

A/S KELVIN HUGHES

Borupvang 3
2750 Ballerup

CVR no. 36 66 49 16

Annual report 2019

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

19 August 2020

David Millard
chairman



Contents

Statement by the Board of Directors and the Executive Board	2
The independent auditor's extended review report on the financial statements	3
Management's review	5
Company details	5
Operating review	6
Financial statements 1 January – 31 December	7
Income statement	7
Balance sheet	8
Statement of changes in equity	10
Notes	11

A/S KELVIN HUGHES
Annual report 2019
CVR no. 36 66 49 16

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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

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, 19 August 2020
Executive Board:



Russell Charles Gould

Board of Directors:



David John Millard
Chairman



Russell Charles Gould

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 2019 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 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.



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 extended review, 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, 19 August 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Kenn Wolff Hansen
State Authorised
Public Accountant
mne30154

A/S KELVIN HUGHES
Annual report 2019
CVR no. 36 66 49 16

Management's review

Company details

A/S KELVIN HUGHES
Borupvang 3
2750 Ballerup

CVR no.:	36 66 49 16
Established:	21 December 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 HENSOLDT UK 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 2019 shows a loss of DKK 1,655,130 against DKK 3,581,709 in the previous financial year, and the balance sheet at 31 December 2019 shows an equity of DKK -6,957,906.

Capital resources

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.

The company's negative equity position has in 2020 been resolved through release of debt to HENSOLDT UK.

Events after the balance sheet date

HENSOLDT 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 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.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2019	2018
Gross profit		1,746,091	1,242,230
Administrative expenses	3	<u>-3,088,959</u>	<u>-5,089,643</u>
Operating loss		-1,342,868	-3,847,413
Financial income		22,966	10,252
Financial expenses		<u>-335,228</u>	<u>255,452</u>
Loss before tax		-1,655,130	-3,581,709
Tax on profit/loss for the year	4	<u>0</u>	<u>0</u>
Loss for the year		<u><u>-1,655,130</u></u>	<u><u>-3,581,709</u></u>
Proposed distribution of loss			
Retained earnings		<u>-1,655,130</u>	<u>-3,581,709</u>
		<u><u>-1,655,130</u></u>	<u><u>-3,581,709</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2019	2018
ASSETS			
Fixed assets			
Property, plant and equipment			
Plant and machinery		<u>12,185</u>	<u>0</u>
Investments			
Deposits		<u>16,200</u>	<u>17,273</u>
Total fixed assets		<u>28,385</u>	<u>17,273</u>
Current assets			
Receivables			
Trade receivables		0	741,918
Receivables from group entities		7,426	10,989,814
Other receivables		16,014	151,998
Prepayments		<u>2,515</u>	<u>13,073</u>
		<u>25,955</u>	<u>11,896,803</u>
Cash at bank and in hand		<u>790,326</u>	<u>12,958</u>
Total current assets		<u>816,281</u>	<u>11,909,761</u>
TOTAL ASSETS		<u><u>844,666</u></u>	<u><u>11,927,034</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital	5	1,500,000	1,500,000
Retained earnings		<u>-8,457,906</u>	<u>-6,802,776</u>
Total equity		<u>-6,957,906</u>	<u>-5,302,776</u>
Provisions			
Other provisions	6	<u>0</u>	<u>983,809</u>
Total provisions		<u>0</u>	<u>983,809</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		67,821	0
Payables to group entities		7,538,514	15,827,887
Other payables		<u>196,237</u>	<u>418,114</u>
		<u>7,802,572</u>	<u>16,246,001</u>
Total liabilities other than provisions		<u>7,802,572</u>	<u>16,246,001</u>
TOTAL EQUITY AND LIABILITIES		<u>844,666</u>	<u>11,927,034</u>
Capital resources	2		
Staff costs and incentive schemes	3		
Contractual obligations, contingencies, etc.	7		
Related party disclosures	8		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
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>
Adjusted equity at 1 January 2019	1,500,000	-6,802,776	-5,302,776
Transferred over the distribution of loss	<u>0</u>	<u>-1,655,130</u>	<u>-1,655,130</u>
Equity at 31 December 2019	<u><u>1,500,000</u></u>	<u><u>-8,457,906</u></u>	<u><u>-6,957,906</u></u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of A/S KELVIN HUGHES for 2019 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

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

Operating leases

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

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 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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

Property, plant and equipment

Plant and machinery 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:

Plant and machinery	3 years
---------------------	---------

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

Investments

Deposits are recognised at amortised cost.

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 at bank and in hand

Cash at bank and in hand comprises cash.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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 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.

Further in 2020, the company has agreed on a debt remission with the group, whereafter the share capital is reestablished.

DKK	<u>2019</u>	<u>2018</u>
-----	-------------	-------------

3 Staff costs and incentive schemes

Staff costs

Wages and salaries	1,731,718	1,450,063
Pensions	167,213	284,063
Other social security costs	11,543	6,816
Other staff costs	<u>12,450</u>	<u>11,118</u>
	<u>1,922,924</u>	<u>1,752,060</u>

Average number of full-time employees	<u>2</u>	<u>2</u>
---------------------------------------	----------	----------

Recognised as follows:

Administration costs	<u>1,922,924</u>	<u>1,752,060</u>
	<u>1,922,924</u>	<u>1,752,060</u>

4 Tax on profit/loss for the year

The Company has a deferred tax asset of DKK 3.712 thousand. The tax asset is not recognised in the financial statement as it is unsure whether it can be utilized.

5 Equity

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

All shares rank equally.

6 Other provisions

Other provisions comprise of warranty provisions, etc.

Financial statements 1 January – 31 December

Notes

7 Contractual obligations, contingencies, etc.

DKK	<u>2019</u>	<u>2018</u>
Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>24,625</u>	<u>23,908</u>

8 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.