Tantaline CVD ApS

Nordborgvej 81, 6430 Nordborgvej

Company reg. no. 38 25 45 45

Annual report

1 January - 31 December 2019

The annual report was submitted and approved by the general meeting on the 30 September 2020.

Søren Skov
Chairman of the meeting

Contents

Notes to users of the English version of this document:

- This document is a translation of a Danish version of the document. In the event of any dispute regarding the interpretation of any part of the document, the Danish version of the document shall prevail.
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points remain unchanged from Danish version of the document. This means that DKK 146.940 corresponds to the English amount of DKK 146,940, and that 23,5 % corresponds to 23.5 %.

Management's report

Today, the board of directors and the managing director have presented the annual report of Tantaline CVD ApS for the financial year 1 January - 31 December 2019.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the company's results of activities in the financial year 1 January – 31 December 2019.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

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

Nordborg, 30 September 2020

Managing Director

Leonard Alan Rosenbaum

Board of directors

Leonard Alan Rosenbaum chairman	Martin J. Teitelbaum	Søren Skov

Independent auditor's report

To the shareholder of Tantaline CVD ApS

Qualified opinion

We have audited the financial statements of Tantaline CVD ApS for the financial year 1 January - 31 December 2019, which comprise accounting policies, income statement, statement of financial position and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, except for the possible effect of the matter described in the paragraph "Basis for qualified opinion", the financial statements give a true and fair view of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the profit of company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for qualified opinion

We were elected as the company's auditor at a time after the end of the financial year, when it was not possible to attend physical inventory counting as of 31st December 2019. It has not been possible for us to perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. Inventory as of 31st December 2019 is carried in the annual accounts with DKK 227.000.

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section “Auditor’s responsibilities for the audit of the financial statements”. We are independent of the company in accordance with international ethical requirements for auditors (IESBA’s Code of Ethics), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainties concerning the company’s ability to continue as a going concern

We draw attention to note 1 in the annual accounts, which indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter

As discussed in note 2 to the financial statements, certain balance sheet items as of 31 December 2018 have been restated to correct for errors in the application of accounting principles.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on and the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 30 September 2020

BUUS JENSEN
State Authorised Public Accountants
Company reg. no. 16 11 90 40

Michael Markussen
State Authorised Public Accountant
mne34295

Company information

The company	Tantaline CVD ApS Nordborgvej 81 6430 Nordborgvej	
	Company reg. no.	38 25 45 45
	Established:	14 December 2016
	Domicile:	Sønderborg, Denmark
	Financial year:	1 January - 31 December
Board of directors	Leonard Alan Rosenbaum, chairman Martin J. Teitelbaum Søren Skov	
Managing Director	Leonard Alan Rosenbaum	
Auditors	BUUS JENSEN, Statsautoriserede revisorer	

Management commentary

The principal activities of the company

The principal activities are treatment of metal components.

Unusual circumstances

Subsequent to the issuance of the 2018 financial statements, the management determined that certain adjustments were required to correct errors in the financial statements of Tantaline CVD ApS. Management refers to note 2 in the financial statements, in which the management describes the restatement.

Development in activities and financial matters

The results after tax totals DKK -1.854.000 for the year 2019 against DKK -4.032.000 for the year 2018. Management finds the improved results as expected.

As the equity represents less than half of the subscribed capital, the Company is subject to the Danish Companies Act section 119 regarding loss of capital. Management will continue to assess its ability to recover the capital by striving to be profitable in the coming years or by converting payables to group enterprises into equity.

Management refers to note 1 in the financial statements, in which the management describes the company's financial situation.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2019	2018
	Gross profit	**1.945.077**	**1.079.777**
3	Staff costs	-3.131.874	-4.945.289
	Depreciation, amortisation, and impairment	-342.196	-331.859
	Operating profit	**-1.528.993**	**-4.197.371**
	Other financial income	0	168.400
4	Other financial costs	-324.762	-3.470
	Pre-tax net profit or loss	**-1.853.755**	**-4.032.441**
	Tax on net profit or loss for the year	0	0
	Net profit or loss for the year	**-1.853.755**	**-4.032.441**
	Proposed appropriation of net profit:		
	Allocated from retained earnings	-1.853.755	-4.032.441
	Total allocations and transfers	**-1.853.755**	**-4.032.441**

Statement of financial position at 31 December

All amounts in DKK.

Assets

Note		2019	2018
	Non-current assets		
5	Concessions, patents, licenses, trademarks, and similar rights acquired	493.500	564.000
	Total intangible assets	493.500	564.000
6	Plant and machinery	1.939.288	2.195.984
	Total property, plant, and equipment	1.939.288	2.195.984
	Total non-current assets	**2.432.788**	**2.759.984**
	Current assets		
	Raw materials and consumables	226.797	316.763
	Total inventories	226.797	316.763
	Trade receivables	161.760	526.350
	Other receivables	81.325	240.763
	Prepayments and accrued income	95.892	238.915
	Total receivables	338.977	1.006.028
	Cash on hand and demand deposits	762.457	259.224
	Total current assets	**1.328.231**	**1.582.015**
	Total assets	**3.761.019**	**4.341.999**

Statement of financial position at 31 December

All amounts in DKK.

Note	**Equity and liabilities**	2019	2018
	Equity		
7	Contributed capital	50.000	50.000
8	Retained earnings	-11.128.198	-9.274.443
	Total equity	**-11.078.198**	**-9.224.443**
	Liabilities other than provisions		
	Other payables	117.000	0
9	Total long term liabilities other than provisions	117.000	0
9	Current portion of long term payables	0	0
	Trade payables	399.299	584.776
10	Payables to group enterprises	13.997.199	12.619.524
	Other payables	325.719	362.142
	Total short term liabilities other than provisions	14.722.217	13.566.442
	Total liabilities other than provisions	**14.839.217**	**13.566.442**
	Total equity and liabilities	**3.761.019**	**4.341.999**

1 Uncertainties concerning the enterprise's ability to continue as a going concern

2 Restatement

11 Contingencies

Notes

All amounts in DKK.

	2019	2018

1. Uncertainties concerning the enterprise's ability to continue as a going concern

The company has incurred a net loss of DKK 1,854,000 during the year ended 31st December 2019, and, as of that date, the company's liabilities exceeded its total assets by DKK 11,078,000. The net loss for the year is a significant improvement compared to DKK -4,032,000 in the prior year ended 31st December 2018. During the first half of 2020, unfortunately, COVID-19 affected the global markets, not to mention our short-term sales and operations. Management anticipates the Denmark operations to return to near 2019 results and continue to strive to both gain additional revenue and reduce expenses in the future, although the timing of such is uncertain at this time. It is a material condition for the company's ability to continue as a going concern that the company can realize the expected growth in revenue and improvement in the net results per Management expectations. Based on these assumptions, Management anticipates to have the necessary liquidity to finance the planned operations.

2. Restatement

Subsequent to the issuance of the Company's 2018 financial statements, the Company determined that certain adjustments were required to correct errors in accounting for inventory, holiday pay provisions, prepayments, and payables to group enterprises.

Management identified certain adjustments to inventory as of 31 December 2017 and 31 December 2018. The Company recorded an adjustment to properly account for inventory, which increased the 31 December 2018 accumulated deficit by DKK 141.000.

Management failed to account for holiday pay provisions to employees during the years ended 31 December 2017 and 31 December 2018. The Company recorded an adjustment to properly account for holiday pay provisions, which increased the 31 December 2018 accumulated deficit by DKK 300.000.

Management identified certain adjustments to accrued IT expenses for 2017 and 2018 that were not properly recognized as of 31 December 2017 and 31 December 2018. The adjustments increased the 31 December 2018 accumulated deficit by DKK 217,000 to reflect the cumulative effect of these errors.

Management failed to account for exchange rate adjustments related to payables to group enterprises as of 31 December 2017 and 31 December 2018. The Company recorded an adjustment to properly account for the exchange rate adjustments, which decreased the 31 December 2018 accumulated deficit by DKK 80.000.

The errors in total imply that the accumulated results for 2017 and 2018 were overestimated by DKK 578.000, the balance sheet was overestimated by DKK 126.000 as per 31 December 2018, and that the shareholders’ equity was overestimated by 578.000 EUR as per 31 December 2018. Comparative figures have been adjusted.

Notes

All amounts in DKK.

		2019	2018
3.	**Staff costs**		
	Salaries and wages	2.693.819	4.596.575
	Pension costs	377.492	303.900
	Other costs for social security	60.563	44.814
		3.131.874	**4.945.289**
	Average number of employees	7	6
4.	**Other financial costs**		
	Other financial costs	324.762	3.470
		324.762	**3.470**
5.	**Concessions, patents, licenses, trademarks, and similar rights acquired**		
	Cost 1 January 2019	705.000	705.000
	Cost 31 December 2019	**705.000**	**705.000**
	Amortisation and writedown 1 January 2019	-141.000	-70.500
	Amortisation and depreciation for the year	-70.500	-70.500
	Amortisation and writedown 31 December 2019	**-211.500**	**-141.000**
	Carrying amount, 31 December 2019	**493.500**	**564.000**
6.	**Plant and machinery**		
	Cost 1 January 2019	2.707.138	2.613.558
	Additions during the year	15.000	93.580
	Cost 31 December 2019	**2.722.138**	**2.707.138**
	Depreciation and writedown 1 January 2019	-511.154	-249.795
	Amortisation and depreciation for the year	-271.696	-261.359
	Depreciation and writedown 31 December 2019	**-782.850**	**-511.154**
	Carrying amount, 31 December 2019	**1.939.288**	**2.195.984**

Notes

All amounts in DKK.

		31/12 2019	31/12 2018
7.	**Contributed capital**		
	Contributed capital 1 January 2019	50.000	50.000
		50.000	**50.000**

		31/12 2019	31/12 2018
8.	**Retained earnings**		
	Retained earnings 1 January 2019	-9.274.443	-4.597.158
	Accumulated effect at the beginning of the year of change in the accounting policies:		
	Prior Period Adjustments, cf. note 2	0	-644.844
	Adjusted retained earnings 1 January 2019	-9.274.443	-5.242.002
	Retained earnings for the year	-1.853.755	-4.032.441
		-11.128.198	**-9.274.443**

9. Liabilities other than provision

	Total payables 31 Dec 2019	**Current portion of long term payables**	**Long term payables 31 Dec 2019**	**Outstanding payables after 5 years**
Other payables	117.000	0	117.000	0
	117.000	**0**	**117.000**	**0**

10. Payables to group enterprises

The loan payable does not have an established maturity date or required payments.

11. Contingencies

Contingent liabilities

	31/12 2019 DKK in thousands
Rent commitments	293
Total contingent liabilities	**293**

Accounting policies

The annual report for Tantaline CVD ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

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

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

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

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

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

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

Income statement

Gross profit

Gross profit comprises the revenue, cost of sales, and other external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

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

Staff costs

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

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Intangible assets

Concessions, patents, licenses, trademarks, and similar rights acquired

IP rights are measured at cost less accrued amortisation. IP rights are amortised on a straightline basis over the estimated useful economic life. The amortisation period is 10 years.

Profit and loss from the sale of IP rights are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Plant and machinery

Plant and machinery are measured at cost less accrued depreciation and writedown for impairment.

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

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately when the useful lives of each individual components differ.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Plant and machinery	5 years	50 %

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of plant and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leases

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

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation, respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow derived from the use of the asset or group of assets.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist.

Inventories

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

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

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

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities other than provisions

Other liabilities other than provisions are measured at amortised cost which usually corresponds to the nominal value.