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BDO Magyarország
Könyvvizsgáló Kft.
1103 Budapest
Köér utca 2/A. C. épület
1476 Budapest, Pf. 138.

Auditor's Report

20 May 2022

1. We have audited the attached Balance Sheet of **EKC Hungary Kft**, (the 'Company') as at March 31, 2022, and also the Statement of Profit and Loss and the Balance Sheet for the year then ended annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in Hungary. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Further to our comments in the Annexure referred to above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The financial statements dealt with by this report are in agreement with the books of account;
 - d. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards issued by the Institute of Chartered Accountants of Hungary, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in Hungary, in the case of:
 - i) the Balance Sheet, of the state of affairs of the Company as at March 31, 2022
 - ii) the statement of profit and loss, of the profit/loss for the year ended on that date.
 - e. Without qualifying our opinion we would like to draw attention we have asked and received comfort letter from the owner due to the loss-making operation and the significant debt. In the comfort letter, the owners support the operating of the Company during the following year.


Certified Auditor: Edmond Gaál



BDO Magyarország Könyvvizsgáló Kft. egy magyar korlátolt felelősségű társaság, az egyesült királyságbeli BDO International Limited garancia alapú korlátolt felelősségű társaság tagja és a független cégekből álló nemzetközi BDO hálózat része.

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Fővárosi Bíróság Cégbírosága, Cégjegyzékszám: Cg. 01-09-867785

Csoportazonosító (Group ID-It): 17780711-5-42
Group VAT It.: HU17780711

EKC Hungary Kft.
Financial Reporting Information / Balance Sheet, in USD as of 31 March

Balance sheet

	<u>2022.03.31</u>		<u>2021.03.31</u>
113000 Intellectual properties	1,81,09,143		1,81,09,143
119300 Depreciation of intellectual properties	(1,81,09,143)		(1,81,09,143)
Intangible assets	0		0
171000 Long-term shares, participations CP Ind.	90,00,000		90,00,000
171900 Long-term share impairment	(90,00,000)		0
Long term investments	0		90,00,000
364100 Short term loan USD, CP Ind.Hol	0		0
364200 Interest on loan provided, CPI, USD	0		0
364300 Short term receivables, EKC Int	0		0
364400 Interest on EKC Int loan	0		0
<i>Loans to related parties</i>	0		0
317000 Foreign accounts payable	48,04,183		41,50,707
318000 Interest on long term receivables	92,410		1,22,410
391300 Sales revenue, unbilled	0		0
Trade receivables, related parties	48,96,593		42,73,117
354000 Advance payment for services	0		0
362100 VAT of late invoices	543		595
Local tax relocation	0		8,371
CIT relocation	8,946		0
VAT relocation	6,095		6,194
Other receivables relocation	0		0
Account payable	10		10
Innovation contribution	0		0
Late fee paying	0		0
Other receivables	15,594		15,170
384100 Bank account HUF	417		(1)
386200 Bank account USD	9,486		11,766
3892 Technical account	0		0
Bank relocated to short-term loan			1
Cash and cash equivalent	9,903		11,766
Current assets	49,22,090	0	43,00,053
TOTAL ASSETS	49,22,090		1,33,00,053
411000 Issued capital	76,89,152		76,89,152
Issued capital	76,89,152		76,89,152
413000 Profit reserve	(1,68,55,293)		(81,03,717)
Profit (loss) for the period	6,15,900		2,48,424
Retained earnings	(1,62,39,393)		(78,55,293)
Shareholders equity	(85,50,241)		(1,66,141)
452400 Borrowing, USD, Citibank NA	0		0
452500 Borrowing, USD, ABN AMRO Bank	0		0
452600 Borrowing, USD, Standard Chartered Bank	0		0
456100 Citibank NA interest on loan	0		0
456200 ABN AMRO Bank interest on loan	0		0
456300 Standard Chartered Bank interest on loan	0		0
<i>Long term borrowings from banks</i>	0		0
452200 Short term loan USD, EKC Int. FZE	1,34,53,096		1,34,53,096




452300 Interest on loan USD, EKC Int.	0	0
452700 CP Ind.-nek fizeten? kotelezettség	0	0
452800 Interest payable to CP Ind	0	0
Long term borrowings from related parties	1,34,53,096	1,34,53,096
Long term liabilities	1,34,53,096	1,34,53,096
Short-term loan	4,731	1
Short-term loans	4,731	1
454100 Domestic accounts payable	5,639	6,579
454200 Domestic accounts payable in foreign currency	(10)	(10)
Account payable relocated to receivables	10	10
Trade payables	5,639	6,579
461000 Corporate income tax	(8,946)	1,515
463900 Other payable taxes	0	0
463320 self-revision fee	0	0
463390 self -revision fee payment	0	0
463410 Late fee	0	0
463490 Late fee payment	0	0
464900 Other liabilities payment	0	0
466100 Deductible VAT 20%	(6,095)	(5,584)
468100 VAT settlement prior years	0	(610)
468200 VAT settlement	0	0
469500 Local business tax	1,485	(8,371)
4744 Innovation contributions	0	0
474410 Innovation contributions	0	0
474490 Innovation contributions payment	0	0
VAT relocation to other receivables	6,095	6,194
CIT relocation to other receivables	8,946	0
Local tax relocation to other receivables	0	8,371
Other payable tax relocation to other receivables	0	0
Innovation contribution	0	0
Late fee paying	0	0
482100 Costs charged preceding BS date	7380	5,003
Other short term liabilities and accruals	8,865	6,518
Short term liabilities	19,235	13,098
TOTAL LIABILITIES AND EQUITY	49,22,080	1,33,00,053

Date: 20 May 2022

Signature
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EKC Hungary Kft.
 Financial Reporting Package / Income Statement, in USD
 for the period ended 31 March 2022
 Income statement

	31.03.2022 12 months	31.03.2021 12 months
911000 Sales revenue of the main activity	0	0
931000 Sales revenue from export	6,53,477	2,97,070
Net sales	6,53,477	2,97,070
521000 Storage fee	0	0
527100 Accounting service	(6,060)	(6,060)
527300 Audit fee	(14,900)	(14,900)
527400 Legal advisory services	0	(1,170)
529300 Lawyer fee	(1950)	(510)
529900 Other purchased services	(1200)	0
531000 Fees paid for authorities	0	0
532000 Financial and investment service costs	(1177)	(4080)
Cost of services	(25,287)	(26,720)
571000 Ordinary depreciation	0	0
Depreciation	0	0
868300 Local business tax	(12,577)	(6,256)
863200 Late fees, default fees	0	-118
86990X Other expense - prior year adjustment	0	-10
96990 Other income - rounding difference	5	3
86991 Write off	0	-3320
553000 Honorarium	0	0
Other incomes & expenses (net)	(12,572)	(9,701)
872100 Interest expense to related companies	0	0
872200 Other interest expense	0	0
873500 Current bank account interest expense	0	-96
876100 Foreign exchange losses	0	0
876200 Foreign exchange losses, realized	(73)	(964)
876300 Foreign exchange losses, non-realized period-en	0	0
879200 Joint operation reimbursable common cost	0	0
972100 Interest income from related companies	0	0
974100 Short term loan interest income	0	0
974200 Interest income from banks	0	0
976100 Foreign exchange gain realized	1273	696
976200 Foreign exchange gains realized	0	0
976300 Foreign exchange gains, non-realized period-end	0	0
Interest on long receivables	0	0
XXXXXX Exchange difference	0	0
Financial incomes & expenses (net)	1200	(364)
891 Corporate income tax	(918)	(11861)
Tax expense	(918)	(11861)
Profit (loss) for the period	6,15,900	2,48,424

Date: 20 May 2022

Signature

The image shows a handwritten signature in blue ink over a blue circular stamp. The stamp contains the text 'EKC HUNGARY KFT.' around the perimeter and a star in the center.

Notes

General information

EKC Hungary Kft (the "Company") was incorporated in Hungary, on 8 April 2008 with the objective to acquire, or merge with, an operating business. EKC Hungary Kft acquired CP Industries Holdings Inc and holds 100% shares in it. Together EKC Hungary Kft and CP Industries Holdings Inc acquired the assets of CP Industries from Reunion. Intellectual properties related to the transaction were purchased by EKC Hungary Kft, which receives royalty for the usage of the IPs from CP Industries Holdings Inc.

The Company is owned by EKC International FZE (100%).
Its registered seat is Hungary, 1025 Budapest, Csevit utca 7. B. ép.

This reporting package is unconsolidated, and contains the transactions with all the subsidiaries and parent companies of EKC Hungary Kft.

Summary of significant accounting policies

Foreign Currency Translation

The United States Dollar (USD) is the functional currency for all of the Company's businesses in its operations in Hungary. The financial reporting package is presented in US Dollars (USD), which is the Company's presentation currency

Foreign currency denominated assets and liabilities for this unit are translated into USD based on exchange rates prevailing at the end of each period presented, and revenues and expenses are translated at exchange rates published by the National Bank of Hungary valid for the date of the transactions.

Fixed assets

Fixed assets are presented at net carrying amount which is the purchase price decreased with the accumulated depreciation and impairment. The depreciation rates applied at EKC Hungary Kft are:

- intellectual property	10%
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Depreciation is recorded commencing the date the assets are placed in service and is calculated using the straight line basis over their estimated useful lives.

Investments

Investments are valued at acquisition cost. Impairment is required to account for if the net realizable value of the investment is lower than its book value. Net realizable value is the fair value of the investment. Fair value may be based on the stock quote at listed companies, or the total equity / issued capital ratio at non-listed companies. However, the projected development of the investee, the market value of the net assets also might be taken into consideration for impairment accounting.

Trade receivables

Accounts receivable are stated at historical value, which approximates fair value. The Group does not require collateral for accounts receivable. Accounts receivable are reduced by an allowance for amounts that may be uncollectible in the future. This estimated allowance is determined by considering factors such as length of time accounts are past due, historical experience of write offs, and customers' financial condition.

A handwritten signature in black ink is written over a blue circular stamp. The stamp contains the text "EKC HUNGARY KFT" around the perimeter and three stars at the bottom.

Revenue recognition

Sales are recognized when there is evidence of a sales agreement, the delivery of the goods or services has occurred generally upon shipment of product to customers and transfer of title under standard commercial terms.

Sales are measured based on the net amount billed to a customer. Generally there are no formal customer acceptance requirements or further obligations. Customers do not have a general right of return on products shipped therefore no provisions are made for return.

Fixed assets

	31 March <u>2022</u>	31 March <u>2021</u>
Intellectual properties	18 109 143	18 109 143
Total	18 109 143	18 109 143
Less: accumulated depreciation	(18 109 143)	(18 109 143)
Net carrying amount	0	0

On 28 February 2008 Reunion Industries and CP Industries Holdings Inc. entered into certain Asset Purchase Agreement. The Purchase Agreement required Reunion Industries to assign to CP Industries Holdings Inc or its nominee the purchased Intellectual Property. CP Industries Holdings assigned to EKC Hungary Kft. all of its right, title, benefit, privileges and interest in and to purchase and assume the IP Rights and IP Liabilities directly from Reunion Industries.

Intangible assets assigned to EKC Hungary Kft. are:

- trade name	9 423 069
- software	797 403
- licenses/certification	307 419
- non-compete	1 352 109
- customer list	5 912 115
- additional items eligible for capitalization	317 028
Total	18 109 143

Investments

EKC Hungary owns shareholding in the following companies:

<u>Name</u>	<u>Country</u>	<u>Participation</u>
CP Industries Holdings Inc	USA	100%

The carrying amount of the equity investments is as follows:

	31 March <u>2022</u>	31 March <u>2021</u>
Acquisition cost	9 000 000	9 000 000
Impairment	9 000 000	0
Net carrying amount	0	9 000 000

CP Industries Holdings Inc was incorporated in the USA (Delaware) on 27 February 2008.

On 10 April 2008 EKC Hungary Kft and CP Industries Inc entered into equity investment contract, and subsequently EKC Hungary Kft. became 100% owner of CP Industries Holdings Inc.

On 15 April 2008 EKC Hungary Kft. transferred the amount of equity investment, and CP Industries Holdings Inc became wholly owned subsidiary. In 2021 the company booked 100% impairment on the investments.



Long term loans

	31 March	31 March
	<u>2022</u>	<u>2021</u>
CP Industries Holdings Inc		
principal	0	0
interest	<u>0</u>	<u>0</u>
Total	<u><u>0</u></u>	<u><u>0</u></u>

On 27 December 2011 EKC Hungary Kft and CP Industries Holdings Inc entered into loan contract based on which CP Industries may utilize USD 3,000,000 in one or more tranches.

The loan is unsecured, and bears interest of 3M US LIBOR + 1% p.a.

On 4 January 2012 USD 1,200,000 was transferred to CP Industries Holdings Inc.

As of 30 June 2012 EKC Hungary and CP Industries entered into a set-off agreement of USD 1,204,589 based on which the long term loan and its receivable interest was cleared off.

Trade and other receivables

	31 March	31 March
	<u>2022</u>	<u>2021</u>
Trade receivables, related parties		
CP Industries Holdings Inc	4 804 183	4 150 707
Interest on long term trade receivables	<u>92 410</u>	<u>122 410</u>
total	<u>4 896 593</u>	<u>4 273 117</u>
Other receivables		
Advance payment	0	0
VAT receivable	6 095	6 194
Local tax receivable	0	8 371
Corporate income tax receivable	8 946	0
Innovation contribution	0	0
Other	<u>553</u>	<u>605</u>
total	<u>16 594</u>	<u>16 170</u>

As of 30 Oct 2012 EKC Hungary and CP Industries entered into a set-off agreement of USD 1,745,828.03 based on which the foreign accounts payable and its receivable interest was cleared off.

Borrowings from related parties

	31 March	31 March
	<u>2022</u>	<u>2021</u>
CP Industries Holdings Inc		
principal	0	0
interest	<u>0</u>	<u>0</u>
total	<u>0</u>	<u>0</u>
EKC International FZE		
principal	13 453 096	13 453 096
interest	0	0
other loan	<u>4 731</u>	<u>0</u>
total	<u>13 457 827</u>	<u>13 453 096</u>
TOTAL	<u>13 457 827</u>	<u>13 453 096</u>

The accompanying notes are an integral part of this financial reporting package.



EKC Hungary Kft and CP Industries Holdings Inc executed notes receivable on 18 April 2008 amounted USD 8,109,144. The interest rate of 3% had been applied on the loan until the period ended 30 June 2009. Parties agreed on modifying the interest rate to LIBOR + 1%. The amendment has been drawn in the quarter ended 30 September 2009 and is effective retrospectively from 1 April 2009. The effect of the difference is not significant, and was recorded in the quarter ended 30 September 2009. In the period ended 31 December 2010 CP Industries Holdings Inc. and EKC Hungary Kft set off USD 5,375,000, and accordingly the borrowing from CP Industries Holdings Inc reduced.

On 12 April 2008 EKC International FZE and EKC Hungary Kft. entered into a loan agreement of USD 18,300,000. The loan bears an interest rate of 3M LIBOR + 1% per annum. The loan is repayable at any time. Interest shall be paid only along with principal whenever repayment is made.

As from 1 April 2010 EKC International FZE and EKC Hungary decided on waiving interest on the loan provided to EKC International FZE. The outstanding loan receivable was set-off against borrowing from EKC International FZE

As of 30 June 2012 EKC Hungary and CP Industries entered into a set-off agreement of USD 1,204,589 based on which the borrowing and its payable interest was reduced.

As of 30 Oct 2012 EKC Hungary and CP Industries entered into a set-off agreement of USD 1,745,828.03 based on which the long term loan and its receivable interest was cleared off. With this agreement the long term loan receivable is repaid.

As of 31 March 2017 USD 1,000,000 was repaid to EKC International FZE at 3 March 2017. The whole amount of interest was paid back this payment in amount of USD 517,381.4, the remained amount of USD 482,618.6 decreased the loan.

Short-term loan

The short-term loan contains a bank account with debit balance as of 31 March 2021.

<u>Trade and other payables</u>	<u>31 March</u>	<u>31 March</u>
	<u>2022</u>	<u>2021</u>
Trade payables	5 639	6 579
	6 639	6 579
Other liabilities		
Audit fee	0	0
Accounting fee	0	0
Seat using fee	0	0
Corporate Income tax	0	1 515
Local tax	1 485	0
Other	7 380	5 003
total	8 866	6 618

Net sales

The net sales of the company is coming from the IP licence fee (royalty income) from CP Industries Holdings Inc.

Cost of services

As of for the period ended 31 March 2021 cost of services consisted of the followings:

	<u>12 months</u>	<u>12 months</u>
	<u>31 March 2022</u>	<u>31 March 2021</u>
Storage cost	0	0
Accounting service	(6 060)	(6 060)
Audit fee	(14 900)	(14 900)
Lawyer fee	(1 950)	(1 170)
Financial and investment service cost	(1 177)	(510)
Others	(1 200)	(4 080)
Total	(26 287)	(26 720)



Other incomes and expenses

Other incomes and expenses consisted the followings:

	12 months	12 months
	31 March 2022	31 March 2021
Local business tax	(12 877)	(6 265)
Others	(0)	(3 446)

Local business tax is payable for the local municipality. The basis of the tax is the net sales less cost of material and cost of goods and services sold. The applicable tax rate is 1%.

Finance result

	12 months	12 months
	31 March 2022	31 March 2021
Interest income from (+) related parties		
CP Industries Holdings Inc	0	0
EKC International FZE	0	0
Total	0	0
third parties	0	0
Total	0	0
Interest expense to (-) related parties		
CP Industries Holdings Inc	0	0
EKC International FZE	0	0
Total	0	0
third parties	0	(96)
Total	0	(96)
Dividend received from (+) or paid to (-) related parties		
CP Industries Holdings Inc	0	0
Total	0	0
Foreign exchange gain/loss (net)	1 200	(268)
Finance result	1 200	(364)

Exceptional and extraordinary items

No exceptional and extraordinary items have incurred for the period ended 31 March 2022.

Date: 20 May 2022


signature

