ICEpower A/S

Vandtårnsvej 62 A, 3. B., DK-2860 Søborg

Annual Report for 1 June 2017 - 31 May 2018

CVR No 25 05 35 91

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 27/8 2018

Henrik Bjørn Rasmussen
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of ICEpower A/S for the financial year 1 June 2017 - 31 May 2018.

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 May 2018 of the Company and of the results of the Company operations for 2017/18.

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

Søborg, 27 August 2018

Executive Board

Keld Lindegaard Andersen
CEO

Board of Directors

Henrik Bjørn Rasmussen Chairman	Henrik Lund-Nielsen	Ronnie Møller-Thorsøe

Independent Auditor's Report

To the Shareholder of ICEpower A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 May 2018 and of the results of the Company's operations for the financial year 1 June 2017 - 31 May 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of ICEpower A/S for the financial year 1 June 2017 - 31 May 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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 Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities 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.

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 in preparing the Financial Statements 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 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 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.

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 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 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 the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and 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 internal control that we identify during our audit.

Hellerup, 27 August 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Niels Henrik B. Mikkelsen
statsautoriseret revisor
mne16675

Company Information

The Company	ICEpower A/S Vandtårnsvej 62 A, 3. B. DK-2860 Søborg CVR No: 25 05 35 91 Financial period: 1 June - 31 May Municipality of reg. office: Gladsaxe Kommune
Board of Directors	Henrik Bjørn Rasmussen, Chairman Henrik Lund-Nielsen Ronnie Møller-Thorsøe
Executive Board	Keld Lindegaard Andersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	2017/18	2016/17	2015/16	2014/15	2013/14
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	34,875	45,795	48,020	49,394	0
Profit/loss before financial income and expenses	2,246	14,380	31,961	34,361	31,282
Net financials	292	-2,031	935	563	1,996
Net profit/loss for the year	1,941	9,633	25,638	27,144	24,814
Balance sheet					
Balance sheet total	85,469	81,980	82,250	180,867	158,589
Equity	55,519	53,578	49,751	158,155	131,011
Investment in property, plant and equipment	1,119	4,228	672	-4,578	735
Number of employees	34	30	28	31	28
Ratios					
Return on assets	2.6%	17.5%	38.9%	19.0%	19.7%
Solvency ratio	65.0%	65.4%	60.5%	87.4%	82.6%
Return on equity	3.6%	18.6%	24.7%	18.8%	20.9%

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

Management's Review

Financial Statements of ICEpower A/S for 2017/18 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

Key activities

ICEpower A/S develops, manufactures and markets products based on highly effective amplifier technologies for the global audio industry.

Development in the year

The income statement of the Company for 2017/18 shows a profit of TDKK 1,941, and at 31 May 2018 the balance sheet of the Company shows equity of TDKK 55,519.

The past year and follow-up on development expectations from last year

Management considers the result satisfactory and in line with expectations for the year.

Intellectual capital resources

The Company operates in a very specialized market and great emphasis is placed on recruiting and retaining the best employees. Focus is on the continued development and training of the employees via ongoing feedback on performance and by offering relevant courses to the associates.

Operating risks

The company's revenue is primarily in USD and results in, the Company being sensitive to fluctuations in the USD exchange rate. This is partially met with currency hedging.

Targets and expectations for the year ahead

Management expect a revenue growth at the same level as 2017/18 and a result at a similar level to the result for 2017/18.

Research and development

In line with its strategy, the Company continuously focuses on the development of its product portfolio in order to create value for both customers and consumers. The Company has an ongoing dialogue with its partners and sees this as an essential driver for future success in the market.
The Company has ongoing development projects that result in products launched on the market.

Management's Review

External environment

ICEpower is making a continuous effort to limit the environmental impact of the Company's activities.

The main environmental impacts related to ICEpower's activities occur in connection with the consumption of energy, raw material and related material waste.

It is ICEpower's policy to comply with applicable laws and regulations as well as on its own initiative to make progress on environmental impact. When introducing new processes, and investing in new production equipment, consideration is given to the level of safety and environmental impact, such as energy consumption and waste volumes. This ensures the least possible impact on the internal and external environment and compliance with the relevant legal requirements.

Environmental, safety and health considerations are an important part of ICEpower's business policy, and ICEpower's production partners are environmentally certified according to ISO 14 001 and Occupational Health Safety certified by OHSAS18001.

Foreign Branches

The Company is represented with branches in Taiwan and Japan.

Income Statement 1 June - 31 May

	Note	2017/18	2016/17
		TDKK	TDKK
Gross profit/loss		**34,875**	**45,795**
Staff expenses	1	-16,609	-18,628
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-16,020	-12,787
Profit/loss before financial income and expenses		**2,246**	**14,380**
Income from investments in subsidiaries		305	0
Financial income	3	4,329	1,959
Financial expenses	4	-4,342	-3,990
Profit/loss before tax		**2,538**	**12,349**
Tax on profit/loss for the year	5	-597	-2,716
Net profit/loss for the year		**1,941**	**9,633**

Balance Sheet 31 May

Assets

	Note	2018	2017
		TDKK	TDKK
Completed development projects		31,600	21,321
Acquired licenses		1,604	2,031
Acquired other similar rights		0	0
Development projects in progress		8,615	18,518
Intangible assets	6	**41,819**	**41,870**
Plant and machinery		3,575	3,532
Other fixtures and fittings, tools and equipment		586	869
Leasehold improvements		1,442	1,634
Property, plant and equipment in progress		90	648
Property, plant and equipment	7	**5,693**	**6,683**
Investments in subsidiaries	8	446	141
Deposits		554	554
Fixed asset investments		**1,000**	**695**
Fixed assets		**48,512**	**49,248**
Inventories		**8,976**	**11,403**
Trade receivables		20,878	18,503
Receivables from group enterprises		463	849
Other receivables		668	1,746
Prepayments	9	617	231
Receivables		**22,626**	**21,329**
Cash at bank and in hand		**5,355**	**0**
Currents assets		**36,957**	**32,732**
Assets		**85,469**	**81,980**

Balance Sheet 31 May

Liabilities and equity

	Note	2018	2017
		TDKK	TDKK
Share capital		1,940	1,940
Reserve for net revaluation under the equity method		305	0
Reserve for development costs		8,664	8,418
Retained earnings		44,610	43,220
Equity		**55,519**	**53,578**
Provision for deferred tax		6,007	3,409
Other provisions	11	282	282
Provisions		**6,289**	**3,691**
Corporation tax		0	2,218
Long-term debt	12	**0**	**2,218**
Credit institutions		0	1,723
Trade payables		14,899	9,498
Payables to group enterprises		478	0
Corporation tax	12	156	5,781
Deposits		144	36
Other payables		7,984	5,455
Short-term debt		**23,661**	**22,493**
Debt		**23,661**	**24,711**
Liabilities and equity		**85,469**	**81,980**
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	13		
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 June	1,940	0	8,418	43,220	53,578
Development costs for the year	0	0	246	-246	0
Net profit/loss for the year	0	305	0	1,636	1,941
Equity at 31 May	**1,940**	**305**	**8,664**	**44,610**	**55,519**

Notes to the Financial Statements

		2017/18	2016/17
		TDKK	TDKK
1	**Staff expenses**		
	Wages and salaries	24,174	23,487
	Pensions	1,869	1,529
	Other social security expenses	218	117
		26,261	**25,133**
	Transfer to production wages	-9,652	-6,505
		16,609	**18,628**
	Including remuneration to the Executive Board and Board of Directors	**2,020**	**2,257**
	Average number of employees	**34**	**30**
2	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	13,932	10,093
	Depreciation of property, plant and equipment	2,088	1,725
	Impairment of intangible assets	0	969
		16,020	**12,787**
3	**Financial income**		
	Other financial income	40	22
	Exchange adjustments	4,289	1,937
		4,329	**1,959**
4	**Financial expenses**		
	Other financial expenses	1,282	376
	Exchange adjustments, expenses	3,060	3,614
		4,342	**3,990**

Notes to the Financial Statements

5 Tax on profit/loss for the year

	2017/18	2016/17
	TDKK	TDKK
Current tax for the year	0	2,218
Deferred tax for the year	500	498
Adjustment of tax concerning previous years	-2,499	0
Adjustment of deferred tax concerning previous years	2,596	0
	597	**2,716**

Notes to the Financial Statements

6 Intangible assets

	Completed development projects	Acquired licenses	Acquired other similar rights	Development projects in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 June	70,576	2,660	1,533	18,518	93,287
Additions for the year	5,695	50	0	8,208	13,953
Disposals for the year	0	-408	0	-72	-480
Transfers for the year	18,039	0	0	-18,039	0
Cost at 31 May	94,310	2,302	1,533	8,615	106,760
Impairment losses and amortisation at 1 June	49,255	629	1,533	0	51,417
Amortisation for the year	13,455	477	0	0	13,932
Reversal of amortisation of disposals for the year	0	-408	0	0	-408
Impairment losses and amortisation at 31 May	62,710	698	1,533	0	64,941
Carrying amount at 31 May	**31,600**	**1,604**	**0**	**8,615**	**41,819**

The Company's development projects relate to development of new products, as well as continued development, improvements and upgrading of the Company's existing products.

The development, improvement and upgrading is completed on an ongoing basis and the projects are ready for use upon completion. The products form the basis of a large part of the Company's existing business, hence, there are markets and customers for the products. Projects in progress, consist of supplementary products as well as customer-specific products; hence, there is a market herefore.

The improvements and upgrades are expected to have lives of three to five years which are considered to reflect the useful lives.

The projects are progressing according to plan through the use of the resources allocated by Management to the development.

Notes to the Financial Statements

7 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 June	5,643	8,077	2,602	648	16,970
Additions for the year	761	112	156	90	1,119
Disposals for the year	-22	-2,222	-907	0	-3,151
Transfers for the year	648	0	0	-648	0
Cost at 31 May	7,030	5,967	1,851	90	14,938
Impairment losses and depreciation at 1 June	2,110	7,208	968	0	10,286
Depreciation for the year	1,345	395	348	0	2,088
Reversal of impairment and depreciation of sold assets	0	-2,222	-907	0	-3,129
Impairment losses and depreciation at 31 May	3,455	5,381	409	0	9,245
Carrying amount at 31 May	**3,575**	**586**	**1,442**	**90**	**5,693**

8 Investments in subsidiaries

	2018	2017
	TDKK	TDKK
Cost at 1 June	141	141
Cost at 31 May	141	141
Net profit/loss for the year	305	0
Value adjustments at 31 May	305	0
Carrying amount at 31 May	**446**	**141**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
ICEpower USA	San Diego	25.000 USD	100%

Notes to the Financial Statements

9 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

10 Distribution of profit

	2017/18	2016/17
	TDKK	TDKK
Extraordinary dividend paid	0	5,806
Reserve for net revaluation under the equity method	305	0
Retained earnings	1,636	3,827
	1,941	**9,633**

11 Other provisions

The Company provides warranties of 1 to 5 years on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of DKK 282k (2017: DKK 282k) have been recognised for expected warranty claims.

Other provisions	282	282
	282	**282**

12 Long-term debt

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

The debt falls due for payment as specified below:

	2018	2017
	TDKK	TDKK
Corporation tax		
Between 1 and 5 years	0	2,218
Long-term part	0	2,218
Within 1 year	156	5,781
	156	**7,999**

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK

13 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:
For assurance of all accounts with Financial institute, credit facility totalling DKK 15,000k, are given floating charge.

Inventory totally DKK 8.963k at external partner will be subjects to a lien for any unpaid charges and advances.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	2018 TDKK	2017 TDKK
Within 1 year	1,891	1,502
Between 1 and 5 years	6,019	5,942
	7,910	**7,444**

Other contingent liabilities

ICEpower A/S is jointly and severally liable for tax on the ICEpower Group's jointly taxed income from May 1, 2016.

There are no further security and contingent liabilitites at 31 May 2018, other than what is normal in the line of business.

14 Related parties

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company

Name	Place of registered office
ICEpower Holding ApS	Søborg. Danmark

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of ICEpower A/S for 2017/18 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2017/18 are presented in TDKK.

Changes in accounting policies

The company has changed accounting policies for measuring equity investments from cost to equity. The change has resulted in an increase of result of the year by 305 kDKK. It has also affected the company's investment in subsidiaries by 305 kDKK and the total balance sheet by 305 kDKK. The equity per 31 May 2017 is not affected by the change.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of ICEpower Holding ApS, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of ICEpower Holding ApS, the Company has not prepared a cash flow statement.

Recognition and measurement

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.

Leases

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Translation policies

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

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

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

Income Statement

Revenue

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

Revenue from license and royalty agreements is recognised as risks and rewards transfer during the course of the underlying agreement.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Notes to the Financial Statements

15 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

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

Financial income and expenses

Financial items include interest, amortization and allowance, fair value adjustments and realized and unrealized foreign exchange adjustments.

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.

The Company is jointly taxed with Danish group company. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

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 5 years.

Notes to the Financial Statements

15 Accounting Policies (continued)

Development projects are measured initially at cost. The cost of development projects comprises costs, including salaries and depreciation directly attributable to the development projects, which are necessary to complete the project, from the date when the development project first qualifies for recognition as an asset. Reimbursements and grants for development projects are deducted from the cost in line with the completion.

Completed development projects are amortised over the expected useful life. The amortisation period is normally 3 - 6 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining term of the rights.

An amount corresponding to the capitalised development projects in the Balance Sheet, which have been incurred after 1 January 2016, has been recognised under Equity as “Reserve for development costs”. The reserve is reduced with amortisation of development projects.

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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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:

Plant and machinery	3 - 10 years
Other equipment	8 - 10 years
Leasehold Improvements	3 - 10 years

Depreciation period and residual value are reassessed annually.

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.

Notes to the Financial Statements

15 Accounting Policies (continued)

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investments in subsidiaries

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

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

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

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

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

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

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Notes to the Financial Statements

15 Accounting Policies (continued)

Prepayments

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

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.

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Debts

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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