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Unisense Environment A/S

Tueager 1
8200 Aarhus N
CVR No. 25570588

Annual report 2019

The Annual General Meeting adopted the annual report on 24.06.2020

Carl Erik Skovgaard Sørensen
Conductor

Contents

Entity details

Entity

Unisense Environment A/S

Tueager 1

8200 Aarhus N

CVR No.: 25570588

Registered office: Aarhus

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Carl Erik Skovgaard, Chairman

Flemming Besenbacher

Michael Gustav Brock

Lars Rabe Tønnesen

Ole Pedersen

Executive Board

Thomas Rattenborg

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Unisense Environment A/S for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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.

Aarhus, 23.03.2020

Executive Board

Thomas Rattenborg

Board of Directors

Carl Erik Skovgaard
Chairman

Flemming Besenbacher

Michael Gustav Brock

Lars Rabe Tønnesen

Ole Pedersen

Independent auditor's report

To the shareholders of Unisense Environment A/S

Opinion

We have audited the financial statements of Unisense Environment A/S for the financial year 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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.

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.

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.

Aarhus, 23.03.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Klaus Tvede-Jensen
State Authorised Public Accountant
Identification No (MNE) mne23304

Jens Lauridsen
State Authorised Public Accountant
Identification No (MNE) mne34323

Management commentary

Primary activities

The purpose of the company is the development, production, marketing, and sales of technology to optimize wastewater treatment plants and other related activities within bioprocess optimization.

Development in activities and finances

Net revenue from sales of nitrous oxide sensor systems increased 28% in comparison with the year before. The operating profit from business activities before depreciation, amortization and impairment losses was DKK 784,400. Total loss of the year was DKK 20,968. The negative equity is expected to be restored in the coming years.

The DKK 5.000.000 MUDP grant support program from the Ministry of Environment and Food in Denmark ended in 2019. Danish water utilities did not fully utilize the support program and the sale in Denmark was less than expected. However, increased interest from other European countries, Japan and the USA resulted in a revenue 23% above budget.

Politically there is much focus on N2O emission from water utilities, and it is our expectation that this will lead to future domestic and international regulations or incentive programs for measuring and reducing nitrous oxide climate gas emission from wastewater treatment plants, which will increase the demand for nitrous oxide sensor systems.

A positive financial result is expected for the coming financial year.

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 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		**1,128,896**	**754,151**
Staff costs	1	(344,496)	(631,517)
Depreciation, amortisation and impairment losses		(463,742)	(457,760)
Operating profit/loss		**320,658**	**(335,126)**
Other financial income		389	485
Other financial expenses	2	(347,837)	(360,093)
Profit/loss before tax		**(26,790)**	**(694,734)**
Tax on profit/loss for the year	3	5,822	153,300
Profit/loss for the year		**(20,968)**	**(541,434)**
Proposed distribution of profit and loss			
Retained earnings		(20,968)	(541,434)
Proposed distribution of profit and loss		**(20,968)**	**(541,434)**

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Completed development projects	5	2,743,599	3,202,094
Intangible assets	4	**2,743,599**	**3,202,094**
Other fixtures and fittings, tools and equipment		6,121	11,368
Property, plant and equipment	6	**6,121**	**11,368**
Fixed assets		**2,749,720**	**3,213,462**
Raw materials and consumables		197,211	263,570
Inventories		**197,211**	**263,570**
Trade receivables		552,354	86,534
Receivables from group enterprises		125,158	0
Other receivables		26,813	97,386
Joint taxation contribution receivable		87,064	0
Receivables		**791,389**	**183,920**
Cash		**67,577**	**282,295**
Current assets		**1,056,177**	**729,785**
Assets		**3,805,897**	**3,943,247**

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital	7	500,000	500,000
Retained earnings		(7,054,281)	(7,033,313)
Equity		**(6,554,281)**	**(6,533,313)**
Deferred tax		281,000	74,600
Provisions		**281,000**	**74,600**
Payables to other credit institutions		2,285,725	3,047,625
Convertible and dividend-yielding debt instruments		6,734,308	6,468,992
Prepayments received from customers		507,940	265,944
Trade payables		51,075	140,591
Payables to group enterprises		500,130	478,808
Current liabilities other than provisions		**10,079,178**	**10,401,960**
Liabilities other than provisions		**10,079,178**	**10,401,960**
Equity and liabilities		**3,805,897**	**3,943,247**
Contingent liabilities	8		
Assets charged and collateral	9		

Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	500,000	(7,033,313)	(6,533,313)
Profit/loss for the year	0	(20,968)	(20,968)
Equity end of year	**500,000**	**(7,054,281)**	**(6,554,281)**

Notes

1 Staff costs

	2019 DKK	2018 DKK
Wages and salaries	342,791	622,706
Pension costs	0	2,363
Other social security costs	0	1,390
Other staff costs	1,705	5,058
	344,496	**631,517**

Average number of full-time employees	**0**	**0**

2 Other financial expenses

	2019 DKK	2018 DKK
Financial expenses from group enterprises	265,316	254,257
Other interest expenses	82,521	105,836
	347,837	**360,093**

3 Tax on profit/loss for the year

	2019 DKK	2018 DKK
Change in deferred tax	206,400	(153,300)
Refund in joint taxation arrangement	(212,222)	0
	(5,822)	**(153,300)**

4 Intangible assets

	Completed development projects DKK
Cost beginning of year	4,541,376
Cost end of year	**4,541,376**
Amortisation and impairment losses beginning of year	(1,339,282)
Amortisation for the year	(458,495)
Amortisation and impairment losses end of year	**(1,797,777)**
Carrying amount end of year	**2,743,599**

5 Development projects

The Company has developed and patented its nitrous oxide electrochemical sensor technology, and it has integrated this into the N2O Wastewater System. Nitrous oxide is a highly potent climate gas which is formed during wastewater treatment. Wastewater utilities can measure, monitor and reduce their nitrous oxide emission with the N2O Wastewater System. During 2019 there have been no development costs in the Company except from costs associated with the patent. The Ministry of Environment and Food in Denmark has launched a grant support program for water utilities' measurement and reduction of nitrous oxide emission, and the Company believes that this will increase the market for its products in 2020 and beyond. Most likely, this will eventually result in regulations on nitrous oxide emission, which will increase the market demand for the Company's nitrous oxide sensor technology.

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	176,108
Cost end of year	**176,108**
Depreciation and impairment losses beginning of year	(164,740)
Depreciation for the year	(5,247)
Depreciation and impairment losses end of year	**(169,987)**
Carrying amount end of year	**6,121**

7 Share capital

	Number	**Par value DKK**	**Nominal value DKK**
Shares	50,000	10	500,000
	50,000		**500,000**

8 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Unisense Holding 2 A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, roy-alties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed enti-ties under the joint taxation arrangement is evident from the administration company's financial statements.

9 Assets charged and collateral

Bank debts are secured by way of a deposited all-monies mortgage providing security in a floating charge of DKK 2,000k on the company's intangible assets, plant and equipment, inventories as well as receivables. Book value of pledged assets constitutes DKK 3.738k.

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, however with som reclassifications.

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.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, 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.

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary in-ventory writedowns.

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 writedowns of receivables recognised in current assets.

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, including interest income on receivables from group enterprises, net capital gains on securities, payables and trans-actions in foreign currencies, amortisation of financial assets 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 securities, payables and transactions in foreign currencies, amortisation of financial liabilities 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 Unisense Holding 2 A/S and all it's 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 and in progress with related intellectual property rights.

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 less deferred tax 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 and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives of the assets. The amortisation period is 5 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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	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 consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production 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.

Joint taxation contributions receivable or payable
Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Cash
Cash comprises cash in hand and bank deposits.

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

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.