

A/S KELVIN HUGHES

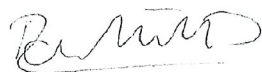
Borupvang 3, 2750 Ballerup

Company reg. no. 36 66 49 16

Annual report

1 January - 31 December 2020

The annual report was submitted and approved by the general meeting on the 23 June 2021.



Daivd John Millard
Chairman

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

Today, the board of directors and the managing director have presented the annual report of A/S KELVIN HUGHES for the financial year 1 January - 31 December 2020.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the company's results of activities in the financial year 1 January – 31 December 2020.

At the general meeting held, a decision will be made not to have the financial statements audited as from 2021 onwards. The board of directors and the managing director consider the conditions for audit exemption to be met.

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

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

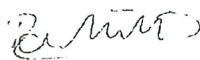
Ballerup, 23 June 2021

Managing Director



Russell Charles Gould

Board of directors



David John Millard
Chairman



Russell Charles Gould



Simon Patrick Martin Hughes

Independent auditor's report on extended review

To the shareholders of A/S KELVIN HUGHES

Opinion

We have performed an extended review of the financial statements of A/S KELVIN HUGHES for the financial year 1 January to 31 December 2020, which comprise income statement, statement of financial position, statement of changes in equity, notes and accounting policies. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

Based on the work we have performed, we believe that the financial statements give a fair presentation of the assets, equity and liabilities, and financial position at 31 December 2020 and of the results of the company's activities for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We performed the extended review in accordance with the standard from the Danish Business Authority applicable to auditor's reports on small enterprises and in accordance with the standard from the Danish Institute of State Authorised Public Accountants applicable to 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 section "Auditor's responsibilities for the extended review of the financial statements". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of financial statements that give a fair presentation in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the management considers necessary to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the 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 extended review of the financial statements

Our responsibility is to express an opinion on the financial statements. This requires that we plan and perform our procedures with the purpose of achieving moderate assurance as to our opinion on the financial statements. Furthermore, it requires that we perform particularly required additional procedures with a view to achieving further assurance as to our opinion.

Independent auditor's report on extended review

An extended review comprises procedures primarily comprising inquiries to the management and to other persons within the enterprise when appropriate, analytical procedures, and the particularly required additional procedures along with an assessment of the achieved evidence.

The scope of the procedures performed during an extended review is less than in case of an audit, and consequently, we do not express any audit opinion on the financial statements.

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 express no assurance opinion on the management commentary.

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

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

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

Alleroed, 23 June 2021

Piaster Revisorerne

Statsautoriseret Revisionsaktieselskab
Company reg. no. 25 16 00 37



Emil Lagstrøm
State Authorised Public Accountant
mnc45851

Company information

The company

A/S KELVIN HUGHES

Borupvang 3
2750 Ballerup

Company reg. no. 36 66 49 16

Domicile: Ballerup

Financial year: 1 January - 31 December

Board of directors

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

Managing Director

Russell Charles Gould

Auditors

Piaster Revisorerne, Statsautoriseret Revisionsaktieselskab
Engholm Parkvej 8
3450 Allerød

Management commentary

The principal activities of the company

A/S Kelvin Hughes is part of the HENSOLDT UK Group. The Group is world leader in the development, manufacture and supply of security and surveillance radar systems and maritime surveillance and navigation systems. From solid state surveillance radars to instrumentation and integrated bridge display systems, HENSOLDT UK Group 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. More information on the Company's principal activities can be found at <https://uk.hensoldt.net/>.

Development in activities and financial matters

The income statement for 2020 shows a loss of DKK 1.826.931 against a loss of DKK 1.655.130 in the previous financial year, and the balance sheet at 31 December 2020 shows an equity of DKK -1.260.847.

During 2020 the Company received debt remission of DKK 7.523.990 from the parent company, which is accounted directly as retained earnings on Equity.

Events occurring after the end of the financial year

HENSOLDT group operates within the global defence and security industry and is a key contractor supporting critical outputs of national governments around the world. It remains vital that HENSOLDT group continues uninterruptedly to support those critical defence operations and programmes on which those nations rely. Throughout the world, A/S Kelvin Hughes supports the Commercial Maritime Systems business that helps keep global supply chains moving by providing and servicing Safety Of Life At Sea (SOLAS) equipment to commercial vessels. We recognise that specific delivery and other performance dates may be impacted by the specific measures due to the Outbreak, but we intend to remain operable and to progress our projects as much as the circumstances allow us to do so. Based on the above, and the resources available to us, A/S Kelvin Hughes continues to operate as a going concern.

To ensure the Company's ability to continue as going concern, the Company has received a support letter from the parent company Hensoldt UK 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.

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2020</u>	<u>2019</u>
Gross profit	715.054	1.746.090
Administration costs	-2.548.010	-3.088.958
Operating profit	-1.832.956	-1.342.868
Other financial income	14.911	22.966
Other financial costs	-8.886	-335.228
Financing, net	6.025	-312.262
Pre-tax net profit or loss	-1.826.931	-1.655.130
Tax on net profit or loss for the year	0	0
Net profit or loss for the year	-1.826.931	-1.655.130
Proposed appropriation of net profit:		
Allocated from retained earnings	-1.826.931	-1.655.130
Total allocations and transfers	-1.826.931	-1.655.130

Statement of financial position at 31 December

All amounts in DKK.

Assets	2020	2019
<u>Note</u>	<u> </u>	<u> </u>
Non-current assets		
Other fixtures and fittings, tools and equipment	8.008	12.185
Total property, plant, and equipment	<u>8.008</u>	<u>12.185</u>
Deposits	16.200	16.200
Total investments	<u>16.200</u>	<u>16.200</u>
Total non-current assets	<u>24.208</u>	<u>28.385</u>
Current assets		
Receivables from group enterprises	1.708	7.426
Other receivables	47.910	16.014
Prepayments and accrued income	10.444	2.515
Total receivables	<u>60.062</u>	<u>25.955</u>
Cash on hand and demand deposits	262.188	790.326
Total current assets	<u>322.250</u>	<u>816.281</u>
Total assets	<u>346.458</u>	<u>844.666</u>

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2019	1.500.000	-6.802.776	-5.302.776
Retained earnings for the year	0	-1.655.130	-1.655.130
Equity 1 January 2020	1.500.000	-8.457.906	-6.957.906
Retained earnings for the year	0	-1.826.931	-1.826.931
Release of debt to Intercompany	0	7.523.990	7.523.990
	1.500.000	-2.760.847	-1.260.847

Notes

All amounts in DKK.

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

To ensure the Company's ability to continue as going concern, the Company has received a support letter from the parent company Hensoldt UK 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.

	<u>2020</u>	<u>2019</u>
2. Staff costs		
Salaries and wages	1.631.737	1.731.718
Pension costs	146.999	167.213
Other costs for social security	11.054	11.543
Other staff costs	<u>3.777</u>	<u>12.450</u>
	<u>1.793.567</u>	<u>1.922.924</u>
Average number of employees	<u>2</u>	<u>2</u>

3. Contingencies

Contingent liabilities

Unrecognised future payments regarding rental or lease agreements from 31 December 2020 until maturity in total, amount to 25 t.DKK (2019: 25 t.DKK)

4. Related parties

Consolidated financial statements

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

HENSOLDT AG, Willy-Messerschmitt-Str. 3, 82024 Taufkirchen, Germany.

Accounting policies

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

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

Recognition and measurement in general

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

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

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

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

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

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

Income statement

Gross profit

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 recognised 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.

Accounting policies

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.

Administration costs

Administration costs comprise costs incurred during the year concerning management and administration, including costs concerning administrative staff, the executive board, office premises, stationery and office supplies, and depreciations.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, debt and transactions in foreign currency and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

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

Statement of financial position

Property, plant, and equipment

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

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

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

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

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3 years	0-20 %

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

Accounting policies

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

Operating leases

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

Investments

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Receivables

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

Prepayments and accrued income

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

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Accounting policies

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to nominal value.