

Verditek plc

(“Verditek” or the “Company” or the “Group”)

Interim Report and Financial Statements for the six months to 30 June 2022

Verditek plc, (AIM:VDTK) the clean technology company is pleased to announce its interim results for the six months to 30 June 2022.

This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended (“MAR”). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

Enquiries:

Verditek plc

RH Lord David Willetts FRS (Non-Executive
Chairman)

Rob Richards (Chief Executive Officer)

WH Ireland Limited (NOMAD and Broker)

Chris Hardie (Corporate Finance)

Ben Good (Corporate Finance)

Tel: +44 (0)20 7129 7903

enquiries@verditek.com

Tel: +44 (0)20 7220 1666

Verditek plc
(“Verditek” or the “Company” or the “Group”)
Company Registration No. 10114644

Interim Report and Financial Statements
For the six month period to 30 June 2022

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CEO Statement

Overview

Verditek has seen an encouraging growth in enquiries from potential customers in the six-months to 30 June 2022, and around 50 projects have been delivered in the period, a combination of commercial and trial projects. Verditek has continued to work with strategic partners to develop innovative integrated solar solutions. With recent fuel cost inflation and climate change demands, we see Verditek's offering as well positioned to take advantage of the shift towards clean energy solutions.

Strategy

The Group's solar strategy continues to be the manufacture and supply of flexible, lightweight solar panels through B2B sales. Verditek remains focussed on working closely with strategic partners to develop and bring to market innovative solutions with integrated solar panels. Our view is that the lightweight roofing market in particular presents significant opportunities for solarisation and we are actively pursuing this market.

In light of the current energy crisis and rising cost of fuel we believe that innovative clean energy solutions are becoming an increasingly attractive investment proposition, as Verditek's product offering is well placed to take advantage of the shift away from hydrocarbon-based energy production.

Operations

Production at the Group's facility in Italy this year has been focused on fulfilment of bespoke orders, rather than producing standard size panels, although we have seen an encouraging increase in sales of standard stock panels.

During the period under review, the certification process for Verditek's Generation 1.2 panel (60 cell panel with 340W power output) is still ongoing. This process covers testing to International Standards for temperature, fire, wind, and hail damage as well as durability under normal conditions. Successful certification should allow our panels to be sold in most countries, in the interim period we are focusing on off-grid applications and where certification is not required.

The Group is currently developing its Generation 2 panels with enhanced fire-resistance, with a target of producing the world's first lightweight semi-flexible Class-A rated fire-resistant solar panel. This will open up potential markets for solar roof-top applications in the UK, Italy and Australia.

Sales and Marketing

The Group has a sales model which uses a network of sales consultants and distributor agents in different regions. To date we are pleased to report that Verditek has delivered projects in 35 countries, which demonstrates the breadth of the network developed over the last 2 years.

Verditek continues to advance partnerships with European roofing manufacturers, such as development of an integrated solar roof tile product with Metrotile, a leading provider of lightweight roofing. These solutions can be used on a wide variety of buildings, and significantly expands the potential reach of Verditek's product offering.

During the period we were pleased to announce entry into a new segment of the roofing market; a collaboration between our distributor Bradclad Group, a Yorkshire based roof system manufacturer, and Protan AB, the second largest single ply roof membrane ("SPM") manufacturer in Europe, to launch a solution developed for the flat roof market by laminating Verditek solar panels onto SPM. We have successfully delivered the first order for this SPM solution, this first pilot project was relatively small, approximately 35kW, and along with the client and our partners we are now monitoring the outputs, which to date are in line with expected results.

Verditek also continues to sell panels direct to businesses; we are delighted to announce that we have recently secured an order to supply 120kW solar panels to an international logistics provider in Thailand who will use the panels on one of their distribution centres. The order uses standard sizes panels from existing inventory, which will be modified according to the specification of the customer. Verditek expects to deliver this project in Q4 2022.

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Verditek's lightweight panels are ideally suited to this project, where the building structure could not support the use of traditional glass solar panels. Verditek's panels weigh around 2.5kg/m² and hence were ideal. Furthermore the lease on the building is only for four years and the easy removal, without damage to the building, and relocation to their next building was one of the key criteria in selecting Verditek. This project alone will offset over 190,000 kg of CO₂ p.a., with an anticipated payback of less than 5 years for the customer, demonstrating the environmental and commercial advantages of Verditek's product offering.

Other Opportunities

We are in discussions to license our manufacturing technology to a larger scale, automated plant and we have received expressions of interest from others to build similar plants elsewhere in the world.

During the period a third joint development project ("JDP3") commenced with Paragraf, the Cambridge based start-up which has developed world leading graphene technology. JDP3 aims to further explore the performance, scalability and ultimately the commercialisation of graphene photovoltaic ("PV") cells. This technology has the potential to transform the durability and performance of PV cells. We are pleased to report that the project is currently on track and we will be able to review progress later in the year.

Work on a project funded by Innovate UK commenced during the period, scheduled to conclude at the end of 2023. The grant is to part fund Verditek to develop, in association with local partners, a robust, ultra-lightweight portable micro solar energy system - providing scalable, renewable power (50W-1.5kW) to off-grid communities in Zimbabwe. The total project cost is just over £450,000 which will be funded to the extent of 70 per cent by Innovate UK. Verditek estimates indicate that 80 per cent of the work will be done by the Company with the local partners performing the remainder. This will enhance the company's presence in emerging markets.

Finance

For the six-month period to 30 June 2022, the Group generated revenues of £178,502 and recorded a loss after tax of £636,798.

On 30 June 2022, the Company announced a capital raise of an additional £1.5m by way of a subscription for ordinary shares. Cash balances as at 30 June 2022 were £1.5m.

Overhead spend remains tightly controlled to conserve cash as the conversion time for prospects to become customers has taken longer than expected.

Staff

With effect from 22 August 2022, John McCall was appointed as Interim CFO due to Vicki Johnson (CFO) going on maternity leave. John is a highly experienced Chartered Accountant with a successful track record in managing high growth businesses. He has been a Group Finance Director for 2 public companies and brings a wealth of experience to Verditek.

Outlook and conclusion

Despite recent challenges, we continue to see positive opportunities develop for Verditek and believe the significant investment into the development of our flexible, lightweight solar panels will soon bring about meaningful financial reward.

I would like to thank all members of the Verditek team, advisers and shareholders for their ongoing support.

Rob Richards

Chief Executive Officer

7 September 2022

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Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Note	H1 2022 Unaudited £	H1 2021 Unaudited £	FY 2021 Audited £
Continuing operations				
Revenue	3	178,502	105,097	107,632
Direct costs		(256,953)	(565,312)	(609,213)
Gross loss		(78,451)	(460,215)	(501,581)
Administrative expenses		(666,030)	(678,260)	(1,501,942)
Operating loss		(744,481)	(1,138,475)	(2,003,523)
Other income	4	144,551	-	966,354
Finance Income		587	360	335
Finance costs		(37,455)	(15,985)	(60,553)
Loss before tax		(636,798)	(1,154,100)	(1,097,387)
Income Tax		-	45	123,308
Loss for the period		(636,798)	(1,154,055)	(974,079)
Loss for the period attributable to: -				
Owners of the Company		(636,798)	(1,169,834)	(988,479)
Non-controlling interest		-	15,779	14,400
		(636,798)	(1,154,055)	(974,079)
Other comprehensive income				
Items that will or may be reclassified to profit or loss:				
Translation of foreign operations		23,949	(60,669)	(36,036)
Total comprehensive loss for the period from continuing operations		(612,849)	(1,214,724)	(1,010,115)
Total comprehensive loss for the period attributable to: -				
Owners of the Company		(612,849)	(1,230,503)	(1,024,515)
Non-controlling interest		-	15,779	14,400
		(612,849)	(1,214,724)	(1,010,115)
Loss per share				
Basic and diluted (£)	5	(0.002)	(0.003)	(0.003)

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Condensed Consolidated Statement of Financial Position

As at 30 June 2022

		As at 30 June 2022	As at 30 June 2021	As at 31 December 2021
	Note	Unaudited £	Unaudited £	Audited £
Assets				
Non-current assets				
Investments		-	23,091	990,000
Other receivables	6	773,556	-	-
Property, plant and equipment		274,591	471,892	300,082
Right of use assets		119,320	171,438	142,391
Non-current assets		1,167,467	666,421	1,432,473
Current assets				
Inventories		638,021	555,729	657,151
Trade and other receivables		403,533	296,195	392,193
Cash and cash equivalents		1,492,380	919,179	237,613
Current assets		2,533,934	1,771,103	1,286,957
TOTAL ASSETS		3,701,401	2,437,524	2,719,430
Equity and liabilities				
Non-current liabilities				
Loans and borrowings	7	93,304	250,000	277,080
Lease liabilities		64,071	117,941	90,687
Non-current liabilities		157,375	367,941	367,767
Current liabilities				
Trade and other payables		469,864	471,286	411,213
Loans and borrowings	7	200,252	-	-
Lease liabilities		73,749	64,643	69,737
Current liabilities		743,865	535,929	480,950
TOTAL LIABILITIES		901,240	903,870	848,717
Share capital	8	177,415	136,470	136,883
Share premium account	8	12,205,727	10,733,073	10,761,055
Share based payment reserve		270,227	109,079	213,134
Accumulated losses		(9,735,098)	(9,279,655)	(9,098,300)
Translation reserve		(11,223)	(59,805)	(35,172)
Non-controlling interests		(106,887)	(105,508)	(106,887)
Total shareholders' equity		2,800,161	1,533,654	1,870,713
TOTAL EQUITY AND LIABILITIES		3,701,401	2,437,524	2,719,430

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Condensed Statement of Changes in Equity

As at 30 June 2022

	Issued share capital	Share Premium	Share based payment reserve	Accumulated losses	Translation reserve	Non-controlling interest	Total
	£	£	£	£	£	£	£
As at 1 January 2021	136,470	10,733,073	99,184	(8,109,821)	864	(121,287)	2,738,483
Loss for the period	-	-	-	(1,169,834)	-	15,779	(1,154,055)
Translation of subsidiary	-	-	-	-	(60,669)	-	(60,669)
Total comprehensive loss for the period	-	-	-	(1,169,834)	(60,669)	15,779	(1,214,724)
Share based payment	-	-	9,895	-	-	-	9,895
Shareholders' equity at 30 June 2021	136,470	10,733,073	109,079	(9,279,655)	(59,805)	(105,508)	1,533,654
Profit/(Loss) for the period	-	-	-	181,355	-	(1,379)	179,976
Translation of subsidiary	-	-	-	-	24,633	-	24,633
Total comprehensive profit/(loss) for the period	-	-	-	181,355	24,634	(1,379)	204,609
Issue of shares net of expenses	413	27,982	-	-	-	-	28,395
Issue of warrants - corporate bond	-	-	65,903	-	-	-	65,903
Share based payment	-	-	38,152	-	-	-	38,152
Shareholders' equity at 31 December 2021	136,883	10,761,055	213,134	(9,098,300)	(35,172)	(106,887)	1,870,713
Loss for the period	-	-	-	(636,798)	-	-	(636,798)
Translation of subsidiary	-	-	-	-	23,949	-	23,949
Total comprehensive loss for the period	-	-	-	(636,798)	23,949	-	(612,849)
Issue of shares net of expenses	40,532	1,444,672	-	-	-	-	1,485,204
Share based payment	-	-	57,093	-	-	-	57,093
Shareholders' equity at 30 June 2022	177,415	12,205,727	270,227	(9,735,098)	(11,223)	(106,887)	2,800,161

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Condensed Statement of Cash Flows

For the 6 months ended 30 June 2022

	Note	H1 2022	H1 2021	FY 2021
		Unaudited	Unaudited	Audited
		£	£	£
Operating activities				
Loss before tax from continuing operations		(636,798)	(1,154,055)	(1,097,387)
Adjustment for:				
Depreciation		59,792	120,115	306,915
Finance costs		37,455	15,985	60,553
Financial income		(587)	(360)	(335)
Fair value changes through P&L - ICSI	4	(26,923)	-	(966,354)
Loss on disposal of assets		501	-	1,582
Share based payment expenses		57,093	9,895	48,047
		(509,467)	(1,008,420)	(1,646,979)
Working capital adjustments				
(Increase) / decrease in inventory		19,130	80,312	(21,109)
(Increase) / decrease in trade and other receivables		(9,098)	129,811	158,455
Increase / (decrease) in trade and other payables		(1,019)	(117,124)	(146,699)
Net cash outflow from operating activities		(500,455)	(915,421)	(1,656,332)
Investing activities				
Sale of property, plant and equipment		-	-	2,048
Sale of investment		307,731	-	-
Purchase of fixed assets		(4,290)	(5,808)	(7,001)
Net cash outflow from investing activities		303,441	(5,808)	(4,954)
Financing activities				
Proceeds from issue of ordinary share capital, net of transaction costs		1,485,205	-	28,395
Loans issued		-	250,000	-
Proceeds from corporate green bonds issued		-	-	353,253
Interest paid on loans		(11,011)	(18,429)	(27,372)
Finance income		587	360	334
Repayments of loans		-	(70,000)	(98,395)
Payment of lease liabilities		(35,372)	(17,622)	(51,950)
Net cash inflow from financing activities		1,439,408	144,309	204,264
Net (decrease)/increase in cash and cash equivalents				
Net (decrease)/increase in cash and cash equivalents		1,242,395	(776,920)	(1,457,022)
Cash and cash equivalents at the beginning of the period		237,613	1,711,754	1,711,761
		1,480,008	934,834	254,739
Exchange gains on cash and cash equivalents		12,372	(15,655)	(17,126)
Cash and cash equivalents at the end of the period		1,492,380	919,179	237,613

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Notes to the Condensed Financial Statements

1. General Information

The Interim Financial Statements are for the six months ended 30 June 2022 and are presented in British Pounds (£), which is the functional currency of the parent company.

Verditek plc (“Verditek” or the “Company” or the “Group”) is a public limited company incorporated, registered and domiciled in England Wales (registration number 10114644), whose shares are quoted on the Alternative Investment Market on the London Stock Exchange. Its registered office is located at 5 Chancery Lane, London, WC2A 1LG.

Verditek is the holding company of a group of companies engaged in the clean technology sector.

The Interim Financial Statements have been approved for issue by the Board of Directors on 7 September 2022.

2. Basis of Preparation of Half-year Report

The financial information presented in this condensed consolidated interim report for the half-year has been prepared in accordance with the recognition and measurement requirements of UK adopted International Accounting Standards (“UK IAS”). The principal accounting policies adopted in the preparation of the financial information in this Interim Report are unchanged from those used in the Company's financial statements for the year ended 31 December 2021.

They have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’. They do not include all of the information required in annual financial statements in accordance with UK IAS and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021.

The financial information for the year ended 31 December 2021 presented in this Interim Report does not constitute the Company's statutory accounts for that period but has been derived from them. The Annual Report and Accounts for the year ended 31 December 2021 were audited and have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Accounts for the year ended 31 December 2021 was unqualified and did not contain statements under s498(2) or (3) of the Companies Act 2006, but did contain a material uncertainty in relation to going concern. The financial information for the periods ended 30 June 2021 and 30 June 2022 is unaudited.

A copy of the audited consolidated financial statements for the year ended 31 December 2021 is available on the Company's website.

New Standards adopted as at 1 January 2022

Accounting pronouncements which have become effective from 1 January 2022 are:

- 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).

These accounting pronouncements do not have a significant impact on the Group's financial results or position and no changes to existing accounting policies were required as a result of adopting any amendments

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Going concern

The interim financial information has been prepared under the going concern basis as the Directors are satisfied that sufficient funds are or will become available to the Group to meet its on-going working capital requirements for at least the next 12 months. The Group's assessment takes account of current cash resources, expected costs and expected revenues. The Group has a pipeline of commercial opportunities and promising partnerships, and is focussed on converting these into sales in the next year. On 30 June 2022 the Company announced a raise of an additional £1.5m by way of a subscription for ordinary shares.

In the event that trading does not grow as envisaged, sufficient cost reductions are not made, or if there are unforeseen costs, then it is possible that the Company may need to seek additional funding in the next 18 months. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future. As there can be no guarantee that any required future funding can be raised in the necessary timeframe, a material uncertainty exists that may cast significant doubt on the Company's future ability to continue as a going concern.

After considering the forecasts and the risks, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting.

Dividends

The Directors do not propose an interim dividend.

Material changes in accounting estimates or judgments

The preparation of unaudited interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses for the current and its corresponding financial period under review. Actual results may differ from these estimates.

In preparing the unaudited interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the sources of estimates uncertainty were consistent with those applied to the audited financial statements for the year ended 31 December 2021.

3. Segmental Information

The chief operating decision-maker is considered to be the Board of Directors of Verditek. The chief operating decision-maker allocates resources and assesses performance of the business and other activities at the operating segment level.

The chief operating decision maker has determined that in the period ended 30 June 2022, Verditek had one operating segment, the development and commercialisation of clean technologies.

Revenue and segmental information

	6 months ended 30 June 22 Unaudited £	6 months ended 30 June 21 Unaudited £	For the year ended 31 December 21 Audited £
Sale of Goods	178,502	105,097	107,632
Total	178,502	105,097	107,632

The Group had two customers that exceeded 10% of revenue in H1 2022.

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Geographical Segments

Apart from holding company activities in the UK, the Group had operations in Milan, Italy, in the period. An analysis of revenue, operating loss and non-current assets by geographical market is given below:

	6 months ended 30 June 22 Unaudited £	6 months ended 30 June 21 Unaudited £	For the year ended 31 December 21 Audited £
Revenue			
UK	-	-	-
Rest of Europe	178,502	105,097	107,632
	178,502	105,097	107,632
Operating loss			
UK	(449,376)	(412,202)	(643,547)
Rest of Europe	(295,105)	(726,273)	(1,359,976)
	(744,481)	(1,138,475)	(2,003,523)
Non-current assets			
UK	773,555	23,964	990,599
Rest of Europe	393,912	642,457	441,875
	1,167,467	666,421	1,432,474

4. Other income

	6 months ended 30 June 22 Unaudited £	6 months ended 30 June 21 Unaudited £	For the year ended 31 December 21 Audited £
Unwind of discount on ICSI receivable	26,922	-	966,354
Grant income	117,629	-	-
Total other income	144,551	-	966,354

Grant income of £117,629 was recognised in association with an Innovate UK grant awarded in 2021, in respect of a project to design solar solutions for homes, schools and farms in Zimbabwe.

During the period there was also an unwind of discount on the receivable recognised upon disposal of the Group's investment Industrial Climate Solutions Inc (ICSI) in February 2022, £26,922.

5. Loss Per Share

The calculation of loss per share is based on the following loss and number of shares:

	6 months ended 30 June 22 Unaudited £	6 months ended 30 June 21 Unaudited £	For the year ended 31 December 21 Audited £
Loss for the period from continuing operations (£)	(636,798)	(1,169,834)	(974,079)
Weighted average number of shares: Basic	342,764,826	341,172,443	341,351,150
Loss per share (£)	(0.002)	(0.003)	(0.003)

Basic loss per share is calculated by dividing the loss for the period from continuing operations of the Group by the weighted average number of ordinary shares in issue during the period. Due to the loss in the periods and there are no potentially dilutive ordinary shares, there is no difference between the basic and diluted loss per share.

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6. Non-current receivables

	6 months ended 30 June 22 Unaudited £	6 months ended 30 June 21 Unaudited £	For the year ended 31 December 21 Audited £
Earn-out from ICSI investment sale	773,556	-	-
Total non-current receivables	773,556	-	-

On 1 February 2022 the Company completed a sale of its stake in the ICSI business. An initial payment of £307,731 was received upon completion. Further payments are expected over a 5 year earn-out period. The payments are linked to achievement of various milestones in development of carbon capture technology, but have been estimated based on management's assessment of the likelihood of success, and discounted to present values. The valuation methodology at 30 June 2022 is consistent with the fair valuation methodology used at 31 December 2021 in measurement of the ICSI investment. During the period there was an unwind of discount of the earn-out receivable of £26,923 (see note 4) and an increase in valuation of £64,332 as a result of foreign exchange movements.

7. Loans and Borrowings

	6 months ended 30 June 22 Unaudited £	6 months ended 30 June 21 Unaudited £	For the year ended 31 December 21 Audited £
Current			
Convertible bonds issued to related party	175,252	-	-
Convertible bonds	25,000	-	-
Total current loans and borrowings	200,252	-	-
Non-current			
Convertible bonds issued to related party	-	25,000	25,000
Convertible bonds	93,304	225,000	252,080
Total Non-current loans and borrowings	93,304	250,000	277,080
Total loans and borrowing	293,556	250,000	277,080

Cashflow - net debt analysis

	01-Jan-22 £	Debt Funding £	Other cash outflows £	Foreign Exchange £	Other non-cash movement £	30-Jun-22 £
Corporate bonds	252,080	-	-	-	16,476	268,556
Corporate bonds issued to related party	25,000	-	-	-	-	25,000
Lease liability	160,424	-	(35,372)	3,739	9,029	137,820
	437,504	-	(35,372)	3,739	25,505	431,376

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8. Share capital and reserves

	Number	Share capital	Share premium
		£	£
At 31 December 2020 and 30 June 2021	341,172,443	136,470	10,733,073
Issue of ordinary shares October 2021	1,032,530	413	27,982
At 31 December 2021	342,204,973	136,882	10,761,055
Issue of ordinary shares June 2022	101,333,333	40,533	1,479,467
Share issue costs relating to the share issue			(34,795)
At 30 June 2022	443,538,306	177,415	12,205,727

During the period there was an ordinary share issue of 101,333,333 shares at 1.5p per share. There have been no new options granted or exercised in the period and options over 500,000 shares lapsed. The number of shares outstanding on which options have been granted at 30 June 2022 is 19,500,000.

9. Events after the reporting date

There were no events after the reporting date.

10. Copies of the interim report

Copies of this interim report will be made available on the Company's website at www.verditek.plc.uk and from the Company's registered office, 5 Chancery Lane, London, WC2A 1LG.