

BAE Systems Applied Intelligence A/S

Annual report 2023

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

on 24 May 2024

chairman

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Company details

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

Telephone: +45 96 32 30 00
Website: 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

Bruce Martin (Chairman – Appointed 23 November 2023)

David John Lawton (Resigned 23 November 2023)

Daren Smith

Richard Haycock

Executive Board

Bruce Martin

Auditor

Deloitte
Statsautoriseret Revisionspartnerselskab

City Tower

Vaerkmestergade 2

8000 Aarhus C

Denmark

Annual general meeting

The annual general meeting will be held on 24 May 2024

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 2023.

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 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023.

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 on 24 May 2024.

Nørresundby, 24 May 2024

Executive Board:

Bruce Martin

Board of Directors:

Bruce Martin
Chairman

Daren Smith

Richard Haycock

Independent auditor's report

To the shareholder 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 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2023 and of the results of its operations and cash flows for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report

Management's responsibilities 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 as 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about 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 applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 users taken on the basis of these financial statements.

Independent auditor's report

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 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Independent auditor's report

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 in 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 Statements Act. We did not identify any material misstatement of the Management's review.

Aarhus, 24 May 2024

Deloitte

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56

Henrik Vedel

State Authorized Public Account

Identification No (MNE) mne10052

Mikael Møller

State Authorized Public Account

Identification No (MNE) mne47835

Management's review

Operating review

Principal activities of the Company

The primary activity of the Company is an investment holding company.

Development in activities and financial position

The Company's income statement for 2023 shows a net profit of DKK 3,945k and equity in the balance sheet at 31 December 2023 stood at DKK 53,377k.

During the year the Company paid a dividend of DKK 275,600k (2022 – nil).

Results were in line with expectations and are considered satisfactory.

Events after the balance sheet date

There have been no events after the balance sheet date.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2023	2022
Gross profit		(464)	25
Staff costs	2	0	0
Impairment of investment		(578)	0
Profit before financial income and expenses		(1,042)	25
Income from subsidiaries		548	0
Other financial income	3	4,231	1,049
Other financial expenses	4	(264)	0
Profit before tax		3,473	1,074
Prior year tax adjustment	5	472	0
Profit for the year		3,945	1,074

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2023	2022
ASSETS			
Investments			
Investments in group entities	6	14,879	15,097
		<u>14,879</u>	<u>15,097</u>
Total non-current assets		<u>14,879</u>	<u>15,097</u>
Current assets			
Receivables			
Receivables from group entities		34,202	312,151
Corporation tax receivable	5	7,321	5,581
		<u>41,523</u>	<u>317,732</u>
Cash at bank and in hand		<u>10,599</u>	<u>3,516</u>
Total current assets		<u>52,122</u>	<u>321,248</u>
TOTAL ASSETS		<u><u>67,001</u></u>	<u><u>336,345</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2023	2022
EQUITY AND LIABILITIES			
Equity			
Share capital		2,000	2,000
Retained earnings		51,377	323,032
Total equity		53,377	325,032
Provisions			
Other provisions	6,8	11,259	10,899
Total provisions		11,259	10,899
Current liabilities other than provisions			
Payables to group entities		1,952	32
Trade creditors		161	0
Other payables		252	382
		2,365	414
Total liabilities other than provisions		2,365	414
TOTAL EQUITY AND LIABILITIES		67,001	336,345

Statement of changes in equity

DKK'000	Share capital	Proposed dividend	Retained earnings	Total equity
Equity at 1 January 2023	2,000	275,600	47,432	325,032
Profit for the year	0	0	3,945	3,945
Dividend Paid	0	-275,600	0	-275,600
Equity at 31 December 2023	2,000	0	51,377	53,377

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of BAE Systems Applied Intelligence A/S for 2023 has been presented 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.

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.

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

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

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".

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

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 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.

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.

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.

Financial statements 1 January – 31 December

Accounting policies

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.

Deferred tax assets, including the tax value of tax loss carry forwards, 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.

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

2 Staff costs

The board of directors has not been subject for remuneration.

3 Other financial income

Interest receivable, group entities	4,143	1,011
Interest receivable	88	0
Exchange gains	0	38
	4,231	1,049
	4,231	1,049

4 Other financial expenses

Foreign exchange	264	0
	264	0
	264	0

5 Tax on profit for the year

DKK'000	2023	2022
Tax on profit from ordinary activities;		
Income tax charge – current year	0	0
Prior year adjustment	472	0
	472	0
	472	0

Financial statements 1 January – 31 December

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6 Investments

DKK'000	Other receivables	Investments in subsidiaries	Total
Cost at 1 January 2023	100	22,208	22,308
Disposals during the year	0	0	0
Cost at 31 December 2023	100	22,208	22,308
Value adjustments at 1 January 2023	0	-18,010	-18,010
Adjustments during the year	0	-578	-578
Value adjustments at 31 December 2023	0	-18,588	-18,588
Hereof presented as provisions	0	11,259	11,259
Carrying amount at 31 December	0	14,879	14,879

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 purchases of the shares in the fiscal year.

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

DKK'000	Stake	Equity	Profit for the year
Company 1	100	2,580	55
Company 2	100	-819	142
Company 3	100	11,161	-3,069
Company 4	100	58,621	12,055
Company 5	100	-10,440	7
Company 6	55	4,092	170

Financial statements 1 January – 31 December

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7 Other provisions

DKK'000	2023	2022
Provision on investment	11,259	10,899
	<u>11,259</u>	<u>10,899</u>

8 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

9 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 minimum 5% of the voting rights or minimum 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.

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.

The Company has not had any significant transactions that have not been concluded on an arm's length basis.