

Val Controls A/S
Limfjordsvej 3
6715 Esbjerg N
Business Registration No
11774393

Annual report 2018

The Annual General Meeting adopted the annual report on 28.05.2019

Chairman of the General Meeting

Name: Jørgen Einer-Jensen Brammer

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Entity details

Entity

Val Controls A/S
Limfjordsvej 3
6715 Esbjerg N

Central Business Registration No (CVR): 11774393
Registered in: Esbjerg
Financial year: 01.01.2018 - 31.12.2018

Website: www.valcontrols.dk
E-mail: vc@valcontrols.com

Board of Directors

Jørgen Einer-Jensen Brammer
Peter Jensen Toft
Ingeborg Pugflod Toft

Executive Board

Carsten Pugflod Toft

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Val Controls A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Esbjerg, 28.05.2019

Executive Board

Carsten Pugflod Toft

Board of Directors

Jørgen Einer-Jensen
Brammer

Peter Jensen Toft

Ingeborg Pugflod Toft

Independent auditor's report

To the shareholders of Val Controls A/S

Opinion

We have audited the financial statements of Val Controls A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 taken on the basis of these financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, 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 conclude that the management commentary 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 commentary.

Esbjerg, 28.05.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Henrik Harbo Andersen
State Authorised Public Accountant
Identification No (MNE) mne19699

Management commentary

Primary activities

As in prior years, the Company's primary activities consist in developing, designing, manufacturing, selling and repairing electronic control, monitoring and test equipment for valve, actuator and pump systems. The Company's major customers operate within the global oil and gas industries worldwide.

Development in activities and finances

The performance in 2018 is considered unsatisfactory. Val Controls is still the preferred supplier of specialized electronic control systems for ESD valves and has continued to develop the market and its products.

Outlook

Despite of the forecast for the oil and gas market in 2019, the company is expected to make a break even result in 2019.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Gross profit		5.122.072	5.177.627
Staff costs	1	(6.504.899)	(5.477.476)
Depreciation, amortisation and impairment losses	2	<u>(882.753)</u>	<u>(642.488)</u>
Operating profit/loss		(2.265.580)	(942.337)
Other financial income	3	1.536	1.608
Other financial expenses	4	<u>(178.085)</u>	<u>(84.418)</u>
Profit/loss before tax		(2.442.129)	(1.025.147)
Tax on profit/loss for the year	5	<u>535.758</u>	<u>221.710</u>
Profit/loss for the year		<u>(1.906.371)</u>	<u>(803.437)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(1.906.371)</u>	<u>(803.437)</u>
		<u>(1.906.371)</u>	<u>(803.437)</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Completed development projects		1.706.293	1.454.561
Development projects in progress		449.457	325.182
Intangible assets	6	<u>2.155.750</u>	<u>1.779.743</u>
Other fixtures and fittings, tools and equipment		376.733	739.661
Property, plant and equipment	7	<u>376.733</u>	<u>739.661</u>
Fixed assets		<u>2.532.483</u>	<u>2.519.404</u>
Raw materials and consumables		5.421.814	5.373.294
Prepayments for goods		0	61.360
Inventories		<u>5.421.814</u>	<u>5.434.654</u>
Trade receivables		1.584.440	1.649.054
Receivables from group enterprises		562.094	0
Deferred tax		74.000	0
Other receivables		248.657	168.785
Prepayments		52.244	42.976
Receivables		<u>2.521.435</u>	<u>1.860.815</u>
Cash		<u>272.200</u>	<u>1.945.548</u>
Current assets		<u>8.215.449</u>	<u>9.241.017</u>
Assets		<u>10.747.932</u>	<u>11.760.421</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		500.000	500.000
Reserve for development expenditure		1.681.485	1.238.878
Retained earnings		<u>2.973.441</u>	<u>5.322.419</u>
Equity		<u>5.154.926</u>	<u>7.061.297</u>
Deferred tax		<u>0</u>	<u>118.000</u>
Provisions		<u>0</u>	<u>118.000</u>
Bank loans		108.985	0
Prepayments received from customers		10.803	88.572
Trade payables		263.409	102.328
Payables to group enterprises		4.352.407	3.561.961
Payables to shareholders and management		471	471
Other payables	8	<u>856.931</u>	<u>827.792</u>
Current liabilities other than provisions		<u>5.593.006</u>	<u>4.581.124</u>
Liabilities other than provisions		<u>5.593.006</u>	<u>4.581.124</u>
Equity and liabilities		<u>10.747.932</u>	<u>11.760.421</u>
Contingent liabilities	9		

Statement of changes in equity for 2018

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	500.000	1.238.878	5.322.419	7.061.297
Transfer to reserves	0	442.607	(442.607)	0
Profit/loss for the year	0	0	(1.906.371)	(1.906.371)
Equity end of year	500.000	1.681.485	2.973.441	5.154.926

Notes

	2018	2017
	DKK	DKK
1. Staff costs		
Wages and salaries	5.991.972	4.909.220
Pension costs	358.397	377.965
Other social security costs	80.753	96.785
Other staff costs	73.777	93.506
	6.504.899	5.477.476
Average number of employees	10	9
	2018	2017
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	467.163	282.075
Impairment losses on intangible assets	52.662	0
Depreciation of property, plant and equipment	362.928	360.413
	882.753	642.488
	2018	2017
	DKK	DKK
3. Other financial income		
Other interest income	1.536	1.608
	1.536	1.608
	2018	2017
	DKK	DKK
4. Other financial expenses		
Financial expenses from group enterprises	134.216	63.972
Other interest expenses	385	1
Exchange rate adjustments	43.484	20.445
	178.085	84.418

Notes

	2018	2017
	DKK	DKK
5. Tax on profit/loss for the year		
Change in deferred tax	(192.000)	(221.710)
Refund in joint taxation arrangement	(343.758)	0
	(535.758)	(221.710)
	Completed	Develop-
	develop-	ment
	ment	projects in
	projects	progress
	DKK	DKK
6. Intangible assets		
Cost beginning of year	1.871.838	325.182
Transfers	568.506	(568.506)
Additions	150.389	745.443
Disposals	0	(52.662)
Cost end of year	2.590.733	449.457
Amortisation and impairment losses beginning of year	(417.277)	0
Impairment losses for the year	0	(52.662)
Amortisation for the year	(467.163)	0
Reversal regarding disposals	0	52.662
Amortisation and impairment losses end of year	(884.440)	0
Carrying amount end of year	1.706.293	449.457

Development projects

Development projects in progress include development and testing of new prototypes and software to ensure that the company continues to produce products that can meet the strict requirements of the market and legislation.

Completed development projects

Completed development projects comprise development of software, hardware, and upgrading existing products, development of new equipment and products which support the company's main activities. The cost of development projects comprises costs such as salaries and directly development expenses and are valued in relation to business cases for the individual development projects and the potential of these development projects on existing and new customers.

Notes

	Other fixtures and fittings, tools and equipment DKK
	<u>DKK</u>
7. Property, plant and equipment	
Cost beginning of year	1.789.468
Cost end of year	<u>1.789.468</u>
Depreciation and impairment losses beginning of year	(1.049.807)
Depreciation for the year	<u>(362.928)</u>
Depreciation and impairment losses end of year	<u>(1.412.735)</u>
Carrying amount end of year	<u>376.733</u>

	2018	2017
	<u>DKK</u>	<u>DKK</u>
8. Other payables		
Wages and salaries, personal income taxes, social security costs, etc payable	789.086	750.036
Other costs payable	<u>67.845</u>	<u>77.756</u>
	<u>856.931</u>	<u>827.792</u>

9. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Toft Holding Esbjerg ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

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 is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary write-downs of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Accounting policies

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, net capital gains on transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

The Entity is jointly taxed with Toft Holding Esbjerg ApS and all its Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly attributable to the development projects.

Accounting policies

Indirect production costs in the form of indirectly attributable staff costs used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. The amortisation periods used are 5 years.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
--------------------------------------------------	-----------

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost of goods for resale, raw materials, consumables, consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Accounting policies

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.