

Verditek plc

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

Interim Report and Financial Statements for the six months to 30 June 2021

Verditek plc, (AIM:VDTK) the clean technology company is pleased to announce its interim results for the six months to 30 June 2021.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

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Verditek plc

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Verditek plc

Company Registration No. 10114644

Interim Report and Financial Statements

For the six month period to 30 June 2021

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CEO Statement

Overview

The six-month period to 30 June was both a challenging time for Verditek as well as a period when several fresh seeds were sown. Having hit high levels of production at the Group's factory in Lainate, Milan towards the end of 2020, production was scaled back at the start of 2021 as further projects in the pipeline were either postponed or withdrawn due to the uncertainty brought about by the global pandemic. With the economic uncertainty of the last 18-months starting to recede, we believe that the outlook for the second half of the year is improving.

Strategy

The Group continues to focus all its efforts on becoming a leader in the manufacture and supply of flexible, lightweight solar panels. We continue to believe Verditek's product offering is very well placed to take advantage of the shift away from hydrocarbon-based energy production. In particular, the recent publication of the IPPC report on global climate change continues to drive the focus towards green energy solutions.

Operations

During the period under review, the Company designed its second-generation solar panel which from a standard size panel of 60 cells now has a power output of 350W. This new version is now undergoing rigorous testing as part of the certification process. This process is expected to conclude in the second half of 2021 and covers testing to International Standards for temperature, fire, wind, and hail damage as well as durability under normal conditions. Successful certification should allow our second-generation panels to be sold in most countries.

Verditek also fulfilled its first PowerMat order during the period to Intergroup Mining of Australia. The PowerMat is a portable energy solution that houses up to 700 solar panels offering up to 250kWp of power which are connected together on a hinged system for easy roll out and reuse in rural locations. A second PowerMat solution has been manufactured for demonstration purposes in the Middle East.

Sales and Marketing

The Group continues to adjust its sales model which combines a number of commission only sales agents, employed sales consultants and distributor agents.

During the period, a number of smaller orders were received from the UK roofing industry, distributors of boat power solutions, as well as from clients in the Netherlands, Kenya, Italy, Belgium. It is envisaged that these initial orders will lead to far larger volumes in the second half of 2021.

We are delighted to report that we have delivered our first integrated solar/roof panel system through our partnership with Bradclad. We believe that this could become an important market for the Company as pressure increases to legislate for minimum amounts of solar to be incorporated at point of build.

We continue to work with a number of other partners to develop innovative off-grid solutions which require lightweight solar panels to be mobile and are optimistic that the volume of sales will soon increase, given that we now have our panels incorporated into integrated products.

Other Opportunities

We continue to discuss licencing our manufacturing technology to a partner in building new plants and have two opportunities under consideration at the moment, both in the Eastern Hemisphere.

In the 2020 Annual Report, we detailed the goals and outcomes of the first and second joint development projects (JDP) with Paragraf, the Cambridge based start-up which has developed world leading graphene technology.

I am pleased to report that Verditek has now entered into an MOU for a third JDP with Paragraf which will build on the foundation block learnings from JDP 1 and 2 and will continue to develop graphene solutions for the solar market.

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The first two projects were solely based around Research and Development, whereas JDP 3 includes more Research and Development in a particular area plus a commercialisation focus.

Finance

For the six-month period to 30 June 2021, the Group had revenues of £105,000 and recorded a loss after tax of £1.2m. As announced in June, the Group suffered a theft of stock at its plant in Lainate, Italy. Whilst we remain hopeful that the stock might still be recovered, a charge of approximately £300,000 has been included in the interim accounts.

Cash balances as at 30 June were £919,000 which included £250,000 raised from a two year bond issue via Crowd for Angels. A further £103,253 was raised via this platform after the balance sheet date.

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

Staff

During the period, a new UK sales manager was recruited as well as a new operations manager at the plant in Lainate, Italy. Both persons have extensive knowledge of the flexible solar panel marketplace.

At the end of August 2021, Tim Bowen (CFO) will be moving on to new ventures and he will be replaced by Vicki Johnson with effect from 1 September. Vicki has a masters in Chemistry from University of Oxford and qualified as a chartered accountant with Ernst and Young in 2010. Vicki has worked for the last two years as Finance Manager for the advisory firm CFPro and has knowledge of Verditek already as CFPro deliver tax and accounting services to the Company.

The Board would like to thank Tim for his significant input over the past year. He has made a valuable contribution to the Company and we wish him well in the future.

Outlook and conclusion

Despite recent headwinds, we continue to see positive opportunities 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

25 August 2021

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Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Note	H1 2021 Unaudited £	H1 2020 Unaudited £	FY 20120 Audited £
Continuing operations				
Revenue		105,097	-	21,521
Direct costs		(565,312)	-	(320,473)
Gross loss		(460,215)	-	(298,952)
Administrative expenses		(678,260)	(843,354)	(1,971,662)
Operating loss		(1,138,475)	(843,354)	(2,270,614)
Finance Income		360	52	70
Finance costs		(15,985)	(74,875)	(152,025)
Loss before tax		(1,154,100)	(918,177)	(2,422,569)
Income Tax		45	-	98,448
Loss for the period		(1,154,055)	(918,177)	(2,324,121)
Loss for the period attributable to: -				
Owners of the Company		(1,169,834)	(916,377)	(2,231,105)
Non-controlling interest		15,779	(1,800)	(93,016)
		(1,154,055)	(918,177)	(2,324,121)
Other comprehensive income				
Items that will or may be reclassified to profit or loss:				
Translation of foreign operations		(60,669)	75,194	38,656
Total comprehensive loss for the period from continuing operations		(1,214,724)	(842,983)	(2,285,465)
Total comprehensive loss for the period attributable to: -				
Owners of the Company		(1,230,503)	(837,898)	(2,194,053)
Non-controlling interest		15,779	(5,086)	(91,412)
		(1,214,724)	(842,983)	(2,285,465)
Loss per share				
Basic and diluted (£)	4	(0.003)	(0.004)	(0.008)

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Condensed Consolidated Statement of Financial Position

As at 30 June 2021

		As at 30 June 2021	As at 30 June 2020	As at 31 December 2020
	Note	Unaudited £	Unaudited £	Audited £
Assets				
Non-current assets				
Investments		23,091	25,917	23,405
Property, plant and equipment		471,892	663,208	586,612
Right of use assets		171,438	239,277	207,104
Non-current assets		666,421	928,402	817,121
Current assets				
Inventories		555,729	37,525	636,041
Trade and other receivables		296,195	492,497	423,853
Cash and cash equivalents		919,179	588,858	1,711,761
Current assets		1,771,103	1,118,880	2,771,655
TOTAL ASSETS		2,437,524	2,047,282	3,588,776
Equity and liabilities				
Non-current liabilities				
Loans and borrowings		250,000	-	-
Lease liabilities		117,941	177,260	149,051
Non-current liabilities		367,941	177,260	149,051
Current liabilities				
Trade and other payables		471,286	763,485	585,359
Loans and borrowings	5	-	700,017	70,000
Lease liabilities		64,643	43,601	45,883
Current liabilities		535,929	1,507,103	701,242
TOTAL LIABILITIES		903,870	1,684,363	850,293
Share capital	6	136,470	116,758	136,470
Share premium account	6	10,733,073	6,945,074	10,733,073
Share based payment reserve		109,079	88,850	99,184
Accumulated losses		(9,279,655)	(6,795,093)	(8,109,821)
Translation reserve		(59,805)	42,291	864
Non-controlling interests		(105,508)	(34,960)	(121,287)
Total shareholders' equity		1,533,654	362,919	2,738,483
TOTAL EQUITY AND LIABILITIES		2,437,524	2,047,282	3,588,776

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Condensed Statement of Changes in Equity

As at 30 June 2021

	Issued share capital	Share Premium	Share based payment reserve	Accumulated losses	Translation reserve	Non-controlling interest	Total
	£	£	£	£	£	£	£
As at 1 January 2020	91,666	5,466,376	21,703	(5,878,717)	(36,189)	(29,874)	(365,035)
Loss for the period	-	-	-	(916,377)	-	(1,800)	(918,177)
Translation of subsidiary	-	-	-	-	78,480	(3,286)	75,194
Total comprehensive loss for the period	-	-	-	(916,377)	78,480	(5,086)	(842,982)
Issue of shares net of expenses	25,092	1,478,698	-	-	-	-	1,503,790
Share based payment	-	-	67,147	-	-	-	67,147
Shareholders' equity at 30 June 2020	116,758	6,945,074	88,850	(6,795,093)	42,291	(34,960)	362,920
Loss for the period	-	-	-	(1,314,728)	-	(91,216)	(1,405,944)
Translation of subsidiary	-	-	-	-	(41,427)	4,889	(36,538)
Total comprehensive loss for the period	-	-	-	(1,314,728)	(41,427)	(86,327)	(1,442,482)
Issue of shares net of expenses	19,712	3,787,999	-	-	-	-	3,807,711
Share based payment	-	-	10,334	-	-	-	10,334
Shareholders' equity at 31 December 2020	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

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Condensed Statement of Cash Flows

For the 6 months ended 30 June 2021

Note	H1 2021 Unaudited £	H1 2020 Unaudited £	FY 2020 Audited £
Operating activities			
Loss before tax from continuing operations	(1,154,055)	(918,177)	(2,422,569)
Adjustment for:			
Depreciation	120,115	43,208	164,566
Finance costs	15,985	74,875	152,025
Financial income	(360)	(52)	(70)
Share based payment expenses	9,895	67,147	77,481
	(1,008,420)	(732,999)	(2,028,567)
Working capital adjustments			
(Increase) / decrease in inventory	80,312	(2,487)	(601,003)
(Increase) / decrease in trade and other receivables	129,811	(55,422)	638,595
Increase / (decrease) in trade and other payables	(117,124)	(147,837)	(761,385)
Net cash outflow from operating activities	(915,421)	(938,745)	(2,752,360)
Investing activities			
Purchase of fixed assets	(5,808)	(2,568)	(33,215)
Net cash outflow from investing activities	(5,808)	(2,568)	(33,215)
Financing activities			
Issue of ordinary share capital	-	1,456,791	5,076,047
Loans issued	250,000	-	-
Interest paid on loans	(18,429)	-	(162,894)
Finance income	360	51	62
Repayments of loans	(70,000)	-	(455,076)
Payment of lease liabilities	(17,622)	(36,409)	(69,920)
Net cash inflow from financing activities	144,309	1,420,433	4,388,219
Net (decrease)/increase in cash and cash equivalents	(776,920)	479,120	1,602,644
Cash and cash equivalents at the beginning of the period	1,711,754	107,279	107,243
	934,834	586,399	1,709,887
Exchange gains on cash and cash equivalents	(15,655)	2,459	1,874
Cash and cash equivalents at the end of the period	919,179	588,858	1,711,761

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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 2021 and are presented in British Pounds (£), which is the functional currency of the parent company. 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 IFRS, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020.

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 29 Farm Street, London W1J 5RL.

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 25 August 2021.

2. Basis of Preparation

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 International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board, as adopted by the European Union. 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 2020.

The financial information for the year ended 31 December 2020 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 2020 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 2020 was unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006. The financial information for the periods ended 30 June 2020 and 30 June 2021 is unaudited.

A copy of the audited consolidated financial statements for the year ended 31 December 2020 is available on the Company's website.

New Standards adopted as at 1 January 2021

Accounting pronouncements which have become effective from 1 January 2021 are:

- IFRS 3 Business Combinations – definition of a business
- IAS 1 and IAS 8 – definition of material
- IFRS 9, IFRS 7 and IAS 39 – interest rate benchmark
- IFRS 7 – Insurance contracts

These accounting pronouncements do not have a significant impact on the Group's financial results or position.

Going concern

The interim financial statements have 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. The Group's assessment takes account of current cash resources, expected costs and expected revenues. The Group has a substantial pipeline of commercial opportunities, and is focussed on converting these into sales in the next year. The Group has also secured £353,253 in funding from an issue of corporate bonds, of which £250,000 was received in the period, with the remainder received in August 2021.

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.

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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 2020.

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 2021, Verditek had one operating segment, the development and commercialisation of clean technologies, although it is likely that in future periods the Group's segmental reporting will be expanded as different technologies are developed and commercialised.

Revenue and segmental information

	6 months ended 30 June 21 Unaudited £	6 months ended 30 June 20 Unaudited £	For the year ended 31 December 20 Audited £
Sale of Goods	105,097	-	21,521
Total	105,097	-	21,521

The Group had one customer that exceeded 10% of revenue in 2021.

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 21 Unaudited £	6 months ended 30 June 20 Unaudited £	For the year ended 31 December 20 Audited £
Revenue			
UK	-	-	-
Rest of Europe	105,097	-	21,521
	105,097	-	21,521
Operating loss			
UK	(412,202)	(641,734)	(1,336,955)
Rest of Europe	(726,273)	(201,620)	(933,659)
	(1,138,475)	(843,354)	(2,270,614)
Non-current assets			
UK	23,964	26,460	24,623
Rest of Europe	642,457	901,942	792,498
	666,421	928,402	817,121

During the period there was a theft of inventory from the factory in Milan, resulting in a charge to direct costs of approximately £300,000.

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4. Loss Per Share

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

	6 months ended 30 June 21 Unaudited £	6 months ended 30 June 20 Unaudited £	For the year ended 31 December 20 Audited £
Loss for the period from continuing operations (£)	(1,169,834)	(916,377)	(2,231,105)
Weighted average number of shares: Basic	341,172,443	249,774,633	280,609,258
Loss per share (£)	(0.003)	(0.004)	(0.008)

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.

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive options and warrants over ordinary shares. Potential ordinary shares resulting from the exercise of share options and warrants have an anti-dilutive effect due to the Group being in a loss position. As a result, diluted loss per share is disclosed as the same value as basic loss per share.

5. Loans and Borrowings

	6 months ended 30 June 21 Unaudited £	6 months ended 30 June 20 Unaudited £	For the year ended 31 December 20 Audited £
Current			
Interest free related party loan	-	43,243	-
Interest bearing related party secured loan	-	486,774	-
Convertible loans	-	170,000	70,000
Total Current loans and borrowings		700,017	70,000
Non – current			
Convertible bonds issued to related party	25,000	-	-
Convertible bonds	225,000	-	-
Total Non-current loans and borrowings	250,000	-	-

On 1 June 2021, Verditek issued a corporate “green” bond to raise up to £500,000.

The bond, yielding 7%, is being issued through crowdfunding platform Crowd for Angels, which has underwritten the first £225,000. The bond term is two years and interest will be paid quarterly. Security will be by way of a floating charge on the assets of the Company. The Company also issued to Crowd for Angels 10 warrants for each £1 invested for a term of 36 months to subscribe for new ordinary shares at the closing bid price immediately prior to the date of the Loan Note agreement, which was 3.1p. In addition, one of Verditek’s non-executive Directors has entered into a bond with similar terms for £25,000 directly with the Company.

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Cashflow - net debt analysis

	01-Jan-21	Debt Funding	Other cash outflows	Foreign Exchange	Other non-cash movement	30-Jun-21
	£	£	£	£	£	£
Cash and cash equivalents	1,711,754	162,378	(939,298)	(15,655)	-	919,179
Convertible bonds	(70,000)	70,000	-	-	-	-
Secured bonds	-	(225,000)	-	-	-	(225,000)
Secured bonds issued to related party	-	(25,000)	-	-	-	(25,000)
Lease liability	(194,934)	17,622	-	8,916	(14,188)	(182,584)
	1,446,820	-	(939,298)	(6,739)	(14,188)	486,595

6. Events after the reporting date

Following the close of the corporate bond offer in July 2021, a further £103,253 has been raised through crowdfunding platform Crowd for Angels.

7. Copies of the interim report

Copies of this interim report are available on the Company's website at www.verditek.plc.uk and from the Company's registered office, 29 Farm Street, London W1J 5RL.