

**BAE Systems Applied
Intelligence (Connect) A/S**
Bouet Moellevej 5
DK-9400 Nørresundby

**BAE Systems Applied Intelligence
(Connect) A/S**

Annual report 2015

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

on 10th June 2016

W. Jensen.
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 2015.

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 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015.

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.

Nørresundby, 10 June 2016
Executive Board:



Morten Vinther Jensen

Board of Directors:



Richard Robert Moseley

Chairman



Bijon Neel
Raychawdhuri



Morten Vinther Jensen



Independent auditor's report

To the shareholders of BAE Systems Applied Intelligence A/S

Independent auditor's report on the financial statements

We have audited the financial statements of BAE Systems Applied Intelligence A/S for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.



Independent auditor's report

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

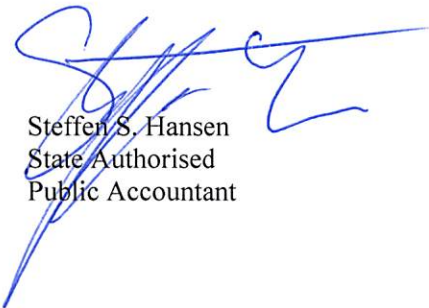
Statement on the Management's review

In accordance with the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aarhus, 10 June 2016

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Steffen S. Hansen
State Authorised
Public Accountant

Management's review

Company details

BAE Systems Applied Intelligence A/S
Bouet Møllevvej 3-5
DK-9400 Nørresundby

Telephone: +45 96 32 30 00
Website: +45 96 32 30 16

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

Board of Directors

Richard Robert Moseley (Chairman)
Bijon Neil Raychawdhuri
Morten Vinther Jensen

Executive Board

Morten Vinther Jensen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
8210 Aarhus V
Denmark

Annual general meeting

The annual general meeting will be held on 10 June 2016.

Management's review

Financial highlights

DKK'000	2015	2014	2013	2012	2010/11
Gross profit	195,609	155,353	210,220	164,200	117,874
Profit/loss before financial income and expenses (EBIT)	46,601	42,880	33,302	-26,783	-138,789
Loss from financial income and expenses	-2,026	-3,199	-1,781	-523	-21,693
Profit/loss for the year	40,131	41,016	18,267	-23,224	-127,823
Total assets	450,225	338,001	412,696	327,922	299,232
Portion relating to investment in property, plant and equipment	12,229	694	3,033	4,169	50,441
Share capital	2,000	2,000	2,000	2,000	2,000
Equity	151,241	111,026	69,977	62,702	82,898
Return on capital employed	11.8%	11.4%	9.0%	-10.3%	-39.2%
Solvency ratio	33.6%	32.8%	17.0%	19.1%	27.7%
Return on equity	30.6%	45.3%	27.5%	-31.9%	-212.1%
Average number of full-time employees	211	173	223	224	184

The 2010/11 financial year ending 31 December 2011 is covering a total period of 18 months.

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". For terms and definitions, please see the accounting policies.

Comparative figures for 2010/11 and 2012 have not been restated to reflect the change in accounting policies in 2014.

Management's review

Operating review

Principal activities of the Company

The primary activities of the Company are the development, purchase and sales of IT equipment.

Development in activities and financial position

The Company's income statement for 2015 shows a net profit of DKK 40,131 thousand, and equity in the balance sheet at 31 December 2015 stood at DKK 151,241 thousand.

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.

Research and development activities

The Company continuously invests in the development of new products, which is also expected to be evidenced in the next financial year.

Knowledge and development resources

The Company has developed an impressive knowledge pool and much expertise. The Company expects to maintain and develop these competences during the next financial year.

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.

Management's review

Operating review

Interest rate risks

As net interest-bearing debt mainly carries fixed interest, moderate changes to the interest rate level will not have any material direct effect on earnings. 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 co-operator. 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.

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.

Outlook

The Company expects to report positive results for 2016.

Financial statements 1 January – 31 December

Accounting policies

The annual report of BAE Systems Applied Intelligence A/S for 2015 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.

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.

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

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

Income from the sale of goods held for sale and finished goods is recognised in revenue at the time of delivery and when the risk is transferred to the buyer provided that the income can be measured reliably. VAT, indirect taxes and discounts are excluded from revenue.

Income from the supply of services is recognised as revenue with reference to the stage of completion.

Income from contract work is recognised as revenue as production is carried out, meaning that revenue corresponds to the market value of contracts completed during the year.

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

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

The item includes amortisation/depreciation of and impairment losses on intangible assets and property, plant and equipment. Amortisation/depreciation is provided using the straight-line method on the basis of the cost and the below assessments of the useful life and residual value of the assets. Land is not depreciated.

Intangible assets are amortised on a straight-line basis over the expected useful life of the individual assets measured by reference to the following assessment of the useful life:

Completed development projects	1-3 years
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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 non-current assets are recognised in the income statement under Gross Profit.

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

Intangible assets

Development projects that are clearly defined and identifiable and in respect of which the technological feasibility, sufficient resources and a potential future market or development potential in the entity can be demonstrated, and where the intention is to produce, market or use the product or the process, are recognised as intangible assets provided that it is sufficiently certain that future earnings are adequate to cover production and sales costs as well as administrative expenses and the aggregate development costs. Other development costs are expensed in the income statement as incurred.

Development costs are measured at direct costs and a portion of the costs that can be related indirectly to the individual development projects.

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.

Leased property, plant and equipment qualifying for recognition as assets held under financial leases are treated as acquired assets.

The cost of assets held under finance leases is measured at the lower of cost according to the lease and the net present value of the lease payments, calculated by reference to the interest rate implicit in the lease.

Investments

Investments in subsidiaries are measured at cost. Where the net realisable value is lower than cost, investments are written down to this lower value.

Dividends from investments in subsidiaries are recognised in the income statement if the dividends are attributable to earnings generated subsequent to the acquisition of the company.

Impairment of non-current assets

The carrying amount of non-current 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

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

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

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised under other non-current 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.

Lease obligations

Lease obligations are measured at the net present value of the remaining lease payments including any guaranteed residual value, calculated by reference to the interest rate implicit in the lease.

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.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent reporting years.

Financial statements 1 January – 31 December

Accounting policies

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	$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2015	2014
Gross profit		195,609	155,353
Staff costs	1	-142,021	-108,582
Depreciation of property, plant and equipment	2	-6,874	-3,891
Other operating expenses		-113	0
Profit before financial income and expenses		46,601	42,880
Profit/loss from investments in group entities		3,796	-5,716
Other financial income	3	8	220
Other financial expenses	4	-2,034	-3,419
Profit before tax		48,371	33,965
Tax on profit for the year	5	-8,240	7,051
Profit for the year		<u>40,131</u>	<u>41,016</u>
 Proposed profit appropriation			
Retained earnings		<u>40,131</u>	<u>41,016</u>
		<u>40,131</u>	<u>41,016</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment			
	6		
Property		41,492	42,617
Leasehold improvements		5,751	0
Fixtures and fittings, tools and equipment		2,588	2,527
Property, plant and equipment under construction		555	0
		<u>50,386</u>	<u>45,144</u>
Investments			
	7		
Other receivables		157	273
Investments in group entities		16,097	13,230
		<u>16,254</u>	<u>13,503</u>
Total non-current assets		<u>66,640</u>	<u>58,647</u>
Current assets			
Inventories			
Raw materials and consumables		100	50
Work in progress		9	206
Finished goods and goods for resale		3,306	4,180
		<u>3,415</u>	<u>4,436</u>
Receivables			
Trade receivables		94,986	58,981
Construction contracts	8	85,316	60,565
Receivables from group entities		96,960	65,865
Other receivables		540	1,703
Prepayments		697	303
Deferred tax assets	9	18,260	25,116
		<u>296,759</u>	<u>212,533</u>
Cash at bank and in hand		<u>83,411</u>	<u>62,385</u>
Total current assets		<u>383,585</u>	<u>279,354</u>
TOTAL ASSETS		<u><u>450,225</u></u>	<u><u>338,001</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2015	2014
EQUITY AND LIABILITIES			
Equity			
Share capital	10	2,000	2,000
Retained earnings		149,241	109,026
Total equity		151,241	111,026
Provisions			
Other provisions		10,899	11,828
Total provisions		10,899	11,828
Liabilities other than provision			
Non-current liabilities other than provisions			
Payables to group entities		150,000	100,000
		150,000	100,000
Current liabilities other than provisions			
Current portion of non-current liabilities		0	972
Construction contracts	8	17,528	9,241
Trade payables		25,212	10,797
Payables to group entities		37,180	13,303
Corporation tax		2,976	5,216
Other payables		55,189	75,618
		138,085	115,147
Total liabilities other than provisions		288,085	215,147
TOTAL EQUITY AND LIABILITIES		450,225	338,001
Contractual obligations, contingencies, etc.	11		
Mortgages and collateral	12		
Related party disclosures	13		

Financial statements 1 January – 31 December

Notes

	DKK'000	2015	2014
1 Staff costs			
Wages and salaries		123,183	91,662
Pensions		9,581	7,307
Other social security costs		1,108	1,241
Other staff costs		8,149	8,372
		<u>142,021</u>	<u>108,582</u>
Average number of employees		<u>211</u>	<u>173</u>
Referring to section 98b(3) of the Danish Financial Statements Act, remuneration of the Executive Board and Management has not been disclosed.			
2 Depreciation regarding property, plant and equipment			
Property		1,125	933
Leasehold improvements		1,907	0
Fixtures and fittings, tools and equipment		3,842	2,958
		<u>6,874</u>	<u>3,891</u>
3 Other financial income			
Other interest receivables, exchange gains and similar income		8	220
		<u>8</u>	<u>220</u>
4 Other financial expenses			
Interest payable, group entities		824	929
Interest payable, exchange losses and similar expenses		1,210	2,490
		<u>2,034</u>	<u>3,419</u>

Financial statements 1 January – 31 December

Notes

5 Tax on profit for the year

DKK'000	2015	2014
Tax on profit from ordinary activities		
Estimated income tax charge	2,976	1,292
Change in provision for deferred tax	6,560	10,069
Adjustment of tax for previous years	-1,296	0
Reversal of tax provision regarding subsidiaries	0	-18,412
	<u>8,240</u>	<u>-7,051</u>

The tax liabilities in respect of previous years following the Company's representation abroad was settled during 2014.

The settled fines/interest expenses relating to tax was lower than the provision previously recognised. As a result thereof, the settlement had a positive effect on net results of DKK 18.5 million.

6 Property, plant and equipment

DKK'000	Land and buildings	Leasehold improvements	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2015	46,645	0	15,521	0	62,166
Additions	0	7,658	4,016	555	12,229
Disposals	0	0	-9,633	0	-9,633
Cost at 31 December 2015	<u>46,645</u>	<u>7,658</u>	<u>9,904</u>	<u>555</u>	<u>64,762</u>
Depreciation at 1 January 2015	4,028	0	12,994	0	17,022
Depreciation	1,125	1,907	3,842	0	6,874
Depreciation on disposals	0	0	-9,520	0	-9,520
Depreciation at 31 December 2015	<u>5,153</u>	<u>1,907</u>	<u>7,316</u>	<u>0</u>	<u>14,376</u>
Carrying amount at 31 December 2015	<u>41,492</u>	<u>5,751</u>	<u>2,588</u>	<u>555</u>	<u>50,386</u>

Financial statements 1 January – 31 December

Notes

7 Investments

DKK'000	Other receivables	Investments in subsidiaries	Total
Cost at 1 January 2015	273	22,208	22,481
Disposals during the year	-116	0	-116
Cost at 31 December 2015	157	22,208	22,365
Value adjustments at 1 January 2015	0	-20,806	-20,806
Adjustments during the year	0	3,796	3,796
Value adjustments at 31 December 2015	0	-17,010	-17,010
Hereof presented as provisions	0	10,899	10,899
Carrying amount at 31 December	157	16,097	16,254

According to section 72 (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.

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

DKK'000	Stake	Equity	Results
Company 1	100	10,282	-43
Company 2	100	19,212	67
Company 3	100	-16,134	-108
Company 4	100	-1,514	332
Company 5	100	4,011	332
Company 6	55	358	103

Financial statements 1 January – 31 December

Notes

8 Construction contracts

DKK'000	2015	2014
Specification on contract work in progress		
Sales value of work performed	231,734	193,557
On-account payments received	-163,946	-142,233
	<u>67,788</u>	<u>51,324</u>
Which is specified as follows:		
Construction contracts (net assets)	85,316	60,565
Construction contracts (net liabilities)	-17,528	-9,241
	<u>67,788</u>	<u>51,324</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.

Financial statements 1 January – 31 December

Notes

DKK'000	2015	2014
9 Deferred tax asset		
Deferred tax at 1 January	25,116	35,185
Deferred tax adjustment for the year in income statement	-6,561	-10,069
Adjustment of deferred tax, regarding prior years	-295	0
Deferred tax at 31 December	<u>18,260</u>	<u>25,116</u>

Deferred tax assets comprise deferred tax regarding intangible assets, property, plant and equipment, bad debt and other provisions. The value of tax loss carryforwards is also included at DKK 12,786 thousand.

A tax rate of 22% has been applied to the statement of deferred tax in 2015.

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 2015, the Company assessed that tax losses totalling DKK 58.1 million will be realisable within a foreseeable future. The tax value of DKK 12.8 million was recognised in deferred tax assets at 31 December 2015.

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

10 Equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2015	2,000	109,026	111,026
Transferred, cf. profit appropriation	0	40,131	40,131
Foreign exchange rate adjustment in group entities	0	84	84
Equity at 31 December 2015	<u>2,000</u>	<u>149,241</u>	<u>151,241</u>

The share capital consists of 2,000 shares of a nominal value of DKK 1,000 each. No shares carry special rights.

The share capital has remained unchanged during the past five years.

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11	Contractual obligations, contingencies, etc.	2015	2014
	DKK'000		
	Contingent liabilities		
	Guaranties for deliveries	0	10,551
		770	777
	Other financial obligations		
	Other operating leases	770	777
		770	777

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 withholding taxes may entail that the Companies' liability will increase.

BAE Systems Applied Intelligence A/S is a party to an ongoing dispute which is recognised as other provisions. The provision is based on Management's best estimate of the outcome of the dispute.

12 Mortgages and collateral

As a guarantee to the bank, the Company has provided collateral of DKK 35,000 thousand at 31 December 2015 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 2015 secured upon land and buildings located at Bouet Møllevej 5, 9400 Nørresundby, has been provided to mortgage credit institutions, amounted to 0.

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13 Related party disclosures

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 minimum 5% of the voting rights or minimum 5% of the share capital:

- BAE systems (overseas Holding) Ltd.

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