

ANNUAL REPORT 2018/19

PlastPack Defence ApS

Thorsvej 6, st.
4100 Ringsted

CVR nr. 34203539

Submitter:

Sønderup I/S
Statsautoriserede revisorer

**Presented and approved at the company's ordinary
general meeting 26 November 2019**


Chairman

Anders Katharus Bang Lassen

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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 2018 to 30 June 2019.

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 2019 and of its financial performance for the financial year 1 July 2018 to 30 June 2019.

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

Ringsted, 26 November 2019

Executive Board

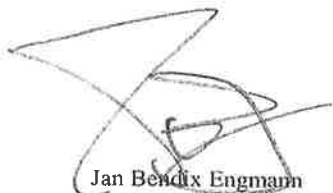


Jan Bendix Engmann

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 2018 to 30 June 2019, 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 2019 and of the results of the Company's operations for the financial year 1 July 2018 to 30 June 2019 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.

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 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:

Independent Auditor's Report

- * 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.

Ringsted, den 26 November 2019

SØNDERUP I/S
statsautoriserede revisorer
CVR 31824559


Dennis Cronbach

statsautoriseret revisor
mne32222

Accounting principles applied

The annual report for PlastPack Defence ApS 2018/19 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 form. 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 2018 - 30 June 2019

Note	2018/19	2017/18
Gross profit	3.380.283	1.126.440
1. Staff costs	-1.843.083	-1.221.439
2. Depreciation and write-downs	-792.732	-248.988
OPERATING PROFIT	744.468	-343.987
Other financial income	0	796.000
Other financial costs	-517.517	-373.062
PROFIT/-LOSS BEFORE TAX	226.951	78.951
Tax for the year	-57.690	-18.840
NET PROFIT/-LOSS FOR THE YEAR	169.261	60.111
Appropriation of profit		
Retained earnings	169.261	60.111
Total appropriation	169.261	60.111

3. Special posts

Balance sheet 30 June 2019

Note	2018/19	2017/18
ASSETS		
Intangible fixed assets		
Development projects	7.295.292	6.952.807
Acquired concessions, patents, licenses and similar	2.028.184	1.764.393
Total intangible fixed assets	9.323.476	8.717.200
Tangible fixed assets		
4. Technical plant, machinery and fixtures	3.326.487	3.383.982
Total tangible fixed assets	3.326.487	3.383.982
Financial fixed assets		
Investments in group companies	100.000	0
Total financial fixed assets	100.000	0
TOTAL FIXED ASSETS	12.749.963	12.101.182
Finished goods and merchandise		
	923.433	363.950
Total inventories	923.433	363.950
Receivables from sales and services		
	128.278	76.071
Contract work in progress	5.141.989	1.216.696
Receivables from group companies	870.474	0
Other receivables	397.320	905.782
Prepayments	31.813	22.131
Total receivables	6.569.874	2.220.680
Cash funds		
	16.953	4.309
Total cash funds	16.953	4.309
TOTAL CURRENT ASSETS	7.510.260	2.588.939
TOTAL ASSETS	20.260.223	14.690.121

Balance sheet 30 June 2019

Note	2018/19	2017/18
EQUITY AND LIABILITIES		
5. Equity		
6. Share capital	119.400	119.400
Reserve for development projects	3.260.541	2.588.633
Retained earnings	123.665	626.312
TOTAL EQUITY	3.503.606	3.334.345
Provisions for deferred tax	1.904.166	1.449.156
TOTAL PROVISIONS	1.904.166	1.449.156
7. Long-term liabilities		
8. Subordinated loan capital	475.000	475.000
Other credit institutions	2.735.513	3.782.162
Payables to associates	4.404.266	2.056.687
Total long-term liabilities	7.614.779	6.313.849
Current share of long-term liabilities	1.657.720	1.150.000
Other credit institutions	1.098.555	19.675
Suppliers of goods and services	2.373.613	1.462.951
Payables to group companies	31.646	0
Payables to associates	0	276.883
Other payables	2.075.647	682.772
Debt to shareholders and management	491	490
Total short-term liabilities	7.237.672	3.592.771
TOTAL LIABILITIES	14.852.451	9.906.620
TOTAL EQUITY AND LIABILITIES	20.260.223	14.690.121
9. Going concern		
10. Main activity		
11. Charges and securities		

Noter

	2018/19	2017/18
1. Staff costs		
Salaries	1.771.906	1.098.918
Pension costs	60.000	103.000
Other social security costs	11.177	19.521
Total staff costs	<u>1.843.083</u>	<u>1.221.439</u>

Number of people employed on average	3	2
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2. Depreciation and write-downs		
Depreciation and write-downs of fixed assets	792.732	248.988
Total depreciation and write-downs	<u>792.732</u>	<u>248.988</u>

3. Special posts

Special posts include significant income and expenses that are of a special nature in relation to the company's primary earnings-generating operations.

Special items for the year are specified below, including where these are recognized in the income statement.

	2018/19	2017/18
Special posts included in other financial income		
Gain on sale of option	0	796.000
	<u>0</u>	<u>796.000</u>

	Technical machinery	Fixtures	Total
4. Technical plant, machinery and fixtures			
Cost:			
Cost, beginning of year	3.399.861	30.223	3.430.084
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	-40.057	-6.045	-46.102
Depreciation and write-downs in the year	-51.450	-6.045	-57.495
Depreciation and write-downs end of year	<u>-91.507</u>	<u>-12.090</u>	<u>-103.597</u>
Book value end of year	<u>3.308.354</u>	<u>18.133</u>	<u>3.326.487</u>
Hereoff funded with reservation of property	<u>3.308.354</u>	<u>0</u>	<u>0</u>

Noter

	2018/19	2017/18
5. Equity		
Share capital		
Beginning of year	119.400	119.400
End of year	119.400	119.400
Share premium by emission		
Beginning of year	0	1.460.600
This years use of share premium	0	-1.460.600
End of year	0	0
Reserve for development projects		
Beginning of year	2.588.633	1.721.327
Reserve for development projects for the year	671.908	867.306
Reserve for development projects	3.260.541	2.588.633
Retained earnings		
Beginning of year	626.312	-27.093
Transferred from net profit	169.261	60.111
Transferred from share premium	0	1.460.600
Reserve for development projects	-671.908	-867.306
End of year	123.665	626.312
Equity end of year	3.503.606	3.334.345

6. Share capital

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

7. Long-term liabilities

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

8. Subordinated loan capital

Subordinated loan capital has been provided with dkk. 475.000. The loan is a standing loan which is due for payment by agreement, but no earlier than 1 July 2020.

9. 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.

10. Main activity

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

Noter

11. 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. 2019 DKK 1.006.667.

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 the bank.