



**DEEPVERGE PLC**

Interim Report  
**2022**

## DeepVerge plc

("DeepVerge", the "Group" or "Company")

## INTERIM RESULTS

**H1 revenues grew by 94% to £6.44m (2021 H1: £3.32m) with expected full year revenues weighted to H2**

**DeepVerge** (AIM: DVRG), the environmental and life science group of companies that develops and applies AI and IoT technology to analytical instruments for the analysis and identification of bacteria, virus and toxins, today announces its unaudited interim results for the six months ended 30 June 2022.

The Company grew H1 2022 revenues by 94% to £6.436m (H1 2021: £3.319m). Production orders of £5m for Modern Water equipment, announced on 11 March 2022, contributed to an increase in inventories at the end of H1, ready to be shipped and recognised in H2 2022.

The rapid expansion across the Group in demand for products and services coupled with additional staff members, meant administration costs increased, but operational losses fell to £2.139m (H1 2021: £2.311m). The reduction was due to an increase in gross profit of 4% (H1 2022 : 56.4%; H1 2021 52.4%) on higher revenues, delivering a significant decrease in adjusted EBITDA loss over the same period of 46.6% amounting to £0.372m (H1 2021: £0.697m).

**Gerry Brandon, CEO of DeepVerge plc, commented:**

*"The Company continues to expand across all divisions with record H1 half-year sales and expectations of £18m for the full year. Demand for Modern Water monitoring and membrane solutions grew, not least because of the impact of climate change and a severe global drought. Order values have moved from £50k to £100k equipment sales in 2020 to now include multiple £1m+ solutions in Middle East, North Africa, China and South Asia and the recent £2.4m project on the Savannah River in Georgia, USA. The Company has a substantial order book of £8.87m for H2 supply and expects to continue its year-on-year history of revenues weighted in H2 over H1 since 2018".*

**Highlights:**

- H1 2022 revenue of £6.436m is an increase of 94% from H1 2021 (£3.319m);
- Adjusted EBITDA loss reduced by 46.6% to £0.372m (H1 2021: £0.697m loss);
- Administration costs increased to £5.767m (2021: £4.211m) with increase in staff across all divisions;
- Operating loss was lower by 7.4% to £2.139m (H1 2021: £2.311m loss) after providing for:
  - Depreciation of £0.313m (H1 2021: £0.193m);
  - Amortisation of £1.442m (H1 2021: £1.360m);
  - Exceptional costs of £0.012m (H1 2021: £0.061);
- Total Comprehensive Loss reduced by 26% to £1.975m (H1 2021: £2.669m loss);
- Net Assets at 30 June 2022 £22.6m (H1 2021: £25.3m);
- Finance available to the Group at period end:
  - Cash and cash equivalents of £1.18m;
  - £4m debt of a £25m facility drawn;
- Glanaco acquisition for £1.068m.

The Company's Interim Report is included at the end of this announcement and is available on the Company's website at [www.deepverge.com](http://www.deepverge.com).

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*This announcement contains inside information as stipulated under the UK version of the Market Abuse Regulation no 596/2014 which is part of English law by virtue of the European (withdrawal) Act 2018, as amended. On publication of this announcement via a regulatory information service, this information is considered to be in the public domain.*

## **CHAIRMAN'S STATEMENT**

### **Introduction**

The DeepVerge environmental division is well positioned to address the challenges in water stressed areas on all continents in a drought that has been referred to as the worst in 500 years. Lower volumes of water in rivers, lakes and reservoirs lead to a higher concentration of water borne contaminants that require greater surveillance to ensure the health and safety of water consumers. The life science division has created many, what the Directors believe to be, "world first" developments that has added valuable contributions to skincare clients and opened doors to drug-store sales channels for personalised skincare testing.

### **Modern Water**

The modernising and automation of water monitoring has led to increased demand for larger £1m+ size solution based installations, evident by the recent highlight of a network solution across Qatar ahead of the 2022 World Cup. The Company has expanded and recruited on three continents.

Award winning Modern Water equipment from Microtox LX (Laboratory) FX (Field) CTM (Continuous toxicity) and PD/BT (Pathogen/Breath Test) Microtrace heavy metal detection units are being upgraded with software and data analysis capability. Modern Water solutions are becoming the last mile test platform, integrating into existing industrial SCADA systems that monitor drinking and wastewater for contaminants. After the pandemic there is a need by governments and health authorities around the world to move from manual testing to automation and existing Modern Water clients, that include government and Tier 1 clients and we expect demand to continue to grow for large solution projects going forward.

Increased demand for wastewater contamination detection equipment with Modern Water Monitoring, All Membrane Brine Concentration (AMBC) units to recycle water and desalination membrane technology to recover water from the massive growth in construction of data centres has resulted in the recent upgrading carried out at our Delaware, US laboratories, York, UK laboratories and Cork production facility at Glanaco acquired earlier this year.

### **Labskin (Innovenn UK Limited)**

The Labskin business unit has seen a fundamental change from its origin of a laboratory grown skin for research purposes to a gene-sequencing and data analysis service supporting marketing claims of some of the top skincare corporations around the world. As the pandemic ended, the Company was able to get back to physically attending conferences and its scientists are high profile guest speakers at events and conferences to build on this valuable service. More framework agreements have been signed and are contributing to increased sales.

### **Skin Trust Club**

The launch of Skin Trust Club has created a platform that democratises consumer skincare home-testing. Since October 2021, sales of this home test and software service have gone from zero to more than £1m. For any start-up business, that is a phenomenal achievement and one that is expected to continue as the US market comes online.

### **Outlook**

The Board recently announced the separation of the two business units in environmental health and life science and is exploring options on how to achieve the best return of value to shareholders. As previously notified, with £18 million in sales expected for the full financial year, the Board anticipates demand for products and services across the Group to continue well into 2023.

**Ross Andrews**

**Chairman**

**22<sup>nd</sup> September 2022**

## Consolidated Statement of Comprehensive Income For the 6 months ended 30 June 2022

		Unaudited 6 months ended 30 June 2022 £'000	Unaudited 6 months ended 30 June 2021 £'000	Audited Year ended 31 December 2021 £'000
	Notes			
<b>Revenue</b>		<b>6,436</b>	<b>3,319</b>	<b>9,297</b>
Costs of sales		(2,808)	(1,581)	(3,987)
<b>Gross profit</b>		<b>3,628</b>	<b>1,738</b>	5,310
Administrative Costs		(5,767)	(4,211)	(8,732)
Other Operating Gain	3	-	162	162
<b>Operating loss</b>		<b>(2,139)</b>	<b>(2,311)</b>	<b>(3,260)</b>
Depreciation		313	193	272
Amortisation		1,442	1,360	2,944
Impairment of Investment		-	-	-
Exceptional Items	3	12	61	27
<b>EBITDA before exceptional items</b>		<b>(372)</b>	<b>(697)</b>	<b>(17)</b>
Finance costs		(245)	(307)	(420)
<b>(Loss) before income tax</b>		<b>(2,384)</b>	<b>(2,618)</b>	<b>(3,680)</b>
Taxation	4	164	178	1,001
<b>(Loss) for the period</b>		<b>(2,220)</b>	<b>(2,440)</b>	<b>(2,679)</b>
<b>Other comprehensive income</b>				
Currency translation differences		245	(229)	(218)
<b>Total comprehensive loss for the period</b>		<b>(1,975)</b>	<b>(2,669)</b>	<b>(2,897)</b>
<b>Loss per share attributable to the equity holders of the Company during the period</b>	Notes	Pence	Pence	Pence
Basic and diluted loss per ordinary share	5	1.0p	1.4p	1.3p

# Consolidated Statement of Financial Position

## As at 30 June 2022

	Notes	Unaudited As at 30 June 2022 £'000	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		19,335	18,959	18,130
Property, plant and equipment		1,554	988	905
Leased assets		149	-	-
Right of use assets		1,944	1,705	1,569
Other Investments		354	354	354
<b>Total non-current assets</b>		<b>23,336</b>	<b>22,006</b>	<b>20,958</b>
<b>Current assets</b>				
Inventories		3,193	1,953	1,712
Trade and other receivables		7,035	2,219	6,786
Cash and cash equivalents		1,184	7,589	1,847
<b>Total current assets</b>		<b>11,412</b>	<b>11,761</b>	<b>10,345</b>
<b>Total assets</b>		<b>34,748</b>	<b>33,767</b>	<b>31,303</b>
<b>Equity attributable to owners</b>				
Share capital	7	2,434	2,429	2,429
Share premium account		37,530	36,982	36,886
Retained loss		(22,956)	(20,609)	(20,736)
Foreign currency reserve		(199)	(455)	(444)
Reverse acquisition reserve		(4,043)	(2,843)	(4,043)
Capital redemption reserve		9,519	9,519	9,519
Share based equity reserve		312	277	151
<b>Total equity</b>		<b>22,597</b>	<b>25,300</b>	<b>23,762</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities		2,424	2,870	2,434
Deferred revenue/government grants		18	21	19
Lease Liabilities		1,469	1,334	1,174
Borrowings		-	83	-
<b>Total non-current liabilities</b>		<b>3,911</b>	<b>4,308</b>	<b>3,627</b>
<b>Current liabilities</b>				
Trade and other payables		3,061	2,232	2,451
Deferred tax liabilities		374	356	356
Lease liabilities		562	446	409
Borrowings		4,243	1,125	698
<b>Total current liabilities</b>		<b>8,240</b>	<b>4,159</b>	<b>3,914</b>
<b>Total liabilities</b>		<b>12,151</b>	<b>8,467</b>	<b>7,541</b>
<b>Total equity and liabilities</b>		<b>34,748</b>	<b>33,767</b>	<b>31,303</b>

## Consolidated Statement of Cash Flows

### For the 6 months ended 30 June 2022

		Unaudited 6 months ended 30 June 2022 £'000	Unaudited 6 months ended 30 June 2021 £'000	Audited Year ended 31 December 2021 £'000
	Notes			
<b>Cash Flow from operating activities</b>				
Cash used in operations	8	(1,346)	(2,829)	(4,642)
Taxation		(8)	-	(35)
Interest paid		(245)	(307)	(420)
<b>Net cash (used in) operating activities</b>		<b>(1,599)</b>	<b>(3,136)</b>	<b>(5,097)</b>
<b>Cash flow from investing activities</b>				
Acquisition of subsidiary net of cash balance		(173)	-	-
Payments to acquire intangibles		(1,439)	(372)	(2,431)
Purchase of property, plant and equipment		(688)	(460)	(492)
<b>Net cash (used in) investing activities</b>		<b>(2,300)</b>	<b>(832)</b>	<b>(2,923)</b>
<b>Cash flow from financing activities</b>				
Proceeds from issuance of ordinary shares	7	-	11,315	11,315
Proceeds from new loans		4,000	-	-
Capital element of finance lease		(236)	(168)	(1,865)
Repayments of borrowings		(540)	(1,017)	(1,234)
<b>Net cash generated by financing activities</b>		<b>3,224</b>	<b>10,130</b>	<b>8,216</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(675)</b>	<b>6,162</b>	<b>196</b>
Cash and cash equivalents at beginning of period		1,847	1,441	1,441
Effects of exchange rate changes on cash and cash equivalents		12	(14)	210
<b>Cash and cash equivalents at end of period</b>		<b>1,184</b>	<b>7,589</b>	<b>1,847</b>

# Consolidated Statement of Changes in Shareholders' Equity

Group	Share capital £'000	Share premium £'000	Retained earnings £'000	Foreign currency reserve £'000	Reverse acquisition reserve £'000	Capital redemption reserve £'000	Share based equity reserve £'000	Non controlling interests £'000	Total £'000
<b>At 1 January 2021</b>	<b>2,380</b>	<b>25,069</b>	<b>(18,964)</b>	<b>(226)</b>	<b>(2,843)</b>	<b>9,519</b>	<b>197</b>	<b>789</b>	<b>15,921</b>
<b>Changes in equity for the 6 months ended 30 June 2021</b>									
Loss for the period	-	-	(2,440)	-	-	-	-	-	(2,440)
Currency translation Differences	-	-	-	(229)	-	-	-	-	(229)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(2,440)</b>	<b>(229)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,669)</b>
<b>Transactions with the owners</b>									
Shares issued during the period	49	12,480	-	-	-	-	-	-	12,529
Costs of Share Issue	-	(567)	-	-	-	-	-	-	(567)
Share option-based charge	-	-	-	-	-	-	86	-	86
Non-controlling interests	-	-	789	-	-	-	-	(789)	-
Reserve transfer	-	-	6	-	-	-	(6)	-	-
<b>Total contributions by and distributions to owners</b>	<b>49</b>	<b>11,913</b>	<b>795</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>(789)</b>	<b>12,048</b>
<b>At 30 June 2021</b>	<b>2,429</b>	<b>36,982</b>	<b>(20,609)</b>	<b>(455)</b>	<b>(2,843)</b>	<b>9,519</b>	<b>277</b>	<b>-</b>	<b>25,300</b>
<b>Changes in equity for the 6 months ended 31 December 2021</b>									
Loss for the period	-	-	(181)	-	-	-	-	-	(181)
Non-controlling interests	-	-	-	-	-	-	-	-	-
Currency translation Differences	-	-	-	11	-	-	-	-	11
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(181)</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(170)</b>
<b>Transactions with the owners</b>									
Shares issued during the period	-	751	-	-	-	-	-	-	751
Costs of Share Issue	-	(847)	-	-	-	-	-	-	(847)
Share option-based charge	-	-	-	-	-	-	(72)	-	(72)
Investment in subsidiary	-	-	-	-	(1,200)	-	-	-	(1,200)
Reserve transfer	-	-	54	-	-	-	(54)	-	-
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>(96)</b>	<b>54</b>	<b>-</b>	<b>(1,200)</b>	<b>-</b>	<b>(126)</b>	<b>-</b>	<b>(1,368)</b>
<b>At 31 December 2021</b>	<b>2,429</b>	<b>36,886</b>	<b>(20,736)</b>	<b>(444)</b>	<b>(4,043)</b>	<b>9,519</b>	<b>151</b>	<b>-</b>	<b>23,762</b>
<b>Changes in equity for the 6 months ended 30 June 2022</b>									
Loss for the period	-	-	(2,220)	-	-	-	-	-	(2,220)
Currency translation Differences	-	-	-	245	-	-	-	-	245
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(2,220)</b>	<b>245</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,975)</b>
<b>Transactions with the owners</b>									
Shares issued during the period	5	644	-	-	-	-	-	-	649
Costs of Share Issue	-	-	-	-	-	-	-	-	-
Share option-based charge	-	-	-	-	-	-	161	-	161
Non-controlling interests	-	-	-	-	-	-	-	-	-
Share based reserve transfer	-	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>	<b>5</b>	<b>644</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>161</b>	<b>-</b>	<b>810</b>
<b>At 30 June 2022</b>	<b>2,434</b>	<b>37,530</b>	<b>(22,956)</b>	<b>(199)</b>	<b>(4,043)</b>	<b>9,519</b>	<b>312</b>	<b>-</b>	<b>22,597</b>

# Notes to the Financial Statements

## For the 6 months ended 30 June 2022

### 1. General information

DeepVerge plc is a company incorporated in England and Wales. The Company is a public limited company admitted to trading on the AIM market of the London Stock Exchange on 5 April 2017. The address of the registered office is York Biotech Campus, Sand Hutton, York, North Yorkshire, YO41 1LZ.

The Company is an environmental and life science group whose principal activities is the development and application of AI and IoT technology to analytical instruments for the analysis and identification of bacteria, virus and toxins. Utilising artificial intelligent data analytics to scientifically prove the impact of skincare product claims on skin microbiome and the remote detection and identification in real-time, dangerous pathogens, such as SARS-CoV-2 in wastewater treatment plants, drinking water, rivers, lakes and reservoirs.

Skin Trust Club is a direct-to-consumer home test kit business from Labskin which has become core to the growth of the Labskin Division. The Skin Trust Club gives every skin care product consumer the opportunity to understand their unique skin microbiome, track their skin health, follow personalised skincare routines, and to make informed decisions about skincare and cosmetic products. The platform has evolved from 15 years of R&D of laboratory growing skin testing, helping people find skincare routines that fit their lifestyles, focusing on driving innovation and empowering people with the knowledge to know their skin.

The financial statements are presented in pounds sterling, the currency of the primary economic environment in which the Company's trading companies operate.

The registered number of the Company is 10205396.

### 2. Basis of preparation

The financial information in these interim results is that of the holding company and all of its subsidiaries (the Group). It has been prepared in accordance with the recognition and measurement requirements of UK adopted International Financial Reporting Standards (IFRSs), IFRS Interpretations Committee (IFRIC) and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated interim financial statements have been prepared under the historical cost convention.

The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 31 December 2021, as amended by the UK adopted IFRSs, and which will form the basis of the 2022 financial statements except for a number of new and amended standards which have become effective since the beginning of the previous financial year. These new and amended standards are not expected to materially affect the Group.

The financial information presented herein does not constitute full statutory accounts under Section 434 of the Companies Act 2006 and was not subject to a formal review by the Group's Independent Auditors. The financial information in respect of the year ended 31 December 2021 has been extracted from the statutory accounts which have been delivered to the Registrar of Companies. The Group's Independent Auditor's report on those accounts was unqualified, did not include references to any matters to which the Auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The financial information for the half years ended 30 June 2022 and 30 June 2021 is unaudited and the twelve months to 31 December 2021 is audited.

### 3. Exceptional items and other operating gain

#### Exceptional Items

Included within administrative expenses are exceptional items as shown below:

	<b>Unaudited 6 months ended 30 June 2022</b>	<b>Unaudited 6 months ended 30 June 2021</b>	<b>Audited Year ended 31 December 2021</b>
Exceptional items include:			
Transaction costs relating to raising funds and business acquisitions and disposals	12	61	27
<b>Total exceptional items</b>	<b>12</b>	<b>61</b>	<b>27</b>

## Other Operating Gain

Loan forgiveness of 2020 Payment Protection Loan (Covid) for US subsidiary company Modern Water Inc.	-	162	-
<b>Other Operating Gain</b>	-	<b>162</b>	-

## 4. Taxation

	Unaudited 6 months ended 30 June 2022 £'000	Unaudited 6 months ended 30 June 2021 £'000	Audited Year ended 31 December 2021 £'000
Research and development tax credit	-	-	669
Deferred tax credit	164	178	332
	<b>164</b>	<b>178</b>	<b>1,001</b>

## 5. Loss per share

### (a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited 6 months ended 30 June 2022 £2,220,000	Unaudited 6 months ended 30 June 2021 £2,440,000	Audited Year ended 31 December 2021 £2,679,000
Loss attributable to equity shareholders	£2,220,000	£2,440,000	£2,679,000
Weighted average number of 0.1p Ordinary Shares in issue	217,810,545	178,305,066	196,932,854
Basic loss per ordinary share	1.0p	1.4p	1.3p

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The options and warrants are anti-dilutive in view of the losses in the year. .

## 6. Dividends

There were no dividends paid or proposed by the Company.

## 7. Share capital

	Unaudited 6 months ended 30 June 2022 £'000	Unaudited 6 months ended 30 June 2021 £'000	Audited Year ended 31 December 2021 £'000
Ordinary shares of 0.1p each	220	215	215
Deferred shares of 0.99p each	2,214	2,214	2,214
<b>Total</b>	<b>2,434</b>	<b>2,429</b>	<b>2,429</b>

As of 30 June 2022, the Company had an issued share capital of 219,706,378 ordinary shares of 0.1p each and 223,685,232 deferred shares of 0.99p each.

## Ordinary shares issued during the period

### Acquisition of Glanaco Limited

On 16 March 2022 Rinocloud Limited acquired 100% of the shareholding of the Irish registered engineering company Glanaco Limited for a total consideration of £1.068m comprising £0.420m in cash and £0.648m in shares. A total of 4,550,000 of DeepVerge plc 0.1p ordinary shares were issued with the share value attributable to the mid-market price on 14 March 2022.

Date of Issue	Shares	No of shares	Transaction Share Price	Consideration
16 March 2022	0.1p ordinary shares	4,550,000	14.25p	£648,375

## 8. Cash used in operations

	Unaudited 6 months ended 30 June 2022 £'000	Unaudited 6 months ended 30 June 2021 £'000	Audited Year ended 31 December 2021 £'000
<b>Loss for the year from continuing activities</b>	<b>(2,220)</b>	<b>(2,440)</b>	<b>(2,679)</b>
<b>Continuing operations</b>			
Adjustments for:			
– Depreciation & Amortisation	1,755	1,553	3,216
– Net finance costs	245	307	420
– Taxation	(172)	(178)	(1,001)
– Foreign currency	29	(229)	95
– Share option-based charge	161	86	-
Changes in working capital			
– Inventories	(1,513)	(652)	(363)
– Trade and other receivables	(547)	(803)	(5,070)
– Trade and other payables	916	(473)	740
<b>Net cash used in operations</b>	<b>(1,346)</b>	<b>(2,829)</b>	<b>(4,642)</b>

## 9. Post balance sheet events

No significant events have occurred since the period end.

## 10. Availability of announcement

A copy of this announcement is available from the Company's website, being [www.deepverge.com](http://www.deepverge.com).