

DPA Microphones A/S

Gydevang 42-44

3450 Allerød

Central Business Registration

No 15912200

Annual report 2016/17

The Annual General Meeting adopted the annual report on 10.07.2017

Chairman of the General Meeting

Name: Karsten Langer

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Entity details

Entity

DPA Microphones A/S
Gydevang 42-44
3450 Allerød

Central Business Registration No: 15912200
Registered in: Allerød
Financial year: 01.05.2016 - 30.04.2017

Board of Directors

Karsten Langer, chairman
Jes Olsen
Rex Stull
Thorsten Reuber
Anna Grimstrup Præstholt
Jimmy Frølund Ørsted

Executive Board

Karl Kristian Nielsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København 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 DPA Microphones A/S for the financial year 01.05.2016 - 30.04.2017.

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

In our opinion, the consolidated financial statements give a true and fair view of the Group's and Parent's financial position at 30.04.2017 and of the results of their operations and consolidated cash flows for the financial year 01.05.2016 - 30.04.2017.

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.

Allerød, 10.07.2017

Executive Board

Karl Kristian Nielsen

Board of Directors

Karsten Langer
chairman

Jes Olsen

Rex Stull

Thorsten Reuber

Anna Grimstrup Præstholt

Jimmy Frølund Ørsted

Independent auditor's report

To the shareholder of DPA Microphones A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of DPA Microphones A/S for the financial year 01.05.2016 - 30.04.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.04.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.05.2016 - 30.04.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of 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 Group's and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity'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 consolidated financial statements and the parent financial statements 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 internal control that we identify during our audit.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 10.07.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Nikolaj Thomsen
State Authorized Public Accountant

Management commentary

	<u>2016/17</u> <u>DKK'000</u>	<u>2015/16</u> <u>DKK'000</u>	<u>2014/15</u> <u>DKK'000</u>	<u>2013/14</u> <u>DKK'000</u>	<u>2012/13</u> <u>DKK'000</u>
Financial highlights					
Key figures					
Gross profit	106.734	103.604	73.986	61.989	59.059
Operating profit/loss	34.267	33.135	19.503	18.490	20.482
Net financials	(1.442)	(2.611)	(1.204)	(2.208)	(1.791)
Profit/loss for the year	24.548	23.299	14.239	9.291	12.974
Total assets	108.578	112.000	107.980	91.450	77.648
Investments in property, plant and equipment	3.242	4.984	7.516	7.492	5.552
Equity incl minority interests	48.966	49.152	30.546	20.156	22.710
Employees in average	174	155	154	123	109
Ratios					
Return on equity (%)	50,0	58,5	56,2	43,3	55,2
Equity ratio (%)	45,1	43,9	28,3	22,0	29,2

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios

Return on equity (%)

Calculation formula

$$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$$

Equity ratio (%)

$$\frac{\text{Equity incl minority interests} \times 100}{\text{Total assets}}$$

Ratios

The entity's return on capital invested in the entity by the owners.

The financial strength of the entity.

Management commentary

Primary activities

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

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

Development in activities and finances

The income statement of the Group for 2016/17 shows a profit of TDKK 24,548. At 30 April 2017 the balance sheet of the Group shows equity of TDKK 48,966.

Management considers the profit as satisfactory and in accordance with latest announced expectations. The company's business activities develop positively.

Outlook

The company expects the financial year 2017/18 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.

Environmental performance

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).

Consolidated income statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Gross profit	1	106.734	103.604
Distribution costs	1	(36.882)	(32.811)
Administrative costs	1	(35.585)	(37.658)
Operating profit/loss		34.267	33.135
Other financial income		263	1
Other financial expenses	2	(1.705)	(2.612)
Profit/loss before tax		32.825	30.524
Tax on profit/loss for the year	3	(8.277)	(7.225)
Profit/loss for the year	4	24.548	23.299

Consolidated balance sheet at 30.04.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Completed development projects		3.964	4.185
Acquired trademarks		727	723
Development projects in progress		7.653	4.652
Intangible assets	5	12.344	9.560
Land and buildings		21.256	21.940
Other fixtures and fittings, tools and equipment		7.083	7.386
Leasehold improvements		850	713
Property, plant and equipment	6	29.189	30.039
Other investments		31	31
Deposits		542	508
Fixed asset investments	7	573	539
Fixed assets		42.106	40.138
Raw materials and consumables		12.664	12.272
Work in progress		19.418	12.034
Manufactured goods and goods for resale		9.564	9.668
Inventories		41.646	33.974
Trade receivables		19.841	23.242
Receivables from group enterprises		727	159
Other receivables		34	21
Prepayments	8	1.855	1.504
Receivables		22.457	24.926
Cash		2.369	12.962
Current assets		66.472	71.862
Assets		108.578	112.000

Consolidated balance sheet at 30.04.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Contributed capital		1.040	1.040
Reserve for development expenditure		5.116	0
Retained earnings		42.810	48.112
Equity		48.966	49.152
Deferred tax		5.516	4.729
Other provisions		700	700
Provisions		6.216	5.429
Mortgage debts		10.172	10.730
Non-current liabilities other than provisions	9	10.172	10.730
Current portion of long-term liabilities other than provisions	9	515	471
Bank loans		1.649	1.823
Trade payables		8.931	11.841
Payables to group enterprises		6.609	592
Income tax payable		6.132	9.887
Other payables		19.388	22.075
Current liabilities other than provisions		43.224	46.689
Liabilities other than provisions		53.396	57.419
Equity and liabilities		108.578	112.000
Financial instruments	11		
Unrecognised rental and lease commitments	12		
Mortgages and securities	13		

Consolidated statement of changes in equity for 2016/17

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1.040	0	48.112	49.152
Ordinary dividend paid	0	0	(25.000)	(25.000)
Exchange rate adjustments	0	0	(315)	(315)
Fair value adjustments of hedging instruments	0	0	581	581
Transfer to reserves	0	5.116	(5.116)	0
Profit/loss for the year	0	0	24.548	24.548
Equity end of year	1.040	5.116	42.810	48.966

Consolidated cash flow statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Operating profit/loss		34.267	33.135
Amortisation, depreciation and impairment losses		6.660	5.010
Working capital changes	10	(4.538)	4.996
Cash flow from ordinary operating activities		36.389	43.141
Financial income received		263	1
Financial income paid		(1.705)	(2.613)
Income taxes refunded/(paid)		(11.245)	(2.140)
Cash flows from operating activities		23.702	38.389
Acquisition etc of intangible assets		(5.364)	(2.618)
Acquisition etc of property, plant and equipment		(3.242)	(4.984)
Sale of property, plant and equipment		12	0
Acquisition of fixed asset investments		(13)	134
Cash flows from investing activities		(8.607)	(7.468)
Instalments on loans etc		(688)	(27.423)
Dividend paid		(25.000)	(6.000)
Cash flows from financing activities		(25.688)	(33.423)
Increase/decrease in cash and cash equivalents		(10.593)	(2.502)
Cash and cash equivalents beginning of year		12.962	15.464
Cash and cash equivalents end of year		2.369	12.962

Notes to consolidated financial statements

	2016/17 DKK'000	2015/16 DKK'000
1. Staff costs		
Wages and salaries	76.940	74.906
Pension costs	6.315	5.674
Other social security costs	2.145	900
	85.400	81.480
Average number of employees	174	155
	Remunera- tion of manage- ment 2016/17 DKK'000	Remunera- tion of manage- ment 2015/16 DKK'000
Total amount for management categories	5.843	9.238
	5.843	9.238
	2016/17 DKK'000	2015/16 DKK'000
2. Other financial expenses		
Financial expenses from group enterprises	209	64
Interest expenses	1.103	1.692
Exchange rate adjustments	0	856
Other financial expenses	393	0
	1.705	2.612
	2016/17 DKK'000	2015/16 DKK'000
3. Tax on profit/loss for the year		
Tax on current year taxable income	6.903	6.690
Change in deferred tax for the year	775	535
Adjustment concerning previous years	599	0
	8.277	7.225
	2016/17 DKK'000	2015/16 DKK'000
4. Proposed distribution of profit/loss		
Retained earnings	24.548	23.299
	24.548	23.299

Notes to consolidated financial statements

	Completed develop- ment projects DKK'000	Acquired trademarks DKK'000	Develop- ment projects in progress DKK'000
5. Intangible assets			
Cost beginning of year	7.379	943	4.652
Transfers	1.366	0	(1.366)
Additions	0	109	5.255
Disposals	0	0	(888)
Cost end of year	8.745	1.052	7.653
Amortisation and impairment losses beginning of year	(3.194)	(220)	0
Amortisation for the year	(1.587)	(105)	0
Amortisation and impairment losses end of year	(4.781)	(325)	0
Carrying amount end of year	3.964	727	7.653

Development projects in progress

Recognition and measurement of development projects in progress is not based on special assumptions.

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
6. Property, plant and equipment			
Cost beginning of year	27.990	28.035	1.298
Additions	46	2.851	345
Disposals	0	(265)	0
Cost end of year	28.036	30.621	1.643
Depreciation and impairment losses beginning of the year	(6.050)	(20.649)	(585)
Depreciation for the year	(730)	(3.142)	(208)
Reversal regarding disposals	0	253	0
Depreciation and impairment losses end of the year	(6.780)	(23.538)	(793)
Carrying amount end of year	21.256	7.083	850

Notes to consolidated financial statements

	<u>2016/17</u> <u>DKK'000</u>	<u>2015/16</u> <u>DKK'000</u>
12. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	<u>10.000</u>	<u>9.500</u>

13. Mortgages and securities

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 TDKK 20,000.

Mortgage deed in Industrivangen 10, 4550 Asnæs amounting to TDKK 4,500.

Charge in unlisted shares amounting to TDKK 1,040.

Contingent liabilities

DPA Microphones A/S has entered a guarantee for RE Microphones ApS liabilities. The guarantee amounts to TDKK 163,500.

Parent income statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Gross profit	1, 2	83.013	78.937
Distribution costs	1	(24.179)	(22.081)
Administrative costs	1	(29.469)	(25.155)
Operating profit/loss		29.365	31.701
Income from investments in group enterprises		3.218	129
Other financial income		380	115
Other financial expenses	3	(1.440)	(2.418)
Profit/loss before tax		31.523	29.527
Tax on profit/loss for the year	4	(6.975)	(6.228)
Profit/loss for the year	5	24.548	23.299

Parent balance sheet at 30.04.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Completed development projects		3.964	4.185
Acquired trademarks		727	723
Development projects in progress		7.653	4.652
Intangible assets	6	12.344	9.560
Land and buildings		21.256	21.940
Other fixtures and fittings, tools and equipment		6.528	7.044
Leasehold improvements		850	713
Property, plant and equipment	7	28.634	29.697
Investments in group enterprises		7.422	4.520
Other investments		31	31
Deposits		13	0
Fixed asset investments	8	7.466	4.551
Fixed assets		48.444	43.808
Raw materials and consumables		12.664	12.272
Work in progress		19.418	12.034
Manufactured goods and goods for resale		6.726	5.675
Inventories		38.808	29.981
Trade receivables		13.025	17.417
Receivables from group enterprises		3.835	8.145
Other receivables		41	21
Prepayments	9	1.508	809
Receivables		18.409	26.392
Cash		891	9.528
Current assets		58.108	65.901
Assets		106.552	109.709

Parent balance sheet at 30.04.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Contributed capital		1.040	1.040
Reserve for net revaluation according to the equity method		7.414	4.511
Reserve for development expenditure		5.116	0
Retained earnings		23.796	18.601
Proposed dividend		11.600	25.000
Equity		48.966	49.152
Deferred tax		5.385	4.669
Other provisions	10	700	700
Provisions		6.085	5.369
Mortgage debts		10.172	10.730
Non-current liabilities other than provisions	11	10.172	10.730
Current portion of long-term liabilities other than provisions	11	515	471
Bank loans		1.649	1.823
Trade payables		8.416	11.618
Payables to group enterprises		6.609	592
Income tax payable		5.661	9.108
Other payables		18.479	20.846
Current liabilities other than provisions		41.329	44.458
Liabilities other than provisions		51.501	55.188
Equity and liabilities		106.552	109.709
Financial instruments	12		
Unrecognised rental and lease commitments	13		
Mortgages and securities	14		
Related parties with controlling interest	15		
Transactions with related parties	16		

Parent statement of changes in equity for 2016/17

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000
Equity beginning of year	1.040	4.511	0	18.601
Ordinary dividend paid	0	0	0	0
Exchange rate adjustments	0	(315)	0	0
Fair value adjustments of hedging instruments	0	0	0	581
Transfer to reserves	0	0	5.116	(5.116)
Profit/loss for the year	0	3.218	0	9.730
Equity end of year	1.040	7.414	5.116	23.796
			Proposed dividend DKK'000	Total DKK'000
Equity beginning of year			25.000	49.152
Ordinary dividend paid			(25.000)	(25.000)
Exchange rate adjustments			0	(315)
Fair value adjustments of hedging instruments			0	581
Transfer to reserves			0	0
Profit/loss for the year			11.600	24.548
Equity end of year			11.600	48.966

Notes to parent financial statements

	2016/17 DKK'000	2015/16 DKK'000
1. Staff costs		
Wages and salaries	70.358	68.519
Pension costs	6.128	5.635
Other social security costs	776	788
	77.262	74.942
Average number of employees	155	140
	Remunera- tion of manage- ment 2016/17 DKK'000	Remunera- tion of manage- ment 2015/16 DKK'000
Total amount for management categories	5.843	9.238
	5.843	9.238
	2016/17 DKK'000	2015/16 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1.692	1.462
Depreciation on property, plant and equipment	3.903	3.432
	5.595	4.894
	2016/17 DKK'000	2015/16 DKK'000
3. Other financial expenses		
Financial expenses from group enterprises	209	64
Interest expenses	1.089	1.472
Exchange rate adjustments	0	805
Other financial expenses	142	77
	1.440	2.418
	2016/17 DKK'000	2015/16 DKK'000
4. Tax on profit/loss for the year		
Tax on current year taxable income	5.670	5.706
Change in deferred tax for the year	706	522
Adjustment concerning previous years	599	0
	6.975	6.228

Notes to parent financial statements

	2016/17 DKK'000	2015/16 DKK'000
5. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	11.600	25.000
Transferred to reserve for net revaluation according to the equity method	3.218	129
Retained earnings	9.730	(1.830)
	24.548	23.299

	Completed develop- ment projects DKK'000	Acquired trademarks DKK'000	Develop- ment projects in progress DKK'000
6. Intangible assets			
Cost beginning of year	7.379	943	4.652
Transfers	1.366	0	(1.366)
Additions	0	109	5.255
Disposals	0	0	(888)
Cost end of year	8.745	1.052	7.653
Amortisation and impairment losses beginning of year	(3.194)	(220)	0
Amortisation for the year	(1.587)	(105)	0
Amortisation and impairment losses end of year	(4.781)	(325)	0
Carrying amount end of year	3.964	727	7.653

Development projects in progress

Recognition and measurement of development projects in progress is not based on special assumptions.

Notes to parent financial statements

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
7. Property, plant and equipment			
Cost beginning of year	27.990	26.776	1.298
Additions	46	2.461	345
Disposals	0	(265)	0
Cost end of year	28.036	28.972	1.643
Depreciation and impairment losses beginning of the year	(6.050)	(19.732)	(585)
Depreciation for the year	(730)	(2.965)	(208)
Reversal regarding disposals	0	253	0
Depreciation and impairment losses end of the year	(6.780)	(22.444)	(793)
Carrying amount end of year	21.256	6.528	850
	Investments in group enterprises DKK'000	Other investments DKK'000	Deposits DKK'000
8. Fixed asset investments			
Cost beginning of year	8	31	0
Additions	0	0	13
Cost end of year	8	31	13
Revaluations beginning of year	4.512	0	0
Exchange rate adjustments	511	0	0
Share of profit/loss for the year	1.804	0	0
Adjustment of intra-group profits	587	0	0
Revaluations end of year	7.414	0	0
Carrying amount end of year	7.422	31	13

Notes to parent financial statements

	Registered in	Corpo- rate form	Equity inte- rest %	Equity DKK'000	Profit/loss DKK'000
Investments in Group subsidiaries:					
DPA Microphones Inc.	Colorado, USA	Inc	100,0	11.315	1.851
DPA Microphones Ltd.	Hong Kong	Ltd	100,0	96	(47)

9. Prepayments

Prepayments under assets consists of costs incurred which relates to future accounting periods.

10. Other provisions

Other provisions consist of the liability to re-establish rented premises.

	Instalments within 12 months 2016/17 DKK'000	Instalments within 12 months 2015/16 DKK'000	Instalments beyond 12 months 2016/17 DKK'000
11. Liabilities other than provisions			
Mortgage debts	515	471	10.172
	515	471	10.172

12. Financial instruments

Derivates	Start date	End date	Ref. interest	Fixed interest rate	Currency	Notional amount DKK'000	Fair value DKK'000
Currency interest rate swap agreement	11.12.2007	31.12.2017	Cibor 6	4,65%	EUR	4.691	(156)
Currency interest rate swap agreement	11.12.2007	31.12.2037	Cibor 6	6,79%	EUR	7.037	(2.909)
Total fair value							(3.065)

	2016/17 DKK'000	2015/16 DKK'000
13. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	7.683	7.100

Notes to parent financial statements

14. Mortgages and securities

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 TDKK 20,000.

Mortgage deed in Industrivangen 10, 4550 Asnæs amounting to TDKK 4,500.

Charge in unlisted shares amounting to TDKK 1,040.

Contingent liabilities

DPA Microphones A/S has entered a guarantee for RE Microphones ApS liabilities. The guarantee amounts to TDKK 163,500.

15. Related parties with controlling interest

RE Microphones ApS, Allerød, holds all shares in DPA Microphones A/S.

16. Transactions with related parties

There has been no transactions with related parties which has not been on market conditions.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result 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 recognised 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 recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Accounting policies

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, production costs and other operating income. With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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 amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs

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

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Accounting policies

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies.

Tax on profit/loss for the year

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

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

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 5 years. For development projects, protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights.

Accounting policies

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 10 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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:

Buildings	10-50 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unrealised intra-group profits or losses.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Other investments

Other investments comprise unlisted equity instruments measured at cost. Unlisted equity instruments are written down to any lower net realisable value.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Accounting policies

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

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

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised 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 recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions

Provisions are recognized 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.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Operating leases

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

Accounting policies

Other financial liabilities

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

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt and payment of dividend.

Cash and cash equivalents comprise cash.