Copenhagen Arctic A/S

Sankt Annæ Plads 11, 1., 1250 København K

Company reg. no. 35 68 24 81

Annual report

1 January - 31 December 2016

The annual report has been submitted and approved by the general meeting on the 4 May 2017.

Casper Moltke-Leth
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The board of directors and the executive board have today presented the annual report of Copenhagen Arctic A/S for the financial year 1 January to 31 December 2016.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2016 and of the company's results of its activities and cash flows in the financial year 1 January to 31 December 2016.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Copenhagen, 20 April 2017

Executive board

Jeppe Handwerk
CEO

Carsten Balleby

Board of directors

Meta Birgitte Zachau Handwerk
Chairman

Randall Joseph Brockenstedt

Scott Lance Cassara

Jeppe Handwerk

Independent auditor's report

To the shareholders of Copenhagen Arctic A/S

Opinion

We have audited the annual accounts of Copenhagen Arctic A/S for the financial year 1 January to 31 December 2016, which comprise accounting policies used, profit and loss account, balance sheet, cash flow statement and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2016 and of the results of the company's operations and cash flows for the financial year 1 January to 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

Independent auditor's report

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 20 April 2017

Christensen Kjærulff
Statsautoriseret Revisionsaktieselskab
Company reg. no. 15 91 56 41

Elan Schapiro
State Authorised Public Accountant

Company data

The company	Copenhagen Arctic A/S Sankt Annæ Plads 11, 1. 1250 Købehavn K
	Company reg. no. 35 68 24 81 Established: 5 March 2014 Domicile: Copenhagen Financial year: 1 January - 31 December
Board of directors	Meta Birgitte Zachau Handwerk, Chairman Randall Joseph Brockenstedt Scott Lance Cassara Jeppe Handwerk
Executive board	Jeppe Handwerk, CEO Carsten Balleby
Auditors	Christensen Kjærulff Statsautoriseret Revisionsaktieselskab
Parent company	Copenhagen Group A/S

Financial highlights

DKK in thousands.	2016	2015	2014
Profit and loss account:			
Gross profit	-296	-2.191	-1.576
Results from operating activities	-296	-2.191	-1.576
Net financials	-1	0	1
Results for the year	-231	-1.650	-1.461
Balance sheet:			
Balance sheet sum	805	1.096	616
Equity	800	1.031	182
Cash flow:			
Operating activities	-83	-2.486	-1.217
Financing activities	-273	2.426	1.717
Cash flow in total	-357	-61	500
Key figures in %:			
Solvency ratio	99,4	94,1	29,5

The calculation of key figures and ratios follow the Danish Association of Finance Analysts' recommendations.

The Principal Activities of the Company

Copenhagen Arctic was established in 2014 as a Joint Venture between Copenhagen Group and DynCorp International with the sole purpose of tendering for the contract for the operation and maintenance of Thule Air Base in Greenland for the US Airforce.

Copenhagen Arctic was not awarded the contract for the Thule Air Base back in November 2014, but has since spent two years and a vast amount of money in pursuing the contract in the US court system.

In June 2016, the court case was finally settled by the United States Court of Appeals for the Federal Circuit. Unfortunately, Copenhagen Arctic lost the case with the Court of Appeals despite winning it a year prior with the United States Court of Federal Claims.

Financial Development

No revenue reported for 2016 only costs related to the US court case.

Expectations for the Future

Despite losing the court case, we expect the contract for the Thule Air Base to be re-tendered in the near future; hence, Copenhagen Arctic remains an active business entity.

Risk Management

Proper management of risks is extremely important to us, since our corporate set-up and customer database do not lend us much room for manoeuvring with respect to social acceptability and financial credibility.

Before bidding for a new potential contract we conduct an internal assessment of the customer and scope of work to ensure it meets our obligations to UN Global Compact to which we are a long-standing signatory.

Our suppliers undergo same level of scrutiny, in particular with respect to ISO 9001 on quality, ISO 14001 on environment and OHSAS 18001 on occupational health and safety.

To hedge our financial risks, we aim to quote customers in the same currency as that quoted to us by our suppliers. Our business transactions are, for the most part, also restricted to DKK, EUR and USD; hence, the biggest risk relates to fluctuations in the USD exchange rate towards EUR and DKK.

The vast majority of our contracts are with stable national governments and reputable international organisations; hence, a loss on debtors or a long delay in payments by a customer is rarely a problem for us.

Events Subsequent to the End of the Fisal Year

No events have occurred subsequent to the end of the fiscal year 2016, which could be of significant detriment to the Copenhagen Arctic's financial position.

Profit and loss account 1 January - 31 December

All amounts in DKK.

Note		2016	2015
	Other external costs	-295.984	-2.191.185
	Gross results	**-295.984**	**-2.191.185**
1	Other financial costs	-600	0
	Results before tax	**-296.584**	**-2.191.185**
2	Tax on ordinary results	65.248	540.825
	Results for the year	**-231.336**	**-1.650.360**
	Proposed distribution of the results:		
	Allocated from results brought forward	-231.336	-1.650.360
	Distribution in total	**-231.336**	**-1.650.360**

Balance sheet 31 December

All amounts in DKK.

Note	Assets	2016	2015
	Current assets		
	Amounts owed by group enterprises	273.199	0
3	Deferred tax assets	186.249	383.672
	Receivable corporate tax	262.671	273.199
	Debtors in total	722.119	656.871
	Available funds	82.796	439.380
	Current assets in total	**804.915**	**1.096.251**
	Assets in total	**804.915**	**1.096.251**

Balance sheet 31 December

All amounts in DKK.

Note	Equity and liabilities	2016	2015
	Equity		
4	Contributed capital	1.000.000	1.000.000
5	Results brought forward	-200.085	31.251
	Equity in total	**799.915**	**1.031.251**
	Liabilities		
	Trade creditors	5.000	5.000
	Other debts	0	60.000
	Short-term liabilities in total	5.000	65.000
	Liabilities in total	**5.000**	**65.000**
	Equity and liabilities in total	**804.915**	**1.096.251**

6 **Contingencies**

Cash flow statement 1 January - 31 December

All amounts in DKK.

Note		2016	2015
	Results for the year	-231.336	-1.650.360
7	Adjustments	-64.648	-540.825
8	Change in working capital	-60.000	-295.000
	Cash flow from operating activities before net financials	-355.984	-2.486.185
	Interest paid and similar amounts	-600	0
	Cash flow from ordinary activities	-356.584	-2.486.185
	Corporate tax paid	273.199	0
	Cash flow from operating activities	**-83.385**	**-2.486.185**
	Cash capital increase	0	2.500.000
	Other cash flows from financing activities	-273.199	-74.435
	Cash flow from financing activities	**-273.199**	**2.425.565**
	Changes in available funds	**-356.584**	**-60.620**
	Available funds 1 January 2016	439.380	500.000
	Available funds 31 December 2016	**82.796**	**439.380**

		2016	2015
	Available funds		
	Available funds	82.796	439.380
	Available funds 31 December 2016	**82.796**	**439.380**

Notes

All amounts in DKK.

		2016	2015
1.	**Other financial costs**		
	Other financial costs	600	0
		600	**0**
2.	**Tax on ordinary results**		
	Group joint taxation	-262.671	-273.199
	Adjustment for the year of deferred tax	197.423	-482.061
	Write-down of deferred tax asset	0	214.435
		-65.248	**-540.825**
3.	**Deferred tax assets**		
	Deferred tax assets 1 January 2016	383.672	116.046
	Adjustment for the year of deferred tax	-197.423	482.061
	Write-down of deferred tax asset	0	-214.435
		186.249	**383.672**
	The following items are subject to deferred tax:		
	Losses brought forward from previous years	186.249	383.672
		186.249	**383.672**
4.	**Contributed capital**		
	Contributed capital 1 January 2016	1.000.000	1.000.000
		1.000.000	**1.000.000**
5.	**Results brought forward**		
	Results brought forward 1 January 2016	31.251	1.681.611
	Profit or loss for the year brought forward	-231.336	-1.650.360
		-200.085	**31.251**

All amounts in DKK.

6. Contingencies

Contingent assets

Copenhagen Arctic A/S has a negative basis for tax calculation of tDKK 1.710, which represents a tax value of tDKK 376 at the 2016 Danish corporate tax rate of 22%. This basis stems from past losses as well as postponed tax depreciations and tax amortizations. This deffered tax asset is booked with a value of tDKK 186, which is the minimum value that is expected to be realized within the next three fiscal year's profit.

Joint taxation

Handwerk Holding A/S, company reg. no 33055889 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

	2016	2015
7. Adjustments		
Other financial costs	600	0
Tax on ordinary results	-65.248	-540.825
	-64.648	**-540.825**

	2016	2015
8. Change in working capital		
Change in trade creditors and other liabilities	-60.000	-295.000
	-60.000	**-295.000**

Accounting policies used

The annual report for Copenhagen Arctic A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises.Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

The profit and loss account

Other external costs

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Available funds

Available funds comprise cash at bank and in hand.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Copenhagen Arctic A/S is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

The cash flow statement

The cash flow statement shows the cash flow of the company for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities, respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

The effect of cash flow deriving from purchase and sale of enterprises appears separately under cash flow from investment activities. In the cash flow statement, cash flow deriving from purchased enterprises is recognised as of the date of acquisition, and cash flow deriving from sold enterprises is recognised until the sales date.

Cash flow from operating activities

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

Cash flow from investment activities

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible and tangible fixed assets and fixed asset investments respectively.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.