



21 September 2020

Modern Water plc ("Modern Water" or "the Company")

INTERIM RESULTS

Modern Water (AIM:MWG), the owner of leading technologies for water and wastewater treatment and the monitoring of water quality, announces interim results for the 6 months ended 30 June 2020

Commenting on the results, Gerard Brandon, Chairman of Modern Water, said:

"The necessary structural changes that were outlined in the recently published 2019 annual results, were carried on through H1 2020. The Company business model in 2020 has moved to a collaboration, cooperation and partnership business model resulting in a high volume, high margin recurring revenue strategy. The increased order levels, seen in H1, are currently being prepared for shipping in H2 2020.

"Modern Water continues to retain a leadership position within the water contamination monitoring sector and is adding the latest technologies in ecommerce, logistics, comms, networking and data encryption which extends the global reach of the Company beyond the US, Europe and Far East offices. With thousands of sites and hundreds of water systems installed over the last 30 years, the Company retains a strong international position in water monitoring. The strategic challenge through this COVID-19 pandemic is being met with the move to provide support services online, making it easier and safer to interact with customers while at the same time to increase the capacity of our equipment to provide surveillance against all sorts of contaminants and threats including viruses and pathogens.

"The new platform gives us the ability to further exploit the data the Company generates from different water systems across the world. Data analytics within the latest AI systems, produced in collaboration with Company partners positions Modern Water to receive multiple revenue streams from equipment, consumables and predictive services for our existing and new clients coming online to manage their COVID-19 risk."

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GROUP STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

SIX MONTH PERIOD ENDED 30 JUNE 2020

	6 months ended 30 June 2020	6 months ended 30 June 2019- Restated	6 months ended 30 June 2019	Year ended 31 December 2019
	£'000	£'000	£'000	£'000
Revenue	733	1,934	2,019	2,941
Cost of Sales	(335)	(972)	(1,005)	(1,475)
Gross profit	398	961	1,014	1,466
Administration expenses	(913)	(1,606)	(2,112)	(2,386)
Inventory valuation adjustment	—	—	—	(7)
Operating loss before interest, tax, depreciation & amortisation	(515)	(645)	(967)	(927)
Depreciation and amortisation	(261)	(212)	(213)	(687)
Operating loss	(776)	(856)	(1,180)	(1,614)
Finance income	—	265	265	65
Finance costs	(43)	(44)	(44)	(97)
Loss on ordinary activities before taxation	(819)	(635)	(959)	(1,646)
Taxation	(3)	(9)	(9)	(27)
Loss for the period	(822)	(644)	(968)	(1,673)
Other comprehensive income				
Items may be subsequently reclassified to profit or loss				
Foreign currency translation differences on foreign operations	156	(310)	(310)	181
Total comprehensive loss for the half year	(666)	(954)	(1,278)	(1,492)
Discontinued Operations:				
Modern Water Services Limited	—	(273)	—	(546)
Modern Water Monitoring Limited	—	(19)	—	(37)
Total Loss for the year	—	(292)	—	(2,075)
Loss attributable to:				
Owners of the parent	(822)	(644)	(968)	(2,071)
Non-controlling interests	—	(1)	(1)	(4)
	(822)	(645)	(969)	(2,075)
Total comprehensive loss attributable to:				
Owners of the parent	(666)	(953)	(1,277)	(1,488)
Non-controlling interests	—	(1)	(1)	(4)
	(666)	(954)	(1,278)	(1,492)
Loss per share attributable to the equity holders of the parent				
Basic loss per share	0.16p	0.60p	0.91p	2.22p
Diluted loss per share	0.16p	0.60p	0.91p	2.22p

The notes form an integral part of this condensed consolidated interim financial information.

GROUP STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 30 JUNE 2020

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	278	146	363
Intangible assets	1,277	1,483	1,190
	1,555	1,629	1,553
Current assets			
Inventories	777	920	706
Trade and other receivables	791	742	268
Cash and cash equivalents	799	68	176
	2,367	1,730	1,150
Total assets	3,922	3,359	2,703
Equity and liabilities			
Equity			
Ordinary shares	1,312	283	311
Share premium account	43,659	42,965	43,140
Warrant reserve	401	100	105
Merger reserve	398	398	398
Foreign exchange reserve	(332)	(652)	(488)
Accumulated losses	(43,645)	(41,920)	(42,823)
	1,793	1,174	643
Non-controlling interests	—	154	5
Total equity	1,793	1,328	648
Liabilities			
Non-current liabilities			
Bank Loan	408	524	440
Deferred tax liabilities	—	—	—
	408	524	440
Current liabilities			
Trade and other payables	1,721	1,507	1,615
Total liabilities	2,129	2,031	2,055
Total equity and liabilities	3,922	3,359	2,703

The notes form an integral part of this condensed consolidated interim financial information.

GROUP STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

SIX MONTH PERIOD ENDED 30 JUNE 2020

	Called up share capital £'000	Share premium account £'000	Warrant reserve £'000	Merger reserve £'000	Foreign exchange reserve £'000	Retained Earnings £'000	Total £'000	Non- controlling interests £'000	Total equity £'000
Six month period ended 30 June 2019									
Balance as at 1 January 2019	261	42,613	100	398	(669)	(40,642)	2,061	9	2,070
Comprehensive loss									
Loss for the period ended 30 June 2019	—	—	—	—	—	(1,414)	(1,414)	(9)	(1,423)
Foreign currency translation differences	—	—	—	—	17	—	17	—	17
Total comprehensive loss	—	—	—	—	17	(1,414)	(1,261)	(9)	(1,261)
Transactions with owners									
Issue of shares	22	530	—	—	—	—	552	—	552
Share-based payments	—	—	—	—	—	86	86	—	86
Total transactions with owners	—	—	—	—	—	86	86	—	86
Balance as at 30 June 2019	283	43,143	100	398	(652)	(41,970)	1,302	0	1,302
Six month period ended 30 June 2020									
Balance as at 1 January 2020	311	43,140	105	398	(488)	(42,823)	643	5	648
Comprehensive loss									
Loss for the period ended 30 June 2020	—	—	—	—	—	(822)	(822)	(5)	(827)
Foreign currency translation differences	—	—	—	—	156	—	156	—	156
Total comprehensive loss	—	—	—	—	156	(822)	(666)	—	(671)
Transactions with owners									
Issue of shares	1,001	519	389	—	—	—	1,909	—	1,909
Share-based payments	—	—	(92)	—	—	—	(92)	—	(92)
Total transactions with owners	—	—	—	—	—	—	1,816	—	1,816
Balance as at 30 June 2020	1,312	43,659	401	398	(332)	(43,645)	1,793	—	1,793

The notes form an integral part of this condensed consolidated interim financial information.

GROUP STATEMENT OF CASH FLOWS (UNAUDITED)

SIX MONTH PERIOD ENDED 30 JUNE 2020

	6 months ended 30 June 2020 £'000	6 months Ended 30 June 2019- Restated £'000	6 months Ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities				
Loss on ordinary activities before taxation	(819)	(626)	(1,261)	(1,646)
Adjustments for:				
Inventory valuation adjustment	—	—	—	7
Depreciation of property, plant and equipment	121	56	56	210
Amortisation of intangible assets	140	157	157	477
Impairment of goodwill	—	—	—	—
Discontinued operations	—	(635)	—	(573)
Net finance (income)/cost	(43)	130	130	32
Share-based payments	5	86	86	5
Movements in working capital:				
(Increase)/Decrease in inventories	71	15	15	229
Decrease in trade and other receivables	(523)	272	272	746
(Decrease) in trade and other payables	129	170	170	(13)
Net cash flows used in operating activities	(919)	(375)	(375)	(523)
Cash flows from investing activities				
Purchase of property, plant and equipment	0	0	0	(93)
Proceeds from sale of property, plant and equipment	—	—	—	—
Purchase of patents and development costs	(87)	(354)	(354)	(108)
Interest received/Paid	(20)	—	—	—
Tax Received / (Paid)	—	(9)	(9)	—
Net cash flows used in investing activities	(107)	(363)	(363)	(246)
Cash flows from financing activities				
Disc operations	—	—	—	533
Proceeds from borrowings	(210)	—	—	(92)
IFRS 16- finance lease interest	(9)	—	—	(27)
IFRS 16- repayment and capital on liability	(145)	—	—	(290)
Proceeds from bank loan	177	—	—	—
Proceeds from issuance of ordinary shares	1,819	552	552	577
Net cash flows used in financing activities	1,632	552	552	701
Net (decrease)/increase in cash and cash equivalents	606	(186)	(186)	(71)
Cash and cash equivalents at start of period	176	228	228	228
Exchange (losses)/gains on bank balances	17	26	26	19
Cash and cash equivalents at end of period	799	68	68	176

The notes form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

SIX MONTH PERIOD ENDED 30 JUNE 2020

1. General information

Modern Water plc ('the Company') and its subsidiaries (together, 'the Group') invests in, develops and deploys new water technology. The Company is a public limited company incorporated and domiciled in England and Wales, whose shares are publicly traded on the AIM market operated by the London Stock Exchange. The registered office is 12th Floor, 6 New Street Square, London, EC4A 3BF.

This condensed consolidated interim financial information was approved for issue by the Board of Directors on 21 September 2020. These interim financial results are unaudited and do not comprise statutory accounts within the meaning of section 435 of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2019 were approved by the board of directors on 21 August 2020. The auditor's opinion on those accounts was not modified but contained an emphasis of matter paragraph related to the going concern. They did not contain any statement under section 498 of the Companies Act 2006.

2. Basis of preparation and going concern

2.1 Basis of preparation

The principal accounting policies have been applied consistently throughout the period in the preparation of these financial statements. This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with the AIM Rules for Companies of the London Stock Exchange plc and with IAS 34, 'Interim financial reporting' as adopted by the European Union.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2.2 Going concern

The directors are required by company law to be satisfied that the Group has adequate resources to continue in business for the foreseeable future. A review has been conducted and the directors have concluded that such resources are available, and that the going concern basis is justified in preparation of the financial statements.

The Group's forecasts prepared by the directors reflect that funding requirements have reduced significantly following the restructuring of the Group's Membrane Division and Central function and the issue of equity in February this year.

The Group's remaining funding requirements will be met from:

- The £799k cash balance as of 30-June-2020;
- Revenue from the Monitoring Division
- Revenue from the restructured Membrane Processes Division.

3. Accounting policies

3.1 Accounting policy and disclosure changes

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019.

4. Principal risks and uncertainties

A detailed explanation of the principal risks and uncertainties affecting the Group, and the steps taken to manage them, is set out in the Directors' Report section of the Group's 2019 Annual Report and Accounts, which is available on the Group's website at www.modernwater.com. The principal risks and uncertainties are summarised as follows:

- customer acceptance of the Group's technologies;
- competitor technology;
- socio-political risks;
- scaling up the technology;
- IP protection;
- recruitment and retention of key personnel;
- health and safety; and
- financial risks.

There have been no significant changes in the nature of these risks that will affect the next six months of the financial year.

5. Critical accounting estimates and judgements

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

SIX MONTH PERIOD ENDED 30 JUNE 2020

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under current circumstances. Actual results may differ from these estimates. The key sources of estimation uncertainty during the current year were consistent with the prior year, as detailed in the Group's 2019 Annual Report and Accounts.

6. Segmental analysis

The chief operating decision-maker is deemed to be the Board, for whom monthly financial information is provided by division to gross profit and direct overheads; below this financial information is reported in a consolidated Group format. For management reporting purposes the Group is organised into two operating segments (i) Membrane Processes; and (ii) Monitoring, which matches this divisional split.

Administrative expenses which are directly attributable to the two main operating divisions (comprised of business development, sales, operations and technical expenditure) are reported as expenditure in the respective division. However, a significant proportion of the Group's expenditure (legal, marketing, finance, facilities and directors' expenditure) is managed and reported centrally. As the commercial activities of the Group develop, this financial information is expected to evolve.

Statement of Comprehensive Income	6 months ended 30 June 2020				6 months ended 30 June 2019- Restated			
	Membrane £'000	Monitoring £'000	Central £'000	Total £'000	Membrane £'000	Monitoring £'000	Central £'000	Total £'000
Revenue	36	697	—	733	127	1,808	—	1,935
Cost of sales	(1)	(334)	—	(335)	(12)	(961)	—	(973)
Gross profit	35	363	—	398	114	847	—	961
Administrative expenses	(610)	(298)	—	(908)	(476)	(849)	(196)	(1,521)
Share-based payments	—	—	(5)	(5)	—	—	(86)	(86)
Operating profit/(loss) before tax depreciation and amortisation	(575)	65	(5)	(515)	(362)	(2)	(282)	(646)
Depreciation and amortisation	(75)	(186)	—	(261)	(32)	(180)	—	(212)
Operating profit/(loss)	(650)	(121)	(5)	(776)	(394)	(182)	(282)	(858)
Finance income	—	—	—	—	—	—	264	264
Finance costs	—	—	(43)	(43)	—	—	(44)	(44)
Profit/(loss) before taxation	(650)	(121)	(48)	(819)	(394)	(182)	(62)	(638)
Taxation	(2)	(1)	—	(3)	(1)	(9)	—	(10)
Profit/(loss) for the period	(652)	(122)	(48)	(822)	(395)	(191)	(62)	(648)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

SIX MONTH PERIOD ENDED 30 JUNE 2020

7. Administrative expenses by nature

	Note	6 months ended 30 June 2020 £'000	6 months ended 30 June 2019- Restated £'000	6 months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Employee benefits expense		487	1,067	1,267	1,621
Share-based payments	8	5	86	86	5
Operating lease payments		24	133	133	22
Research and development		—	12	12	20
Auditors remuneration		30	27	27	60
Exceptional item: Inventory valuation adjustment		—	—	—	7
Other administrative expenses		367	281	456	651
Total administrative expenses before depreciation and amortisation		913	1,606	1,981	2,386
Depreciation and amortisation charges		261	213	213	687
Exceptional item: Goodwill impairment		—	—	—	—
Total administrative expenses including depreciation and amortisation		1,174	1,819	2,194	3,073

8. Share-based payments

	6 months Ended 30 June 2020 £'000	6 months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Options (including EMI)	5	86	5
Conditional share awards	—	—	—
Equity-settled share-based payments	5	86	5
Cash-settled share-based payments	—	—	—
Total share-based payments charged to the income statement	5	86	5

9. Loss per share

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. As the Group is loss making, the diluted loss per share is equal to the basic loss per share.

	6 months ended 30 June 2020 £'000	6 months ended 30 June 2019- Restated £'000	6 months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
(Loss) attributable to owners of the parent (£'000) Continuing Operations	822	644	968	1,488
(Loss) attributable to owners of the parent (£'000) Discontinued Operations	—	—	—	583
(Loss) attributable to owners of the parent (£'000) TOTAL	—	—	—	2,071
Weighted Average number of ordinary shares in issue (thousands)	524,693	106,830	106,830	116,098
Basic Loss per Share - Continuing Operations	0.16p	0.60p	0.91p	1.28p
Basic Loss per share - Discontinued operations				0.50p
Basic Loss per share (pence)	0.16p	0.60p	0.91p	1.78p

10. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation in the Group accounts.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

SIX MONTH PERIOD ENDED 30 JUNE 2020

11. Subsequent Event

On 28 August 2020, the Company announced that it had reached agreement on the terms of a recommended offer to be made by Integumen plc for the entire issued and to be issued share capital of Modern Water plc.

Following the share consolidation approved on 15 September 2020 by Integumen's shareholders, under the terms of the offer Modern Water shareholders would be entitled to receive 1 new ordinary Integumen plc share of 0.1p for every 10 Modern Water ordinary shares held.

It is expected that a formal Offer Document will be issued by Integumen to Modern Water shareholders in due course.

The directors confirm that, to the best of their knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS34 as adopted by the European Union. The interim management report includes a fair review of the information required by the FCA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R), namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Modern Water plc are listed in the Modern Water plc Annual Report and Accounts 2019. A list of the current directors is maintained on the Company's website www.modernwater.com.

Simon Humphrey
Chief Executive

21 September 2020

The information contained within this announcement is deemed by the Company to constitute inside information under the Market Abuse Regulation (EU) No. 596/2014.

Caution regarding forward looking statements

Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "should" "envisage", "estimate", "intend", "may", "plan", "potentially", "expect", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors.

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