
Sigma Designs Denmark ApS

Emdrupvej 28, DK-2100 København Ø

Annual Report for 1 February 2015 - 31 January 2016

CVR No 21 70 70 07

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
24/06 2016

Anders Lavesen
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Sigma Designs Denmark ApS for the financial year 1 February 2015 - 31 January 2016.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 January 2016 of the Company and of the results of the Company operations 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.

København, 24 June 2016

Direktion

Niels Thybo Johansen

Bestyrelse

Thinh Quy Tran
Chairman

Niels Thybo Johansen

Elias Nadim Nader

Independent Auditor's Report on the Financial Statements

To the Shareholder of Sigma Designs Denmark ApS

Report on the Financial Statements

We have audited the Financial Statements of Sigma Designs Denmark ApS for the financial year 1 February 2015 - 31 January 2016, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements 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 are free from material misstatement.

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

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.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 January 2016 and of the results of the Company operations for the financial year 1 February 2015 - 31 January 2016 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

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. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

København, 24 June 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Niels Henrik B. Mikkelsen
statsautoriseret revisor

James Liang
statsautoriseret revisor

Company Information

The Company

Sigma Designs Denmark ApS
Emdrupvej 28
DK-2100 København Ø

CVR No: 21 70 70 07

Financial period: 1 February - 31 January

Incorporated: 11 May 1999

Financial year: 17th financial year

Municipality of reg. office: København

Bestyrelse

Thinh Quy Tran, Chairman
Niels Thybo Johansen
Elias Nadim Nader

Executive Board

Niels Thybo Johansen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Main activity

Sigma Designs Denmark ApS is a Danish-American company which is active in the home control and energy management market. The Company is supporting the sales and marketing activities for a Z-Wave TM Technology which is developed by its sister company – Sigma Designs Technology Denmark ApS.

The Z-Wave TM technology enables low cost, highly reliable wireless communication between devices such as power outlets, light switches, sensors and alarms, thermostats, AV equipment (TV, Radio, etc), door locks and other similar devices on a layered and interoperable platform.

The Z-Wave TM Technology provides system integrators access to over 1500 products complying with the same standard and with guaranteed interoperability which we believe creates an attractive ecosystem. This makes the Z-Wave TM Technology unique in the home control and energy management market, and a prime candidate to be selected by new service providers entering this emerging space. Because the International Telecommunication Union, or ITU, has developed a new sub 1GHz narrow band wireless standard which is largely based on Z-Wave TM Technology and defines backwards compatibility to the Z-Wave TM standard, and because of the large ecosystem of products based on the Z-Wave TM standard, we believe the Z-Wave TM products will be one of the preferred solutions for telecommunication and multi-service operators.

The Company has established strong customer relationships worldwide with many OEM and ODM which develop Z-Wave TM based products such as power outlets and switches, temperature control devices, garage door openers, RF remote controls and residential gateways.

The Company also works closely with telecommunications carriers to understand their needs in advance of its customer's product development cycle. We intend to leverage our existing position with our partners and customers to identify and secure new market opportunities.

Currently, the Company does not sell products directly to customers, but providing Sales and Customer Support Services for its holding company - Sigma Designs Technology Singapore Pte Ltd. The holding company will reimburse the Company for the operation expenses incurred at a cost plus 5.5% basis.

Development in the year

The income statement of the Company for 2015/16 shows a profit of TDKK 1,625, and at 31 January 2016 the balance sheet of the Company shows equity of TDKK 15,279.

Subsequent events

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

Income Statement 1 February - 31 January

	<u>Note</u>	<u>2015/16</u> TDKK	<u>2014/15</u> TDKK
Revenue		17.323	14.050
Distribution expenses		-12.763	-11.201
Administrative expenses		-3.308	-2.117
Other operating income		36	0
Profit/loss before financial income and expenses		1.288	732
Financial income	1	380	380
Financial expenses	2	-43	-106
Profit/loss before tax		1.625	1.006
Tax on profit/loss for the year		0	0
Net profit/loss for the year		1.625	1.006

Distribution of profit

Proposed distribution of profit

Retained earnings		1.625	1.006
		1.625	1.006

Balance Sheet 31 January

Assets

	Note	2016 TDKK	2015 TDKK
Acquired patents		0	0
Intangible assets	3	0	0
Other fixtures and fittings, tools and equipment		880	90
Leasehold improvements		200	90
Property, plant and equipment	4	1.080	180
Other receivables		1.172	610
Fixed asset investments		1.172	610
Fixed assets		2.252	790
Receivables from group enterprises		12.964	11.321
Other receivables		426	401
Prepayments		407	309
Receivables		13.797	12.031
Cash at bank and in hand		2.452	3.990
Currents assets		16.249	16.021
Assets		18.501	16.811

Balance Sheet 31 January

Liabilities and equity

	Note	2016 TDKK	2015 TDKK
Share capital		3.390	3.390
Retained earnings		11.889	10.264
Equity	5	15.279	13.654
Trade payables		529	308
Payables to group enterprises		215	158
Other payables		2.478	2.691
Short-term debt		3.222	3.157
Debt		3.222	3.157
Liabilities and equity		18.501	16.811
Contingent assets, liabilities and other financial obligations	6		
Staff	7		
Related parties and ownership	8		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 February	3.390	10.264	13.654
Net profit/loss for the year	0	1.625	1.625
Equity at 31 January	3.390	11.889	15.279

Notes to the Financial Statements

	2015/16 <u>TDKK</u>	2014/15 <u>TDKK</u>
1 Financial income		
Interest received from group enterprises	379	380
Other financial income	<u>1</u>	<u>0</u>
	<u>380</u>	<u>380</u>
2 Financial expenses		
Interest paid to group enterprises	6	2
Other financial expenses	15	25
Exchange loss	<u>22</u>	<u>79</u>
	<u>43</u>	<u>106</u>
3 Intangible assets		Acquired pa- tents <u>TDKK</u>
Cost at 1 February		<u>600</u>
Cost at 31 January		<u>600</u>
Impairment losses and amortisation at 1 February		<u>600</u>
Impairment losses and amortisation at 31 January		<u>600</u>
Carrying amount at 31 January		<u>0</u>

Notes to the Financial Statements

4 Property, plant and equipment

	Other fixtures and fittings, tools and equipment <u>TDKK</u>	Leasehold improvements <u>TDKK</u>
Cost at 1 February	505	385
Additions for the year	947	214
Disposals for the year	<u>-135</u>	<u>-385</u>
Cost at 31 January	<u>1.317</u>	<u>214</u>
Impairment losses and depreciation at 1 February	415	295
Impairment losses for the year	1	77
Depreciation for the year	156	27
Reversal of impairment and depreciation of sold assets	<u>-135</u>	<u>-385</u>
Impairment losses and depreciation at 31 January	<u>437</u>	<u>14</u>
Carrying amount at 31 January	<u>880</u>	<u>200</u>

5 Equity

The share capital consists of 3,390,470 shares of a nominal value of TDKK 1. No shares carry any special rights.

Notes to the Financial Statements

6 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Company has lease commitments regarding the Company's premises in Copenhagen of DKK 1,263k as of 31 January 2016 (31 January 2015: DKK 2,744k), of which DKK 1,010k is due in 2016/17 (2015/16: 3DKK 1,219k). The lease contract is irrevocable until April 30 2017.

In March 2015 the Company has entered into a lease agreement for the Company's new premises. It is Management's assessment that the Company has lease commitments of DKK 6.8 millions regarding the new premises. The Lease contract is irrevocable until 30 November 2020.

At 31 January 2015 the company has an unrecognized tax asset of DKK 18,6 mio. (31 January 2015: DKK 19 mio.)

	2015/16 TDKK	2014/15 TDKK
7 Staff		
Wages and Salaries	10.736	9.686
Pensions	245	286
Other social security expenses	0	139
	10.981	10.111
Wages and Salaries, pensions and other social security expenses are recognised in the following items:		
Distribution expenses	10.044	9.302
Administrative expenses	937	809
	10.981	10.111

Notes to the Financial Statements

8 Related parties and ownership

Basis

Controlling interest

Sigma Designs Technology Singapore PTE. LTD.	Hovedeejer
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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:

Sigma Design Technology Singapore PTE. LTD. No.8 Marina Boulevard, #05-02, Marina Bay Financial Centre, Tower 1, Singapore 018981.

The Company's ultimate parent company is Sigma Designs Inc. The consolidated financial statements of Sigma Designs Inc can be obtained at Sigma Designs Inc.

Accounting Policies

Basis of Preparation

The Annual Report of Sigma Designs Denmark ApS for 2015/16 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015/16 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. 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 as well as reversals due to charged accounting estimates of amounts that have previously been recognised in the oncome statement.

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.

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.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

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 transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Accounting Policies

Income Statement

Revenue

Revenue regards commission income. Income in the form of commission is recognized in net sales when costs from which commission is received are incurred.

Distribution expenses

Distribution expenses comprise expenses such as salaries to sales and distribution staff, advertising and marketing expenses, expenses for operating vehicles, amortisation and depreciation, etc.

Administrative expenses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

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

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 8 years.

Accounting Policies

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.

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:

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

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 7,000 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.

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.

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.

Accounting Policies

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Financial debts

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