

WPU - Waste Plastic Upcycling A/S

Højgårdsvej 13A, Lammefjorden, 4540 Fårevejle

Company reg. no. 41 87 32 64

Annual report

1 January - 31 December 2022

The annual report was submitted and approved by the general meeting on the 23 May 2023.

Klaus Lindblad
Chairman of the meeting

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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 %.

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of WPU - Waste Plastic Upcycling A/S for the financial year 1 January - 31 December 2022.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022, and of the results of the Group and the Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2022.

Further, in our 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.

Fårevejle, 30 April 2023

Managing Director

Niels Henrik Bagge

Board of directors

Niels Stielund
Chairman

Klaus Henrik Lindblad

Anders Bloch

Sven Bjørn Pedersen

Niels Karsten Albertsen

Independent auditor's report

To the Shareholders of WPU - Waste Plastic Upcycling A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of WPU - Waste Plastic Upcycling A/S for the financial year 1 January to 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies for both the Group the Parent Company, as well as consolidated statement of cash flows. The consolidated financial statements and the parent company financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022, and of the results of the Group and the Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Parent Company Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

Independent auditor's report

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the consolidated financial statements and the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Copenhagen, 30 April 2023

Deloitte, Statsautoriseret Revisionspartnerselskab

Deloitte, Statsautoriseret Revisionspartnerselskab
Company reg. no. 33 96 35 56

Henrik Wolff Mikkelsen
State Authorised Public Accountant
mne33747

Company information

The company

WPU - Waste Plastic Upcycling A/S
Højgårdsvej 13A
Lammefjorden
4540 Fårevejle

Company reg. no. 41 87 32 64
Established: 19 November 2020
Domicile: Odsherred
Financial year: 1 January - 31 December

Board of directors

Niels Stielund, Chairman
Klaus Henrik Lindblad
Anders Bloch
Sven Bjørn Pedersen
Niels Karsten Albertsen

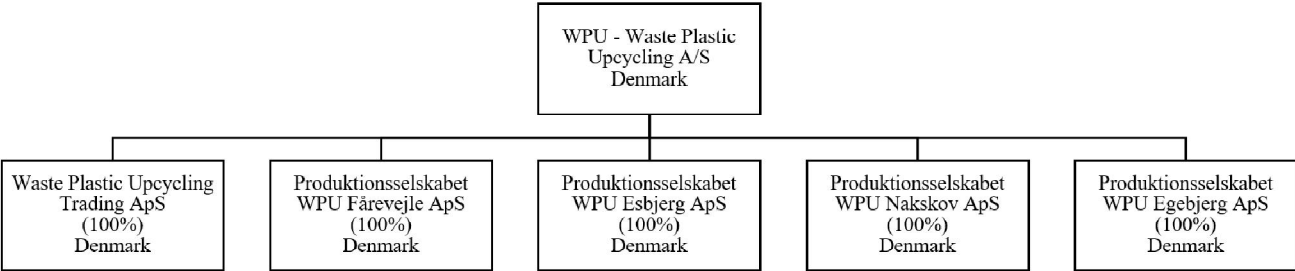
Managing Director

Niels Henrik Bagge

Auditors

Deloitte, Statsautoriseret Revisionspartnerselskab

Group overview



Management's review

Description of key activities of the company

The objective and the tasks of the corporate group is optimization of resources, waste collection and related services.

Uncertainties connected with recognition or measurement

There are no uncertainties as to recognition or measurement.

Development in activities and financial matters

The result from ordinary activities for 2022 totals DKK -21.041.855 against DKK -6.855.209 last year. The management consider the result to be according to expectations.

The financial year has been busy with many milestones being reached and important and future defining agreements being made.

In March a strategic offtake agreement with Vitol, the world's largest oil trader, was entered whereby the group secured a buyer for all future oil production from the first 3 production facilities. The agreement was followed by a large investment from Vitol, a successful notation on Euronext Growth Oslo (WPU) and financing from other important business partners, securing the capital needed for the completion of the production facility in Fårevejle.

The group's organization has also been strengthened in the year among others, with a CTO, a CFO and a Production Manager for the Fårevejle facility.

Meanwhile the group's trading subsidiary received an ISCC certification, which is an important part of the company's effort to document and maintain the environmentally friendly and CO2 saving business aim.

Additionally, and very important, the group's first brand new waste plastic upcycling facility in Fårevejle has almost been completed and is expected to be commissioned early 2023.

After the end of the financial year, Vitol and WPU have underlined and strengthened the co-operation by providing additional capital and expanding the offtake agreement with an additional production facility, bringing the total number of production facilities being covered by the agreement up to 5.

The company has also early in 2023, expanded the organization further, with a co-CEO with the responsibility of leading the planning and execution of the international expansion ambitions.

With important milestones achieved and other soon to be reached, the management has high expectations to the financial year 2023 and expect it to be the turning point for the group with a positive result consequently.

Management's review

Events occurring after the end of the financial year

When approving the annual report the Management will approve group subsidy for subsidiaries as following:

- Produktionselskabet WPU Fårevejle ApS - DKK 3.500.000
- Produktionselskabet WPU Nakskov ApS - DKK 100.000
- Produktionselskabet WPU Esbjerg ApS - DKK 50.000
- Waste Plastic Upcycling - Trading ApS - DKK 195.000

Income statement

All amounts in DKK.

Note	Group		Parent	
	1/1 2022 - 31/12 2022	19/11 2020 - 31/12 2021	1/1 2022 - 31/12 2022	19/11 2020 - 31/12 2021
Gross profit	-5.012.664	-3.637.108	-3.732.209	-683.510
1 Staff costs	-3.415.621	-3.919.097	-2.614.172	-1.950.000
Depreciation and impairment of property, land, and equipment	-9.145.269	0	-98.795	0
Operating profit	-17.573.554	-7.556.205	-6.445.176	-2.633.510
Income from investments in group enterprises	0	-93.524	-11.429.792	-4.877.603
Other financial income from group enterprises	0	35.417	2.050.651	301.336
2 Other financial income	21.407	0	737	0
3 Other financial expenses	-7.839.245	-928.691	-6.368.734	-203.242
Pre-tax net profit or loss	-25.391.392	-8.543.003	-22.192.314	-7.413.019
4 Tax on net profit or loss for the period	4.349.537	1.687.794	1.150.459	557.810
Net profit or loss for the period	-21.041.855	-6.855.209	-21.041.855	-6.855.209
Break-down of the consolidated profit or loss: Shareholders in WPU - Waste Plastic Upcycling A/S	-21.041.855	-6.855.209		
	-21.041.855	-6.855.209		
Proposed distribution of net profit:				
Allocated from retained earnings			-21.041.855	-6.855.209
Total allocations and transfers			-21.041.855	-6.855.209

Balance sheet at 31 December

All amounts in DKK.

Note	Group		Parent		
	2022	2021	2022	2021	
Assets					
Non-current assets					
5	Land and buildings	40.133.820	2.346.509	0	0
6	Plant and machinery	500.000	9.546.474	0	0
7	Other fixtures, fittings, tools and equipment	345.825	0	345.825	0
8	Property, plant and equipment in progress and prepayments for property, plant and equipment	52.009.489	1.584.584	0	0
	Total property, plant, and equipment	92.989.134	13.477.567	345.825	0
9	Investments in group enterprises	0	0	0	147.468
10	Deposits	420.000	107.500	26.000	0
	Total investments	420.000	107.500	26.000	147.468
	Total non-current assets	93.409.134	13.585.067	371.825	147.468
Current assets					
	Raw materials and consumables	114.930	0	0	0
	Total inventories	114.930	0	0	0
	Trade receivables	4.762	274.746	0	0
	Receivables from group enterprises	0	0	59.400.732	6.419.167
	Deferred tax assets	6.037.331	1.697.276	1.705.139	557.810
	Other receivables	5.677.149	2.120.192	987.758	20.000
	Prepayments	648.162	56.146	117.981	0
	Total receivables	12.367.404	4.148.360	62.211.610	6.996.977
	Cash and cash equivalents	989.604	46.615	257.478	343
	Total current assets	13.471.938	4.194.975	62.469.088	6.997.320
	Total assets	106.881.072	17.780.042	62.840.913	7.144.788

Balance sheet at 31 December

All amounts in DKK.

Note	Group		Parent	
	2022	2021	2022	2021
Equity and liabilities				
Equity				
Contributed capital	492.412	416.700	492.412	416.700
Share premium	76.903.800	4.983.300	76.903.800	4.983.300
Retained earnings	-29.019.729	-7.510.379	-29.019.729	-7.510.379
Equity before non-controlling interest.	48.376.483	-2.110.379	48.376.483	-2.110.379
Total equity	48.376.483	-2.110.379	48.376.483	-2.110.379
Provisions				
Other provisions	0	0	95.508	562.145
Total provisions	0	0	95.508	562.145
Long term liabilities other than provisions				
Mortgage debt	13.093.650	0	0	0
Bank loans	9.384.542	0	0	0
11 Total long term liabilities other than provisions	22.478.192	0	0	0
11 Current portion of long term liabilities	6.601.217	3.000.000	0	0
Bank loans	8.756.978	3.308.333	8.635.095	1.921.023
Trade payables	17.506.869	7.351.899	3.188.876	702.000
Payables to group enterprises	0	0	166.658	0
Income tax payable to group enterprises	0	9.482	0	0
Other payables	3.161.333	6.220.707	2.378.293	6.069.999
Total short term liabilities other than provisions	36.026.397	19.890.421	14.368.922	8.693.022
Total liabilities other than provisions	58.504.589	19.890.421	14.368.922	8.693.022
Total equity and liabilities	106.881.072	17.780.042	62.840.913	7.144.788

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities

<u>Note</u>	Group		Parent	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>

12 Charges and security

13 Contingencies

Consolidated statement of changes in equity

All amounts in DKK.

	<u>Contributed capital not paid</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1 January 2022	416.700	4.983.300	-7.510.379	-2.110.379
Cash capital increase	75.712	71.920.500	0	71.996.212
Retained earnings for the period	0	0	-21.041.855	-21.041.855
Transaction costs	0	0	-467.495	-467.495
	<u>492.412</u>	<u>76.903.800</u>	<u>-29.019.729</u>	<u>48.376.483</u>

Statement of changes in equity of the parent

All amounts in DKK.

	<u>Contributed capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1 January 2022	416.700	4.983.300	-7.510.379	-2.110.379
Cash capital increase	75.712	71.920.500	0	71.996.212
Retained earnings for the period	0	0	-21.041.855	-21.041.855
Transaction costs	0	0	-467.495	-467.495
	<u>492.412</u>	<u>76.903.800</u>	<u>-29.019.729</u>	<u>48.376.483</u>

Statement of cash flows

All amounts in DKK.

	Group	
	1/1 2022 - 31/12 2022	19/11 2020 - 31/12 2021
Net profit or loss for the year	-21.041.855	-6.855.209
14 Adjustments	12.613.570	-700.996
15 Change in working capital	2.634.181	4.553.120
Cash flows from operating activities before net financials	-5.794.104	-3.003.085
Interest received, etc.	22.563	35.414
Interest paid, etc.	-7.823.236	-928.676
Cash flows from ordinary activities	-13.594.777	-3.896.347
Cash flows from operating activities	-13.594.777	-3.896.347
Purchase of property, plant, and equipment	-88.656.836	-5.152.243
Sale of property, plant, and equipment	0	3.234.370
Changes in deposits	-312.500	0
Cash flow from financing	-88.969.336	-1.917.873
Repayments of long-term payables	26.079.409	0
Cash capital increase	71.996.212	0
Cash flows from investment activities	98.075.621	0
Change in cash and cash equivalents	-4.488.492	-5.814.220
Cash and cash equivalents at 1 January 2022	-3.261.718	2.552.605
Foreign currency translation adjustments (cash and cash equivalents)	-17.164	-103
Cash and cash equivalents at 31 December 2022	-7.767.374	-3.261.718
Cash and cash equivalents		
Cash and cash equivalents	989.604	46.615
Short-term bank loans	-8.756.978	-3.308.333
Cash and cash equivalents at 31 December 2022	-7.767.374	-3.261.718

Notes

All amounts in DKK.

	Group		Parent	
	1/1 2022 - 31/12 2022	19/11 2020 - 31/12 2021	1/1 2022 - 31/12 2022	19/11 2020 - 31/12 2021
1. Staff costs				
Salaries and wages	3.384.022	3.897.552	2.599.809	1.950.000
Pension costs	4.000	0	4.000	0
Other costs for social security	27.599	21.545	10.363	0
	3.415.621	3.919.097	2.614.172	1.950.000
Average number of employees	5	3	3	1
2. Other financial income				
Interest, banks	22.562	0	1.892	0
Exchange differences	-1.155	0	-1.155	0
	21.407	0	737	0
3. Other financial expenses				
Financial costs, group enterprises	0	0	5.376	0
Other financial costs	7.839.245	928.691	6.363.358	203.242
	7.839.245	928.691	6.368.734	203.242
4. Tax on net profit or loss for the period				
Tax on net profit or loss for the year	0	-221.172	0	0
Adjustment of deferred tax for the year	-4.340.055	-1.466.622	-1.147.329	-557.810
Adjustment of tax for previous years	-9.482	0	-3.130	0
	-4.349.537	-1.687.794	-1.150.459	-557.810

Notes

All amounts in DKK.

	Group		Parent	
	31/12 2022	31/12 2021	31/12 2022	31/12 2021
5. Land and buildings				
Cost 1 January 2022	2.346.509	0	0	0
Additions during the year	37.787.311	2.346.509	0	0
Cost 31 December 2022	40.133.820	2.346.509	0	0
Carrying amount, 31 December 2022	40.133.820	2.346.509	0	0
6. Plant and machinery				
Cost 1 January 2022	9.546.474	0	0	0
Reclass during the year	0	12.780.844	0	0
Disposals during the year	0	-3.234.370	0	0
Cost 31 December 2022	9.546.474	9.546.474	0	0
Amortisation and depreciation for the year	-9.046.474	0	0	0
Depreciation and write-down 31 December 2022	-9.046.474	0	0	0
Carrying amount, 31 December 2022	500.000	9.546.474	0	0
7. Other fixtures, fittings, tools and equipment				
Additions during the year	444.620	0	444.620	0
Cost 31 December 2022	444.620	0	444.620	0
Amortisation and depreciation for the year	-98.795	0	-98.795	0
Depreciation and write-down 31 December 2022	-98.795	0	-98.795	0
Carrying amount, 31 December 2022	345.825	0	345.825	0

Notes

All amounts in DKK.

	Group		Parent	
	<u>31/12 2022</u>	<u>31/12 2021</u>	<u>31/12 2022</u>	<u>31/12 2021</u>
8. Property, plant and equipment in progress and prepayments for property, plant and equipment				
Cost 1 January 2022	1.584.584	13.746.319	0	0
Additions during the year	50.424.905	619.109	0	0
Reclass during the year	<u>0</u>	<u>-12.780.844</u>	<u>0</u>	<u>0</u>
Cost 31 December 2022	<u>52.009.489</u>	<u>1.584.584</u>	<u>0</u>	<u>0</u>
Carrying amount, 31 December 2022	<u>52.009.489</u>	<u>1.584.584</u>	<u>0</u>	<u>0</u>

Notes

All amounts in DKK.

	Parent	
	31/12 2022	31/12 2021
9. Investments in group enterprises		
Cost 1 January 2022	160.021	-4.624.057
Additions during the year	0	4.784.078
Cost 31 December 2022	160.021	160.021
Revaluations, opening balance 1 January 2022	-4.877.603	0
Net profit or loss for the year before amortisation of goodwill	-11.429.792	-4.877.603
Revaluation 31 December 2022	-16.307.395	-4.877.603
Offset against receivables	16.051.866	4.302.905
Transferred to provisions	95.508	562.145
Set off against debtors and provisions for liabilities	16.147.374	4.865.050
Carrying amount, 31 December 2022	0	147.468

Financial highlights for the enterprises according to the latest approved annual reports

	Equity interest	Equity	Results for the year	Carrying amount, WPU - Waste Plastic Upcycling A/S
Produktionsselskabet Egebjerg ApS,	100 %	-12.742.601	-8.589.696	-12.742.601
Produktionsselskabet WPU Fårevejle ApS,	100 %	-3.187.116	-2.474.971	-3.187.116
Produktionsselskabet WPU Naskov ApS,	100 %	-58.107	-91.867	-58.107
Waste Plastic Upcycling Trading ApS,	100 %	-120.149	-193.857	-120.149
Produktionsselskabet WPU Esbjerg ApS,	100 %	-39.401	-79.401	-39.401
		-16.147.374	-11.429.792	-16.147.374

Notes

All amounts in DKK.

	Group	
	31/12 2022	31/12 2021
10. Deposits		
Cost 1 January 2022	107.500	107.500
Additions during the period, acquisitions	420.000	0
Disposals during the year	-107.500	0
Cost 31 December 2022	420.000	107.500
Carrying amount, 31 December 2022	420.000	107.500

11. Long term liabilities other than provisions

	Total payables 31 Dec 2022	Current portion of long term payables	Long term payables 31 Dec 2022	Outstanding payables after 5 years
Group				
Mortgage debt	14.283.461	1.189.811	13.093.650	8.247.797
Bank loans	11.784.033	2.399.491	9.384.542	0
Other payables	3.011.915	3.011.915	0	0
	29.079.409	6.601.217	22.478.192	8.247.797

12. Charges and security

As collateral for bank facilities of the Group enterprises a mortgage deeds has been granted on land and buildings representing a carrying amount of TDKK 5.690 at 31 December 2022.

An amount of TDKK 20.000 of the Group enterprises remaining property, plant, and equipment and total receivables is estimated to be comprised by the security. At 31 December 2022, the carrying amount of this remaining property, plant, and equipment totals TDKK 52.855 and total receivables totals TDKK 12.367.

As part of the bank arrangement a warranty TDKK 4.650 has been issued covering the constructionwork.

Notes

All amounts in DKK.

13. Contingencies

Contingent liabilities

The Group

Lease liabilities

The Group enterprises, has entered into operational leases with an average annual lease payment of TDKK 455. The leases have 60 months to maturity and total outstanding lease payments total TDKK 2.274.

Recourse guarantee commitments:

The company has guaranteed the bank facilities of the Group enterprises.

Joint taxation

The company acts as administration company for the group of companies subject to the Danish scheme of joint taxation and is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, to pay the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

The liability relating to obligations in connection with withholding tax on dividends, interest, and royalties represents an estimated maximum of DKK 0.

Any subsequent adjustments of corporate taxes or withholding taxes, etc., may result in changes in the company's liabilities.

Notes

All amounts in DKK.

	Group	
	1/1 2022	19/11 2020
	- 31/12 2022	- 31/12 2021
14. Adjustments		
Depreciation, amortisation, and impairment	9.145.269	0
Income from investments in group enterprises	0	93.524
Other financial income	-21.407	-35.417
Other financial expenses	7.839.245	928.691
Tax on net profit or loss for the period	-4.349.537	-1.687.794
	12.613.570	-700.996
15. Change in working capital		
Change in inventories	-114.930	0
Change in receivables	-3.878.989	-109.785
Change in trade payables and other payables	7.095.595	5.318.075
Other changes in working capital	-467.495	-655.170
	2.634.181	4.553.120

Accounting policies

The financial report for WPU - Waste Plastic Upcycling A/S 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.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, write-downs for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the group and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the group and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

The consolidated financial statements

The consolidated income statements comprise the parent company WPU - Waste Plastic Upcycling A/S and those group enterprises of which WPU - Waste Plastic Upcycling A/S directly or indirectly owns more than 50 % of the voting rights or in other ways exercise control.

Consolidation policies

The consolidated financial statements have been prepared as a summary of the parent company's and the group enterprises' financial statements by adding together uniform accounting records calculated in accordance with the group's accounting policies.

Investments in group enterprises are eliminated by the proportionate share of the group enterprises' fair value of net assets and liabilities at the acquisition date.

Accounting policies

In the consolidated financial statements, the accounting records of the group enterprises are recognised by 100%. The minority interests' share of the profit for the year and of the equity in the group enterprises, which are not 100% owned, is included in the group's profit and equity, but presented separately.

Purchases and sales of minority interests under continuing control are recognised directly in equity as a transaction between shareholders.

Investments in associates are measured in the statement of financial position at the proportionate share of the enterprises' equity value i calculated in accordance with the parent company's accounting policies and with proportionate elimination of unrealised intercompany gains and losses. In the income statement, the proportional share of the associates' results is recognised after elimination of the proportional share of intercompany gains and losses.

The group activities in joint operations are recognised in the consolidated financial statements record by record.

Income statement

Gross loss

Gross loss comprises the revenue, changes in inventories of finished goods, and work in progress, own work capitalised, other operating income, and external costs.

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. Revenue is measured at the fair value of the consideration promised 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.

Own work capitalised

Own work capitalised includes staff cost and other internal costs incurred during the financial year and recognised in the cost of proprietary intangible and tangible fixed assets.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets as well as operating loss and conflict compensation. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

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

Accounting policies

Staff costs

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

Depreciation, amortisation, and write-down for impairment

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down 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 period. 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.

Results from investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual entities are recognised in the income statement of the parent as a proportional share of the entities' post-tax profit or loss.

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.

The parent and the Danish group enterprises are subject to Danish rules on compulsory joint taxation of Danish group enterprises. The parent acts as an administration company in relation to the joint taxation. This means that the total Danish income tax payable by the Danish group companies is paid to the tax authorities by the company.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Accounting policies

Statement of financial position

Property, plant, and equipment

Land and buildings is measured at cost plus revaluations and less accrued depreciation and write-down for impairment. Land is not subject to depreciation.

Land and buildings is revaluated on the basis of regular, independent fair-value assessments. Net revaluation at fair value adjustment is recognised directly in equity less deferred tax and tied up in a particular revaluation reserve. Net impairment loss at fair value adjustment is recognised in the income statement.

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

Reversal of previous revaluations and recognised deferred taxes concerning revaluations are recognised directly in company equity.

Other property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment.

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:

	Useful life
Buildings	30 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Accounting policies

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.

As regards self-constructed assets, the cost comprises direct costs for materials, components, deliveries from sub-suppliers, payroll costs, and borrowing costs from specific and general borrowing concerning the construction of each individual asset.

Property, plant, and equipment in progress

Property, plant, and equipment in progress are measured and recognised as the total costs incurred. When the work has been completed, the total value is transferred to the relevant item under property, plant, and equipment and is amortised from the date of entry into service.

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The group's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in group enterprises 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. write-down 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.

Accounting policies

Investments

Investments in group enterprises

Investments in group enterprises are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Investments in group enterprises are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterprises with a strong market position and a long-term earnings profile.

In relation to material assets and liabilities recognised in group enterprises but are not represented in the parent, the following accounting policies have been applied.

Investments in group enterprises with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover a negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

Deposits

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

Accounting policies

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

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

Share premium

Share premium comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium.

The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

Income tax and deferred tax

As administration company, WPU - Waste Plastic Upcycling A/S is liable to the tax authorities for the subsidiaries' corporate income taxes.

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.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Tax receivables from group enterprises" or "Income tax payable to group enterprises"

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.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

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.

Accounting policies

Provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the group has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the group.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

Guarantee liabilities comprise liabilities for repairs within the guarantee period of 1-5 years. Provisions for warranty commitments are measured on basis of the obtained experience with guarantee work. Provisions with an expected due date later than 1 year from the reporting date are discounted at a rate reflecting risk and maturity of the liability.

On the acquisition of entities, provisions for restructuring within the acquired entity are included in the acquisition cost, and thereby in the goodwill or the consolidated goodwill, to the extent that they have been recognised in the financial statements of the acquired entity in advance of the acquisition. Provisions for restructuring are included to the extent that they have been decided at the date of acquisition at the latest and that the process have been commenced.

When it is likely that the total costs will exceed the total income of contract work in progress, the total expected loss on the contract work in progress will be recognised as provisions for liabilities. The provision is recognised under production costs.

Liabilities other than provisions

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

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

Statement of cash flows

The cash flow statement shows the cash flows for the year, divided in cash flows deriving from operating activities, investment activities and financing activities, respectively, the changes in the liabilities, and cash and cash equivalents at the beginning and the end of the year, respectively.

The effect on cash flows derived from the acquisition and sale of enterprises appears separately under cash flows from investment activities. In the statement of cash flows, cash flows derived from acquirees are recognised as of the date of acquisition, and cash flows derived from sold enterprises are recognised until the date of sale.

Accounting policies

Cash flows from operating activities

Cash flows from operating activities are calculated as the group's share of the profit adjusted for non-cash operating items, changes in the working capital, and corporate income tax paid. Dividend income from equity investments are recognised under “Interest income and dividend received”.

Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

Cash flows from financing activities

Cash flows from financing activities include changes in the size or the composition of the group's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand with deduction of short-term bank debts and short-term securities with a maturity less than 3 months that are readily convertible into cash and which are subject to an insignificant risk of changes in value.