

REGISTERED NUMBER: 07528795 (England and Wales)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
FOR
RECYCLING TECHNOLOGIES LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2018**

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RECYCLING TECHNOLOGIES LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS:

Ms N M Frayne
Mr A J Haworth
Mr S P Hodges
Mr R Jain
Mr H Lack
Mr G Philipps
Mr A E Griffiths
Mr P R Turner

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 2018

	Notes	2018 £	£	2017 £	£
FIXED ASSETS					
Tangible assets	4		121,743		66,800
CURRENT ASSETS					
Debtors	5	676,102		624,116	
Cash at bank		<u>1,835,168</u>		<u>938,186</u>	
		2,511,270		1,562,302	
CREDITORS					
Amounts falling due within one year	6	<u>1,014,428</u>		<u>154,228</u>	
NET CURRENT ASSETS			<u>1,496,842</u>		<u>1,408,074</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,618,585		1,474,874
CREDITORS					
Amounts falling due after more than one year	7		-		<u>7,474</u>
NET ASSETS			<u>1,618,585</u>		<u>1,467,400</u>
CAPITAL AND RESERVES					
Called up share capital			207,430		180,611
Share premium			8,471,353		5,547,790
Retained earnings			<u>(7,060,198)</u>		<u>(4,261,001)</u>
			<u>1,618,585</u>		<u>1,467,400</u>

The financial statements have been prepared and delivered in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

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 on 16 April 2019 and were signed on its behalf by:

Mr A E Griffiths - Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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.

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, but also on funds from external investors.

The company has identified its funding requirements and has secured £2million of additional equity funding to date. However, an additional £10million of funding is required in the second half of 2019 to build and install the first full scale production unit and provide additional working capital for the business for the next 12 months. Whilst this additional funding is not yet committed, negotiations with potential investors are in progress. Based on this the directors consider that the company is a going concern and the accounts have been prepared on this basis.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 42 (2017 - 35) .

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

4. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 January 2018	21,165	69,539	13,000	103,704
Additions	2,590	91,992	-	94,582
Disposals	-	(28,256)	-	(28,256)
At 31 December 2018	<u>23,755</u>	<u>133,275</u>	<u>13,000</u>	<u>170,030</u>
DEPRECIATION				
At 1 January 2018	11,600	23,137	2,167	36,904
Charge for year	2,203	17,555	2,600	22,358
Eliminated on disposal	-	(10,975)	-	(10,975)
At 31 December 2018	<u>13,803</u>	<u>29,717</u>	<u>4,767</u>	<u>48,287</u>
NET BOOK VALUE				
At 31 December 2018	<u>9,952</u>	<u>103,558</u>	<u>8,233</u>	<u>121,743</u>
At 31 December 2017	<u>9,565</u>	<u>46,402</u>	<u>10,833</u>	<u>66,800</u>

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Trade debtors	1,435	-
Other debtors	<u>674,667</u>	<u>624,116</u>
	<u>676,102</u>	<u>624,116</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Hire purchase contracts	4,941	4,426
Trade creditors	217,417	82,966
Taxation and social security	(87,174)	47,399
Other creditors	<u>879,244</u>	<u>19,437</u>
	<u>1,014,428</u>	<u>154,228</u>

Included within other creditors is £746,328 of cash received for applications for share purchases. The share funding round was closed, and shares issued, after the year end.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	2018	2017
	£	£
Hire purchase contracts	<u>-</u>	<u>7,474</u>

8. 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

9. DEFERRED TAX

At the year end the company had tax losses carried forwards of £3.9m. The company has not provided for the £1.1m deferred tax asset that results from these losses.

10. 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 £12,001 (2017: £9,007). £1,001 was outstanding at the period end (2017: £1,001).

Parkinson Management Limited (a company controlled by a shareholder) charged consultancy services to Recycling Technologies Limited of £nil (2017: £5,700). The amount outstanding at the period end was £nil (2017: £nil). Parkinson Management Limited has also 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 £217,500, 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.

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. No amounts were charged during the financial year.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

11. **POST BALANCE SHEET EVENTS**

The Crowdcube funding campaign, which commenced in November 2018, subsequently closed on 13 January 2019. This resulted in an additional 947,694 Ordinary shares and 344,350 B shares being issued post the balance sheet date for the total consideration of £1,938,066 (equivalent to £1.50 per share).

An unsecured, interest bearing loan agreement was signed on 22 February 2019 with Wiltshire Council, acting on behalf of the Swindon & Wiltshire Local Enterprise Partnership, to support the establishment of a manufacturing and research facilities in Swindon. The total value of the loan is £1,035,433 which is to be drawn down in tranches, with £150,000 being drawn down on 22 February 2019.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

12. SHARE-BASED PAYMENTS

	EMI		USOS		Warrant	
	2018	2017	2018	2017	2018	2017
Bought Forward	945,409	284,760	3,439,282	3,200,045	350,000	350,000
Granted	595,640	811,442	145,210	239,237	-	-
Exercised	-	-	-	-	-	-
Lapsed	(180,422)	(150,793)	-	-	-	-
Transfer out	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-
Total	1,360,627	945,409	3,584,492	3,439,282	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 - £1.10 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 2018. 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 2018

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 2018.

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-2018 £	Dec-2017 £
0.30	EMI	33,333	10,000	20,000
0.35	EMI	94,285	33,000	43,000
0.45	EMI	544,601	245,070	305,634
0.50	EMI	144,620	72,310	72,310
1.10	EMI	543,788	598,169	-
		<u>1,360,627</u>	<u>958,549</u>	<u>440,944</u>
		WAEP	£0.704	£0.435

13. LEASING AGREEMENTS

	Non-cancellable operating leases	
	2018 £	2017 £
Within one year	166,335	6,500
Between one and five years	665,340	-
	<u>831,675</u>	<u>6,500</u>

The total non-cancellable operating leases as at 31/12/2018 relate solely to the rental of premises at Stirling Court, Swindon under a 10 year lease agreement at an annual rent of £166,335

14. GRANT FUNDING

There has been grant funding received post year end of £23,457 which has been accrued and is therefore reflected within the 31st December 2018 figures.

15. 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.