

**BAE Systems Applied  
Intelligence A/S**  
Sundkrogsgade 5  
DK-2100 Copenhagen Ø


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**BAE Systems Applied Intelligence A/S**

Annual report 2017

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

on 20 June 2018

  
\_\_\_\_\_  
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 BAE Systems Applied Intelligence A/S for the financial year 1 January – 31 December 2017.

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

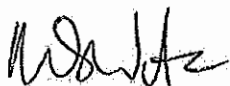
In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

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

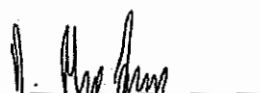
Copenhagen, 19 June 2018

Executive Board:



Michael Stuart Watson

Board of Directors:

  
Daniel Rhys Jones  
Chairman  
Anthony Graham Jordan  
Michael Stuart Watson



## **Independent auditor's report**

**To the shareholders of BAE Systems Applied Intelligence A/S**

### **Opinion**

We have audited the financial statements of BAE Systems Applied Intelligence A/S for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including 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 Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

### **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 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.

## **Independent auditor's report**

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 company 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.
- 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.

## **Independent auditor's report**

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's review**

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

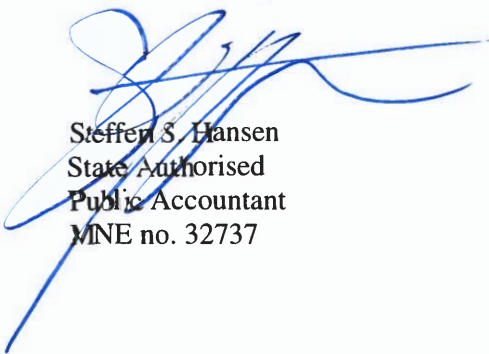
Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aalborg, 19 June 2018

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98



Steffen S. Hansen  
State Authorised  
Public Accountant  
MINE no. 32737

## **Management's review**

### **Company details**

BAE Systems Applied Intelligence A/S  
Sundkrogsgade 5  
DK-2100 Copenhagen Ø

Telephone: +45 96 32 30 00  
Website: [www.baesystems.com](http://www.baesystems.com)

CVR no.: 11 93 97 75  
Established: 1 January 1988  
Registered office: Copenhagen  
Financial year: 1 January – 31 December

### **Board of Directors**

Daniel Rhys Jones (Chairman)  
Anthony Graham Jordan  
Michael Stuart Watson

### **Executive Board**

Michael Stuart Watson

### **Auditor**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Østre Havnegade 18  
9000 Aalborg  
Denmark

### **Annual general meeting**

The annual general meeting will be held on 2018.

## Management's review

### Financial highlights

DKK'000	2017	2016	2015	2014	2013
Gross profit	231,245	210,243	195,609	155,353	210,220
Profit/loss before financial income and expenses (EBIT)	40,584	44,218	46,601	42,880	33,302
Profit/loss from financial income and expenses	-1,398	-459	-2,026	-3,199	-1,781
<b>Profit for the year</b>	<b>29,699</b>	<b>47,387</b>	<b>40,131</b>	<b>41,016</b>	<b>18,267</b>
Total assets	343,931	431,884	450,225	338,001	412,696
Portion relating to investment in property, plant and equipment	195	4,805	12,229	694	3,033
Share capital	2,000	2,000	2,000	2,000	2,000
<b>Equity</b>	<b>229,888</b>	<b>198,734</b>	<b>151,241</b>	<b>111,026</b>	<b>69,977</b>
Return on capital employed	10.5%	10.0%	11.8%	11.4%	9.0%
Solvency ratio	66.84%	46.0%	33.6%	32.8%	17.0%
Return on equity	13.86%	27.0%	30.6%	45.3%	27.5%
<b>Average number of full-time employees</b>	<b>192</b>	<b>231</b>	<b>211</b>	<b>173</b>	<b>223</b>

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Ratios".

### Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios have been calculated as follows:

Return on capital employed	$\frac{\text{Profit/loss before net financials} \times 100}{\text{Average total assets}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$



## **Management's review**

### **Operating review**

#### **Principal activities of the Company**

The primary activities of the Company are the development, purchase and sales of information technology equipment and associated support services.

#### **Development in activities and financial position**

The Company's income statement for 2017 shows a net profit of DKK 29,699 thousand, and equity in the balance sheet at 31 December 2017 stood at DKK 229,888 thousand.

During 2017 it has been decided to restructure the Company, and the employees in Denmark were terminated. Further, as a consequence, a decision was taken to put the premises up for sale.

The Company will still have ongoing activities and will remain the holding Company for the subsidiaries. The financial statements are therefore prepared on the going concern assumption.

The financial statements are affected by increased costs of restructuring provision. Income from transfer pricing adjustments is impacted accordingly.

Results were in line with expectations and are considered satisfactory.

#### **Branch and representation abroad**

The Company has a branch in Dubai and is represented abroad in the form of subsidiaries, sales & service offices and distributors.

### **Risks**

#### *Foreign currency risks*

Due to activities abroad, results, cash flows and equity are affected by the development in exchange rates for a number of currencies as well as movement in interest rates. It is the

Company's policy to hedge commercial currency risks. Hedging is primarily made via forward contracts to hedge forecast revenue and purchases within the next 12 months. The Company does not enter into currency transactions for speculative purposes.

Foreign exchange risks relating to investments in subsidiaries and associates abroad are generally not hedged, as the Company is of the opinion that regular hedging of such long-term investments will not be favourable taking into account overall risks and costs.

#### *Interest rate risks*

All borrowings are raised with a fellow group company. Accordingly, interest rate instruments to hedge interest rate risks are not taken out.

#### *Credit risks*

The Company is not subject to any significant risks regarding one individual customer or cooperator.

The Company's policy in respect of credit risks implies that all major customers and other co-operators are credit rated on an ongoing basis.

## **Management's review**

### **Environment**

The Company's policies regarding the environment comprise environmental policy as well as health and safety policy.

The environmental policy is based on environmentally sound operations and is integral part of the Group's objectives for product quality and production environment. The objective of a health and safety policy is to ensure regular improvements in relation to the safety and health of employees.

All group entities regularly strive at improving health and safety conditions.

Management is of the opinion that this work has a positive impact on the Company's reputation and efficiency.

### **Post-balance sheet events**

No events have occurred after the financial year end, which could significantly affect the Company's financial position.

## Financial statements 1 January – 31 December

### Income statement

DKK'000	Note	2017	2016
<b>Gross profit</b>		231,245	210,243
Staff costs	2	-183,639	-160,040
Depreciation of property, plant and equipment	3	-7,022	-5,985
<b>Profit before financial income and expenses</b>		40,584	44,218
Profit from investments in group entities		0	12,954
Other financial income	4	9	1,268
Other financial expenses	5	-1,407	-1,727
<b>Profit before tax</b>		39,186	56,713
Tax on profit for the year	6	-9,487	-9,326
<b>Profit for the year</b>	7	29,699	47,387

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2017	2016
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Property, plant and equipment</b>	8		
Property		39,274	40,403
Leasehold improvements		27	2,366
Fixtures and fittings, tools and equipment		2,382	5,743
Property, plant and equipment under construction		0	219
		<u>41,683</u>	<u>48,731</u>
<b>Investments</b>	9		
Other receivables		63	140
Investments in group entities		16,097	16,097
		<u>16,160</u>	<u>16,237</u>
<b>Total fixed assets</b>		<u>57,843</u>	<u>64,968</u>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables		0	296
Finished goods and goods for resale		974	1,928
		<u>974</u>	<u>2,224</u>
<b>Receivables</b>			
Trade receivables		35,860	103,455
Construction contracts	10	9,650	67,675
Receivables from group entities		191,882	129,588
Other receivables		913	3,450
Prepayments	11	163	533
Deferred tax assets	12	4,918	10,420
		<u>243,386</u>	<u>315,121</u>
<b>Cash at bank and in hand</b>		<u>41,728</u>	<u>49,571</u>
<b>Total current assets</b>		<u>286,088</u>	<u>366,916</u>
<b>TOTAL ASSETS</b>		<u>343,931</u>	<u>431,884</u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2017	2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		2,000	2,000
Retained earnings		227,888	196,734
<b>Total equity</b>		<b>229,888</b>	<b>198,734</b>
<b>Provisions</b>			
Other provisions		10,899	10,899
Restructuring provision		49,774	0
<b>Total provisions</b>		<b>60,673</b>	<b>10,899</b>
<b>Liabilities other than provision</b>			
<b>Non-current liabilities other than provisions</b>			
Payables to group entities	13	0	57,072
		0	57,072
<b>Current liabilities other than provisions</b>			
Construction contracts	10	0	35,701
Trade payables		375	3,132
Payables to group entities		29,168	74,875
Corporation tax		3,605	1,996
Other payables		20,222	49,475
		53,370	165,179
<b>Total liabilities other than provisions</b>		<b>53,370</b>	<b>222,251</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>343,931</b>	<b>431,884</b>
<b>Profit appropriation</b>	7		
<b>Contractual obligations, contingencies, etc.</b>	14		
<b>Mortgages and collateral</b>	15		
<b>Currency and interest rate risks and the use of derivative financial instruments</b>	16		
<b>Related party disclosures</b>	17		
<b>Events after the balance sheet date</b>	18		

## **Financial statements 1 January – 31 December**

### **Statement of changes in equity**

DKK'000	Share capital	Retained earnings	Total equity
<b>Equity at 1 January 2017</b>	2,000	196,734	198,734
Profit for the year	0	29,699	29,699
Exchange rate adjustment, foreign subsidiary	0	1,455	1,455
<b>Equity at 31 December 2017</b>	<b>2,000</b>	<b>227,888</b>	<b>229,888</b>

## **Financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies**

The annual report of BAE Systems Applied Intelligence A/S for 2017 has been presented in accordance with the provisions applying to reporting class C medium-sized 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.

#### **Consolidated financial statements**

According to section 112 (1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

According to section 86 (4) of the Danish Financial Statements Act, the Company has not prepared any cash flow statement since the Company is included in the consolidated cash flow statement of the ultimate parent undertaking, BAE Systems PLC.

The financial statements of BAE Systems Applied Intelligence A/S and its group entities are included in the consolidated financial statements of BAE Systems PLC.

The consolidated financial statements of BAE Systems PLC may be obtained from the Company or at the website, [www.baesystems.com](http://www.baesystems.com).

#### **Foreign currency translation**

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Danish kroner at the exchange rate at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/ expenses.

#### **Foreign group entities**

As for foreign entities, financial statement items are translated using the following principles:

- Balance sheet items are translated at closing rates
- Income statement items are translated at the rates at the date of the transaction
- Any exchange differences resulting from the translation of opening equity at the closing rate and the exchange adjustment of the items in the income statement from the rate at the date of the transaction to the closing rate are taken directly to equity.

## **Financial statements 1 January – 31 December**

### **Accounting policies**

#### **1 Accounting policies (continued)**

##### **Derivative financial instruments**

Derivative financial instruments are measured at fair value. Positive and negative fair values are recognised as other receivables and other payables, respectively.

Fair value adjustments of derivative financial instruments held to hedge the fair value of recognised financial assets or liabilities are recognised in the income statement together with changes in the value of the hedged asset or liability.

Fair value adjustments of derivative financial instruments classified as hedges of projected future cash flows are recognised in equity until the hedged transaction is realised. If the transaction results in an asset or a liability, the accumulated adjustment is included in the cost of the asset or the liability, and if the transaction results in revenues or expenses, the accumulated adjustment is recognised in the income statement together with the hedged item.

Fair value adjustments of derivative financial instruments which do not qualify for recognition as hedging instruments are recognised in the income statement.

##### **Income statement**

###### **Revenue**

Revenue derived from professional services represents the value of work completed, including attributable profit, based on the stage of completion achieved on each project on completion of milestones as set out in our terms of engagement.

Revenue from the sale of products is recognised on delivery to the customer. Revenue from licence sales is recognised where there is persuasive evidence that an arrangement exists, delivery has occurred and no significant vendor obligations remain, the fee is fixed or determined and collectability is probable. Revenue from support and maintenance contracts is recognised evenly over the period of the support contract.

###### **Other operating income and costs**

Other operating income and costs include items of a secondary nature relative to the entity's core business.

###### **Other external costs**

Other external costs include costs related to distribution, sale, advertising, administration, premises, bad debt, lease payments under operating leases, computer equipment, etc.



## Financial statements 1 January – 31 December

### Accounting policies

#### 1 Accounting policies (continued)

##### Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items "Revenue" to and including "Other external costs" are aggregated in the item "Gross profit".

##### Amortisation/depreciation and impairment losses

Property, plant and equipment are depreciated on a straight-line basis to the residual value based on cost measured by reference to the following assessment of the useful life:

Property	10-50 years
Fixtures and fittings, tools and equipment	3-7 years

Gains or losses from the sale of fixed assets are recognised in the income statement under Gross Profit.

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

##### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Financial income and expenses include interest income and expenses, financial expenses related to finance leases, realised and unrealised exchange gains and losses on foreign currency transactions and surcharges and allowances under the on-account tax scheme, etc.

##### Tax

Tax for the year includes current tax on the year's projected taxable income and the year's deferred tax adjustments less the share of the tax for the year that concerns changes in equity.

Current and deferred taxes related to items recognised directly in equity are taken directly to equity.

The Company and all Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full absorption).

## **Financial statements 1 January – 31 December**

### **Accounting policies**

#### **Balance sheet**

##### **1 Accounting policies (continued)**

#### **Property, plant and equipment**

Property, plant and equipment comprise development equipment, and fixtures and fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. Depreciation periods are specified under the section "Amortization/Depreciation and impairment losses".

#### **Investments**

Investments in subsidiaries are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value.

Other receivables and deposits are recognised at amortised cost.

Dividends from equity investments in subsidiaries measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

#### **Impairment of fixed assets**

The carrying amount of fixed assets is subject to an annual test for indications of impairment other than the decrease in value reflected by amortisation or depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

## **Financial statements 1 January – 31 December**

### **Accounting policies**

#### **1 Accounting policies (continued)**

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

#### **Inventories**

Inventories are measured at the lower of cost measured by reference to average value and net realisable value.

Contract work in progress and finished goods are measured at manufacturing cost, which includes cost of materials and direct payroll costs plus production overheads.

Goods for resale and raw materials are measured at cost, which includes the cost of acquisition plus costs of delivery.

#### **Receivables**

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that an individual receivable or a portfolio of receivables has been impaired. Impairment tests are conducted of individual assets or groups of assets when there is an objective indication that they may be impaired.

Receivables with no objective evidence of individual impairment are assessed for objective evidence of impairment on a portfolio basis. The portfolios are primarily assessed on the basis of the country of domicile and credit ratings of the debtors in accordance with the credit risk management policy of the Company. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivable and the present value of the projected cash flows, including the realisable value of any collateral received.

#### **Construction contracts**

Construction contracts are measured at the selling price of the work performed less progress billings and anticipated losses. Construction contracts entail a significant degree of design customisation of produced goods. Moreover, before the work is commenced, a binding agreement must have been entered into.

## **Financial statements 1 January – 31 December**

### **Accounting policies**

#### **1 Accounting policies (continued)**

The selling price is measured by reference to the percentage of completion at the end of the reporting period and total expected income from the contract. The percentage of completion is determined on the basis of an assessment of the work performed, which is usually measured as on the basis of milestones.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is recognised as an expense and a provision immediately.

When income and expenses on a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Where the selling price of work performed exceeds progress billings on construction contracts and anticipated losses, the excess is recognised under receivables. If progress billings and anticipated losses exceed the selling price of a construction contract, the deficit is recognised under liabilities.

Prepayments from customers are recognised under liabilities.

Selling costs and costs incurred in securing contracts are recognised in profit or loss as incurred.

### **Prepayments**

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent reporting years.

### **Equity - dividends**

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

### **Corporation tax and deferred tax**

Current tax payable and receivable is recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

## **Financial statements 1 January – 31 December**

### **Accounting policies**

#### **1 Accounting policies (continued)**

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised under other fixed assets at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the end of the reporting period when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement for the year.

#### **Liabilities other than provision**

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Other debt is subsequently measured at amortised cost corresponding to the nominal unpaid debt.

Other payables are measured at amortised cost which, essentially, corresponds to the fair value.

## Financial statements 1 January – 31 December

### Notes

DKK'000	2017	2016
<b>2 Staff costs</b>		
Wages and salaries	182,413	148,125
Pensions	149	10,364
Other social security costs	1,077	1,551
	<u>183,639</u>	<u>160,040</u>
Average number of employees	<u>192</u>	<u>231</u>
<p>Referring to section 98b (3) of the Danish Financial Statements Act, remuneration of the Executive Board and Management has not been disclosed. In 2017, the remuneration of the Chief Executive Officer was in the form of salary costs of DKK 1,951 thousand and company pension contributions of DKK 151 thousand.</p> <p>The Board of Directors did not receive any remuneration.</p>		
<b>3 Depreciation regarding property, plant and equipment</b>		
Property	1,129	1,129
Leasehold improvements	2,182	2,296
Fixtures and fittings, tools and equipment	3,711	2,560
	<u>7,022</u>	<u>5,985</u>
<b>4 Other financial income</b>		
Other interest receivable, exchange gains and similar income	9	1,268
	<u>9</u>	<u>1,268</u>
<b>5 Other financial expenses</b>		
Interest payable, group entities	911	1,173
Interest payable, exchange losses and similar expenses	496	554
	<u>1,407</u>	<u>1,727</u>

## Financial statements 1 January – 31 December

### Notes

DKK'000	2017	2016			
<b>6 Tax on profit for the year</b>					
Estimated income tax charge	3,985	1,933			
Change in provision for deferred tax	5,502	7,840			
Adjustment of tax for previous years	0	-447			
	<u>9,487</u>	<u>9,326</u>			
<b>7 Proposed profit appropriation</b>					
Retained earnings	29,699	47,387			
	<u>29,699</u>	<u>47,387</u>			
<b>8 Property, plant and equipment</b>					
DKK'000	Land and buildings	Leasehold improvements	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2017	46,685	6,250	12,822	219	65,976
Additions	0	0	195	0	195
Currency adjustment	0	-752	-261	-2	-1,015
Reclassifications	0	0	217	-217	0
Cost at 31 December 2017	<u>46,685</u>	<u>5,498</u>	<u>12,973</u>	<u>0</u>	<u>65,156</u>
Depreciation at 1 January 2017	6,282	3,884	7,079	0	17,245
Depreciation	1,129	2,182	3,711	0	7,022
Currency adjustment	0	-595	-199	0	-794
Depreciation at 31 December 2017	<u>7,411</u>	<u>5,471</u>	<u>10,591</u>	<u>0</u>	<u>23,473</u>
Carrying amount at 31 December 2017	<u>39,274</u>	<u>27</u>	<u>2,382</u>	<u>0</u>	<u>41,683</u>

## Financial statements 1 January – 31 December

### Notes

#### 9 Investments

DKK'000	Other receivables	Investments in subsidiaries	Total
Cost at 1 January 2017	140	22,208	22,348
Disposals during the year	-77	0	-76
Cost at 31 December 2017	63	22,208	22,272
Value adjustments at 1 January 2017	0	-17,010	-17,010
Adjustments during the year	0	0	0
Value adjustments at 31 December 2017	0	-17,010	-17,010
Hereof presented as provisions	0	10,899	10,899
<b>Carrying amount at 31 December</b>	<b>63</b>	<b>16,097</b>	<b>16,161</b>

According to section 97a (4) of the Danish Financial Statements Act, no information regarding name, registered office and legal structure is to be disclosed on subsidiaries, as it may be detrimental to the Company.

There has been no sale or purchase of the shares during the financial year.

Stake, equity and results are specified as follows for the six subsidiaries:

DKK'000	Stake	Equity	Results
Company 1	100	-14,703	4,688
Company 2	100	3,306	-67
Company 3	100	2,587	-1,582
Company 4	100	-431	676
Company 5	100	-431	676
Company 6	65	--9,871	24



## Financial statements 1 January – 31 December

### Notes

DKK'000	2017	2016
<b>10 Construction contracts</b>		
Specification on contract work in progress		
Sales value of work performed	188,530	234,075
On-account payments received	-178,880	-202,101
	<u>9,650</u>	<u>31,974</u>
Which is specified as follows:		
Construction contracts (net assets)	9,650	67,675
Construction contracts (net liabilities)	0	-35,701
	<u>9,650</u>	<u>31,974</u>

The computation of the degree of completion is based on the progress of part deliveries in the form of partial approvals, milestones, etc. obtained from the customer. Due to the nature and complexity of the construction contracts, project completion is often subject to uncertainty. The Company's principle for assessing the degree of completion allows for this issue as a significant part of total income from a construction contract is recognised at a late stage along with the completion of approvals, tests, etc.

The Company's Management is of the opinion that the accounting estimates in connection with the recognition and measurement of constructions contracts are sound.

<b>11 Prepayments</b>		
Software license	0	325
Insurance	27	39
Other prepayments	136	169
	<u>163</u>	<u>533</u>

## Financial statements 1 January – 31 December

### Notes

DKK'000	2017	2016
<b>12 Deferred tax asset</b>		
Deferred tax at 1 January	10,420	18,260
Deferred tax adjustment for the year in income statement	-5,502	-7,840
Adjustment of deferred tax, regarding prior years	0	0
<b>Deferred tax at 31 December</b>	<b>4,918</b>	<b>10,420</b>

Deferred tax assets comprise deferred tax regarding intangible assets, property, plant and equipment, bad debt and other provisions. The value of tax loss carryforwards was also included at DKK 244 thousand.

A tax rate of 22% has been applied for the statement of deferred tax in 2017.

Deferred tax assets are recognised for non-utilised tax losses to the extent it is considered probable that tax losses will be realised within three to five years against which the losses can be set off.

At 31 December 2017, the Company assessed that tax losses totalling DKK 1.1 million will be realisable within a foreseeable future. The tax value of DKK 0.2 million was recognised as deferred tax assets at 31 December 2017.

The Company's Management assesses that the accounting estimates in connection with the recognition and measurement of deferred tax assets are sound.

### 13 Non-current liabilities other than provisions

No non-current liabilities are outstanding after five years.

## Financial statements 1 January – 31 December

### Notes

<b>14 Contractual obligations, contingencies, etc.</b>		
DKK'000	2017	2016
<b>Other financial obligations</b>		
Other operating leases	77	916

The Company has entered into operating leases with a remaining term of six months and an average monthly lease payment of DKK 12 thousand in 2018, with a total remaining obligation of DKK 77 thousand.

The Company is jointly taxed with all other Danish companies in the BAE Systems Applied Intelligence A/S Group. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. Any subsequent corrections of taxes may entail that the Companies' liability will increase.

### 15 Mortgages and collateral

As a guarantee to the bank, the Company had provided collateral of DKK 35,000 thousand at 31 December 2017 secured upon outstanding accounts and inventories. The collateral is issued by BAE Systems Applied Intelligence A/S as well as three subsidiaries.

Collateral for mortgage amounted to DKK 34,595 thousand at 31 December 2017 secured upon land and buildings located at Bouet Møllevej 5, 9400 Nørresundby.

### 16 Currency and interest rate risks and the use of derivative financial instruments

The Company has taken out currency hedges related to significant currency exposures on specific revenue and receivables. The hedges are primarily related to EUR denominated contracts. The value of the instruments is not deemed material.

## **Financial statements 1 January – 31 December**

### **Notes**

#### **17 Related party disclosures**

##### **Control**

Related parties exercising control include the principal shareholder, BAE Systems PLC, due to its stake in the Company.

The following shareholders are registered in the Company's register of shareholder as holding a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

- BAE Systems (Overseas Holdings) Ltd.

Related parties also include the directors of the Company, subsidiaries of the Company and other subsidiaries of the principal shareholder.

BAE Systems Applied Intelligence A/S is part of the consolidated financial statements of BAE Systems PLC, United Kingdom, which is both the smallest and the largest group in which the Company is included as a subsidiary.

The consolidated financial statements of BAE Systems PLC can be obtained by contacting the Company or at the following website: [www.baesystems.com](http://www.baesystems.com).

##### **Related party transactions**

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c (7) of the Danish Financial Statements Act.

#### **18 Events after the balance sheet date**

No events have occurred after the financial year end, which could significantly affect the Company's financial position.