

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
FOR
RECYCLING TECHNOLOGIES LIMITED

Haines Watts
Chartered Accountants & Statutory Auditors
Old Station House
Station Approach
Newport Street
Swindon
Wiltshire
SN1 3DU

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Page
Company Information	1
Statement of Financial Position	2
Notes to the Financial Statements	4

RECYCLING TECHNOLOGIES LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS:

Ms N M Frayne
Mr S P Hodges
Mr R Jain
Mr A E Griffiths
Mr P R Turner
Mr G B Bullard
Mr L D E Hollingworth
Mr S J Dent
Mr J M Helenius

REGISTERED OFFICE:

Hill Barn
Upper Pavenhill
Purton
Swindon
Wiltshire
SN5 4DQ

REGISTERED NUMBER:

07528795 (England and Wales)

AUDITORS:

Haines Watts
Chartered Accountants & Statutory Auditors
Old Station House
Station Approach
Newport Street
Swindon
Wiltshire
SN1 3DU

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
FIXED ASSETS					
Intangible assets	4		4,764		-
Tangible assets	5		333,141		121,743
Investments	6		10		-
			<u>337,915</u>		<u>121,743</u>
CURRENT ASSETS					
Stocks		2,663		-	
Debtors	7	652,863		676,102	
Cash at bank		<u>2,932,540</u>		<u>1,835,168</u>	
		3,588,066		2,511,270	
CREDITORS					
Amounts falling due within one year	8	<u>798,282</u>		<u>1,014,428</u>	
NET CURRENT ASSETS			<u>2,789,784</u>		<u>1,496,842</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,127,699		1,618,585
CREDITORS					
Amounts falling due after more than one year	9		<u>500,000</u>		-
NET ASSETS			<u>2,627,699</u>		<u>1,618,585</u>
CAPITAL AND RESERVES					
Called up share capital			224,211		207,430
Share premium			10,971,182		8,471,353
Retained earnings			<u>(8,567,694)</u>		<u>(7,060,198)</u>
			<u>2,627,699</u>		<u>1,618,585</u>

The notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION - continued
31 DECEMBER 2019

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 22 April 2020 and were signed on its behalf by:

Mr A E Griffiths - Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. STATUTORY INFORMATION

Recycling Technologies Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Preparation of consolidated financial statements

The financial statements contain information about Recycling Technologies Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 399(2A) of the Companies Act 2006 from the requirements to prepare consolidated financial statements.

Going concern

Currently the business is still within the development phase and therefore is dependent on funds received from grants and Research and Development Tax Credits, as well as funds from external investors.

The company has identified its funding requirements and has secured £9.4 million (€10 million) of additional equity to date through a partial close of the targeted £12million Series A funding round (note 14). However, to deliver the base business plan, including the build and installation of the first commercial scale production unit, an additional minimum funding requirement of approximately £6 million is forecast to be required within the next 12 months. This funding is being sought from a number of potential sources including further equity, grants and convertible loan notes issued by the Series A investors. Whilst this additional funding is not yet committed, negotiations with a number of potential providers are in progress.

The Directors have also considered the impact of COVID-19 on the going concern assumption. Although it is extremely difficult to predict how COVID-19 will continue to impact the UK and the rest of the world, the Company has taken reasonable steps to minimise the short-term cash drain whilst keeping the business moving forward. To the extent there are delays to the planned roll out of the first commercial scale unit as a result of COVID-19, this will potentially increase the additional minimum funding requirement for the Company and this is currently being factored into ongoing negotiations.

Based on the above, the Directors consider that the company is a going concern and the accounts have been prepared on this basis.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract.

Revenue from grants is recognised in the period in which the grant conditions are satisfied.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software is being amortised evenly over its estimated useful life of five years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant & Machinery	-	10% straight line
Fixtures & Fittings	-	20% straight line
Motor vehicles	-	20% straight line

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

Stocks & work in progress

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

Costs include all costs of purchase, costs of conversion and other costs incurred in bringing stock to its present location and condition.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. An element of profit is included where the outcome of the project may reasonably be determined.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 73 (2018 - 42) .

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

4. INTANGIBLE FIXED ASSETS

	Other intangible assets £
COST	
Additions	5,040
At 31 December 2019	<u>5,040</u>
AMORTISATION	
Charge for year	276
At 31 December 2019	<u>276</u>
NET BOOK VALUE	
At 31 December 2019	<u>4,764</u>

5. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 January 2019	23,755	133,275	13,000	170,030
Additions	627,870	42,824	-	670,694
Disposals	(21,165)	(20,721)	-	(41,886)
Impairments	(406,703)	-	-	(406,703)
At 31 December 2019	<u>223,757</u>	<u>155,378</u>	<u>13,000</u>	<u>392,135</u>
DEPRECIATION				
At 1 January 2019	13,803	29,717	4,767	48,287
Charge for year	13,290	29,389	2,600	45,279
Eliminated on disposal	(15,656)	(18,916)	-	(34,572)
At 31 December 2019	<u>11,437</u>	<u>40,190</u>	<u>7,367</u>	<u>58,994</u>
NET BOOK VALUE				
At 31 December 2019	<u>212,320</u>	<u>115,188</u>	<u>5,633</u>	<u>333,141</u>
At 31 December 2018	<u>9,952</u>	<u>103,558</u>	<u>8,233</u>	<u>121,743</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

6. **FIXED ASSET INVESTMENTS**

	Shares in group undertaking £
COST	
Additions	10
At 31 December 2019	<u>10</u>
NET BOOK VALUE	
At 31 December 2019	<u>10</u>

The company holds 100% of the issued share capital of Recycling Technologies (Scotland) Limited, a company incorporated in Scotland and Recycling Technologies B.V, a company incorporated in The Netherlands.

7. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019 £	2018 £
Trade debtors	-	1,435
Other debtors	652,863	674,667
	<u>652,863</u>	<u>676,102</u>

Included within other debtors is an amount prepaid in relation to fixed assets. The outstanding commitment at year end is £167,821.

8. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019 £	2018 £
Hire purchase contracts	-	4,941
Trade creditors	439,319	217,417
Taxation and social security	(243,365)	(87,174)
Other creditors	602,328	879,244
	<u>798,282</u>	<u>1,014,428</u>

Included within 2018 other creditors is £746,328 of cash received for applications for share purchases. The share funding round was closed, and shares issued, during 2019.

9. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2019 £	2018 £
Bank loans	<u>500,000</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

10. **DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006**

The Report of the Auditors was unqualified.

Martin S Gurney FCA (Senior Statutory Auditor)
for and on behalf of Haines Watts

11. **DEFERRED TAX**

At the year end the company had tax losses carried forwards of £6.7m. The company has not provided for the £1.2m deferred tax asset that results from these losses.

12. **RESTRICTED FUNDS**

Included within the value of cash held at bank, £375,273 (2018: £nil) had a restriction on use.

13. **RELATED PARTY DISCLOSURES**

In the opinion of the directors, no one individual controls the company.

During the period, the following transactions took place with directors and their connected parties:

AEG (UK) Limited (a shareholder and a company controlled by a director) charged consultancy services to Recycling Technologies Limited of £10,008 (2018: £12,001). £1,001 was outstanding at the period end (2018: £1,001).

Parkinson Management Limited has undertaken business development work previously on a contingent fee basis. Any contingent fees payable to Parkinson Management Limited are dependent upon whether any contracts arise from that work and will be fully covered by the value arising from those contracts. The phased contingency fees potentially payable under this arrangement amount to a maximum of £72,500, that maximum sum only becoming payable in the event of three specified contracts all reaching financial close within a three year period, having an estimated value to the company in excess of £10m. As at the year end, none of the conditions triggering a liability for any of these fees had been met, and therefore no amounts have been included in the accounts in this respect.

Consultancy services were charged by Parkinson Management Limited to the company during the year of £3,200.

A consultancy agreement exists between the company and Marcian Limited (company number: 11496029), of which a director is Managing Director, under which the director will undertake activities which can be varied by agreement but will include providing support for entering into a strategic partnership with the petrochemical industry. Consultancy services of £36,000 were charged during the financial year.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

14. **POST BALANCE SHEET EVENTS**

On 26 March 2020, the Company completed a £9.4 million (€10 million) equity investment from two strategic investors in Neste Oyj and Mirova Capital (through SOF GP, S.á.r.l., acting in its capacity as general partner of Althelia Sustainable Ocean Fund SICAV-SIF). To complement the investment, a joint technology development agreement and a Plaxx offtake agreement was also completed with Neste.

The Company also adopted new Articles of Association on 26 March 2020.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

15. SHARE-BASED PAYMENTS

	EMI		USOS		Warrant	
	2019	2018	2019	2018	2019	2018
Bought Forward	1,360,627	945,409	3,584,492	3,439,282	350,000	350,000
Granted	78,858	595,640	89,407	145,210	-	-
Exercised	-	-	-	-	-	-
Lapsed	(66,724)	(180,422)	-	-	-	-
Transfer out	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-
Total	1,372,761	1,360,627	3,673,899	3,584,492	350,000	350,000
Exercisable at year end	-	-	-	-	-	-

The company has established an Enterprise Management Incentive (EMI) share option scheme with an exercise price of £0.30 - £1.50 per share.

EMI options vest at the earliest of:

- the company being listed on a recognised investment exchange
- the offer to acquire control of the company by purchase of the total issued share capital or a negotiated share sale and purchase agreement with the shareholders
- the offerer negotiates an asset sale
- for some EMI options the vesting happens on specific dates
- the discretion of the board

Vested EMI options can be exercised up to 10 years from the date of the grant. As none of the exercising points set out above are currently foreseen, no charge has been made to the profit and loss account in respect of these options in the period ended 31 December 2019. Options lapse if the employee leaves the company before the options vest.

During 2016 the company issued warrants for 350,000 Ordinary Shares at a price of £0.03 per share, pursuant to a warrant in favour of Mr Damian Tuite. These warrants were issued in connection with the termination of the subscription and shareholders' agreement between the Company and its shareholders dated 30 May 2014.

The company has established an Unapproved Share Option Scheme (USOS) with an exercise price of £0.01 per share.

USOS options vest at the earliest of:

- the company being listed on a recognised investment exchange
- the company being taken over by a company or by persons who are not an existing shareholder of the company
- the company being subject to a management buy-out
- 10 years from the date the scheme was created
- at the discretion of the Board

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

Vested USOS options can be exercised immediately. As none of the exercising points set out above are currently foreseen, no charge has been made to the profit and loss account in respect of these options in the period ended 31 December 2019.

Details of the number of EMI share options and weighted average exercise price (WAEP) outstanding during the period are as follows:

Exercise price £	Scheme	Net number of shares issued	Dec-2019 £	Dec-2018 £
0.30	EMI	33,333	10,000	10,000
0.35	EMI	94,285	33,000	33,000
0.45	EMI	516,665	232,499	245,070
0.50	EMI	144,620	72,310	72,310
1.10	EMI	551,223	606,345	598,169
1.50	EMI	32,635	48,953	-
		<u>1,372,761</u>	<u>1,003,107</u>	<u>958,549</u>
		WAEP	£0.731	£0.704

16. LEASING AGREEMENTS

	Non-cancellable operating leases	
	2019 £	2018 £
Within one year	166,335	166,335
Between one and five years	665,340	665,340
	<u>831,675</u>	<u>831,675</u>

The total non-cancellable operating leases as at 31/12/2019 relate solely to the rental of premises at Stirling Court, Swindon under a 10 year lease agreement at an annual rent of £166,335

17. DEVELOPMENT COSTS

The accounting treatment of research and development expenditure is governed by FRS102 which requires a company to write off all costs to its profit and loss account. Capitalisation is only allowed in very limited circumstances and, at this point in time, the company does not satisfy the requirements for capitalisation. Therefore all research and development costs, including the costs for the Beta Plant, regardless of their intrinsic nature (i.e. capital or revenue), are being written off to the profit and loss account as they arise.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.