

ANNUAL REPORT 2019/20

PlastPack Defence ApS

Maglemøllevej 21
4700 Næstved

CVR nr. 34203539

Submitter:

Sønderup I/S
Statsautoriserede revisorer

**Presented and approved at the company's ordinary
general meeting 30 December 2020**

Chairman

Jørgen Dahl

Contents

Management's Statement on the Annual Report	3
Independent Auditor's Report	4
Management's review	7
Accounting principles applied	8
Income statement 1 July 2019 - 30 June 2020	12
Balance sheet 30 June 2020	13
Notes	15

Management's Statement on the Annual Report

The management have today considered and approved the annual report for PlastPack Defence ApS for the financial year 1 July 2019 to 30 June 2020.

The annual report is presented in accordance with the Danish Financial Statements Act.

In the managements opinion, the financial statements give a true and fair view of the company's financial position at 30 June 2020 and of its financial performance for the financial year 1 July 2019 to 30 June 2020.

We recommend the annual report for approval at the annual general meeting.

Ringsted, 30 December 2020

Executive Board

Jan Bendix Engmann

Board of Directors:

Jørgen Dahl

Jan Bendix Engmann

Anders Katharus Bang Lassen

Jørgen Leif Svane

Independent Auditor's Report

To the shareholders of PlastPack Defence ApS

Opinion

We have audited the Financial Statements of PlastPack Defence ApS for the financial year 1 July 2019 to 30 June 2020, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies, for the Company. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 30 June 2020 and of the results of the Company's operations for the financial year 1 July 2019 to 30 June 2020 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 Financial Statements' section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Significant uncertainty about continued operation

Without modifying our conclusion, we draw attention to the information in note 8 about uncertainty about the company's ability to continue operations. The company has applied to the growth fund for loans to finance operations and necessary investments in the coming year and it is the management's assessment that such a commitment will be achieved, which is why the financial statements have been prepared according to the principle of continued operation. We agree with management's assessment.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of 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 Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the 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 Financial Statements unless Management either intends to liquidate 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 of accounting information taken on the basis of these 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 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 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 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 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 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 Company to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Independent Auditor's Report

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the 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 Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the 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.

Ringsted, den 30 December 2020

SØNDERUP I/S
statsautoriserede revisorer
CVR 31824559

Dennis Cronbach
statsautoriseret revisor
mne32222

Management's review

Principal activities

The company's main activity is production of and trade with plastic parts for the defense industry or related industries.

Development in activities and financial position

The result for the year shows a deficit of t.kr. 2.272. A similar deficit is expected in 2020/21, while in 2021/22 a significant increase in revenue and earnings is expected, whereby a significant positive result is expected.

The primary reason for the realized deficit is due to the effects on sales and projects that the COVID19 situation has had during the accounting period, and which, among other things, led to the project around the development of model number 2 being postponed, with consequent deferred income. Furthermore, several training activities among the most important customers, including the Danish defense, were put on hold, which resulted in lost revenue. Finally, all sales fairs were canceled with consequent lost new sales.

Several of the activities have been resumed after the financial reporting, including a development project and training activities.

Significant uncertainty regarding continued operation.

The company's continued operation is conditional on the continued provision of credit from suppliers and lenders, on the current terms, and the addition of new capital. The company has applied to the growth fund for a loan and has also negotiated with an investor who has continuously expressed interest in the project.

The company's management expects the loan applied for from the growth fund to be granted and thus submits the annual report according to the principle of continued operation.

Significant events after the end of the financial year

No events materially affecting the assessment of the annual report have occurred after the balance sheet date.

Accounting principles applied

The annual report for PlastPack Defence ApS 2019/20 has been prepared in accordance with the Danish Financial Statements Act for class B companies with optional rules of class C companies.

The income statement is presented by type of expenditure and the balance sheet is presented in account from. The measurement currency used is Danish kroner. All other currencies are considered foreign currency.

The accounting principles were applied consistently with the principles of last year's financial reporting.

General information on recognition and measurement

Income is recognized in the income statement as earned, including any value adjustments of financial assets and liabilities. Furthermore, all costs, including amortisation/depreciation and write-downs, are recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of the assets can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the company, and the value of the liabilities can be measured reliably.

The first recognition measures assets and liabilities at cost. Subsequently, assets and liabilities will be measured individually in respect of each accounting item as described below.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income statement

Gross profit

In pursuance of section 32 (1) of the Danish Financial Statements Act, the first item in the income statement is the gross profit. The item gross profit is the result of revenue, cost of sales, other external cost and other operating income.

Revenue

Net sales in connection with sales of commercial products and finished products are recognized in the profit and loss account, if delivery has taken place and the risk has passed to the customer before the end of the year. Net sales are recognized ex. VAT and net of discounts related to the individual sale.

Other operating income and expenses

Other operating income and expenses comprise items of a secondary nature in relation to the company's core business.

Accounting principles applied

Other external costs

Other external cost comprise costs for distribution, sales, advertising, administration, premises, bad debts, operating leasing costs etc.

Staff expenses

Staff expenses contains salaries and wages, including holiday payment, pensions and other social security costs etc. to the company's employees. In staff expenses are received subsidies from public authorities, deducted.

Financial items

Financial income and expenses are recognized in the income statement with the amounts relating to the financial year. The financial items comprise interest income and expense, realized and unrealized exchange rate, gains and losses resulting from transactions in foreign currencies and surcharges and refunds regarding corporation tax.

Tax for the year

The company is jointly taxed with other group companies. The current corporation tax is divided between the jointly taxed companies pro rata to their taxable incomes. The parent company functions as the management company for the joint taxation and handles the tax payments to the danish tax authorities.

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly on equity by the portion attributable to entries directly on equity.

Balance sheet

Intangible fixed assets

Patents, development projects and licenses are measured at cost less accumulated depreciation and the recoverable amount, whichever is lower. Patents are amortized over the remaining patent period, and licenses are amortized over the period, not exceeding 8 years.

Earnings or loss on disposal of intangible fixed assets is calculated as the difference between the sales price less sales costs and the book value at the time of sale. Profit and losses are entered in the income statement under other operating income and -costs.

Tangible fixed assets

Operating equipment and tools and fixtures as well as leasehold improvements are measured at cost price less accumulated depreciation and write-down.

Depreciation is based on cost price less expected residual value after end of service life. The cost price includes acquisition price and costs directly linked to the acquisition until the time when the asset is ready for commencement of use.

Straight-line depreciation is based on the following assesment of the assets expected useful lives:

Accounting principles applied

Technical plant and machinery, other fixtures and fittings, tools and equipment: 5-10 år. Assets with a cost per unit under the tax threshold for small assets are recognized as expenses in the year of acquisition.

Profits or losses in connection with disposal of tangible fixed assets are calculated as the difference between the sales price less sales costs and the book value at the time of sale. Profits and losses are entered in the income statement under other operating income and -costs.

Financial fixed assets

Investments in group companies and associates

Investments in group companies and associates are measured at cost. In cases where the cost exceeds net realizable value, it is written down to its recoverable amount.

Dividends from investments in group companies and associates are recognized in the parent company's income statement in the period in which the dividend is declared. To the extent that distributed dividends exceed the accumulated earnings after the transfer date, the dividend is recognized as a reduction of the investment cost.

Other receivables

Deposits are measured at cost.

Inventories

Inventories are valued at cost using the FIFO method. In cases where net realizable value is lower than cost, it will be written down to this lower value.

Cost of goods for resale, raw materials and consumables comprise of purchase price plus transportation costs.

The cost of finished goods and work in progress comprises raw materials, direct labor and direct production costs.

The net realizable value of inventories is calculated as the selling price less costs of completion and costs to be incurred to make the sale and is determined taking into account marketability, obsolescence and development in expected sales.

Receivables

Receivables are measured at amortized cost, which usually corresponds to the nominal value. Value is reduced by provisions for bad debts.

Contract work in progress

Contract work in progress is measured at market value of the work performed. Revenue is measured at the stage of completion at the balance sheet date and the total estimated income from the contract work.

Accounting principles applied

Dividend

Proposed dividend for the financial year is recognized as a separate component of the equity. Proposed dividends are recognized as a liability at the time of adoption.

Tax payable and deferred tax

Current tax liabilities and current tax assets are recognized in the balance sheet as tax calculated on the taxable income allocated with the current tax rate, and adjusted for tax on prior years taxable income and prepaid taxes.

Deferred tax is measured by the liability method concerning temporary differences between the carrying value and tax value of assets and liabilities, calculated based on the planned use of the assets and settlement of the obligation, respectively.

Deferred tax assets, including the tax value of tax losses allowed for carry-forward, are measured at the value at which the asset is expected to be realisable, either through elimination in tax on future earnings or through offsetting in deferred tax liabilities in the same legal tax unit. Any deferred net tax assets are measured at their net realisation values.

Deferred tax is measured based on the tax rules and tax rates applicable in pursuance of the legislation in force on the balance sheet date when the deferred tax is expected to become payable as current tax. Changes in deferred tax due to change in tax rates is recognized in the income statement.

Liabilities

Financial liabilities are recognized when loans are raised as the proceeds is received less transaction costs paid. Other liabilities are measured at amortised cost corresponding to the nominal value.

Deferred revenue

Deferred revenue is received payments regarding income related to future financial years.

Conversion of foreign currency

Transactions in foreign currencies are converted at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognized in the income statement as a financial income or expense. If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognized directly in the equity.

Accounts receivable, payable and other monetary items in foreign currencies that are not settled on the balance sheet date are converted at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the receivable or payable is recognized in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are converted at the rate of exchange on the transaction date.

Income statement 1 July 2019 - 30 June 2020

Note	2019/20	2018/19
Gross profit	-1.410.253	3.380.283
1. Staff costs	531.878	-1.843.083
2. Depreciation and write-downs	-777.930	-792.732
OPERATING PROFIT	-1.656.305	744.468
Income from investments in group companies	-560.903	0
Other financial costs	-546.826	-517.517
PROFIT/-LOSS BEFORE TAX	-2.764.034	226.951
Tax for the year	492.022	-57.690
NET PROFIT/-LOSS FOR THE YEAR	-2.272.012	169.261
Appropriation of profit		
Retained earnings	-2.272.012	169.261
Total appropriation	-2.272.012	169.261

Balance sheet 30 June 2020

Note	2019/20	2018/19
ASSETS		
Intangible fixed assets		
Development projects	6.017.085	7.295.292
Acquired concessions, patents, licenses and similar	2.246.428	2.028.184
Total intangible fixed assets	8.263.513	9.323.476
Tangible fixed assets		
3. Technical plant, machinery and fixtures	3.310.038	3.326.487
Total tangible fixed assets	3.310.038	3.326.487
Financial fixed assets		
Investments in group companies	0	100.000
Other receivables	5.625	0
Total financial fixed assets	5.625	100.000
TOTAL FIXED ASSETS	11.579.176	12.749.963
Finished goods and merchandise	877.628	923.433
Total inventories	877.628	923.433
Receivables from sales and services	65.827	128.278
Contract work in progress	4.109.419	5.141.989
Receivables from group companies	993.110	870.474
Other receivables	0	397.320
Prepayments	41.611	31.813
Total receivables	5.209.967	6.569.874
Cash funds	149.674	16.953
Total cash funds	149.674	16.953
TOTAL CURRENT ASSETS	6.237.269	7.510.260
TOTAL ASSETS	17.816.445	20.260.223

Balance sheet 30 June 2020

Note	2019/20	2018/19
EQUITY AND LIABILITIES		
4. Equity		
5. Share capital	119.400	119.400
Reserve for development projects	2.668.311	3.260.541
Retained earnings	-1.556.117	123.665
TOTAL EQUITY	<u>1.231.594</u>	<u>3.503.606</u>
Provisions for deferred tax	1.590.515	1.904.166
TOTAL PROVISIONS	<u>1.590.515</u>	<u>1.904.166</u>
6. Long-term liabilities		
7. Subordinated loan capital	3.706.721	475.000
Other credit institutions	3.152.346	2.735.513
Payables to associates	2.870.736	4.404.266
Total long-term liabilities	<u>9.729.803</u>	<u>7.614.779</u>
Current share of long-term liabilities	765.019	1.657.720
Other credit institutions	1.091.420	1.098.555
Suppliers of goods and services	2.624.425	2.373.613
Payables to group companies	460.903	31.646
Other payables	322.275	2.075.647
Debt to shareholders and management	491	491
Total short-term liabilities	<u>5.264.533</u>	<u>7.237.672</u>
TOTAL LIABILITIES	<u>14.994.336</u>	<u>14.852.451</u>
TOTAL EQUITY AND LIABILITIES	<u>17.816.445</u>	<u>20.260.223</u>
8. Going concern		
9. Charges and securities		

Noter

	2019/20	2018/19	
1. Staff costs			
Salaries	-129.791	1.771.906	
Pension costs	-411.500	60.000	
Other social security costs	9.413	11.177	
Total staff costs	<u>-531.878</u>	<u>1.843.083</u>	
Number of people employed on average	1	3	
2. Depreciation and write-downs			
Depreciation and write-downs of fixed assets	<u>777.930</u>	<u>792.732</u>	
Total depreciation and write-downs	<u>777.930</u>	<u>792.732</u>	
	Technical machinery	Fixtures	Total
3. Technical plant, machinery and fixtures			
Cost:			
Cost, beginning of year	<u>3.399.861</u>	<u>30.223</u>	<u>3.430.084</u>
Cost end of year	<u>3.399.861</u>	<u>30.223</u>	<u>3.430.084</u>
Accumulated depreciation and write-downs:			
Depreciation and write-downs, beginning of year	-91.507	-12.090	-103.597
Depreciation and write-downs in the year	<u>-10.404</u>	<u>-6.045</u>	<u>-16.449</u>
Depreciation and write-downs end of year	<u>-101.911</u>	<u>-18.135</u>	<u>-120.046</u>
Book value end of year	<u>3.297.950</u>	<u>12.088</u>	<u>3.310.038</u>
Hereoff funded with reservation of property	<u>3.297.950</u>	<u>0</u>	<u>0</u>

Noter

	2019/20	2018/19
4. Equity		
Share capital		
Beginning of year	119.400	119.400
End of year	119.400	119.400
Reserve for development projects		
Beginning of year	3.260.541	2.588.633
Reserve for development projects for the year	-592.230	671.908
Reserve for development projects	2.668.311	3.260.541
Retained earnings		
Beginning of year	123.665	626.312
Transferred from net profit	-2.272.012	169.261
Reserve for development projects	592.230	-671.908
End of year	-1.556.117	123.665
Equity end of year	1.231.594	3.503.606

5. Share capital

The share capital consists of 1.194 shares of DKK 100. No shares have special rights.

6. Long-term liabilities

DKK 0 of long-term debt are due after 5 years.

7. Subordinated loan capital

Subordinated loan capital matures no earlier than 1 July 2021 and resigns for the benefit of all the company's other creditors in order to cover their receivables in the company.

8. Going concern

The company's continued operation is subject to the retention of the credit available from suppliers, credit institutions and main shareholder, under the current conditions, and that fresh capital is contributed if needed. There is nothing that indicates that the credits would not be available and that there should not be given additional credit for at least 12 months from the balance sheet date.

Noter

9. Charges and securities

Technical plant and machinery are pledged as security for debt to Promens AS, Estonia, totaling DKK 3.230.673.

To secure a loan from Terp Consult ApS pledge has been granted in patent PCT / EP2014 / 068243 and PA 201500133 to LWAC (M2A1). The debt is on June 30. 2020 DKK 1.091.420.

Indemnity Letter totaling DKK 2.000.000 secured in stocks of raw materials, semi-finished and finished products as well as operating equipment, machinery and motor vehicles, which are or have previously been registered as per the Land Registration Act § 47c paragraph. 3, No. 2-4, is deposited as security for debt to Jyske Bank.

The company has pledged to provide liquidity to subsidiaries to the extent that it is necessary for the companies to operate. Letter of intent is given until the next financial reporting.

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.

Jørgen Dahl

Som Bestyrelsesformand NEM ID
PID: 9208-2002-2-729765890815
Tidspunkt for underskrift: 30-12-2020 kl.: 14:38:57
Underskrevet med NemID

Jørgen Dahl

Som Dirigent NEM ID
PID: 9208-2002-2-729765890815
Tidspunkt for underskrift: 30-12-2020 kl.: 14:38:57
Underskrevet med NemID

Jan Bendix Engmann

Som Direktør NEM ID
PID: 9208-2002-2-848168939691
Tidspunkt for underskrift: 30-12-2020 kl.: 14:22:21
Underskrevet med NemID

Jan Bendix Engmann

Som Bestyrelsesmedlem NEM ID
PID: 9208-2002-2-848168939691
Tidspunkt for underskrift: 30-12-2020 kl.: 14:22:21
Underskrevet med NemID

Dennis Cronbach

Som Revisor NEM ID
RID: 1232019904532
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