

Verditek plc

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

Interim Report and Financial Statements for the six months to 30 June 2023

Verditek plc, (AIM:VDTK) the international green technology company that develops, manufactures and sells lightweight solar panels, is pleased to announce its interim results for the six months to 30 June 2023.

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.

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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 2023

Verditek plc Interim Results June 2023

CEO Statement

Overview

Verditek has seen a growth in orders in connection with our integrated panel roofing collaborations in the six-months to 30 June 2023. Around 120 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.

Strategy

The Group's focus during 2023 continues to be on refining the Group's solar offering and working to build and convert the sales pipeline.

The Group's solar strategy is to manufacture high quality panels with a focus on B2B sales through engaging distributors and sales representatives in different regions. The Group also aims to partner with solutions providers, who develop and bring to market innovative solutions with integrated solar panels.

In light of the climate emergency, the world needs to evolve from its dependency on hydrocarbon-based energy sources to cleaner, more environmentally friendly energy; this need has been further accentuated by the ongoing war which has had an impact on energy prices across the board. We believe that the Verditek Solar product is extremely well positioned to become a market leader in the ultra-lightweight, flexible solar market. The Company's product has numerous potential applications that are not available to the traditional, heavy and fragile solar panel technology. We believe major new market opportunities for our lightweight product will open up in areas such as military, transportation, cellular telecoms masts, new build homes (as part of an integrated roof tile system), and warehousing (where roofing structures are less rigid). Here the advantages of a highly durable, efficient ultralightweight solar solution can now be embraced.

Operations

In May 2023, the Group's manufacturing operations were relocated from Lainate to Tolmezzo in Udine, Italy. This move was made to lower the cost base and take advantage of more flexible working arrangements. From Tolmezzo a core staff, together with a further flexible contract labour team, manufacture Verditek's flexible lightweight solar panels using the latest components sourced from around the world. The Tolmezzo facility is more automated and allows a higher quality product while simultaneously reducing costs.

Sales and Marketing

The Group has various routes to market, including commission-only sales agents, employed sales consultants, distributors and solutions partners.

The Group has highly promising partnerships with roofing providers. Verditek has signed a long-term supply agreement in the period with Lindab Profil AB, a Scandinavian supplier of roof systems, and they have placed multiple orders for installations in a number of countries.

Verditek is also collaborating with Metrotile, who are incorporating the Verditek solar panel into their roof tile products. Both these opportunities enhance the potential for commercial growth in the lucrative roofing sector. Verditek continue to work with two other large roofing companies elsewhere in the world as we develop a similar offering for their respective markets.

As a result of these collaborations, the value of order intake in the first half of 2023 is approx. £395,000 versus £232,000 in the first half of 2022. The majority of the order intake is expected to be recognized as revenue in the second half of 2023.

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Other Opportunities

We are in discussions to license our manufacturing technology to a larger scale, automated plant. In the period Verditek has agreed a Memorandum of Understanding (“MOU”) with Net Zero Valley, an Italian fully owned investment holding of SerendipEquity Group, to set up a framework for a 50:50 joint venture agreement to invest in a 1GW ultra-lightweight solar panel manufacturing plant in Southern Italy.

Finance

For the six-month period to 30 June 2023, the Group generated revenues of £254,958 (H1 2022: £178,502) and recorded a loss after tax of £970,989 (H1 2022: £636,798). The 2023 result includes one-off costs of £142,556 relating to the relocation of the Group’s manufacturing operations to the new facility.

On 3 May 2023, the Company raised £500,000 before expenses by issue of secured convertible loan notes. The Company used the proceeds to repay outstanding Crowd for Angels bonds and to provide additional working capital. Cash balances as at 30 June 2023 were £135,357 (H1 2022: £1,492,380).

On 1 September 2023 June 2022, the Company announced a capital raise of an additional £500,000 before expenses by way of a subscription for ordinary shares to provide additional working capital.

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

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 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
29 September 2023

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Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	Note	H1 2023 Unaudited £	H1 2022 Unaudited £	FY 2022 Audited £
Continuing operations				
Revenue	3	254,958	178,502	417,457
Direct costs		(319,233)	(256,953)	(670,547)
Gross loss		(64,275)	(78,451)	(253,090)
Administrative expenses		(881,218)	(666,030)	(1,661,935)
Operating loss		(945,493)	(744,481)	(1,915,025)
Other income	5	-	144,551	91,933
Finance Income		2,895	587	2,084
Finance costs		(28,390)	(37,455)	(73,604)
Loss before tax		(970,989)	(636,798)	(1,894,612)
Income Tax		-	-	21,901
Loss for the period		(970,989)	(636,798)	(1,872,711)
Loss for the period attributable to: -				
Owners of the Company		(970,989)	(636,798)	(1,872,711)
Non-controlling interest		-	-	-
		(970,989)	(636,798)	(1,872,711)
Other comprehensive income				
Items that will or may be reclassified to profit or loss:				
Translation of foreign operations		(20,454)	23,949	41,417
Total comprehensive loss for the period from continuing operations		(991,443)	(612,849)	(1,831,294)
Total comprehensive loss for the period attributable to: -				
Owners of the Company		(991,443)	(612,849)	(1,831,294)
Non-controlling interest		-	-	-
		(991,443)	(612,849)	(1,831,294)
Loss per share				
Basic and diluted (£)	6	(0.002)	(0.002)	(0.005)

	Note	H1 result excluding one-off costs	H1 one-off relocation costs	H1 total including relocation costs for IFRS
<u>Illustrative note to reflect impact of one-off costs from factory move:</u>				
Direct costs	4	(279,152)	(40,081)	(319,233)
Gross loss		(24,194)	(40,081)	(64,275)
Administrative expenses	4	(778,744)	(102,475)	(881,219)
Operating loss		(802,938)	(142,556)	(945,493)

Verditek plc Interim Results June 2023

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		As at 30 June 2023	As at 30 June 2022	As at 31 December 2022
	Note	Unaudited £	Unaudited £	Audited £
Assets				
Non-current assets				
Other receivables	7	556,783	773,556	556,783
Property, plant and equipment		114,400	274,591	195,470
Right of use assets		-	119,320	48,902
Non-current assets		671,183	1,167,467	801,155
Current assets				
Inventories		696,452	638,021	534,959
Trade and other receivables		183,437	403,533	95,533
Cash and cash equivalents		135,357	1,492,380	842,632
Current assets		1,015,246	2,533,934	1,473,124
TOTAL ASSETS		1,686,429	3,701,401	2,274,279
Equity and liabilities				
Non-current liabilities				
Loans and borrowings	8	500,000	93,304	-
Lease liabilities		-	64,071	-
Non-current liabilities		500,000	157,375	-
Current liabilities				
Trade and other payables		483,191	469,864	289,995
Loans and borrowings	8	-	200,252	310,306
Lease liabilities		-	73,749	29,682
Current liabilities		483,191	743,865	629,983
TOTAL LIABILITIES		983,191	901,240	629,983
Share capital	9	177,417	177,417	177,417
Share premium account	9	12,205,726	12,205,726	12,205,726
Share based payment reserve		383,191	270,227	332,806
Accumulated losses		(11,942,000)	(9,735,098)	(10,971,011)
Currency translation reserve		(14,209)	(11,223)	6,245
Non-controlling interests		(106,887)	(106,887)	(106,887)
Total shareholders' equity		703,238	2,800,161	1,644,296
TOTAL EQUITY AND LIABILITIES		1,686,429	3,701,401	2,274,279

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Condensed Statement of Changes in Equity

As at 30 June 2023

	Issued share capital	Share Premium	Share based payment reserve	Accumulated losses	Currency translation reserve	Non-controlling interest	Total
	£	£	£	£	£	£	£
As at 1 January 2022	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	40,534	1,444,671	-	-	-	-	1,485,205
Share based payment	-	-	57,093	-	-	-	57,093
Shareholders' equity at 30 June 2022	177,417	12,205,726	270,227	(9,735,098)	(11,223)	(106,887)	2,800,162
Loss for the period	-	-	-	(1,235,913)	-	-	(1,235,913)
Translation of subsidiary	-	-	-	-	17,468	-	17,468
Total comprehensive profit/(loss) for the period	-	-	-	(1,235,913)	17,468	-	(1,218,445)
Share based payment	-	-	62,579	-	-	-	62,579
Shareholders' equity at 31 December 2022	177,417	12,205,726	332,806	(10,971,011)	6,245	(106,887)	1,644,296
Loss for the period	-	-	-	(970,989)	-	-	(970,989)
Translation of subsidiary	-	-	-	-	(20,454)	-	(20,454)
Total comprehensive loss for the period	-	-	-	(970,989)	(20,454)	-	(991,443)
Share based payment	-	-	50,385	-	-	-	50,385
Shareholders' equity at 30 June 2023	177,417	12,205,726	383,191	(11,942,000)	(14,209)	(106,887)	703,238

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Condensed Statement of Cash Flows

For the 6 months ended 30 June 2023

	Note			
		H1 2023	H1 2022	FY 2022
		Unaudited	Unaudited	Audited
		£	£	£
Operating activities				
Loss before tax from continuing operations		(970,989)	(636,798)	(1,894,612)
Adjustment for:				
Depreciation		104,722	59,792	195,555
Finance costs		28,390	37,455	73,604
Financial income		(2,895)	(587)	(2,084)
Fair value changes through P&L - ICSI		-	(26,923)	125,486
Loss on disposal of assets		40,519	501	501
Share based payment expenses		50,384	57,093	119,672
Remeasurement of assets		-	-	(78,323)
		(749,869)	(509,467)	(1,460,201)
Working capital adjustments				
(Increase) / decrease in inventory		(161,493)	19,130	122,192
(Increase) / decrease in trade and other receivables		(85,130)	(9,098)	211,395
Increase / (decrease) in trade and other payables		153,454	(1,019)	(97,847)
Cash used in operations		(843,038)	(500,454)	(1,224,461)
Taxation		-	-	145,142
Net cash outflow from operating activities		(843,038)	(500,454)	(1,079,319)
Investing activities				
Sale of investment		-	307,731	307,731
Purchase of fixed assets		-	(4,290)	(19,540)
Net cash outflow from investing activities		-	303,441	288,191
Financing activities				
Proceeds from issue of ordinary share capital, net of transaction costs		-	1,485,205	1,485,205
Convertible loan notes issued		500,000	-	-
Interest paid on loans		(11,885)	(11,011)	(22,210)
Finance income		2,895	587	2,084
Repayments of corporate green bonds		(328,140)	-	-
Payment of lease liabilities		(30,096)	(35,372)	(70,936)
Net cash inflow from financing activities		132,774	1,439,409	1,394,143
Net (decrease)/increase in cash and cash equivalents		(710,264)	1,242,396	603,015
Cash and cash equivalents at the beginning of the period		842,632	237,613	237,613
		132,368	1,480,009	840,628
Exchange gains on cash and cash equivalents		2,989	12,371	2,004
Cash and cash equivalents at the end of the period		135,357	1,492,380	842,632

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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 2023 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 Holborn Gate, 330 High Holborn, London, WC1V 7QH.

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 29 September 2023.

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 2022.

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 2022.

The financial information for the year ended 31 December 2022 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 2022 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 2022 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 2022 and 30 June 2023 is unaudited.

A copy of the audited consolidated financial statements for the year ended 31 December 2022 is available on the Company's website.

New Standards adopted as at 1 January 2023

Accounting pronouncements which have become effective from 1 January 2023 are:

- IFRS 17 Insurance Contracts – the Group do not have any contracts that meet the definition of insurance contracts as set out in IFRS 17
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)

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 1 September 2023 the Company announced a raise of an additional £0.5m 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 12 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 2022.

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 2023, Verditek had one operating segment, the development and commercialisation of clean technologies.

Revenue and segmental information

	6 months ended 30 June 23 Unaudited £	6 months ended 30 June 22 Unaudited £	For the year ended 31 December 22 Audited £
Sale of Goods	254,958	178,502	417,457
Total	254,958	178,502	417,457

The Group had two customers that exceeded 10% of revenue in H1 2023 (H1 2022: 2 customers exceeded 10%)

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Geographical Segments

Apart from holding company activities in the UK, the Group had operations in 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 23 Unaudited £	6 months ended 30 June 22 Unaudited £	For the year ended 31 December 22 Audited £
Revenue			
UK	-	-	18,661
Rest of Europe	254,958	178,502	398,796
	254,958	178,502	417,457
Operating loss			
UK	(646,338)	(449,376)	(1,095,726)
Rest of Europe	(299,155)	(295,105)	(819,299)
	(945,493)	(744,481)	(1,915,025)
Non-current assets			
UK	568,880	773,555	571,010
Rest of Europe	102,303	393,912	230,145
	671,183	1,167,467	801,155

4. Relocation costs

During the interim period the Milan factory was closed, and the operations moved to another premises in Tolmezzo, Italy. As a result costs were incurred totalling £40,081 within direct costs relating to staff and transport and £102,475 within administrative expenses relating to logistics, legal fees, loss on disposal of machinery and disposal costs. These are considered non-recurring costs.

5. Other income

	6 months ended 30 June 23 Unaudited £	6 months ended 30 June 22 Unaudited £	For the year ended 31 December 22 Audited £
Unwind of discount on ICSI receivable	-	26,922	(125,486)
Grant income	-	117,629	217,419
Total other income	-	144,551	91,933

In prior period, 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 prior 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.

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6. Loss Per Share

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

	6 months ended 30 June 23 Unaudited £	6 months ended 30 June 22 Unaudited £	For the year ended 31 December 22 Audited £
Loss for the period from continuing operations (£)	(970,989)	(636,798)	(1,872,711)
Weighted average number of shares: Basic	443,538,306	342,764,826	393,565,703
Loss per share (£)	(0.002)	(0.002)	(0.005)

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, meaning the basic and diluted loss per share were the same.

7. Non-current receivables

	6 months ended 30 June 23 Unaudited £	6 months ended 30 June 22 Unaudited £	For the year ended 31 December 22 Audited £
Opening earn-out from ICSI investment sale	556,783	682,268	682,268
FX gain	-	64,365	29,339
Discount unwind	-	26,923	73,437
Fair Value adjustment	-	-	(228,261)
Total non-current receivables	556,783	773,556	556,783

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 2023 is consistent with the fair valuation methodology used at 31 December 2022 in measurement of the ICSI investment. During the prior period there was an unwind of discount of the earn-out receivable of £26,923 and an increase in valuation of £64,332 as a result of foreign exchange movements. During the current period it has been decided to retain the existing valuation.

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8. Loans and Borrowings

	6 months ended 30 June 23 Unaudited £	6 months ended 30 June 22 Unaudited £	For the year ended 31 December 22 Audited £
Current			
Convertible bonds issued to related party	-	25,000	25,000
Convertible bonds	-	175,252	285,306
Total current loans and borrowings	-	200,252	310,306
Non-current			
Convertible loan notes	500,000	-	-
Convertible bonds issued to related party	-	-	-
Convertible bonds	-	93,304	-
Total Non-current loans and borrowings	500,000	93,304	-
Total loans and borrowing	500,000	293,556	310,306

During the year, on 9 May 2023, the Group raised £500,000 in secured convertible loan notes and shortly thereafter repaid the convertible green bonds. The convertible loan notes carry a coupon of 7% per annum which is payable on the redemption date or earlier if converted. The convertible loan notes are redeemable 2 years from the date of issue and are convertible at the option of the noteholder into ordinary shares at the lower of 1.0625 pence per share, or the subscription price per ordinary share of any fundraising over £250,000 in the 6 months from the issue of the loan notes. As a result of the equity raise on 1 September 2023, the conversion price for the secured convertible loan notes has been adjusted to 0.45 pence per share.

9. Share capital and reserves

	Number of shares	Share capital £	Share premium £
At 30 June 2022	443,538,306	177,417	12,205,726
Issue of ordinary shares June 2022	-	-	-
At 31 December 2022	443,538,306	177,417	12,205,726
Issue of ordinary shares June 2023	-	-	-
At 30 June 2023	443,538,306	177,417	12,205,726

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 2023 is 19,500,000.

10. Events after the reporting date

On 1 September 2023 the Group raised £500,000 of funds by way of a subscription for 111,111,111 ordinary shares at 0.45 pence per share.

11. 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, Holborn Gate, 330 High Holborn, London, WC1V 7QH.