

# A/S KELVIN HUGHES

Borupvang 3  
2750 Ballerup

CVR no. 36 66 49 16

**Annual report for the period 1 January – 31 December 2018**

The annual report was presented and approved at the  
Company's annual general meeting on

2 July 2019



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chairman

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## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of A/S KELVIN HUGHES for the financial year 1 January – 31 December 2018.


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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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


Ballerup, 2 July 2019  
Executive Board:



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Russell Charles Gould

Board of Directors:




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David John Millard  
Chairman



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Russell Charles Gould



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Simon Patrick Martin  
Hughes



## The independent auditor's extended review report on the financial statements

### To the shareholders of A/S KELVIN HUGHES

#### Conclusion

We have performed an extended review of the financial statements of A/S KELVIN HUGHES for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on the work performed, it is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

We conducted our extended review in accordance with the Danish Business Authority's Assurance Standard for Small Enterprises and FSR - Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibility for the extended review of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Management's responsibility 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 that 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 responsibility for the extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures in order to obtain limited assurance for our conclusion on the financial statements and in addition perform specifically required supplementary procedures in order to obtain additional assurance for our conclusion.

An extended review comprises procedures primarily consisting of making enquiries of Management and others within the entity, as appropriate, applying analytical procedures and the specifically required supplementary procedures, and evaluating the evidence obtained.

The procedures performed in an extended review are less than those performed in an audit, and accordingly, we do not express an audit opinion on these financial statements.



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## The independent auditor's extended review report on the financial statements

### Statement on the Management's review

Management is responsible for Management's Review.

Our conclusion 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 extended review 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 Financial Statements Act.

Based on the work we have performed, we conclude that 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 of Management's Review.

Copenhagen, 2 July 2019

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98

Kenn W. Hansen  
State Authorised  
Public Accountant  
mne30154

**A/S KELVIN HUGHES**  
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## **Management's review**

### **Company details**

A/S KELVIN HUGHES  
Borupvang 3  
2750 Ballerup

CVR no.:	36 66 49 16
Established:	1 August 1976
Registered office:	Ballerup
Financial year:	1 January – 31 December

### **Board of Directors**

David John Millard, Chairman  
Russell Charles Gould  
Simon Patrick Martin Hughes

### **Executive Board**

Russell Charles Gould

### **Auditor**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfaergevej 28  
DK-2100 Copenhagen



## **Management's review**

### **Operating review**

#### **Principal activities**

The Company, A/S Kelvin Hughes, is part of the Kelvin Hughes Group. The Group is a world leader in the design and supply of surveillance systems and has been in the forefront for more than 250 years, supplying advanced navigation solutions and services around the globe. From solid state surveillance radars to instrumentation and integrated bridge display systems, Kelvin Hughes has a long tradition of innovation and engineering excellence and is a trusted and reliable partner to the world's navies and merchant shipping. That expertise is increasingly applied to the land domain where products designed and built by the Group safeguard borders, coastlines, and civil infrastructure in many parts of the world.

#### **Result for the year and financial position**

The income statement for 2018 shows a loss of DKK 3,581,709 against DKK 2,145,790 in the previous financial year, and the balance sheet at 31 December 2018 shows a negative equity of DKK 5,302,776.

#### **Capital resources**

To ensure the Company's ability to continue as going concern, the Company has received a support letter from the parent company KH Holdco Limited that confirm that they will assist the Company in meeting its liabilities as they fall due for a period of at least 12 months from the date of the approval of the balance sheet.

#### **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.

## Financial statements 1 January – 31 December

### Income statement

DKK	Note	2018	01-08-2017 - 31-12-2017
<b>Gross profit</b>		1,242,230	372,360
Administrative expenses	3	<u>-5,089,643</u>	<u>-2,499,415</u>
<b>Operating loss</b>		-3,847,413	-2,127,055
Financial income		266,634	0
Financial expenses		<u>-930</u>	<u>-18,735</u>
<b>Loss before tax</b>		-3,581,709	-2,145,790
Tax on loss for the year	4	<u>0</u>	<u>0</u>
<b>Loss for the year</b>		<u><u>-3,581,709</u></u>	<u><u>-2,145,790</u></u>
<b>Proposed distribution of loss</b>			
Retained earnings		<u>-3,581,709</u>	<u>-2,145,790</u>
		<u><u>-3,581,709</u></u>	<u><u>-2,145,790</u></u>



## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	31/12 2018	31/12 2017
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Investments</b>	5		
Deposits		<u>17,273</u>	<u>17,273</u>
<b>Total fixed assets</b>		<u>17,273</u>	<u>17,273</u>
<b>Current assets</b>			
<b>Receivables</b>			
Trade receivables		741,918	839,047
Receivables from group entities		10,989,814	10,509,582
Other receivables		151,998	303,992
Prepayments		<u>13,073</u>	<u>6,142</u>
		<u>11,896,803</u>	<u>11,658,763</u>
<b>Cash at bank and in hand</b>		<u>12,958</u>	<u>23,107</u>
<b>Total current assets</b>		<u>11,909,761</u>	<u>11,681,870</u>
<b>TOTAL ASSETS</b>		<u><u>11,927,034</u></u>	<u><u>11,699,143</u></u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	31/12 2018	31/12 2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital	6	1,500,000	1,500,000
Retained earnings		<u>-6,802,776</u>	<u>-3,221,067</u>
<b>Total equity</b>		<u>-5,302,776</u>	<u>-1,721,067</u>
<b>Provisions</b>			
Other provisions	7	<u>983,809</u>	<u>970,122</u>
<b>Total provisions</b>		<u>983,809</u>	<u>970,122</u>
<b>Liabilities other than provisions</b>			
<b>Current liabilities other than provisions</b>			
Payables to group entities		15,827,887	12,365,004
Other payables		<u>418,114</u>	<u>85,084</u>
		<u>16,246,001</u>	<u>12,450,088</u>
<b>Total liabilities other than provisions</b>		<u>16,246,001</u>	<u>12,450,088</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>11,927,034</u></u>	<u><u>11,699,143</u></u>
<b>Capital resources</b>	2		
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## Financial statements 1 January – 31 December

### Statement of changes in equity

DKK	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 August 2017	1,500,000	1,788,538	3,288,538
Effect of dividend decided in previous years	0	-2,863,815	-2,863,815
Transferred over the distribution of loss	<u>0</u>	<u>-2,145,790</u>	<u>-2,145,790</u>
Adjusted equity at 1 January 2018	1,500,000	-3,221,067	-1,721,067
Transferred over the distribution of loss	<u>0</u>	<u>-3,581,709</u>	<u>-3,581,709</u>
<b>Equity at 31 December 2018</b>	<u><u>1,500,000</u></u>	<u><u>-6,802,776</u></u>	<u><u>-5,302,776</u></u>

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of A/S KELVIN HUGHES for 2018 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in of specific provisions for reporting class C.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Material error in prior years' financial statements

The Company has in 2018 noted that the financial statements for previous years contain a material error as by mistake, dividend decided on the shareholder meeting in 2012 has not been deducted from retained earnings. The dividend amounts to DKK 2,863,815. The amount has in the financial statements for 2018 been adjusted against opening equity and booked against payables to group entities

Also, some minor reclassifications have been made in comparative figures for 2017. These do not affect the result for 2017 or the equity at 31 December 2017.

### Income statement

#### Gross profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided to disclose gross profit only. Gross profit consists of revenue and production costs.

#### Revenue

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

#### Production costs

Production costs comprise cost of sales for the financial year, including ordinary write-down of inventories and other costs incurred to earn revenue for the financial year, including wages and salaries as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment.

#### Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and management and stationery and office supplies.

#### Financial income and expenses

Financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

Financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and 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.

### Balance sheet

#### Receivables

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

#### Prepayments

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

#### Cash and cash equivalents

Cash comprises cash in hand and bank deposits.

#### Other provisions

Other provisions comprise of warranty costs, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

#### Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

#### Other financial liabilities

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

## Financial statements 1 January – 31 December

### Notes

#### 2 Capital resources

To ensure the Company's ability to continue as going concern, the Company has received a support letter from the parent company KH Holdco Limited that confirm that they will assist the Company in meeting its liabilities as they fall due for a period of at least 12 months from the date of the approval of the balance sheet.

#### 3 Staff costs and incentive schemes

	2018	01-08-2017 - 31-12-2017
<b>Staff costs</b>		
Wages and salaries	1,450,063	513,803
Pensions	284,063	113,749
Other social security costs	6,816	2,840
Other staff costs	<u>11,118</u>	<u>7,754</u>
	<u>1,752,060</u>	<u>638,146</u>
Average number of full-time employees	<u>2</u>	<u>2</u>
<b>Recognised as follows:</b>		
Administration costs	<u>1,752,060</u>	<u>638,146</u>
	<u>1,752,060</u>	<u>638,146</u>

#### 4 Tax on profit/loss for the year

The Company has a deferred tax asset of DKK 3,141 thousand. The tax asset is not recognised in the financial statement as it is unsure whether it can be utilized.

#### 5 Investments

DKK	<u>Deposit</u>
Cost at 1 January 2018	<u>17,273</u>
Cost at 31 December 2018	<u>17,273</u>
<b>Carrying amount at 31 December 2018</b>	<u>17,273</u>

#### 6 Equity

The contributed capital consists of 1,500 shares of a nominal value of DKK 1,000 each.

All shares rank equally.



## Financial statements 1 January – 31 December

### Notes

#### 7 Other provisions

Other provisions comprise of warranty provisions, etc.

#### 8 Contractual obligations, contingencies, etc.

DKK

2018

01-08-2017 -  
31-12-2017

##### Unrecognised rental and lease commitments

Liabilities under rental or lease agreements until maturity in total

23,908

14,700

#### 9 Related party disclosures

##### Consolidated financial statements

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

HENSOLDT Holding GmbH, Willy-Messerschmitt-Straße 3, 82024 Taufkirchen, Germany.