

**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

## **Contents**

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	4
Company details	4
Operating review	5
Financial statements 1 January – 31 December	6
Accounting policies	6
Income statement	11
Balance sheet	12
Notes	14

## 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 (Connect) 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 matters discussed in the Management's review.

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

Nørresundby, 10 June 2016

Executive Board:



Morten Winther Jensen

Board of Directors:



Richard Robert Moseley

Chairman



Bijoy Neil  
Raychawdhuri



Morten Winther Jensen



## **Independent auditor's report**

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

### **Independent auditor's report on the financial statements**

We have audited the financial statements of BAE Systems Applied Intelligence (Connect) 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.

#### ***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 activities for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

#### **Statement on the Management's review**

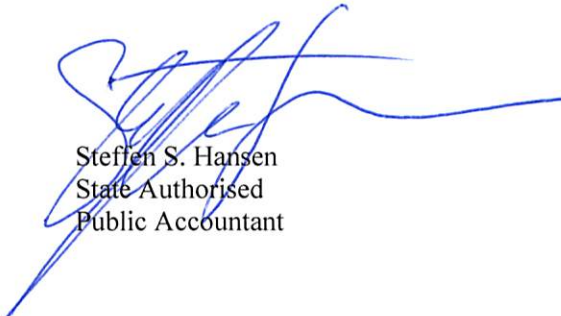
In accordance with the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with 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 (Connect) A/S  
Bouet Moellevej 5  
DK-9400 Nørresundby

CVR no.: 28 90 05 54  
Established: 22 June 2005  
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**

### **Operating review**

#### **Principal activities**

The primary activities of the Company are to purchase and sell IT equipment and engage in activities relating thereto, including investment in other companies in the same industry.

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

Net profit for the year came in at DKK 1.2 million.

Results for the year under review were positively affected by the reversal of provision (DKK 3.1 million) related to contracts completed in previous years.

Equity was negative at DKK 0.6 million at 31 December 2015, and the Company is therefore affected by the capital loss rules laid down in section 119 of the Danish Companies Act.

Management expects equity to be re-established by means of the Company's future earnings.

Accordingly, Management is of the opinion that the Company has sufficient cash resources to carry out operations and activities for 2015.

#### **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**

### **Accounting policies**

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

### **Foreign currency translation**

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

### **Income statement**

#### **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".

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 passes 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.

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

### **Accounting policies**

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

Other external costs include costs related to distribution, sale, administration, premises, computer equipment, etc.

### **Financial income and expenses**

Financial income and expenses includes interest income and expenses, realised and unrealised capital gains and losses and exchange gains and losses on foreign currency transactions, etc. Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period.

### **Tax on profit/loss for the year**

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

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 tax for the year attributable to changes in equity.

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

### **Balance sheet**

#### **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.

According to section 72 (4) of the Danish Financial Statements Act, no information regarding name, registered office and legal structure is to be disclosed about subsidiaries, as it may be detrimental to the Company.

In Accordance with section 72 (2) of the Danish Financial Statements Act, no information on stake, equity and results for the year is disclosed in the financial statements.



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

### **Accounting policies**

#### **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 projected 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 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.

#### **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.

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 total contract costs will exceed 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 which are deemed 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.

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

### **Accounting policies**

Prepayments from customers are recognised under liabilities.

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

### **Equity - dividends**

Proposed dividends are recognised as a liability at the date when 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.

### **Provisions**

Provisions comprise anticipated costs related to warranties, losses on work in progress, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Provisions are measured at net realisable value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

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

Current tax payable and receivable is recognised in the balance sheet 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 forward, 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.

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

### **Accounting policies**

#### **Liabilities other than provisions**

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 liabilities are measured at amortised cost, which, essentially, corresponds to fair value.

## Financial statements 1 January – 31 December

### Income statement

DKK'000	Note	2015	2014
<b>Gross profit</b>		276	385
Profit/loss from investments in associate		314	-752
Other financial income		115	0
Other financial expenses		-59	-171
<b>Profit/loss before tax</b>		646	-538
Tax on profit/loss for the year		598	-40
<b>Profit/loss for the year</b>		<u>1,244</u>	<u>-578</u>
<b>Proposed profit appropriation/distribution of loss</b>			
Retained earnings		1,244	-578
		<u>1,244</u>	<u>-578</u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Investments in associate	1	535	221
		<u>535</u>	<u>221</u>
<b>Total non-current assets</b>		<u>535</u>	<u>221</u>
<b>Current assets</b>			
<b>Receivables</b>			
Trade receivables		1	9,152
Construction contracts	2	1,284	6,647
Receivables from group entities		2,906	706
Other receivables		53	0
Deferred tax assets		598	0
		<u>4,842</u>	<u>16,505</u>
<b>Cash at bank and in hand</b>		<u>20,624</u>	<u>2,534</u>
<b>Total current assets</b>		<u>25,466</u>	<u>19,039</u>
<b>TOTAL ASSETS</b>		<u>26,001</u>	<u>19,260</u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2015	2014
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	3	500	500
Retained earnings		-1,102	-2,346
<b>Total equity</b>		<b>-602</b>	<b>-1,846</b>
<b>Provisions</b>			
Other provisions		0	3,050
<b>Total provisions</b>		<b>0</b>	<b>3,050</b>
<b>Liabilities other than provisions</b>			
<b>Non-current liabilities other than provisions</b>			
Payables to group entities		0	4,839
		0	4,839
<b>Current liabilities other than provisions</b>			
Construction contracts	2	3,114	5,419
Trade payables		164	85
Payables to group entities		23,325	600
Other payables		0	7,113
		26,603	13,217
<b>Total liabilities other than provisions</b>		<b>26,603</b>	<b>18,056</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26,001</b>	<b>19,260</b>
<b>Contractual obligations, contingencies, etc.</b>	4		

## Financial statements 1 January – 31 December

### Notes

DKK'000	2015	2014
<b>1 Investments in associate</b>		
Cost at 1 January	535	535
Additions during the year	0	0
Cost at 31 December	535	535
Value adjustments at 1 January	-314	0
Adjustments during the year	314	-314
Value adjustments at 31 December	0	-314
<b>Carrying amount at 31 December</b>	<b>535</b>	<b>221</b>
According to section 72 (4) of the Danish Financial Statements Act, no information regarding name, registered office and legal structure are to be disclosed about associated, as it may cause considerable damage to the Company.		
<b>2 Construction contracts</b>		
Specification on contract work in progress		
Sales value of work performed	1,318	4,407
On-account payments received	-3,148	-3,179
	-1,830	1,228
Which is specified as follows:		
Construction contracts (net assets)	1,284	6,647
Construction contracts (net liabilities)	-3,114	-5,419
	-1,830	1,228

## Financial statements 1 January – 31 December

### Notes

#### 3 Equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2015	500	-2,346	-1,846
Transferred; see the profit appropriation	0	1,244	1,244
Equity at 31 December 2015	500	-1,102	-602

The share capital consists of 500 shares of a nominal value of DKK 1,000 each. No shares carry special rights.

The share capital is unchanged in the past 5 years.

Management expects that the equity will be re-established by the future earnings in the Company.

#### 4 Contractual obligations, contingencies, etc.

##### Contingent liabilities

The Company is jointly taxed with the Danish parent company BAE Systems Applied Intelligence A/S. 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. At 31 December 2015, the jointly taxed companies' net liabilities to SKAT amounted to DKK 5,216 thousand. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, interest and royalties may entail that the Company's liability will increase.