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Danelec Electronics A/S


Blokken 44, DK-3460 Birkerød

Company reg. no. 18 63 08 77

Annual report

1 July 2019 - 30 June 2020

The annual report was submitted and approved by the general meeting on the 26 November 2020.



Peter Lund
Chairman of the meeting

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Notes to users of the English version of this document:

- This document is a translation of a Danish version of the document. In the event of any dispute regarding the interpretation of any part of the document, the Danish version of the document shall prevail.
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points remain unchanged from Danish version of the document. This means that DKK 146.940 corresponds to the English amount of DKK 146,940, and that 23,5 % corresponds to 23.5 %.

Management's report

Today, the board of directors and the managing director have presented the annual report of Danelec Electronics A/S for the financial year 1 July 2019 - 30 June 2020.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 30 June 2020 and of the company's results of activities and cash flows in the financial year 1 July 2019 – 30 June 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Birkerød, 26 November 2020

Managing Director


Casper Jensen

Board of directors :


Peter Lund


Hans Ottosen


Jan Wilhelmsson


Arne Handeland

Independent auditor's report

To the shareholders of Danelec Electronics A/S

Opinion

We have audited the financial statements of Danelec Electronics A/S for the financial year 1 July 2019 - 30 June 2020, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity, statement of cash flows and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 30 June 2020 and of the results of the company's activities and cash flows for the financial year 1 July 2019 - 30 June 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the 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 the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and contents of the financial statements, including disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 26 November 2020

Grant Thornton

State Authorised Public Accountants
Company reg. no. 34 20 99 36



Michael Beuchert

State Authorised Public Accountant
mne32794

Company information

The company

Danelec Electronics A/S
Secondary name: Danelec Marine A/S
Blokken 44
DK-3460 Birkerød

Phone + 45 4594 4300
Web site www.danelec-marine.com

Company reg. no. 18 63 08 77
Financial year: 1 July - 30 June

Board of directors

Peter Lund
Jan Wilhelmsson
Arne Handeland
Hans Ottosen

Managing Director

Casper Jensen

Auditors

Grant Thornton, Statsautoriseret Revisionspartnerselskab
Stockholmsgade 45
2100 København Ø

Financial highlights

DKK in thousands.	<u>2019/20</u>	<u>2018/19</u>	<u>2017/18</u>	<u>2016/17</u>	<u>2015/16</u>
Income statement:					
Revenue	102.288	90.598	89.677	80.314	70.603
Gross profit	59.133	51.956	41.913	39.852	25.536
Net financials	-117	-284	18	-70	-199
Net profit or loss for the year	20.804	16.718	16.346	15.662	4.765
Statement of financial position:					
Balance sheet total	78.624	71.892	60.138	50.953	52.235
Investments in property, plant and equipment	516	503	1.037	841	1.283
Equity	48.148	38.044	60.138	50.953	32.518
Employees:					
Average number of full-time employees	31	28	26	28	26
Key figures in %:					
Gross margin ratio	57,8	57,3	46,7	49,6	36,2
Profit margin (EBIT-margin)	25,5	24,1	23,4	25,1	8,7
Acid test ratio	199,6	165,6	177,5	180,6	282,2
Solvency ratio	61,2	52,9	100,0	100,0	62,3
Return on equity	48,3	34,1	29,4	37,5	15,8

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

$$\text{Gross margin ratio} = \frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

$$\text{Profit margin (EBIT margin)} = \frac{\text{Operating profit or loss (EBIT)} \times 100}{\text{Revenue}}$$

$$\text{Acid test ratio} = \frac{\text{Current assets} \times 100}{\text{Short term liabilities other than provisions}}$$

$$\text{Solvency ratio} = \frac{\text{Equity, closing balance} \times 100}{\text{Total assets, closing balance}}$$

Financial highlights

Return on equity

$$\frac{\text{Net profit or loss for the year} \times 100}{\text{Average equity}}$$

Management commentary

The principal activities of the company

Danelec is a leading provider of maritime safety & data solutions. The company develops and sells Voyage Data Recorders (VDR) Electronic Chart and Display Information Systems (ECDIS) and DanelecConnect, ship-to-shore IoT data automation solutions.

Danelec distributes its three product lines under its own brand as well as OEM-products for the VDR product line for other manufacturers of bridge navigation systems. Furthermore, the DanelecConnect technology is integrated as an OEM solution for major maritime corporations.

Unusual circumstances

In the first quarter of 2020, COVID-19 caused some business disruption resulting in a minor slowdown of new orders from service partners, temporary closures at customer sites and a limitation of the activities of our sales and service teams due to travel restrictions. While the disruption is currently expected to be temporary, there is uncertainty around the extent and duration. A prolonged global COVID-19 pandemic will negatively impact the company's results.

Development in activities and financial matters

Danelec is leading the VDR market by providing shipowners with the most advanced VDR technology for maritime use. The company is focused on staying a strong technology leader by significant investments in the development of value-added features for the VDR product line.

The ECDIS regulation requires all vessels within the tonnage requirement to be retrofitted with an ECDIS by the first inspection after June 2018. Consequently, the ECDIS market will face a temporary decrease in the coming 1-2 years, after which there will be a stable and large replacement market, which Danelec is well positioned to serve.

The DanelecConnect platform is built on the company's unique VDR technology. The solution is provided both with a VDR and as a stand-alone solution. The solution ensures efficient onboard data collection from key sensors and data transfer to shore, which is integrated with a suite of third-party data analytics software providers.

Review of the year and expected development

In 2019/20 the company grew to a revenue of 102,3 million DKK and an EBIT of 25,9 million DKK. The balance sheet of the Company shows an equity of 48,1 million DKK. Management considers the net profit for the year to be satisfactory.

Danelec A/S continues to devote considerable resources to development activities, on this basis management expects an increase in revenue and a positive and satisfactory result for the financial year 2020/21.

Financial resources

The company's financial resources are considered sufficient.

Management commentary

Special risks

Foreign currency risks

Due to its international structure and presence, the company's results are affected by exchange rate movements in a number of currencies, primarily EUR and USD.

At the end of the financial year, the company had no open forward exchange contracts.

The company does not engage in speculative foreign exchange positions.

Environmental issues

Danelec A/S's environmental impact is quite limited, as production is not energy intensive, and hazardous chemicals are not used in production. Still the company continuously works to reduce its environmental impact. In addition, Danelec A/S has high focus and strong requirements when selecting sub suppliers that have ESR policies in place to ensure limited impact on the environment.

Know how resources

Danelec A/S's provides high-tech niche products involving a high degree of inhouse development and application knowledge. The company continues to offer standard setting products that address customer's needs. The company has a high employee retention with unique skills in research and development, selling and after sales support. In addition, the company maintains a strong collaboration with highly skilled development partners.

Research and development activities

The company holds a dominant global position within its core activities. To enable continued market leadership and growth the company is investing significant resources in the development of new products and solutions. In 2019/20, the company's capitalized research and development projects amounts to 32,7 mDKK.

Expected developments

The demand for Danelec A/S's products is not expected to be significantly impacted by the economic crisis triggered by the Covid-19 pandemic. While the company keeps a strong focus on innovating both for existing and new markets, the outcome of these investments is expected to show results by the end of the year, and years to come strengthening our future position.

Events occurring after the end of the financial year

No significant events have occurred after the financial year-end which could significantly affect the company's financial position.

Income statement 1 July - 30 June

All amounts in DKK.

<u>Note</u>	<u>2019/20</u>	<u>2018/19</u>
Revenue	102.288.108	90.597.695
Change in inventories of finished goods and work in progress	-588.657	0
Own work capitalised	8.947.120	6.787.610
Costs of raw materials and consumables	-37.638.577	-34.676.869
Other external costs	-13.874.868	-10.752.282
Gross profit	59.133.126	51.956.154
1 Staff costs	-24.010.516	-20.004.720
2 Depreciation, amortisation, and impairment	-9.062.495	-10.160.998
Operating profit	26.060.115	21.790.436
Other financial income	278.640	280.630
3 Other financial costs	-395.381	-564.137
Pre-tax net profit or loss	25.943.374	21.506.929
4 Tax on net profit or loss for the year	-5.139.582	-4.789.103
5 Net profit or loss for the year	20.803.792	16.717.826

Statement of financial position at 30 June

All amounts in DKK.

Assets			
<u>Note</u>		<u>2020</u>	<u>2019</u>
Non-current assets			
6	Completed development projects, including patents and similar rights arising from development projects	26.793.202	17.679.886
7	Software	450.736	951.090
8	Development projects in progress and prepayments for intangible assets	5.519.746	7.158.326
	Total intangible assets	32.763.684	25.789.302
9	Other fixtures and fittings, tools and equipment	937.613	883.503
	Total property, plant, and equipment	937.613	883.503
	Total non-current assets	33.701.297	26.672.805
Current assets			
	Manufactured goods and goods for resale	17.252.084	15.251.783
	Total inventories	17.252.084	15.251.783
	Trade receivables	9.028.641	10.363.201
	Amounts owed by group enterprises	233.750	0
	Other receivables	1.002.758	974.085
10	Prepayments and accrued income	877.155	1.027.068
	Total receivables	11.142.304	12.364.354
	Cash on hand and demand deposits	16.527.837	17.603.475
	Total current assets	44.922.225	45.219.612
	Total assets	78.623.522	71.892.417

Statement of financial position at 30 June

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2020</u>	<u>2019</u>
Equity			
11	Contributed capital	10.734.000	10.734.000
12	Reserve for development costs	23.006.969	16.568.743
13	Retained earnings	14.406.646	41.080
	Proposed dividend for the financial year	0	10.700.000
	Total equity	<u>48.147.615</u>	<u>38.043.823</u>
Provisions			
14	Provisions for deferred tax	7.079.568	5.534.786
15	Other provisions	893.294	1.008.540
	Total provisions	<u>7.972.862</u>	<u>6.543.326</u>
Liabilities other than provisions			
	Bank loans	3.001	0
	Trade payables	8.748.167	9.240.864
	Debt to group enterprises	0	5.040.688
	Income tax payable	7.474.742	7.923.348
	Tax payables to group enterprises	0	816.162
	Other payables	6.277.135	4.284.206
	Total short term liabilities other than provisions	<u>22.503.045</u>	<u>27.305.268</u>
	Total liabilities other than provisions	<u>22.503.045</u>	<u>27.305.268</u>
	Total equity and liabilities	<u>78.623.522</u>	<u>71.892.417</u>
16 Charges and security			
17 Contingencies			
18 Related parties			

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for development costs	Retained earnings	Proposed dividend for the financial year	Total
Equity 1 July 2018	10.734.000	10.556.514	41.080	10.700.000	32.031.594
Development costs for the year	0	6.012.229	0	0	6.012.229
Equity 1 July 2019	10.734.000	16.568.743	41.080	10.700.000	38.043.823
Distributed dividend	0	0	0	-10.700.000	-10.700.000
Profit or loss for the year brought forward	0	0	20.803.792	0	20.803.792
Development costs for the year	0	6.438.226	-6.438.226	0	0
	10.734.000	23.006.969	14.406.646	0	48.147.615

Statement of cash flows 1 July - 30 June

All amounts in DKK.

<u>Note</u>	<u>2019/20</u>	<u>2018/19</u>
Net profit or loss for the year	20.803.792	16.717.826
19 Adjustments	14.203.570	15.207.641
20 Change in working capital	-94.178	672.724
Cash flows from operating activities before net financials	34.913.184	32.598.191
Interest received, etc.	278.640	280.630
Interest paid, etc.	-395.381	-564.137
Cash flows from ordinary activities	34.796.443	32.314.684
Income tax paid	-4.043.406	-3.209.176
Cash flows from operating activities	30.753.037	29.105.508
Purchase of intangible assets	-15.575.028	-13.672.329
Purchase of property, plant, and equipment	-515.959	-502.808
Other cash flows from (spent on) investment activities	0	-62.183
Cash flows from investment activities	-16.090.987	-14.237.320
Dividend paid	-10.700.000	-12.000.000
Other cash flows from financing activities	-5.037.688	5.040.688
Cash flows from investment activities	-15.737.688	-6.959.312
Change in cash and cash equivalents	-1.075.638	7.908.876
Cash and cash equivalents at 1 July 2019	17.603.475	9.694.599
Cash and cash equivalents at 30 June 2020	16.527.837	17.603.475
Cash and cash equivalents		
Cash on hand and demand deposits	16.527.837	17.603.475
Cash and cash equivalents at 30 June 2020	16.527.837	17.603.475

Notes

All amounts in DKK.

	2019/20	2018/19
1. Staff costs		
Salaries and wages	21.052.993	17.488.767
Other costs for social security	2.957.523	2.515.953
	24.010.516	20.004.720
Executive board and board of directors	1.674.280	1.650.643
Average number of employees	31	28
2. Depreciation, amortisation, and impairment		
Amortisation of development projects	7.920.892	9.209.361
Amortisation of infrastructure projects (Software)	679.754	409.767
Depreciation on plants, operating assets, fixtures and furniture	417.415	499.519
Depreciation on leasehold improvements	44.434	42.351
	9.062.495	10.160.998
3. Other financial costs		
Other financial costs	395.381	564.137
	395.381	564.137
4. Tax on net profit or loss for the year		
Tax of the results for the year, parent company	3.594.800	3.879.942
Adjustment for the year of deferred tax	1.544.782	909.161
	5.139.582	4.789.103
5. Proposed appropriation of net profit		
Transferred to retained earnings	20.803.792	16.717.826
Total allocations and transfers	20.803.792	16.717.826

Notes

All amounts in DKK.

6. Completed development projects, including patents and similar rights arising from development projects

Cost 1 July 2019	88.512.261	80.300.697
Additions during the year	10.294.834	6.734.601
Transfers	6.739.374	1.476.963
Cost 30 June 2020	105.546.469	88.512.261
Amortisation and writedown 1 July 2019	-70.832.375	-61.691.585
Amortisation for the year	-7.920.892	-9.209.360
Transfers	0	68.570
Amortisation and writedown 30 June 2020	-78.753.267	-70.832.375
Carrying amount, 30 June 2020	26.793.202	17.679.886

7. Software

Cost 1 July 2019	1.626.200	1.402.699
Additions during the year	179.400	223.501
Cost 30 June 2020	1.805.600	1.626.200
Amortisation and writedown 1 July 2019	-675.110	-265.343
Amortisation for the year	-679.754	-409.767
Amortisation and writedown 30 June 2020	-1.354.864	-675.110
Carrying amount, 30 June 2020	450.736	951.090

8. Development projects in progress and prepayments for intangible assets

Cost 1 July 2019	7.158.326	1.813.322
Additions during the year	5.100.794	6.714.227
Transfers	-6.739.374	-1.369.223
Cost 30 June 2020	5.519.746	7.158.326
Carrying amount, 30 June 2020	5.519.746	7.158.326

Notes

All amounts in DKK.

	30/6 2020	30/6 2019
9. Other fixtures and fittings, tools and equipment		
Cost 1 July 2019	4.000.794	3.557.987
Additions during the year	515.959	502.808
Transfers	0	-60.000
Cost 30 June 2020	4.516.753	4.000.795
Depreciation and writedown 1 July 2019	-3.117.292	-2.521.349
Depreciation for the year	-461.848	-541.870
Transfers	0	-54.073
Depreciation and writedown 30 June 2020	-3.579.140	-3.117.292
Carrying amount, 30 June 2020	937.613	883.503
10. Prepayments and accrued income		
Prepaid costs	877.155	1.027.068
	877.155	1.027.068
11. Contributed capital		
Contributed capital 1 July 2019	10.734.000	10.734.000
	10.734.000	10.734.000
The share capital consists of A-shares, each with a nominal value of DKK 2.000.000, B-shares, each with a nominal value of DKK 2.000.000, C-shares each with a nominal value of DKK 1.600.000, D-shares, each with a nominal value of DKK 134.000 and E-shares each with a nominal value of DKK 5.000.000.		
12. Reserve for development costs		
Reserve for development costs 1 July 2019	16.568.743	10.556.514
Development costs for the year	6.438.226	6.012.229
	23.006.969	16.568.743

Notes

All amounts in DKK.

	<u>30/6 2020</u>	<u>30/6 2019</u>
13. Retained earnings		
Retained earnings 1 July 2019	41.080	41.080
Profit or loss for the year brought forward	20.803.792	0
Development costs for the year	<u>-6.438.226</u>	<u>0</u>
	<u>14.406.646</u>	<u>41.080</u>
14. Provisions for deferred tax		
Deferred tax of the results for the year	<u>7.079.568</u>	<u>5.534.786</u>
	<u>7.079.568</u>	<u>5.534.786</u>
15. Other provisions		
Warranty provision 1 July 2019	<u>893.294</u>	<u>1.008.540</u>
	<u>893.294</u>	<u>1.008.540</u>
16. Charges and security		
As security for a bank facility, a letter of indemnity has been issued, DKK 8.400,000 that includes all non-current assets e.g. goodwill, property, plant and equipment and also inventories and other receivables. Also a mortgage ban has been given for assets.		
17. Contingencies		
Contingent liabilities		
Lease liabilities		
Lease obligations under operating leases. Total future lease payments, within 1 year T.DKK 114 and total within 3 year T.DKK 210.		
Rent obligation:		
The company has a 6-month notice of termination according to rental agreement, approx. T.DKK 650.		

Notes

All amounts in DKK.

17. Contingencies (continued)

Joint taxation

With Dolphin HoldCo A/S, company reg. no 41087811 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

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

18. Related parties

Controlling interest

Dolphin HoldCo, Rådhuspladsen 16, 1550 Copenhagen V, Denmark Majority shareholder

Transactions

The company has the following related party transactions:

None, except of a loan of DKK 233.750.

19. Adjustments

Depreciation, amortisation, and impairment	9.062.493	10.160.997
Other financial income	-278.640	-280.630
Other financial costs	395.381	564.137
Tax on net profit or loss for the year	5.139.582	4.789.103
Other adjustments	-115.246	-25.966
	14.203.570	15.207.641

20. Change in working capital

Change in inventories	-2.000.301	-2.942.344
Change in receivables	1.222.050	756.121
Change in trade payables and other payables	684.073	2.390.943
Other changes in working capital	0	468.004
	-94.178	672.724

Accounting policies

The annual report for Danelec Electronics A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

The accounting policies are unchanged, except from below, from last year, and the annual report is presented in DKK.

Accounting policies has been changed in relation to the presentation of staff expenses. Staff expenses are now presented under administration costs. The changes has no effect on the net profit for the year or the equity. The comparative figures has been adjusted accordingly.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

Accounting policies

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets and other nonmonetary assets acquired in foreign currency and not considered to be investment assets are measured using the exchange rate at the transaction date.

Income statement

Revenue

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs. Other external expenses also include research and development costs that do not qualify for capitalisation.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

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

Interest and other costs concerning loans to finance the production of intangible assets and property, plant, and equipment, and relating to production periods are not recognised in the cost of non-current assets.

Accounting policies

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

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

Statement of financial position

Intangible assets

Development projects, patents, and licences

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Capitalised development costs are measured at cost less accumulated amortisation or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects and related tax value.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is usually 4-7 years.

Software

Software are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use. The amortisation period is 3-4 years.

Profit and loss from the sale of development projects and software are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Accounting policies

Property, plant, and equipment

Property is measured at cost plus revaluations and less accrued depreciation and writedown for impairment. Land is not subject to depreciation.

Property is revaluated on the basis of regular, independent fair-value assessments. Net revaluation at fair value adjustment is recognised directly in equity less deferred tax and tied up in a particular revaluation reserve. Net impairment loss at fair value adjustment is recognised in the income statement.

The depreciable amount is cost plus revaluations at fair value less expected residual value after the end of the useful life of the asset. The amortisation period is fixed at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

Reversal of previous revaluations and recognised deferred taxes concerning revaluations are recognised directly in company equity.

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately when the useful lives of each individual components differ.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0-20 %

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of fixed assets is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Accounting policies

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible assets as well as equity investments in subsidiaries and associates are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation, respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow derived from the use of the asset or group of assets.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Accounting policies

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities. The reserve cannot be used as dividends or for covering losses. The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity. Proposed dividend is recognised as a liability at the time of approval by the annual general meeting (time of declaration).

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Danelec Electronics A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Accounting policies

Other provisions

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

Warranty provisions include warranty obligations in respect of repair work within the warranty period of 2 years. Provisions are measured and recognised based on experience with guarantee work.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

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

Statement of cash flows

The statement of cash flows shows company cash flows for the year divided into cash flows derived from operating activities, investment activities, and financing activities, respectively, changes in cash and cash equivalents, and cash and cash equivalents at the beginning and end of the year, respectively.

The effect on cash flows derived from the acquisition and sale of enterprises appears separately under cash flows from investment activities. In the statement of cash flows, cash flows derived from acquirees are recognised as of the date of acquisition, and cash flows derived from sold enterprises are recognised until the date of sale.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit or loss for the year adjusted for noncash operating items, changes in the working capital, and income tax paid.

Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the share capital and associated costs. Furthermore, cash flows comprise borrowings, repayments of interest-bearing payables, and payments of dividend to the shareholders.

Cash and cash equivalents