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KJÆRULFF

PERSONLIGT ENGAGEMENT

STATSAUTORISERET
REVISIONSAKTIESELSKAB

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Circular Plastic Systems ApS

Grønningen 5, 3., København

Company reg. no. 12 12 12 70

Annual report

1 January - 31 December 2021

The annual report was submitted and approved by the general meeting on the 20 July 2022.

Philip Bresling
Chairman of the meeting

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.



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Management's statement

Today, the Managing Director has approved the annual report of Circular Plastic Systems ApS for the financial year 1 January - 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

I consider the chosen accounting policy to be appropriate, and in my opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

The Managing Director consider the conditions for audit exemption of the 2021 financial statements to be met.

Further, in my opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 20 July 2022

Managing Director

Philip Bresling



Practitioner's compilation report

To the Shareholder of Circular Plastic Systems ApS

We have compiled the financial statements of Circular Plastic Systems ApS for the financial year 1 January - 31 December 2021 based on the company's bookkeeping and on information you have provided.

These financial statements comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist Management in the preparation and presentation of these financial statements in accordance with the Danish Financial Statements Act. We have complied with relevant requirements under the Danish Act on Approved Auditors and Audit Firms and International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with the Danish Financial Statements Act.

Copenhagen, 20 July 2022

Christensen Kjarulff

Company reg. no. 15 91 56 41

Iver Haugsted
State Authorised Public Accountant
mne10678



Company information

The company

Circular Plastic Systems ApS
Grønningen 5, 3.
København

Company reg. no. 12 12 12 70
Domicile: Copenhagen
Financial year: 1 January - 31 December

Managing Director

Philip Bresling

Auditors

Christensen Kjærulff
Statsautoriseret Revisionsaktieselskab
Store Kongensgade 68
1264 København K

Parent company

Circular Plastic Systems Inc



Management's review

The principal activities of the company

Circular Plastic Systems ApS (CPS) has throughout the accounting year of 2021 been focusing on the development of, and infrastructure surrounding, the pyrolysis technology offered by Malstrom Reactor Technologies (MRT).

Development in activities and financial matters

The gross loss for the year totals DKK -1.654.821 against DKK -65.951 last year. Loss from ordinary activities after tax totals DKK -5.877.407 against DKK -643.210 last year. Management considers the net loss as expected.

The project and business has been developing according to plan and will continue to develop with the funding and support of CPS' owners. The development is projected to generate income on a consistent basis in year 2023, and the development will therefore continue throughout 2022 with upscaling taking place in 2023.



Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2021</u>	<u>2020</u>
Gross profit	-1.654.821	-65.951
2 Staff costs	-1.241.045	-735.635
Depreciation, amortisation, and impairment	-46.367	0
Operating profit	-2.942.233	-801.586
Other financial income	7.866	4.539
3 Other financial expenses	-366.245	-20.873
Pre-tax net profit or loss	-3.300.612	-817.920
Tax on net profit or loss for the year	-2.576.795	174.710
Net profit or loss for the year	-5.877.407	-643.210
Proposed appropriation of net profit:		
Allocated from retained earnings	-5.877.407	-643.210
Total allocations and transfers	-5.877.407	-643.210



Balance sheet at 31 December

All amounts in DKK.

<u>Note</u>	<u>2021</u>	<u>2020</u>
Assets		
Non-current assets		
4 Development projects under construction and prepayments for intangible assets	21.293.180	31.600
Total intangible assets	<u>21.293.180</u>	<u>31.600</u>
5 Other fixtures and fittings, tools and equipment	733.971	0
Total property, plant, and equipment	<u>733.971</u>	<u>0</u>
6 Deposits	1.928.020	0
Total investments	<u>1.928.020</u>	<u>0</u>
Total non-current assets	<u>23.955.171</u>	<u>31.600</u>
Current assets		
Trade receivables	158.363	149.000
Deferred tax assets	0	174.710
Other receivables	3.623.242	248.763
Prepayments	96.952	41.200
Total receivables	<u>3.878.557</u>	<u>613.673</u>
Cash and cash equivalents	363.200	61.464
Total current assets	<u>4.241.757</u>	<u>675.137</u>
Total assets	<u>28.196.928</u>	<u>706.737</u>



Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities

<u>Note</u>	<u>2021</u>	<u>2020</u>
Equity		
Contributed capital	40.000	40.000
Reserve for development costs	16.608.680	0
Retained earnings	-23.129.297	-643.210
Total equity	-6.480.617	-603.210
Provisions		
Provisions for deferred tax	2.402.085	0
Total provisions	2.402.085	0
Long term liabilities other than provisions		
Payables to group enterprises	20.096.246	0
Total long term liabilities other than provisions	20.096.246	0
Trade payables	7.114.595	199.185
Other payables	5.064.619	1.110.762
Total short term liabilities other than provisions	12.179.214	1.309.947
Total liabilities other than provisions	32.275.460	1.309.947
Total equity and liabilities	28.196.928	706.737

1 Uncertainties concerning the enterprise's ability to continue as a going concern

7 Contingencies



Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity 1 January 2020	40.000	0	0	40.000
Profit or loss for the year brought forward	0	0	-643.210	-643.210
Equity 1 January 2021	40.000	0	-643.210	-603.210
Profit or loss for the year brought forward	0	0	-5.877.407	-5.877.407
Transferred from results brought forward	0	16.608.680	0	16.608.680
Transferred to reserve for development costs	0	0	-16.608.680	-16.608.680
	40.000	16.608.680	-23.129.297	-6.480.617



Notes

All amounts in DKK.

1. Uncertainties concerning the enterprise's ability to continue as a going concern

The company's liabilities exceed its assets by DKK 3.972.282 as of 31 December 2021. This indicates uncertainties which could give rise to doubts about the company's activity as a going concern.

The continued operation of the company is depending on the maintenance of financing from the parent company and ultimate owner. The parent company and the ultimate owner have declared in a Letter of Indemnity that they will provide necessary financing to next annual general meeting.

	<u>2021</u>	<u>2020</u>
2. Staff costs		
Salaries and wages	414.634	696.538
Pension costs	416.343	0
Other costs for social security	41.839	2.840
Other staff costs	368.229	36.257
	<u>1.241.045</u>	<u>735.635</u>
Average number of employees	<u>5</u>	<u>2</u>

Staff costs has been reduced with salaries of DKK 3.327.273, which has activated as development costs, since this has been the estimated use in the process of developing the machine.

3. Other financial expenses

Other financial costs	<u>366.245</u>	<u>20.873</u>
	<u>366.245</u>	<u>20.873</u>

4. Development projects under construction and prepayments for intangible assets

Cost 1 January 2021	31.600	0
Additions during the year	<u>21.261.580</u>	<u>31.600</u>
Cost 31 December 2021	<u>21.293.180</u>	<u>31.600</u>
Carrying amount, 31 December 2021	<u>21.293.180</u>	<u>31.600</u>



Notes

All amounts in DKK.

	<u>31/12 2021</u>	<u>31/12 2020</u>
5. Other fixtures and fittings, tools and equipment		
Additions during the year	780.338	0
Cost 31 December 2021	780.338	0
Depreciation for the year	-46.367	0
Depreciation and writedown 31 December 2021	-46.367	0
Carrying amount, 31 December 2021	733.971	0
6. Deposits		
Additions during the year	1.928.020	0
Cost 31 December 2021	1.928.020	0
Carrying amount, 31 December 2021	1.928.020	0
7. Contingencies		
Contingent liabilities		DKK in thousands
Other contingent liabilities		11.130
Total contingent liabilities		11.130



Accounting policies

The annual report for Circular Plastic Systems ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Income statement

Gross loss

Gross loss comprises the revenue and external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.



Accounting policies

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment. Land is not subject to depreciation.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	5 years	0-20 %

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Investments

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.



Accounting policies

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in subsidiaries are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.



Accounting policies

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Dette dokument er underskrevet af nedenstående parter, der med deres underskrift har bekræftet dokumentets indhold samt alle datoer i dokumentet.

This document is signed by the following parties with their signatures confirming the documents content and all dates in the document.

Philip Hauen-Limkilde Bresling

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Tidspunkt for underskrift: 20-07-2022 kl.: 12:06:19
Underskrevet med NemID

Iver Haugsted

Som Revisor NEM ID
RID: 1127991245060
Tidspunkt for underskrift: 20-07-2022 kl.: 12:21:15
Underskrevet med NemID

Philip Hauen-Limkilde Bresling

Som Dirigent NEM ID
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