

Cubic Technologies Denmark ApS

Bjergegade 22C, 1., 3000 Helsingør

CVR no. 33 26 55 06

Annual report 2015/16

Approved at the annual general meeting of shareholders on 28 February 2017

Chairman:



Marianne Philip

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Cubic Technologies Denmark ApS for the financial year 1 October 2015 - 30 September 2016.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 September 2016 and of the results of the Company's operations for the financial year 1 October 2015 - 30 September 2016.

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.

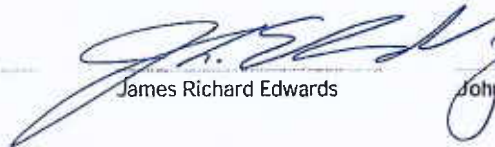
Helsingør, 28 February 2017
Executive Board



Eric John Stærna

Board of Directors:

David Howley Buss
Chairman



James Richard Edwards



John David Thomas

Independent auditors' report

To the shareholders of Cubic Technologies Denmark ApS

Independent auditors' report on the financial statements

We have audited the financial statements of Cubic Technologies Denmark ApS for the financial year 1 October 2015 - 30 September 2016, which comprise an 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.

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.

Auditors' 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 regulations. 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 auditors' 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 auditors consider 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 financial position at 30 September 2016 and of the results of its operations for the financial year 1 October 2015 - 30 September 2016 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other 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.

Odense, 28 February 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



John Blendstrup
State Authorized Public Accountant

Management's review

Company details

Name	Cubic Technologies Denmark ApS
Address, Postal code, City	Bjergegade 22C, 1., 3000 Helsingør
CVR no.	33 26 55 06
Registered office	Helsingør
Financial year	1 October 2015 - 30 September 2016
Board of Directors	David Howley Buss, Chairman James Richard Edwards John David Thomas
Executive Board	Eric John Stierna

Management's review

Management commentary

Business review

The company's main activities are software development and providing support for the maintenance, operation and management of tactical engagement systems.

Financial review

The income statement for 2015/16 shows a profit of DKK 1,280,126 against a DKK 1,468,427 last year, and the balance sheet at 30 September 2016 shows equity of DKK 3,079,489. In the annual report for 2014/15, Management expected a profit in the range of DKK 1 - 1,5 mDKK. Management considers the Company's financial performance in the year satisfactory.

Events after the balance sheet date

No significant events have occurred subsequent to the financial year-end.

Financial statements for the period 1 October 2015 - 30 September 2016

Income statement

Note	DKK	2015/16	2014/15
	Gross margin	8,930,426	7,569,196
2	Staff costs	-7,094,924	-5,503,669
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-124,269	-96,241
	Profit before net financials	1,711,233	1,969,286
	Financial income	21,379	167,879
	Financial expenses	-90,015	-81,815
	Profit before tax	1,642,597	2,055,350
3	Tax for the year	-362,471	-586,923
	Profit for the year	1,280,126	1,468,427
	Recommended appropriation of profit	1,280,126	1,468,427
	Retained earnings	1,280,126	1,468,427

Financial statements for the period 1 October 2015 - 30 September 2016

Balance sheet

Note	DKK	2015/16	2014/15
	ASSETS		
	Fixed assets		
4	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	441,555	401,779
	Leasehold improvements	0	33,462
		<u>441,555</u>	<u>435,241</u>
	Investments		
	Deposits, investments	143,798	143,798
		<u>143,798</u>	<u>143,798</u>
	Total fixed assets	<u>585,353</u>	<u>579,039</u>
	Non-fixed assets		
	Receivables		
	Trade receivables	403,656	120,453
	Work in progress for third parties	114,764	0
	Receivables from group entities	855,253	266,829
	Other receivables	183,226	168,714
	Deferred income	57,025	82,040
		<u>1,613,924</u>	<u>638,036</u>
	Cash	5,332,875	4,421,402
	Total non-fixed assets	<u>6,946,799</u>	<u>5,059,438</u>
	TOTAL ASSETS	<u>7,532,152</u>	<u>5,638,477</u>

Financial statements for the period 1 October 2015 - 30 September 2016

Balance sheet

Note	DKK	2015/16	2014/15
	EQUITY AND LIABILITIES		
	Equity		
5	Share capital	400,000	400,000
	Retained earnings	2,679,489	1,399,363
	Total equity	3,079,489	1,799,363
	Provisions		
	Deferred tax	32,381	34,153
	Total provisions	32,381	34,153
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	526,031	159,174
	Payables to group entities	1,699,201	1,856,244
	Income taxes payable	925,859	464,808
	Other payables	1,269,191	1,324,735
		4,420,282	3,804,961
	Total liabilities other than provisions	4,420,282	3,804,961
	TOTAL EQUITY AND LIABILITIES	7,532,152	5,638,477

- 1 Accounting policies
- 6 Contractual obligations and contingencies, etc.
- 7 Related parties

Financial statements for the period 1 October 2015 - 30 September 2016

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 October 2015	400,000	1,399,363	1,799,363
Profit/loss for the year	0	1,280,126	1,280,126
Equity at 30 September 2016	400,000	2,679,489	3,079,489

Financial statements for the period 1 October 2015 - 30 September 2016

Notes to the financial statements

1 Accounting policies

The annual report of Cubic Technologies Denmark ApS for 2015/16 has been prepared in accordance with the provisions in the Danish Financial Statements Act to report reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

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

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate 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 and payables and other monetary items denominated in foreign currencies are translated at the exchange rate 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the rendering of services is recognised as revenue as the services are rendered, implying that revenue corresponds to the selling price of the services rendered in the year (percentage of completion method).

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Gross margin

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross margin'.

Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Financial statements for the period 1 October 2015 - 30 September 2016

Notes to the financial statements

1 Accounting policies (continued)

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Other fixtures and fittings, tools and equipment	2-7 years
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Financial income and expenses

Financial expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest expenses.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired, in which case the carrying amount is reduced to the net realisable value.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Work in progress for third parties

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

Financial statements for the period 1 October 2015 - 30 September 2016

Notes to the financial statements

1 Accounting policies (continued)

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Prepayments

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

Cash and cash equivalents

Cash bank balances.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

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.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other payables

Other payables are measured at net realisable value.

DKK	2015/16	2014/15
2 Staff costs		
Wages/salaries	6,408,613	4,889,975
Pensions	655,130	592,405
Other social security costs	31,181	21,289
	<u>7,094,924</u>	<u>5,503,669</u>
Average number of full-time employees	<u>11</u>	<u>9</u>
3 Tax for the year		
Estimated tax charge for the year	364,243	475,724
Deferred tax adjustments in the year	-1,772	111,199
	<u>362,471</u>	<u>586,923</u>

Financial statements for the period 1 October 2015 - 30 September 2016

Notes to the financial statements

4 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 October 2015	859,607	38,414	898,021
Additions in the year	164,045	0	164,045
Cost at 30 September 2016	1,023,652	38,414	1,062,066
Impairment losses and depreciation at 1 October 2015	457,828	4,952	462,780
Impairment losses in the year	0	33,462	33,462
Amortisation/depreciation in the year	124,269	0	124,269
Impairment losses and depreciation at 30 September 2016	582,097	38,414	620,511
Carrying amount at 30 September 2016	441,555	0	441,555

DKK	2015/16	2014/15
5 Share capital		
Analysis of the share capital:		
4,000 shares of DKK 100.00 nominal value each	400,000	400,000
	400,000	400,000

Analysis of changes in the share capital over the past 5 years:

DKK	2015/16	2014/15	2013/14	2012/13	2011/12
Opening balance	400,000	80,000	80,000	80,000	80,000
Capital increase	0	320,000	0	0	0
	400,000	400,000	80,000	80,000	80,000

Financial statements for the period 1 October 2015 - 30 September 2016

Notes to the financial statements

6 Contractual obligations and contingencies, etc.

Other contingent liabilities

The company is taxed jointly with the Danish branch, 'Cubic Nordic, filial af Cubic Transportation Systems, Limited, United Kingdom'. The company and the branch are jointly and severally liable for corporate income taxes for 2014/15 and withholding taxes payable on or after 1 July 2012 within the joint taxation group.

Other financial obligations

Other rent and lease liabilities:

DKK	2015/16	2014/15
Rent and lease liabilities	455,359	733,748

Rent and lease liabilities include a rent obligation totalling DKK 455 thousand relating to non-cancellable rent agreements with remaining contract terms of 19 months.

7 Related parties

Cubic Technologies Denmark ApS' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Cubic Corporation	9333 Balboa Ave, San Diego, California, United States	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Cubic Corporation	9333 Balboa Ave, San Diego, California, United States	9333 Balboa Ave, San Diego, California, United States

The consolidated financial statement can be downloaded from Cubic Corporations website, www.cubic.com

Related party transactions

The company has sales transactions with Cubic Defense New Zealand Limited, Cubic Technologies Singapore Pte. Limited and Cubic Corporation.