DPA Microphones A/S

Gydevang 42-44, DK-3450 Allerød

Annual Report for 1 May 2015 - 30 April 2016

CVR No 15 91 22 00

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 29/7 2016

Martin Gösta Gustafsson
Chairman

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Contents

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of DPA Microphones A/S for the financial year 1 May 2015 - 30 April 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 April 2016 of the Company and the Group and of the results of the Company and Group operations and cash flows for 2015/16.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Allerød, 22 July 2016

Executive Board

Thorsten Reuber
Executive Officer

Board of Directors

Karsten Langer Chairman	Martin Gösta Gustafsson Deputy Chairman	Thorsten Reuber
Rex Stull	Christian Poulsen	Jes Olsen
Jimmy Frølund Ørsted Staff Representative	Anna Grimstrup Præstholm Staff Representative	

Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements

To the Shareholder of DPA Microphones A/S

Report on the Financial Statements and the Consolidated Financial Statements

We have audited the Financial Statements and the Consolidated Financial Statements of DPA Microphones A/S for the financial year 1 May 2015 - 30 April 2016, which comprise income statement, balance sheet, cash flow statement, notes and summary of significant accounting policies. The Financial Statements and the Consolidated Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements and the Consolidated Financial Statements
Management is responsible for the preparation of Financial Statements and the Consolidated 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 and Consolidated 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 and the Consolidated 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 whether the Financial Statements and the Consolidated Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements and the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements and the Consolidated 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 and Consolidated 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 and the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements

Opinion

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position of the Company and the Group at 30 April 2016 and of the results of the Company and the Group operations and cash flows for the financial year 1 May 2015 - 30 April 2016 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements and the Consolidated Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements and the Consolidated Financial Statements.

Hellerup, 22 July 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob F Christiansen	Henrik Y. Jensen
State Authorised Public Accountant	State Authorised Public Accountant

Company Information

The Company	DPA Microphones A/S Gydevang 42-44 DK-3450 Allerød CVR No: 15 91 22 00 Financial period: 1 May - 30 April Municipality of reg. office: Allerød
Board of Directors	Karsten Langer, Chairman Martin Gösta Gustafsson Thorsten Reuber Rex Stull Christian Poulsen Jes Olsen Jimmy Frølund Ørsted Anna Grimstrup Præstholm
Executive Board	Thorsten Reuber
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
Bankers	Danske Bank Finanscenter Sjælland Munkeengen 50 3400 Hillerød

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2015/16	2014/15	2013/14	2012/13	2011/12
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	103.604	73.986	61.989	59.059	55.141
Operating profit/loss	33.135	19.503	18.490	20.482	23.951
Profit/loss before financial income and expenses	33.135	19.503	15.425	18.831	19.308
Net financials	-2.611	-1.204	-2.208	-1.791	-976
Net profit/loss for the year	23.299	14.239	9.291	12.974	13.898
Balance sheet					
Balance sheet total	112.000	107.980	91.450	77.648	70.325
Equity	49.152	30.546	20.156	22.710	24.294
Cash flows					
Cash flows from:					
- operating activities	38.389	15.141	13.188	15.032	17.483
- investing activities	-7.468	-7.516	-7.492	-5.552	-2.244
including investment in property, plant and equipment and intangible assets	-7.602	-7.394	-7.448	-2.499	-3.430
Number of employees	155	154	123	109	120
Ratios					
Return on assets	29,6%	18,1%	16,9%	24,3%	27,5%
Solvency ratio	43,9%	28,3%	22,0%	29,2%	34,5%
Return on equity	58,5%	56,2%	43,3%	55,2%	52,3%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Consolidated and Parent Company Financial Statements of DPA Microphones A/S for 2015/16 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Consolidated and Parent Company Financial Statements have been prepared under the same accounting policies as last year.

Main activity

The company's main activity is the development, production and marketing of microphones and associated equipment to the global professional market for Pro Audio and sound recording.

The company also distributes microphone products and equipment in the North American market through its subsidiary, DPA Microphones Inc., Colorado, US. The Group also owns a subsidiary in Hong Kong.

Development in the year

The income statement of the Group for 2015/16 shows a profit of TDKK 23,299, and at 30 April 2016 the balance sheet of the Group shows equity of TDKK 49,152. Management considers the profit as a satisfactory level. The company's business activities develop positively.

CEO Christian Poulsen has resigned his position in January 2016. New CEO as of 26th January 2016 is Thorsten Reuber.

Expected development

The company expects the financial year 2016/17 to continue with increased sales and is planning new product launches during the year.

Results are expected to be above the level of last year.

Quality and environmental conditions

The company adheres to the guidelines listed in the RoHS Directive 2002/95 / EC (Restriction and Hazardous Materials) and the WEEE Directive 2002/95 / EC (Waste from Electrical and Electronic Equipment).

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 May - 30 April

	Note	Group 2015/16 TDKK	Group 2014/15 TDKK	Parent Company 2015/16 TDKK	Parent Company 2014/15 TDKK
Gross profit/loss		**103.604**	**73.986**	**84.579**	**62.367**
Distribution expenses	1	-32.811	-26.968	-22.081	-19.237
Administrative expenses	1	-37.658	-27.515	-30.791	-23.057
Operating profit/loss		**33.135**	**19.503**	**31.707**	**20.073**
Income from investments in subsidiaries	2	0	0	129	-1.143
Financial income	3	1	1.806	115	1.892
Financial expenses	4	-2.612	-3.010	-2.425	-2.736
Profit/loss before tax		**30.524**	**18.299**	**29.526**	**18.086**
Tax on profit/loss for the year	5	-7.225	-4.060	-6.227	-3.847
Net profit/loss for the year		**23.299**	**14.239**	**23.299**	**14.239**

Distribution of profit

Proposed distribution of profit

	2015/16	2014/15
Proposed dividend for the year	25.000	6.000
Reserve for net revaluation under the equity method	129	-1.143
Retained earnings	-1.830	9.382
	23.299	**14.239**

Balance Sheet 30 April

Assets

		Group		Parent Company	
	Note	2015/16	2014/15	2015/16	2014/15
		TDKK	TDKK	TDKK	TDKK
Completed development projects		4.185	4.682	4.185	4.682
Acquired trademarks		723	603	723	603
Development projects in progress		4.652	3.111	4.652	3.111
Intangible assets	6	**9.560**	**8.396**	**9.560**	**8.396**
Land and buildings		21.940	22.431	21.940	22.431
Other fixtures and fittings, tools and equipment		7.386	6.184	7.044	5.884
Leasehold improvements		713	0	713	0
Property, plant and equipment	7	**30.039**	**28.615**	**29.697**	**28.315**
Investments in subsidiaries	8	0	0	4.520	4.287
Other investments		31	31	31	31
Deposits		508	642	0	175
Financial assets		**539**	**673**	**4.551**	**4.493**
Fixed assets		**40.138**	**37.684**	**43.808**	**41.204**
Inventories	9	**33.974**	**32.993**	**29.981**	**30.043**
Trade receivables		23.242	19.379	17.417	14.298
Receivables from group enterprises		159	0	8.145	5.717
Other receivables		21	225	21	225
Prepayments		1.504	2.235	809	1.833
Receivables		**24.926**	**21.839**	**26.392**	**22.073**
Cash at bank and in hand		**12.962**	**15.464**	**9.528**	**12.758**
Currents assets		**71.862**	**70.296**	**65.901**	**64.874**
Assets		**112.000**	**107.980**	**109.709**	**106.078**

Balance Sheet 30 April

Liabilities and equity

	Note	Group 2015/16 TDKK	Group 2014/15 TDKK	Parent Company 2015/16 TDKK	Parent Company 2014/15 TDKK
Share capital		1.040	1.040	1.040	1.040
Reserve for net revaluation under the equity method		0	0	4.511	4.278
Retained earnings		23.112	23.506	18.601	19.228
Proposed dividend for the year		25.000	6.000	25.000	6.000
Equity	10	**49.152**	**30.546**	**49.152**	**30.546**
Provision for deferred tax	11	4.729	4.194	4.669	4.146
Other provisions		700	700	700	700
Provisions		**5.429**	**4.894**	**5.369**	**4.846**
Credit institutions		10.730	39.609	10.730	39.609
Long-term debt	12	**10.730**	**39.609**	**10.730**	**39.609**
Mortgage loans		471	494	471	494
Credit institutions	12	1.823	344	1.823	344
Trade payables		11.841	7.514	11.618	7.304
Payables to group enterprises		592	606	592	606
Corporation tax		9.887	5.338	9.108	5.250
Financial instruments		3.653	4.857	3.653	4.857
Other payables ()		18.422	13.778	17.193	12.222
Short-term debt		**46.689**	**32.931**	**44.458**	**31.077**
Debt		**57.419**	**72.540**	**55.188**	**70.686**
Liabilities and equity		**112.000**	**107.980**	**109.709**	**106.078**

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Cash Flow Statement 1 May - 30 April

	Note	Group 2015/16 TDKK	Group 2014/15 TDKK	Parent Company 2015/16 TDKK	Parent Company 2014/15 TDKK
Net profit/loss for the year		23.299	14.239	23.299	14.239
Adjustments	15	14.946	10.160	13.387	10.158
Change in working capital		4.896	-4.501	5.022	-5.179
Cash flows from operating activities before financial income and expenses		**43.141**	**19.898**	**41.708**	**19.218**
Financial income		1	1.806	244	1.892
Financial expenses		-2.613	-3.010	-2.425	-2.736
Cash flows from ordinary activities		**40.529**	**18.694**	**39.527**	**18.374**
Corporation tax paid		-2.140	-3.553	-1.846	-3.745
Cash flows from operating activities		**38.389**	**15.141**	**37.681**	**14.629**
Purchase of intangible assets		-2.618	-3.299	-2.618	-3.299
Purchase of property, plant and equipment		-4.984	-4.482	-4.812	-983
Change in financial assets		134	265	-58	-3.108
Cash flows from investing activities		**-7.468**	**-7.516**	**-7.488**	**-7.390**
Repayment of mortgage loans		-23	-484	-23	-484
Repayment of loans from credit institutions		-27.400	2	-27.400	2
Dividend paid		-6.000	-3.000	-6.000	-3.000
Cash flows from financing activities		**-33.423**	**-3.482**	**-33.423**	**-3.482**
Change in cash and cash equivalents		**-2.502**	**4.143**	**-3.230**	**3.757**
Cash and cash equivalents at 1 May		15.464	11.321	12.758	9.001
Cash and cash equivalents at 30 April		**12.962**	**15.464**	**9.528**	**12.758**
Cash and cash equivalents are specified as follows:					
Cash at bank and in hand		12.962	15.464	9.528	12.758
Cash and cash equivalents at 30 April		**12.962**	**15.464**	**9.528**	**12.758**

Notes to the Financial Statements

	Group		Parent Company	
	2015/16	2014/15	2015/16	2014/15
	TDKK	TDKK	TDKK	TDKK
1 Staff				
Wages and Salaries	74.906	65.927	68.519	59.228
Pensions	5.674	5.283	5.634	5.186
Other social security expenses	900	1.658	789	779
	81.480	**72.868**	**74.942**	**65.193**
Wages and Salaries, pensions and other social security expenses are recognised in the following items:				
Production expenses	53.341	50.438	49.951	48.843
Distribution expenses	13.525	12.425	11.031	8.009
Administrative expenses	14.614	10.005	13.960	8.341
	81.480	**72.868**	**74.942**	**65.193**
Including remuneration to the Executive Board and Board of Directors of:				
Executive Board	8.534	3.186	8.534	3.186
Board of Directors	704	548	704	548
	9.238	**3.734**	**9.238**	**3.734**
Average number of employees	**155**	**154**	**140**	**140**

	Parent Company	
	2015/16	2014/15
	TDKK	TDKK
2 Income from investments in subsidiaries		
Share of profits of subsidiaries	1.040	204
Change in intercompany profit on inventories purchased within the Group	-911	-1.347
	129	**-1.143**

Notes to the Financial Statements

		Group		Parent Company	
		2015/16	2014/15	2015/16	2014/15
		TDKK	TDKK	TDKK	TDKK
3	**Financial income**				
	Interest received from group enterprises	0	0	114	88
	Other financial income	1	2	1	0
	Exchange adjustments	0	1.804	0	1.804
		1	**1.806**	**115**	**1.892**
4	**Financial expenses**				
	Interest paid to group enterprises	64	0	64	0
	Other financial expenses	1.692	2.713	1.556	2.459
	Exchange adjustments, expenses	856	297	805	277
		2.612	**3.010**	**2.425**	**2.736**
5	**Tax on profit/loss for the year**				
	Current tax for the year	6.690	3.447	5.705	3.234
	Deferred tax for the year	535	169	522	169
	Adjustment of deferred tax concerning previous years	0	444	0	444
		7.225	**4.060**	**6.227**	**3.847**

Notes to the Financial Statements

6 Intangible assets

Group

	Completed development projects	Acquired trade-marks	Development projects in progress
	TDKK	TDKK	TDKK
Cost at 1 May	6.516	729	3.111
Additions for the year	0	214	2.442
Disposals for the year	0	0	-38
Transfers for the year	863	0	-863
Cost at 30 April	7.379	943	4.652
Impairment losses and amortisation at 1 May	1.834	126	0
Amortisation for the year	1.360	94	0
Impairment losses and amortisation at 30 April	3.194	220	0
Carrying amount at 30 April	**4.185**	**723**	**4.652**

Parent Company

	Completed development projects	Acquired trade-marks	Development projects in progress
	TDKK	TDKK	TDKK
Cost at 1 May	6.516	729	3.111
Additions for the year	0	214	2.442
Disposals for the year	0	0	-38
Transfers for the year	863	0	-863
Cost at 30 April	7.379	943	4.652
Impairment losses and amortisation at 1 May	1.834	126	0
Amortisation for the year	1.360	94	0
Impairment losses and amortisation at 30 April	3.194	220	0
Carrying amount at 30 April	**4.185**	**723**	**4.652**

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 May	27.761	24.043	535
Additions for the year	229	3.992	763
Cost at 30 April	27.990	28.035	1.298
Impairment losses and depreciation at 1 May	5.329	17.864	535
Depreciation for the year	721	2.785	50
Impairment losses and depreciation at 30 April	6.050	20.649	585
Carrying amount at 30 April	**21.940**	**7.386**	**713**
Including assets under finance leases amounting to	0	40	0

Parent Company

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 May	27.761	22.957	535
Additions for the year	229	3.819	763
Cost at 30 April	27.990	26.776	1.298
Impairment losses and depreciation at 1 May	5.329	17.073	535
Depreciation for the year	721	2.659	50
Impairment losses and depreciation at 30 April	6.050	19.732	585
Carrying amount at 30 April	**21.940**	**7.044**	**713**
Including assets under finance leases amounting to	0	40	0

Notes to the Financial Statements

8 Investments in subsidiaries

	Parent Company 2015/16 TDKK	Parent Company 2014/15 TDKK
Cost at 1 May	8	8
Cost at 30 April	8	8
Value adjustments at 1 May	4.279	4.815
Exchange adjustment	104	607
Net profit/loss for the year	1.040	204
Change in intercompany profit on inventories	-911	-1.347
Value adjustments at 30 April	4.512	4.279
Carrying amount at 30 April	**4.520**	**4.287**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
DPA Microphones Inc.	Colorado, USA	USD 100	100%	1.372.206	212.774
DPA Microphones Ltd.	Hong Kong	HKD 10.000	100%	163.086	-111.819

9 Inventories

	Group 2015/16 TDKK	Group 2014/15 TDKK	Parent Company 2015/16 TDKK	Parent Company 2014/15 TDKK
Raw materials and consumables	12.272	11.380	12.272	11.380
Work in progress	12.034	14.674	12.034	14.674
Finished goods and goods for resale	9.668	6.939	5.675	3.989
	33.974	**32.993**	**29.981**	**30.043**

Notes to the Financial Statements

10 Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 May	1.040	0	23.506	6.000	30.546
Ordinary dividend paid	0	0	0	-6.000	-6.000
Exchange adjustments relating to foreign entities	0	0	104	0	104
Fair value adjustment of hedging instruments, beginning of year	0	0	4.896	0	4.896
Fair value adjustment of hedging instruments, end of year	0	0	-3.693	0	-3.693
Net profit/loss for the year	0	0	-1.701	25.000	23.299
Equity at 30 April	**1.040**	**0**	**23.112**	**25.000**	**49.152**

Parent Company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 May	1.040	4.278	19.228	6.000	30.546
Ordinary dividend paid	0	0	0	-6.000	-6.000
Exchange adjustments relating to foreign entities	0	104	0	0	104
Fair value adjustment of hedging instruments, beginning of year	0	0	4.896	0	4.896
Fair value adjustment of hedging instruments, end of year	0	0	-3.693	0	-3.693
Net profit/loss for the year	0	129	-1.830	25.000	23.299
Equity at 30 April	**1.040**	**4.511**	**18.601**	**25.000**	**49.152**

Notes to the Financial Statements

10 Equity (continued)

The share capital consists of 10,400 shares of a nominal value of DKK 100. No shares carry any special rights.

The share capital has developed as follows:

	2015/16	2014/15	2013/14	2012/13	2011/12
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 May	1.040	1.040	1.040	1.300	1.300
Capital increase	0	0	0	0	0
Capital decrease	0	0	0	-260	0
Share capital at 30 April	**1.040**	**1.040**	**1.040**	**1.040**	**1.300**

11 Provision for deferred tax

	Group		Parent Company	
	2015/16	2014/15	2015/16	2014/15
	TDKK	TDKK	TDKK	TDKK
Intangible assets	2.103	1.847	2.103	1.847
Property, plant and equipment	1.959	1.689	1.901	1.641
Inventories	967	967	967	967
Trade receivables	-64	-73	-64	-73
Amortization	-93	-93	-93	-93
Leasing	11	11	9	11
Provision for refurbishment	-154	-154	-154	-154
	4.729	**4.194**	**4.669**	**4.146**

12 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below.

Credit institutions

After 5 years	8.630	10.051	8.630	10.051
Between 1 and 5 years	2.100	29.558	2.100	29.558
Long-term part	10.730	39.609	10.730	39.609
Other short-term debt to credit institutions	1.823	344	1.823	344
	12.553	**39.953**	**12.553**	**39.953**

Notes to the Financial Statements

13 Contingent assets, liabilities and other financial obligations

Security

The following assets have been placed as security with Danske Bank:
Floating charge in simple claims, inventory, other fixtures and fittings, tools and equipment and acquired trademarks amounting to MDKK 20.

Mortgage deed in Industrivangen 10, 4550 Asnæs amounting to MDKK 4.5.

Unlisted shares amounting to TDKK 1,140.

Contingent liabilities

DPA Microphones A/S is jointly taxed with other Danish subsidiaries. The Group companies are jointly and severally liable for tax on the Group's jointly taxed income.

DPA Microphones A/S has entered an operational leasing contract in a period up to 46 months. The leasing liability amounts to MDKK 1.1 for this period.

DPA Microphones A/S has entered a tenancy agreement with a period of non-terminability of 53 months. The tenancy liability in this period amounts to MDKK 6.0.

DPA Microphones Inc. has entered a tenancy agreement with a period of non-terminability of 31 months. The tenancy liability in this period amounts to MDKK 1.4.

DPA Microphones Ltd. has entered a tenancy agreement with a period of non-terminability of 21 months. The tenancy liability in this period amounts to MDKK 1.0.

Notes to the Financial Statements

14 Related parties and ownership

	Basis
Controlling interest	
Re Microphones ApS, Gydevang 42-44, 3450 Allerød	Owner
Other related parties	
Karsten Langer	Chairman
Martin Gösta Gustafsson	Board Member
Thorsten Reuber	CEO and Board Member
Rex Stull	Board Member
Christian Poulsen	Board Member
Jes Olsen	Board Member
Jimmy Frølund Ørsted	Board Member
Anna Grimstrup Præstholm	Board Member

Transactions

There have been no transactions with the Board of Directors, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and management remuneration.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Re Microphones ApS, Gydevang 42-44, 3450 Allerød

Consolidated Financial Statements

The Company is included in the Group Annual Report of Re Microphones Holding ApS.

The Group Annual Report of Re Microphones Holding ApS may be obtained at the following address:

Gydevang 42-44, 3450 Allerød

Notes to the Financial Statements

	Group		Parent Company	
	2015/16	2014/15	2015/16	2014/15
	TDKK	TDKK	TDKK	TDKK
15 Cash flow statement - adjustments				
Financial income	-1	-1.806	-115	-1.892
Financial expenses	2.612	3.010	2.425	2.736
Depreciation, amortisation and impairment losses, including losses and gains on sales	5.010	4.478	4.846	4.375
Income from investments in subsidiaries	0	0	-129	1.143
Tax on profit/loss for the year	7.225	4.060	6.227	3.847
Other adjustments	100	418	133	-51
	14.946	**10.160**	**13.387**	**10.158**

Accounting Policies

Basis of Preparation

The Annual Report of DPA Microphones A/S for 2015/16 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Consolidated and Parent Company Financial Statements for 2015/16 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned based on the following criteria:

- Delivery has occured before the end of the financial year
- A binding sales contract exists
- The terms and price of sales are determined
- At the time of recognition of revenue, payment has been received or can with reasonable certainty be expected

Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Financial assets and liabilities are measured at amortised cost.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Accounting Policies

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, DPA Microphones A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Financial derivatives

Financial derivatives are recognized at cost and subsequently measured at fair values. Positive and negative fair values of financial derivatives are presented as respectively "Other receivables" and "Other payables".

Changes in the fair values of financial derivatives are recognized in the income statement, unless the individual financial derivative can be classified as and satisfy the criteria of hedge accounting.

Accounting Policies

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

The income statement for the foreign subsidiaries, which are separate entities, are translated at the average exchange rates during the financial year. The balance sheet is translated at the exchange rate of the balance sheet date. Exchange adjustments occuring due to translation of equity at the beginning of the year and exchange adjustments occuring due to translation of the income statement at the balance sheet date are recognised directly in equity.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Should the hedged transaction result in an income or expense, the deferred amount in equity are transferred from equity to the income statement in the period in which the hedged transaction is recognized. The amount is recognized in the same item as the hedged transaction.

Accounting Policies

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report. Gross profit/loss contains revenue less production expenses recognized as specified below.

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Production expenses

Production expenses comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Production expenses also includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Accounting Policies

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement. Current tax is calculated using the current tax rate for the year.

The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance Sheet

Intangible assets

Intangible assets contain development projects and acquired trademarks. Trademarks are measured at the lower of cost less accumulated amortisation and recoverable amount.

Development projects, which are clearly defined and identifiable and where the technical utilisation, sufficient resources and a potential future market or opportunity for development in the Company exist, and where intention is to manufacture, market or utilise the product or process, are recognised as intangible assets provided sufficient certainty exists that future revenues can cover production, distribution and administration expenses as well as the accumulated development costs. Other development costs are recognized as expenses in the income statement as incurred.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	10-50	years
Other tools and equipment	3-5	years
Leasehold improvements	10	years

Accounting Policies

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,900 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Financial assets

Financial asset investments, which consist of unlisted shares and deposits, are measured at cost at the balance sheet date.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Accounting Policies

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group´s and the Parent Company´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s and the Parent Company´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Accounting Policies

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand” and ”Current asset investments”. ”Current asset investments” consist of short-term securities with an insignificant risk of value changes that can readily be turned into cash.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$