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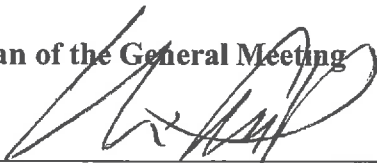
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**A/S Kelvin Hughes
Central Business Registration No
36664916
Rudolfgårdsvej 9
8260 Viby J**

Annual report 2015/16

The Annual General Meeting adopted the annual report on 03.11.2016

Chairman of the General Meeting



Name: Christopher James Easteal

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Entity details

Entity

A/S Kelvin Hughes
Rudolfgårdsvej 9
8260 Viby J

Central Business Registration No: 36664916

Registered in: Aarhus

Financial year: 01.08.2015 - 31.07.2016

Board of Directors

Christopher James Easteal, chairman

Barry Wade

Simon Patrick Martin Hughes

Russell Charles Gould

Executive Board

Russell Charles Gould

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of A/S Kelvin Hughes for the financial year 01.08.2015 - 31.07.2016.

The annual report is presented 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 31.07.2016 and of the results of its operations for the financial year 01.08.2015 - 31.07.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

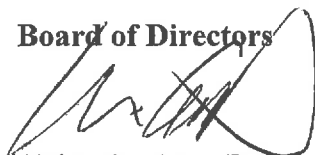
Viby, 03.11.2016

Executive Board



Russell Charles Gould

Board of Directors



Christopher James Easteal
chairman



Barry Wade



Simon Patrick Martin Hughes



Russell Charles Gould

Independent auditor's reports

To the owners of A/S Kelvin Hughes

Report on extended review of the financial statements

We have performed an extended review of the financial statements of A/S Kelvin Hughes for the financial year 01.08.2015 to 31.07.2016. The financial statements, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes, 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 as 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. We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors.

This requires that we comply with the Danish Public Accountants Act and the ethical rules of FSR – Danish Auditors and plan and perform procedures to obtain limited assurance about our opinion on the financial statements and that we perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our opinion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical procedures and the specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

The extended review has not resulted in any qualification.

Opinion

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.07.2016 and of the results of its operations for the financial year 01.08.2015 - 31.07.2016 in accordance with the Danish Financial Statements Act.

Independent auditor's reports

Report on other legal and regulatory requirements

Statement on the management commentary


Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the extended review of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Aarhus, 03.11.2016

Deloitte

Statsautoriseret Revisionspartnerselskab



Henrik Vedel

State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

Primary activities

The Company, A/S Kelvin Hughes, is part of the Kelvin Hughes Group of companies. The Group is a world leader in the design and supply of surveillance systems, and has been in the forefront for more than 250 years, supplying advanced navigation solutions and services around the globe. From solid state surveillance radars to instrumentation and integrated bridge display systems, Kelvin Hughes has a long tradition of innovation and engineering excellence and is a trusted and reliable partner to the world's navies and merchant shipping. That expertise is increasingly applied to the land domain where products designed and built by the Group safeguard borders, coastlines and civil infrastructure in many parts of the world.

Development in activities and finances

In 2015/16, the Company's revenue came in at DKK 22,932,701 against DKK 31,676,245 last year. The income statement for 2015/16 shows a loss of DKK 1,380,919 against a profit DKK 1,833,695 last year, and the balance sheet at 31 July 2016 shows equity of DKK 7,069,773.

The Kelvin Hughes Group is a global group and Scandinavia, including Denmark, is strategically important to Kelvin Hughes. The Group continues to invest heavily in new and ground-breaking ranges of surveillance systems. Together with new legislative requirements this anticipates an increase in sales.

The global economy continues to recover: this is expected to influence on our financial year 2017, so that the financial year 2017 will contribute positively to our profit.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognized in the balance sheet when it is probable because of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, production costs and other operating income.

Revenue

Revenue from the sale of goods for resale is recognized in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognized in the income statement when

Accounting policies

delivery is made to the buyer. Revenue is recognized net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise cost of sales for the financial year, including ordinary write-down of inventories and other costs incurred to earn revenue for the financial year, including wages and salaries as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc. as well as amortization, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortization, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Plant and machinery and equipment are measured at cost less accumulated depreciation and impairment losses.

Accounting policies

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	3-10 years
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Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortized cost, usually equaling nominal value less write-downs for bad and doubtful debts.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realizable value.

Cost consists of purchase price plus delivery costs.

The net realizable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Deferred tax

Deferred tax is recognized on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognized in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, decided and published restructurings, etc.

Accounting policies

Other provisions are recognized and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructurings in the acquired enterprise that were decided and published at the takeover date at the latest.

Operating leases

Lease payments on operating leases are recognized on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortized cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

Income statement for 2015/16

	<u>Notes</u>	<u>2015/16 DKK</u>	<u>2014/15 DKK</u>
Gross profit		11.709.416	15.176.945
Distribution costs		-3.475.186	-3.339.337
Administrative costs		-8.267.061	-9.385.962
Operating profit/loss		-32.831	2.451.646
Other financial income		15.735	17
Other financial expenses		-64.717	-47.269
Profit/loss from ordinary activities before tax		-81.813	2.404.394
Tax on profit/loss from ordinary activities	1	-1.299.106	-570.699
Profit/loss for the year		<u>-1.380.919</u>	<u>1.833.695</u>
Proposed distribution of profit/loss			
Retained earnings		-1.380.919	1.833.695
		<u>-1.380.919</u>	<u>1.833.695</u>

Balance sheet at 31.07.2016

	<u>Notes</u>	<u>2015/16 DKK</u>	<u>2014/15 DKK</u>
Plant and machinery		45.976	64.984
Property, plant and equipment	2	<u>45.976</u>	<u>64.984</u>
Other receivables		187.273	187.273
Fixed asset investments	3	<u>187.273</u>	<u>187.273</u>
Fixed assets		<u>233.249</u>	<u>252.257</u>
Manufactured goods and goods for resale		1.555.381	1.049.901
Inventories		<u>1.555.381</u>	<u>1.049.901</u>
Trade receivables		3.415.393	4.381.732
Receivables from group enterprises		9.256.393	7.146.132
Deferred tax assets		0	1.299.106
Other short-term receivables		1.293.135	141.052
Prepayments		165.839	34.911
Receivables		<u>14.130.760</u>	<u>13.002.933</u>
Cash		<u>265.219</u>	<u>1.007.493</u>
Current assets		<u>15.951.360</u>	<u>15.060.327</u>
Assets		<u>16.184.609</u>	<u>15.312.584</u>

Balance sheet at 31.07.2016

	<u>Notes</u>	<u>2015/16 DKK</u>	<u>2014/15 DKK</u>
Contributed capital		1.500.000	1.500.000
Retained earnings		<u>5.569.773</u>	<u>6.950.692</u>
Equity		<u>7.069.773</u>	<u>8.450.692</u>
Other provisions		<u>790.074</u>	<u>1.073.400</u>
Provisions		<u>790.074</u>	<u>1.073.400</u>
Other payables		384.965	458.940
Deferred income		<u>388.551</u>	<u>390.590</u>
Non-current liabilities other than provisions		<u>773.516</u>	<u>849.530</u>
Trade payables		923.526	1.363.268
Debt to group enterprises		6.444.638	3.523.732
Other payables		<u>183.082</u>	<u>51.962</u>
Current liabilities other than provisions		<u>7.551.246</u>	<u>4.938.962</u>
Liabilities other than provisions		<u>8.324.762</u>	<u>5.788.492</u>
Equity and liabilities		<u>16.184.609</u>	<u>15.312.584</u>
Unrecognised rental and lease commitments	4		
Assets charged and collateral	5		
Consolidation	6		

Statement of changes in equity for 2015/16

	Contributed capital DKK	Retained ear- nings DKK	Total DKK
Equity beginning of year	1.500.000	6.950.692	8.450.692
Profit/loss for the year	0	-1.380.919	-1.380.919
Equity end of year	1.500.000	5.569.773	7.069.773

Notes

	<u>2015/16</u> DKK	<u>2014/15</u> DKK
1. Tax on ordinary profit/loss for the year		
Change in deferred tax for the year	1.299.106	570.699
	<u>1.299.106</u>	<u>570.699</u>
		<u>Plant and machinery DKK</u>
2. Property, plant and equipment		
Cost beginning of year		299.807
Additions		11.024
Cost end of year		<u>310.831</u>
Depreciation and impairment losses beginning of the year		-234.823
Depreciation for the year		-30.032
Depreciation and impairment losses end of the year		<u>-264.855</u>
Carrying amount end of year		<u>45.976</u>
		<u>Other recei- vables DKK</u>
3. Fixed asset investments		
Cost beginning of year		187.273
Cost end of year		<u>187.273</u>
Carrying amount end of year		<u>187.273</u>
	<u>2015/16</u> DKK	<u>2014/15</u> DKK
4. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	432.217	351.741

Notes

5. Assets charged and collateral

Collateral securities provided for subsidiaries and group enterprises

The Company is a named obligator to the long-term borrowing agreements between KH Finance Limited and third party lenders, which are disclosed in the financial statements of KH Finance Limited for the year ended 31 July 2016, whereby the Company guarantees the interest payable and capital repayments on the loans via a charge on the Company's assets.

6. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

KH Holdco Ltd., Voltage, Mollison Avenue, Enfield, EN3 7XQ, UK