-	545	-	545	545
	1,182	795	-	1,977	1,977

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c) Foreign currency risk

The Group's exposure to foreign currency risk related primarily to cash and cash equivalents, trade and other receivables, trade and other payables that are denominated in currencies other than the functional currency of the relevant group entities.

i) Exposure to currency risk

The following table details the Group's exposure at the end of the year to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of the entity within the Group into the Group's presentation currency are excluded.

	31 December 2020			
	Hong Kong Dollars	**British Pounds Sterling**	**Euro**	**United States Dollars & other**
	€'000	**€'000**	**€'000**	**€'000**
Cash and cash equivalents	-	-	-	13
Other payables and accruals	-	(87)	(111)	(70)
Overall exposure to currency risk	-	(87)	(111)	(57)

	31 December 2019			
	Hong Kong Dollars	**British Pounds Sterling**	**Euro**	**United States Dollars**
	€'000	**€'000**	**€'000**	**€'000**
Cash and cash equivalents	-	2	-	1
Borrowing	-	-	(250)	-
Trade and other receivables	-	-	-	-
Other payables and accruals	(67)	(77)	-	(423)
Overall exposure to currency risk	(67)	(75)	(250)	(422)

ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss for the year and accumulated losses that would arise if foreign exchange rates to which the Group has significant exposure at the end of the year had changed at that date, assuming all other risk variables remained constant.

	31 December 2020		**31 December 2019**	
	Increase/ decrease in foreign exchange rates	**Effect on loss after tax and accumulated losses €'000**	**Increase/ decrease in foreign exchange rates**	**Effect on loss after tax and accumulated losses €'000**
Hong Kong Dollars	5%	-	5%	(3)
	(5)%	-	(5)%	3
British Pound Sterling	5%	(4)	5%	(4)
	(5)%	4	(5)%	4
Euro	5%	(6)	5%	(13)
	(5)%	6	(5)%	13
United States Dollars	5%	(3)	5%	(21)
	(5)%	3	(5)%	21

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

on the Group's loss and equity measured in the respective functional currencies, translated into Euro and Hong Kong Dollar respectively at the exchange rate ruling at the end of the year for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the year. The analysis excluded differences that would result from the translation of the financial statements of the entities within the Group into the Group's presentation currency. The analysis is performed on the same basis for the year from 1 January 2019 to 31 December 2020.

d) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2020 and 31 December 2019.

e) Interest rate risk

During the year, the Group had not entered into any interest swap contracts. The Group's interest rate profile, as monitored by the management, is set out below:

	31 December 2020		**31 December 2019**	
	Effective interest rates	€'000	Effective interest rates	€'000
Fixed rate borrowings:				
Interest-bearing borrowings	-	-	15%	250

All of the interest bearing loans of the company which are fixed rate instruments are insensitive to any change in interest rates. A change in interest rates at the end of the reporting year would affect neither profit nor loss.

23. EVENTS AFTER THE REPORTING DATE

The Joint Venture Agreement with NTAAC has been signed today, which is a key milestone in the construction of the Accoya® Wood factory.

Cleantech Building Materials plc

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	31 December 2020 €'000	31 December 2019 €'000
NON-CURRENT ASSETS			
Investment in subsidiaries	7	22,512	22,512
TOTAL NON-CURRENT ASSETS		22,512	22,512
CURRENT ASSETS			
Debtors	8	9,676	8,577
Cash at bank		-	-
TOTAL CURRENT ASSETS		9,676	8,577
CURRENT LIABILTIES			
Amounts falling due within one year	9	336	143
TOTAL CURRENT LIABILITIES		336	143
NET CURRENT (LIABILITIES)/ASSETS		9,341	8,434
NON-CURRENT LIABILITIES			
Convertible loan note liability	10	-	250
TOTAL NON-CURRENT LIABILITIES		-	250
NET ASSETS		31,852	30,696
CAPITAL AND RESERVES			
Called up share capital		8,549	7,818
Share premium		12,227	10,289
Share based payment reserve		1,864	1,488
Foreign exchange reserve		(802)	(356)
Retained earnings		10,014	11,457
SHAREHOLDERS' FUNDS		31,852	30,696

The loss for the year of the company was €1,443,000 (2019: €2,064,000)

The financial statements were approved by the Board of Directors on 31 March 2021 and were signed on its behalf by:

………………………………………………………………
Paul Richards - Director

Company number: 09357256

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Called up share capital	Share premium	Share based payment reserve	Foreign exchange reserve	Retained earning	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2019	**4,426**	**1,074**	**1,218**	**(483)**	**13,521**	**19,756**
Transactions with owners						
Loan conversion	3,366	8,954	-	-	-	12,320
Share issue	26	261	-	-	-	287
Share based payment	-	-	270	-	-	270
Total transactions with owners	3,392	9,215	270	-	-	12,877
Comprehensive income for the year						
Loss for the year	-	-	-	-	(2,064)	(2,064)
Other comprehensive income						
Exchange differences on translation to presentational currency	-	-	-	127	-	127
Total comprehensive loss for the year	**-**	**-**	**-**	**127**	**(2,064)**	**(1,937)**
Balance at 31 December 2019	**7,818**	**10,289**	**1,488**	**(356)**	**11,457**	**30,696**
Transactions with owners						
Loan conversion	492	1,355	-	-	-	1,847
Share issue	239	583	-	-	-	822
Share based payment	-	-	376	-	-	376
Total transactions with owners	731	1,938	376	-	-	3,045
Comprehensive income for the year						
Loss for the year	-	-	-	-	(1,443)	(1,443)
Other comprehensive income						
Exchange differences on translation to presentational currency	-	-	-	(446)	-	(446)
Total comprehensive loss for the year	**-**	**-**	**-**	**(446)**	**(1,443)**	**(1,889)**
Balance at 31 December 2020	**8,549**	**12,227**	**1,864**	**(802)**	**10,014**	**31,852**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in England and Wales on 16 December 2014 as a public company with limited liability under the UK Companies Act. The registered office of the Company is 7 Trebeck Street, London, W1J 7LU. The Company did not trade during either the current year or prior year.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going concern
The Group's current business is the importing and marketing of Accoya® Wood, which the Group has done since 2008. 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 there is an investment opportunity for the Group to build and operate its own Accoya® factory in China. By virtue of the Investment Framework Agreement signed with Nantong Acetic Acid Chemical Company Ltd ("NTAAC"), and the subscription agreement entered into between a private family office, the directors believe there is now sufficient funding available to build the first Accoya® factory in China.

The execution of the business plan and the availability of additional funds are inherently uncertain. The business plan is dependent on the standard milestones in such a project, including the approval of the joint venture by local government officials, and the successful construction and operation of a manufacturing plant.

Despite the uncertainty as to the outcome of the business plan and whether additional funds may be raised, the directors are confident that the Group will be able to obtain sufficient funds and to execute the Group's business plan to fully realise the carrying amount of the non-current assets.

The parent company's financial statements are prepared on the going concern basis.

Foreign currencies
The company's functional currency is Pound Sterling (£) and the presentational currency is Euro (€).

Parent company disclosure exemptions
In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

• Only one reconciliation of the number of shares outstanding at the beginning and end of the year has been presented as the reconciliations for the group (see note 19 in the notes to the group accounts) and the parent company would be identical. Hence, the parent company has not disclosed this reconciliation in its notes to the accounts;
• Disclosures in respect of the parent company's financial instruments and share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
• No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole; and
• No cash flow statement has been presented for the parent company.

Parent company loss for the year
The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive loss in these financial statements.

Investments in subsidiaries
The Company's investment in its subsidiaries is carried at cost less provision for any impairment. The carrying value is tested for impairment when there is an indication that the value of the investment might be impaired. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would be based upon management judgement. The Board review the subsidiary forecasts to determine whether any provision impairment is required and where the forecasts indicate future profitability, no impairment provision is made

Critical accounting estimates and judgements
The Directors apply the critical accounting estimates and judgements used in the Group's assessment of the recoverability of non-current assets in determining the carrying value of investments in subsidiaries and recoverability of amounts owed by DW.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. STAFF COSTS

Key management personnel were engaged by the company. The average number of staff in 2020 was 6 (2019: 6).

	Year to 31 December 2020 €'000	Year to 31 December 2019 €'000
Wages and salaries	636	549
Social security contributions incurred by the Company	22	2
Contribution to defined contribution retirement plans	20	-
	678	551

4. OPERATING LOSS

The operating loss is stated after (crediting)/charging:

	31 December 2020 €'000	31 December 2019 €'000
Foreign exchange differences	(460)	155

5. AUDITOR'S REMUNERATION

	Year to 31 December 2020 €'000	Year to 31 December 2019 €'000
Fees payable to the Groups auditor and its associates for the audit of the Group's annual financial statements	26	25

6. TAXATION

No liability to UK corporation tax arose on ordinary activities for the year as the Company did not generate any assessable profit during the reporting period.

The Company has incurred available tax losses of approximately **€**517,000 to carry forward against future taxable profit. No deferred tax asset has been recognised in respect to these accumulated tax losses as there is insufficient evidence that the amount will be recovered in future years.

7. INVESTMENT

	Group undertakings €'000
Cost	
At 1 January 2020	22,512
Additions	-
At 31 December 2020	22,512

The principal undertakings in which the company's interest at the year-end is 20% or more are as follows:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Diamond Wood China Limited	Hong Kong	97.44%	Trading in the wood business
Diamond Wood Nanjing Manufacturing Company Ltd*	PRC	97.44%	Trading in the wood business
Diamond Wood (Shanghai) Trading Company Ltd*	PRC	97.44%	Trading in the wood business

*Held indirectly through Diamond Wood China Limited

Registered offices:
Diamond Wood China Limited – 12/F Henley Building, Suite No. 8783, 5 Queen's Road Central, Central, Hong Kong.

Diamond Wood Nanjing Manufacturing Company Ltd - 168-080, Fang Shui Road, Nanjing Chemical and Industrial Park 2B3-1, Liu He District, Nanjing, Jiangsu Province, China

Diamond Wood (Shanghai) Trading Company Ltd - Room 2007-2008, No. 300 Xi Kang Road, Jing An District, Shanghai, China

8. DEBTORS

	31 December 2020 €'000	31 December 2019 €'000
Amounts owed by group undertakings	9,661	8,526
Prepayments	12	35
Other debtors	2	15
Amount due from directors	1	1
	9,676	8,577

Amounts owed by group undertakings comprise an unsecured non-interest bearing intercompany balance which is repayable on demand.

All amounts shown under debtors fall due for payment within one year except for the amounts owed by group undertakings.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2020 €'000	31 December 2019 €'000
Trade creditors	66	23
Other creditors	97	-
Accruals	173	120
Amounts owed to group undertakings	-	-
	336	143

10. INTEREST BEARING BORROWINGS

Diamond Wood - loan facility
Following CBM becoming the holding company of DW on 31 December 2016 an intergroup facility was made available. The terms of the intergroup facility were such that the amount is unsecured, interest free and repayable on demand. This intercompany loan between CBM and DW has been eliminated on consolidation at 31 December 2020 and 31 December 2019.

Convertible loans
As of 31 December 2020, a loan facility arrangement for the Group provides funding with headroom up to €3.16m at an interest rate of 15% per annum and with a maturity date of 31 March 2022. 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 Company's share of the loan amounted to €nil (2019: €250,000) A reconciliation of the movements is shown below:

	2020 €'000	2019 €'000
Interest bearing borrowings		
Brought forward	250	4,277
Cash flows	1,332	2,507
Share conversion	(1,846)	(7,188)
Interest	264	654
As at 31 December	-	250

11. RELATED PARTY DISCLOSURE

Other than the Directors' remuneration disclosed in the Group accounts, the Company has outstanding balances due from DW, its subsidiary. See note 10 for more details of this intercompany balance.

During the year, the Company entered into the following transactions with DW:

	31 December 2020 €'000	31 December 2019 €'000
Opening balance	8,526	1,673
Loan advanced/settled	1,496	2,507
Conversion of loan to Company shares	-	5,145
Management fee income	81	68
Other costs recharged to or from subsidiaries	(442)	(867)
Balance owing as at 31 December	9,661	8,526

12. EVENTS AFTER THE REPORTING DATE

Please refer to Note 23 of the Group Financial Statements.