REGISTERED NUMBER: 07528795 (England and Wales)

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020

	Notes	2020 £	2020 £	2019 £	2019 £
FIXED ASSETS					
Intangible assets	4		1,985,862		4,764
Tangible assets	5		996,346		333,141
Investments	6		10		10
			2,982,218		337,915
CURRENT ASSETS					
Stocks		17,146		2,663	
Debtors	7	2,864,252		984,591	
Cash at bank		4,154,648		2,932,540	
		7,036,046		3,919,794	
CREDITORS					
Amounts falling due within one year	8	1,375,524		1,130,010	
NET CURRENT ASSETS			5,660,522		2,789,784
TOTAL ASSETS LESS CURRENT LIABILITIES			8,642,740		3,127,699
CREDITORS					
Amounts falling due after more than one year	9		1,298,297		500,000
NET ASSETS			7,344,443		2,627,699
CAPITAL AND RESERVES					
Called up share capital			289,997		224,211
Share premium			20,161,033		10,971,182
Retained earnings			(13,106,587)		(8,567,694)
			7,344,443		2,627,699

The notes form part of these financial statements

continued...

STATEMENT OF FINANCIAL POSITION - continued
31 DECEMBER 2020

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 30 April 2021 and were signed on its behalf by:

Mr A E Griffiths - Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 primarily dependent on funds received from external investors, supplemented with funding from grants, revenue from discrete projects with third party customers and Research and Development Tax Credits.

The company has identified its funding requirements to deliver the base business plan, covering the build and installation of the first commercial scale production unit and further commercialisation of the business including the equity funds required to commence two further RT7000 projects, and is currently in the process of seeking to secure the circa £40m of additional investment identified. A proportion of this additional funding will need to be secured in the first half of 2022, at the latest, to ensure sufficient cash is available to provide the minimum required working capital to sustain the business beyond this point. This funding is being sought from a number of potential sources and whilst this additional funding is not yet committed, discussions with a number of potential providers are in progress and the directors believe they have sufficient cash resources on hand to conclude the fundraising in good time before the end of the cash runway.

The Directors have also considered the impact of COVID-19 on the going concern assumption. The COVID-19 viral pandemic is one of the most significant global economic events with unprecedented levels of uncertainty of outcomes. It is therefore difficult to evaluate all of the potential implications on the company's activities, suppliers, customers and strategic partners and the wider economy in the UK and internationally. However, the Company has specifically considered potential time delays to key projects and other cost implications in developing the business plan and funding requirements. To the extent there are further unexpected delays to the planned roll out of the first commercial scale unit as a result of COVID-19 this will potentially increase the cost to deliver the project, but the directors believe reasonable allowances have been made in assessing the level of funding currently being sought.

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

continued...

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.

Other Operating Income

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

Rt.7000 machine

The company is developing a modular and mass-producible machine, the RT7000, to turn hard-to-recycle plastic waste into a valuable chemical feedstock (Plaxx), which can be used to make virgin-quality plastic products. The RT7000 asset being developed is considered to comprise two elements:

· Cost of development of the commercial scale technology, including design, construction and testing of new components which represent key elements of the Company's proprietary Intellectual Property (Intangible Asset - RT7000 development costs)

· Cost of physical equipment installed on site (Tangible fixed asset)

Intangible assets

In accordance with FRS 102, the company only recognises an intangible asset as an asset if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset can be measured reliably.

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.

(i) Software

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

(ii) Development Costs

continued...

2. **ACCOUNTING POLICIES - continued**

The company recognises an intangible asset arising from development (or from the development phase of an internal project) if, and only if, all of the following can be demonstrated:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

(b) Its intention to complete the intangible asset and use or sell it.

(c) Its ability to use or sell the intangible asset.

(d) How the intangible asset will generate probable future economic benefits.

(e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure not meeting the above criteria for capitalisation is expenses as incurred. The expenditure being incurred on the first RT7000 machine is considered development activity which now meets the criteria for capitalisation as the Board believe the technology is now sufficiently advanced to be deployable at commercial scale, consider that sufficient resources will be available to realise value from the developed RT7000 technology and generate future economic benefits as there is now reasonable evidence that a market for the RT7000 technology exists, as specifically addressed in the Impairment Accounting Policy.

Accordingly, the above criteria are considered to have been met in respect of the RT7000 technology and therefore it is being capitalised as an intangible asset under "RT7000 development costs". Other R&D activities being undertaken by the company, including resources consumed in research and development on the Beta Plant, are not considered to meet the above recognition criteria for capitalisation and therefore regardless of their intrinsic nature (i.e. capital or revenue), are being written off to the profit and loss account as they arise.

RT7000 development costs are not being amortised until the asset is in use. It will then be amortised evenly over the estimated useful life which is not expected to exceed 20 years.

continued...

2. **ACCOUNTING POLICIES - continued**

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

Impairment

In accordance with FRS 102, all assets are considered for impairment on an annual basis and the carrying value reduced to the recoverable amount of the asset, where necessary, by way of recording an impairment provision.

Specifically, in respect of assets associated with the development of the RT7000 technology, given the inherent uncertainty regarding operating performance of the first RT7000 machine, and in particular the lack of availability of corroborating third party data to support internal forecasts, it is not considered practicable at this point to assess recoverable amount based on a value-in-use calculations using a discounted cash flow model. Therefore, impairment of the RT7000 development costs, and associated prepayments, has only been considered on the basis of assessing fair value less costs to sell.

Given the overwhelming focus of the Company is on the development of the RT7000 commercial scale technology, and the current business plan is solely based on its commercial deployment through either own use or machine sales, evidence regarding the fair value of the RT7000 development costs asset is considered to primarily come from the substantial investment in the Company made by a knowledgeable investor from within the petrochemical sector at a Company valuation significantly in excess of the net asset value. Further comfort is also drawn from the previous sale of a license to use the developed technology at large scale and market valuations of listed competitors.

Having considered the above sources of evidence regarding the fair value of the commercial scale technology developed by the company, the Directors do not consider there to be any impairment in the carrying value of the RT7000 development costs , or associated prepayments, recorded as at 31 December 2020, as this carrying value is significantly below what is considered to be the supported fair value of the assets and the corresponding developed technology .

Investments in subsidiaries
Investments in subsidiary undertakings are recognised at cost.

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2. ACCOUNTING POLICIES - continued

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.

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 101 (2019 - 73) .

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NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

4. INTANGIBLE FIXED ASSETS

	RT7000 development costs £	Software £	Total intangible assets £
COST			
At 1 January 2020	-	5,040	5,040
Additions	1,857,809	136,497	1,994,306
At 31 December 2020	1,857,809	141,537	1,999,346
AMORTISATION			
At 1 January 2020	-	276	276
Charge for year	-	13,208	13,208
At 31 December 2020	-	13,484	13,484
NET BOOK VALUE			
At 31 December 2020	1,857,809	128,053	1,985,862
At 31 December 2019	-	4,764	4,764

The brought forward cost for RT7000 development costs is presented net of £415,503 of cumulative impairment (2019: £415,503). In accordance with the Company's accounting policy on impairment, intangible assets are considered for impairment on an annual basis. Having undertaken this assessment no further impairment is considered necessary in the current year, refer to "Accounting policies - Impairment" for further details.

continued...

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

5. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 January 2020	223,757	155,378	13,000	392,135
Additions	657,570	81,119	-	738,689
At 31 December 2020	881,327	236,497	13,000	1,130,824
DEPRECIATION				
At 1 January 2020	11,437	40,190	7,367	58,994
Charge for year	34,539	38,345	2,600	75,484
At 31 December 2020	45,976	78,535	9,967	134,478
NET BOOK VALUE				
At 31 December 2020	835,351	157,962	3,033	996,346
At 31 December 2019	212,320	115,188	5,633	333,141

In accordance with the Company's accounting policy on impairment, tangible fixed assets are considered for impairment on an annual basis. Having undertaken this assessment no impairment is considered necessary in the current year, refer to "Accounting policies - Impairment" for further details.

6. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 January 2020 and 31 December 2020	10
NET BOOK VALUE	
At 31 December 2020	10
At 31 December 2019	10

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.

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7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade debtors	373	-
Other debtors	2,863,879	984,591
	2,864,252	984,591

Included within other debtors is an amount of £724,829 (2019: £18,679) in prepayments relating to stage payments paid as deposits on equipment ordered (not delivered) for the build of the first RT7000 machine. The prepayments at year end have been made on equipment with a total order value of £1.7M (2019: £186,786).

In accordance with the Company's accounting policy on impairment, debtors are considered for impairment on an annual basis. Having undertaken this assessment no impairment is considered necessary in the current year, refer to "Accounting policies - Impairment" for further details.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Bank loans and overdrafts	100,000	-
Trade creditors	272,339	439,319
Taxation and social security	149,484	88,363
Other creditors	853,701	602,328
	1,375,524	1,130,010

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

	2020	2019
	£	£
Bank loans	935,433	500,000
Other creditors	362,864	-
	1,298,297	500,000

continued...

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

The Report of the Auditors was unqualified.

We draw attention to note 2 in the financial statements which indicates that the Company has capitalised the development of the RT7000, and that it does not consider that any asset associated with the RT7000 is impaired. The Company is carrying value in respect of the RT7000 within intangible assets, tangible assets and current assets. The Company has based these policies on transactions that it considers reasonably demonstrate value in the technology above and beyond the current carrying values within each of these asset categories. The RT7000 remains under development and is based upon innovative technology not directly compatible with other recycling operations, therefore the quantification of the carrying values remains highly subjective. Our opinion is not modified in respect of this matter.

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 £11.7m. The company has not provided for the £2.2m deferred tax asset that results from these losses.

12. RESTRICTED FUNDS

Included within the value of cash held at bank is £196,484 (2019: £375,273) which relates to funding from the Growing Places Infrastructure Fund, which is restricted under the Loan Agreement to use on capital assets purchased for the manufacturing and R&D laboratory facilities at the Companies Stirling Court site in Swindon.

continued...

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 (2019: £10,008). £1,001 was outstanding at the period end (2019: £1,001).

Parkinson Management Limited has undertaken business development work for the company on a contingent fee basis. 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 by 30 June 2021, 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 (2019: £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 and expenses of £36,528 (2019: £36,000) were charged during the financial year. £3,600 was accrued at the period end (2019: £3,600). The agreement was ended effective 31st January 2021.

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14. POST BALANCE SHEET EVENTS

On 13 January 2021 the Company entered into a convertible loan note funding agreement with Neste OYJ ("Neste"), Althelia Sustainable Ocean Fund SICAV-SIF ("SOF") and UK FF Nominees Limited ("Future Fund") under the UK Government's Future Fund programme for a total combined loan of £8,000,000.

The key terms are as follows:

(i) Interest Rate: Simple interest 8 per cent. per annum to roll up and be paid on maturity/ conversion. Any interest accrued only becomes payable on an event of default (as such term is defined in the CLA) or on conversion.

(ii) Security: The loan is unsecured and ranks equally with all unsecured debt.

(iii) Maturity Date: Maximum of 36 months.

(iv) Conversion: The loan will convert as follows:

a) automatically on the next "qualifying funding round" into the most senior class of equity, which is an equity funding where the business raises at least £8,000,000; or

b) at the election of the loan note holders into the most senior class of equity, on any non-qualifying round.

(v) Conversion Price: This will be set by reference to the price of the fund-raising which triggers conversion with the Discount Rate (see below) applied.

(vi) Discount Rate: 20% to the price of the funding round triggering conversion. On conversion, only the principal of the loan will attract the discount rate. Any accrued interest element will not benefit from the discount.

(vii) Valuation Cap: We have agreed a pre-money valuation cap. The effect of the valuation cap is such that if the price per share which results from dividing the valuation cap by the number of shares comprised in the fully diluted share capital is lower than the price per share applying the Discount Rate, the Conversion price will be equal to such lower price.

(viii) Repayment: Can occur at maturity if there has been no conversion event, or under some circumstances in the event of an exit. If the loan is repaid by the Company, it attracts a redemption premium being a premium equal to 100% of the principal committed.

(ix) Covenants: The Company will be subject to on-going covenants for so long as the loan remains outstanding or the Future Fund holds shares in the capital of the Company which include, but are not limited to, taking on further indebtedness without prior consent and providing information requested.

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NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

15. SHARE-BASED PAYMENTS

	EMI		USOS		Warrant	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Bought Forward	1,372,761	1,360,627	3,673,899	3,584,492	350,000	350,000
Granted	738,327	78,858	-	89,407	-	-
Exercised	-	-	(325,351)	-	-	-
Lapsed	(74,091)	(66,724)	-	-	-	-
Transfer out	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-
Total	**2,036,997**	**1,372,761**	**3,348,547**	**3,673,899**	**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 £0.01 - £1.50 per share.

Whilst the precise vesting conditions differ between iterations of the EMI scheme operated by the company, these vesting conditions include:
- the company being listed with eligible exchanges being defined in the particular scheme rules, which in all instances includes the AIM market operated by the London Stock Exchange plc
- sale of the company
- a management buyout of the entire share capital of the company
- change of control
- disposal of all or a substantial part of the business and assets of the group
- In some circumstances at the discretion of the board

In addition, some EMI options include a time-based vesting condition and vest on the earlier of the completion of the service period or the occurrence of an event as listed above.

Vested EMI options can be exercised up to 10 years from the date of the grant. A charge of £303,000 has been booked in the current year in relation to EMI share options which have a time-based vesting condition. The fair value of the options used for accounting purposes in this calculation has been estimated using a Black Scholes options pricing model. No charge was recognised in the prior year as it was assessed as immaterial. No charge has been recognised for options with event-based vesting only, as none of the vesting triggers set out above are currently considered probable Options generally 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.

continued...

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

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

Whilst the precise exercise conditions differ between iterations of the USOS scheme operated by the company, these exercise conditions include:
- the company being listed with eligible exchanges being defined in the particular scheme rules, which in all instances includes the AIM market operated by the London Stock Exchange plc
- sale of the company
- change of control
- disposal of all or a substantial part of the business and assets of the group
- winding up of the company
- the Longstop date, being either 10 years from the date the scheme was created or the grant of the option- at the discretion of the Board (for some options only)

A charge of £22,000 has been booked in the current year in relation to USOS share options that were allowed to be exercised in the year at the discretion of the Board. A charge of £241,000 has also been booked in the current year in relation to unexercised USOS share options, as the exercise of these options at their Longstop date is now considered probable. Of this charge, £174,000 relates to a catch up from prior years following a change of accounting estimate. In previous years, no charge was recognised as the exercise of the options was not considered probable.
The fair value of the options used for accounting purposes in this calculation has been estimated using a Black Scholes options pricing model, with the accounting charge spread from the date of grant to the Longstop date for the option.

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-2020	Dec-2019
£			£	£
0.01	EMI	738,327	7,383	
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	232,499
0.50	EMI	124,620	62,310	72,310
1.10	EMI	497,132	546,845	606,345
1.50	EMI	32,635	48,953	48,953
		2,036,997	940,990	1,003,107
		WAEP	£0.462	£0.731

continued...

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

16. LEASING AGREEMENTS

	Non-cancellable operating leases	
	2020	2019
	£	£
Within one year	182,629	166,335
Between one and five years	432,015	598,350
	614,644	764,685

The total non-cancellable operating leases as at 31/12/2020 relate mainly to the rental of premises at Stirling Court, Swindon under a 10 year lease agreement, at an annual rent of £166,335. This lease agreement has an option to terminate the lease in August 2023, with a penalty charge of 6 months rent.