

Composhield A/S


Møgelgårdsvej 6, DK-8520 Lystrup, Denmark

CVR no. 25 54 08 91

Annual report 2020

Approved at the Company's annual general meeting on 30 April 2021

Chairman of the meeting:



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Michael Nørup



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Statement by board of Directors and the Executive board

Today, the board of Directors and the Executive board have discussed and approved the annual report of Composhield A/S for the financial year 1 January - 31 December 2020 .

The annual report has been 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 31 December 2020 and of the results of its operations for the financial year 1 January – 31 December 2020.

Further, in our opinion, the Management' review gives a fair review of the matters discussed in the Management' review.

We recommend that the annual report be approved at the annual general meeting.

Aarhus, 30 April 2021

Executive Board:

Michael Nørup

Board of Directors:

Kenneth Mark Ripich
Chairman

Michael Forde Ripich

Michael Nørup

Lisette Nørup



Independent auditor's report

To the shareholders of Composhield A/S

Opinion

We have audited the financial statements of Composhield A/S for the financial year 1 January – 31 December 2020, which comprise income statement, balance sheet and notes, including accounting policies. 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 financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 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 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.



Independent auditor's report

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 note 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

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

Aarhus, 30 April 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28


Henrik Pungvig Jensen
State Authorised
Public Accountant
mne24825



Management' review

Management commentary

Main Activities

The company's main activity is research, development, manufacturing, sales and marketing of protection technologies with main focus on mobile. Furthermore to provide assistance and guidance for design, implementation and integration of complete survivability solutions for new developed vehicles, buildings and secure rooms in general.

Recognition and measurement uncertainties

At the end of 2020 there was a general uncertainty about the impact of the Pandemic Covid-19 and we experienced the impact in the beginning of 2021, where we received note from some of our clients that they have been shut-down the entire 2020 and didn't expect to re-open before sometime in 2021. We expect therefore a lower turnover in 2021 but based on our diversity in clients, to remain with a zero to positive result.

Development in activities and economic conditions

Our constant focus on increasing our efficiency and effectiveness, made us change significant parts of our manufacturing processes in 2019. These were fully implemented in 2020 which have generated higher quality and efficiency. This focus has helped us remaining competitive and on the front technology edge for future projects. Another part of our result is our constant focus on new materials and compositions to archive better product performance and lower cost for our clients in general.

The result for 2020 is considered very satisfactory.



Financial statements 1 January – 31 December

Income statement

Note	DKK'000	2020	2019
	Gross margin	22.481	15.909
2	Staff costs	-8.183	-7.388
	Amortisation, depreciation and impairment losses	-671	-762
	Operating profit/loss	13.627	7.759
3	Financial income	8	16
	Reversal of prior year impairment losses on investments	1.581	0
4	Financial expenses	-321	-274
	Profit/loss before tax	14.895	7.501
5	Tax for the year	-2.935	-1.819
	Profit/loss for the year	11.960	5.682
Recommended appropriation of profit/loss			
	Proposed dividend recognised under equity	10.000	0
	Extraordinary dividend distributed in the year	0	7.000
	Retained earnings/accumulated loss	1.960	-1.318
		11.960	5.682



Financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	2020	2019
	ASSETS		
	Non-current assets		
6	Intangible assets		
	Development projects	0	0
	Patents and other rights	0	105
		0	105
7	Property, plant and equipment		
	Other assets, fixtures and fittings, tools and equipment	1.019	903
	Lease improvements	179	23
		1.198	926
	Financial assets		
8	Investments in subsidiaries	1.581	0
	Deposits	527	627
		2.108	627
	Total non-current assets	3.306	1.658
	Current assets		
	Inventories		
	Raw materials and consumables	2.701	4.743
		2.701	4.743
	Receivables		
	Trade receivables	29.837	11.240
	Work in progress	366	660
	Amounts owed by group entities	230	0
	Other receivables	688	989
10	Deferred tax assets	533	1.476
	Prepayments	442	226
		32.096	14.591
	Cash	4.477	35
	Total current assets	39.274	19.369
	TOTAL ASSETS	42.580	21.027



Financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	1.000	1.000
	Dividend proposed for the year	10.000	0
	Profit and loss account	15.742	13.782
	Total equity	26.742	14.782
	Long-term liabilities		
11	Other payables	397	245
	Total current liabilities	397	245
	Current liabilities		
	Bank debt	0	1.129
	Trade payables	10.638	3.056
	Payables to group entities	1.538	0
	Other payables	3.160	1.815
	Income taxes payable	105	0
	Total current liabilities	15.441	6.000
	Total liabilities	15.838	6.245
	TOTAL EQUITY AND LIABILITIES	42.580	21.027

- 1 Accounting policies
12 Contractual obligations and contingencies, etc.



Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Profit and loss account	Dividend proposed for the year	Total
Equity at 1 January 2019	1.000	15.100	6.700	22.800
Dividend distribution	0	-7.000	-6.700	-13.700
Transfer, see "Appropriation of profit/loss"	0	5.682	0	5.682
Equity at 1 January 2020	1.000	13.782	0	14.782
Transfer through appropriation of profit	0	1.960	10.000	11.960
Equity at 31 December 2020	1.000	15.742	10.000	26.742



Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Composhield A/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Non-current assets acquired in foreign currency are measured at the exchange rate at the transaction date.

Income statement

Revenue

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and expenses and the degree of completion of the contract can be measured reliably.

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only in so far as it is probable that such expenses will be recoverable from the counterparty.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

Other operating income comprises items secondary to the Company's activities, including rental income from temporary renting-out of production facilities.

External expenses

External expenses comprise expenses relating to distribution, sale, advertising, administration, premises, bad debts, operating leases, etc.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses comprise interest income and expense, charges in respect of finance leases, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividend from investments in subsidiaries is recognised in the income statement in the year of declaration. Distributions of dividend where the dividend exceeds the profit for the year or where the carrying amount of the Company's investments in the subsidiary exceeds the carrying amount of the subsidiary's net asset value will be evidence of impairment, meaning that an impairment test must be conducted.

Tax for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit making and loss making Danish entities in proportion to their taxable income.

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

On initial recognition, Intangible assets including development projects, patents and rights are measured at cost less accumulated depreciation. Cost covers acquisition price for consumable materials, services and direct salaries plus indirect cost which can be related to the development work.

Depreciation on development projects takes place from the time at which the development stage has been concluded.

Depreciation is made under the straight-line method over the expected useful lives of the assets.

Development costs 20 years

Patents and rights 20 years

In relation to the future earnings of the intangible assets, which is expected to be over a certain period of time, the depreciation period is extended to 20 years.

Gains and losses on the disposal of intangible assets are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Property, plant and equipment

On initial recognition, items of property, plant and equipment are measured at cost.

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation.

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Production overheads and borrowing costs are not included in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets, which are as follows:

Other assets, fixtures and fittings, tools and equipment 5 years

Lease improvements 5 years

Gains and losses on the disposal of intangible assets are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Assets with a cost of less than DKK 14,100 per unit are expensed in the year of acquisition.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Financial assets

Investments in subsidiaries are measured at cost. Cost includes the consideration measured at fair value plus direct purchase costs. In case of evidence of impairment, an impairment test must be conducted. Investments are written down to the lower of the carrying amount and the recoverable amount.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is tested annually for evidence of impairment other than the decrease in value reflected by amortisation/depreciation.

Impairment tests are conducted on individual assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct labour and direct costs of production. Production overheads and borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and developments in the expected selling price.

Work in progress

Construction contracts are measured at the selling price of the work performed less progress billings and anticipated losses. Construction contracts entail a significant degree of design customisation of produced goods. Moreover, before the work is commenced, a binding agreement must have been entered into to the effect that penalties or compensation will be enforced if the contract is subsequently terminated.

The selling price is measured by reference to the percentage of completion at the balance sheet date and total expected income from the contract. The percentage of completion is determined on the basis of an assessment of the work performed, which is usually measured as the proportion of contracts costs incurred for work performed to date relative to the total estimated contract costs.

When it is probable that the total contract costs will exceed total contract revenue, the anticipated loss on the contract is recognised as an expense and a provision immediately.

When income and expenses on a construction contract cannot be determined reliably, contract revenue is recognised only to the extent of contract costs deemed recoverable.

Where the selling price of work performed exceeds progress billings on construction contracts and anticipated losses, the excess is recognised under receivables. If progress billings and anticipated losses exceed the selling price of a construction contract, the deficit is recognised under liabilities.

Prepayments from customers are recognised under liabilities.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.



Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

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

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Income tax and deferred tax

The company is jointly taxed with OD&M ApS which also acts as the administrative company.

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net assets are measured at net realisable values.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Liabilities

Financial liabilities comprising amounts owed to credit institutions, trade payables and payables to group enterprises are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Prepayments

Prepayments recognised as a liability comprises payments received concerning income in subsequent financial reporting years.



Financial statements 1 January – 31 December

Notes

	DKK'000	2020	2019
2 Staff costs			
Wages and salaries		16.641	15.942
Pensions		553	528
Other social security costs		332	417
		17.526	16.887
Transferred to ongoing projects		-9.343	-9.499
		8.183	7.388
Average number of full-time employees		39	41
3 Financial income			
Exchange income		0	0
Interest income		4	0
Interest income, group entities		4	16
		8	16
4 Financial expenses			
Exchange losses		227	156
Interest expenses		53	42
Interest expenses, group entities		12	46
Other financial costs		29	30
		321	274
5 Tax for the year			
Estimated tax charge for the year		1.992	0
Deferred tax adjustments in the year		943	1.819
		2.935	1.819



Financial statements 1 January – 31 December

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6 Intangible assets

DKK'000

Cost at 1 January 2020

Additions

Cost at 31 December 2020

Depreciation and impairment losses at 1 January 2020

Depreciation

Depreciation and impairment losses at 31 December 2020

Carrying amount at 31 December 2020

Development projects	Patents and other rights
15.691	1.268
0	0
15.691	1.268
15.691	1.163
0	105
15.691	1.268
0	0

7 Property, plant and equipment

DKK'000

Cost at 1 January 2020

Additions

Disposals

Cost at 31 December 2020

Depreciation and impairment losses at 1 January 2020

Depreciation

Depreciation, assets disposed of

Depreciation and impairment losses at 31 December 2020

Carrying amount at 31 December 2020

Other assets, fixtures and fittings, tools and equipment	Lease improvements
4.491	1.229
633	206
-73	0
5.051	1.435
3.588	1.206
517	50
-73	0
4.032	1.256
1.019	179



Financial statements 1 January – 31 December

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8 Investments in subsidiaries

Key figures for the Company's subsidiary at 31 December 2020:

Name and registered office (DKK)	Ownership interest
Container Shelter System A/S, DK	100%
Composhield Ohio Inc., USA	100%
Composhield Poland sp. z.o.o, Poland	100%

Other Associated companies

Name and registered office (DKK)	Ownership interest
Composhield Ohio, Inc. ownership share in AMTANK Armor, LLC	49%

DKK'000	2020	2019
9 Share capital		
The share capital comprises:		
Share capital, 1.000.000 shares of DKK 1 nominal value each	1.000	1.000
	<u>1.000</u>	<u>1.000</u>
10 Deferred tax		
Opening deferred tax	1.476	3.295
Changes during the year	-943	-1.819
	<u>533</u>	<u>1.476</u>



Financial statements 1 January – 31 December

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11 Long-term liabilities

Of the long-term liabilities, DKK 0 falls due for payment after more than 5 years after the balance sheet date.

12 Contractual obligations and contingencies, etc.

The company has entered with a lease obligation for premises of DKK 394 thousand.

Lease obligation for cars is DKK 199 thousand at 31 December 2020, of which the total amount relates to year 2021. Final lease agreement ends November 2021. The lease obligation is calculated based on remaining payments, but limited to the contractual amount.

After the lease period, the company must designate a third party who buys two flex-leased company cars or alternatively extend the lease agreement.

The company has entered an agreement with a subsidiary concerning leasing of production equipment with an annual expense of DKK 96 thousand. The agreement can be cancelled by the company with 1 month notice.

The Company has provided a company charge of DKK 8,000 thousand as collateral for amounts owed to banks, secured upon operating equipment, inventories of raw materials and finished goods, unsecured claims derived from the sale of goods and services and intellectual property rights.

The Company grants 0-48 months' warranty on products sold.

The company has made a line of credit for 1 million USD to subsidiary.

The Company is jointly taxed with other Danish companies in the Group. As a jointly taxed Company, not wholly-owned, the Company has limited and secondary liability for Danish withholding tax on dividends, interest and royalties within the joint taxation unit.