Danelec Electronics A/S

Secondary name: Danelec Marine A/S
Blokken 44, DK-3460 Birkerød

Annual Report for 1 July 2018 - 30 June 2019

CVR No 18 63 08 77

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 24/9 2019

Peter Lund
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Danelec Electronics A/S for the financial year 1 July 2018 - 30 June 2019.

The Annual Report is 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 at 30 June 2019 of the Company and of the results of the Company operations for 2018/19.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Birkerød, 24 September 2019

Executive Board

Hans Ottosen

Board of Directors

Peter Lund Chairman	Hans Ottosen	Hans Egon Rasmussen

Independent Auditor's Report

To the Shareholders of Danelec Electronics A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2019 and of the results of the Company's operations for the financial year 1 July 2018 - 30 June 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Danelec Electronics A/S for the financial year 1 July 2018 - 30 June 2019, which comprise summary of significant accounting policies, income statement, balance sheet and notes ("the Financial Statements").

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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Independent Auditor’s Report

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 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 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.

Independent Auditor’s Report

- 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.

Copenhagen, 24 September 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Gert Fisker Tomczyk
statsautoriseret revisor
mne9777

Company Information

The Company	Danelec Electronics A/S Secondary name: Danelec Marine A/S Blokken 44 DK-3460 Birkerød Telephone: + 45 4594 4300 Website: www.danelec-marine.com CVR No: 18 63 08 77 Financial period: 1 July - 30 June Municipality of reg. office: Rudersdal
Board of Directors	Peter Lund, Chairman Hans Ottosen Hans Egon Rasmussen
Executive Board	Hans Ottosen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Management's Review

Key activities

Danelec develops, produces and sells maritime safety & data solutions. The three product lines include Voyage Data Recorders (VDR) –" black boxes", Electronic Chart and Display Information Systems (ECDIS) - a computer-based navigation system replacing traditional paper charts used as the primary mean of navigation for vessels -and DanelecConnect, ship-to-shore IoT data automation solutions.

The market for VDR and ECDIS has its origins in regulations from the International Maritime Organization (IMO). These regulations require the installation of a VDR and ECDIS on passenger and larger cargo vessels sailing in international waters. The market for DanelecConnect is not regulated by IMO and is based on a need by shore-based ship managers to have increased insights and control of data on their vessels in terms of easily identifying issues and failures, monitoring vessel KPIs, and integrating third-party data analytics for continuous improvement. DanelecConnect is thus the future of ship-to-shore large vessel automation and ensures timely, cost-effective ship management.

Danelec distributes its three product lines under its own brand as well as OEM-products for the VDR product line for other manufacturers of bridge navigation systems. Furthermore, the DanelecConnect technology is being integrated as an OEM solution for major maritime corporations.

Danelec has a strong vision to provide the most efficient product and service solution to the maritime industry and is continuously developing and adapting its business structure and processes to meet the vision.

Development in the year

Danelec is currently the leading VDR manufacturer in the maritime industry, and continuous to develop value-added features for the VDR product line.

The ECDIS regulation required all vessels within the tonnage requirement to be retrofitted with an ECDIS by the first inspection after June 2018. Consequently, the ECDIS market will face a temporary decrease in the coming 1-2 years, after which there will be a stable and large replacement market, which Danelec is well positioned to serve. Danelec has added significant R&D resources to the development of the ECDIS portfolio and recently launched an updated user application with new advanced feature sets, added radar overlay and initiated the development for advanced remote access features supported by DanelecConnect.

The DanelecConnect platform is strongly supporting the VDR sale and is also sold as a stand-alone solution, which ensures efficient onboard data collection from key sensors and data transfer to shore, which is integrated with a suite of third-party data analytics software providers. New fleet orders have been installed successfully, and the results have been very positive. Danelec continuous to establish new strategic partnerships with 3rd party companies and to devote substantial R&D resources to further develop and maintain technology leadership.

Management's Review

Review of the year and expected development

The income statement of the Company for 2018/19 shows a revenue of 90,6 million DKK, EBIT of 21,8 million DKK and at 30 June 2019 the balance sheet of the Company shows equity of 38,0 million DKK.

Danelec continues to devote considerable resources to development activities, and in particular to DanelecConnect, and has added significant resources to further develop its sales & marketing activities and infrastructure in order to accelerate growth and fully exploit the market potential of its technology platform. On this basis, management expects an increase in revenue and a positive and satisfactory result for the financial year 2019/20.

Income Statement 1 July - 30 June

	Note	2018/19	2017/18
		DKK	DKK
Revenue		**90,597,695**	**89,676,606**
Work on own account recognised in assets		6,787,610	3,166,440
Expenses for raw materials and consumables		-34,676,869	-38,337,785
Other external expenses		-10,243,701	-9,426,223
Gross profit/loss		**52,464,735**	**45,079,038**
Staff expenses	1	-20,513,301	-15,041,660
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-10,160,998	-9,037,345
Profit/loss before financial income and expenses		**21,790,436**	**21,000,033**
Financial income		280,630	239,862
Financial expenses	2	-564,137	-221,687
Profit/loss before tax		**21,506,929**	**21,018,208**
Tax on profit for the year	3	-4,789,103	-4,672,023
Net profit/loss for the year		**16,717,826**	**16,346,185**

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	10,700,000	12,000,000
Retained earnings	6,017,826	4,346,185
	16,717,826	**16,346,185**

Balance Sheet 30 June

Assets

	Note	2018/19	2017/18
		DKK	DKK
Finished development projects		17,679,886	18,609,112
Software		951,090	1,137,356
Development projects in progress		7,158,326	1,813,322
Intangible assets	4	**25,789,302**	**21,559,790**
Other fixtures and fittings, tools and equipment		810,859	924,513
Leasehold improvements		72,644	112,125
Property, plant and equipment	5	**883,503**	**1,036,638**
Fixed assets		**26,672,805**	**22,596,428**
Inventories		**15,251,783**	**12,309,439**
Trade receivables		10,363,201	11,119,322
Other receivables		974,085	3,365,028
Prepayments		1,027,068	1,052,909
Receivables		**12,364,354**	**15,537,259**
Cash at bank and in hand		**17,603,475**	**9,694,599**
Currents assets		**45,219,612**	**37,541,297**
Assets		**71,892,417**	**60,137,725**

Balance Sheet 30 June

Liabilities and equity

	Note	2018/19	2017/18
		DKK	DKK
Share capital		10,734,000	10,734,000
Reserve for development costs		16,568,743	10,556,514
Retained earnings		41,080	35,483
Proposed dividend for the year		10,700,000	12,000,000
Equity	6	**38,043,823**	**33,325,997**
Provision for deferred tax		5,534,786	4,625,625
Warranty provision		1,008,540	1,034,452
Provisions		**6,543,326**	**5,660,077**
Prepayments received from customers		0	9,687
Trade payables		9,240,864	7,516,941
Payables to group enterprises		5,040,688	0
Corporation tax		7,923,348	7,252,582
Payables to group enterprises relating to corporation tax		816,162	0
Deposits		95,476	111,346
Other payables		4,188,730	6,261,095
Short-term debt		**27,305,268**	**21,151,651**
Debt		**27,305,268**	**21,151,651**
Liabilities and equity		**71,892,417**	**60,137,725**
Contingent assets, liabilities and other financial obligations	7		
Accounting Policies	8		

Notes to the Financial Statements

		2018/19	2017/18
		DKK	DKK
1	**Staff expenses**		
	Wages and salaries	17,488,767	12,488,983
	Other social security expenses	2,515,953	2,001,839
	Other staff expenses	508,581	550,838
		20,513,301	**15,041,660**
	Average number of employees	**28**	**26**
2	**Financial expenses**		
	Interest paid to group enterprises	40,688	0
	Other financial expenses	523,449	221,687
		564,137	**221,687**
3	**Tax on profit for the year**		
	Current tax for the year	3,879,942	4,616,458
	Deferred tax for the year	909,161	55,565
		4,789,103	**4,672,023**

Notes to the Financial Statements

4 Intangible assets

	Finished development projects	Software	Development projects in progress
	DKK	DKK	DKK
Cost at 1 July	80,300,697	1,402,699	1,813,322
Additions for the year	6,734,601	223,501	6,714,227
Reclassification	1,476,963	0	-1,369,223
Cost at 30 June	88,512,261	1,626,200	7,158,326
Impairment losses and amortisation at 1 July	61,691,585	265,343	0
Amortisation for the year	9,209,360	409,767	0
Transfers for the year	-68,570	0	0
Impairment losses and amortisation at 30 June	70,832,375	675,110	0
Carrying amount at 30 June	**17,679,886**	**951,090**	**7,158,326**
Amortised over	4-7 years	3-4 years	

Notes to the Financial Statements

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 July	3,444,283	113,704
Additions for the year	502,808	0
Transfers for the year	-148,722	88,722
Cost at 30 June	3,798,369	202,426
Depreciation at 1 July	2,519,770	1,579
Depreciation for the year	499,519	42,351
Transfers for the year	-31,779	85,852
Depreciation at 30 June	2,987,510	129,782
Carrying amount at 30 June	**810,859**	**72,644**
Depreciated over	3-5 years	3-5 years

Notes to the Financial Statements

6 Equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 July	10,734,000	10,556,514	35,483	12,000,000	33,325,997
Dividend paid	0	0	0	-12,000,000	-12,000,000
Development costs for the year	0	6,012,229	-6,012,229	0	0
Net profit/loss for the year	0	0	6,017,826	10,700,000	16,717,826
Equity at 30 June	**10,734,000**	**16,568,743**	**41,080**	**10,700,000**	**38,043,823**

The share capital is broken down as follow:

	Number	Nominal value
		DKK
A-shares	2,000,000	2,000,000
B-shares	2,000,000	2,000,000
C-shares	1,600,000	1,600,000
D-shares	134,000	134,000
E-shares	5,000,000	5,000,000
		10,734,000

There have been no changes in the share capital during the last 5 years.

Notes to the Financial Statements

	2018/19	2017/18
	DKK	DKK

7 Contingent assets, liabilities and other financial obligations

Charges and security

As security for a bank facility, a letter of indemnity has been issued, DKK 8,400,000, that includes all property, plant and equipment, inventories and other receivables.

Rental and lease obligations

	2018/19	2017/18
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	683,840	569,529
	683,840	**569,529**

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Ottosen ApS, which is the management company of the joint taxation purposes. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

Notes to the Financial Statements

8 Accounting Policies

The Annual Report of Danelec Electronics A/S for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

Financial Statements are presented in DKK.

Changes in accounting policies

Accounting policies has been changed in relation to the presentation of staff expenses. Staff expenses are now presented on a gross basis. Practice has previously been presentation of staff expenses deducting staff expenses regarding capitalised development projects. As a consequense a seperate income line "Work on own account recognised in assets" have been introduced. The changes has no effect on the net profit for the year or the equity. The comparative figures has been adjusted accordingly.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

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

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

8 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement, when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Other external expenses also include research and development costs that do not qualify for capitalisation.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes to the Financial Statements

8 Accounting Policies (continued)

Tax on profit for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Balance Sheet

Intangible assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects and related tax value.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 4-7 years.

Notes to the Financial Statements

8 Accounting Policies (continued)

Software

Software are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use. The amortisation period is 3-4 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

Notes to the Financial Statements

8 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums and subscriptions.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Warranty provisions include warranty obligations in respect of repair work within the warranty period of 2 years. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

8 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Surplus payments under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.