
ICEpower A/S

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

Annual Report for 1 June 2019 - 31 May 2020

CVR No 25 05 35 91

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
23/9 2020

Henrik Bjørn Rasmussen
Chairman of the General
Meeting



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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 2019 - 31 May 2020.

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 2020 of the Company and of the results of the Company operations for 2019/20.

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

København, 23 September 2020

Executive Board

Keld Lindegaard Andersen
CEO

Board of Directors

Henrik Bjørn Rasmussen
Chairman

Ronnie Møller-Thorsøe

Anders Sejer Tranberg-Hansen

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 2020 and of the results of the Company's operations for the financial year 1 June 2019 - 31 May 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of ICEpower A/S for the financial year 1 June 2019 - 31 May 2020, 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, 23 September 2020

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
Ronnie Møller-Thorsøe
Anders Sejer Tranberg-Hansen

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:

	2019/20	2018/19	2017/18	2016/17	2015/16
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	67,321	52,894	44,527	56,151	58,039
Profit/loss before financial income and expenses	13,719	10,449	2,246	14,380	31,961
Net financials	-3,680	-2,829	292	-2,031	935
Net profit/loss for the year	8,160	5,973	1,941	9,633	25,638
Balance sheet					
Balance sheet total	119,082	102,652	85,469	81,980	82,250
Equity	52,725	61,565	55,519	53,578	49,751
Investment in property, plant and equipment	3,154	1,835	1,119	4,228	672
Number of employees	45	38	34	30	28
Ratios					
Return on assets	11.5%	10.2%	2.6%	17.5%	38.9%
Solvency ratio	44.3%	60.0%	65.0%	65.4%	60.5%
Return on equity	14.3%	10.2%	3.6%	18.6%	24.7%

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 2019/20 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

ICEpower A/S is a supplier of audio solutions based on world class technologies and competences within class D amplifiers, switch mode power supplies, digital signal processing, software for audio (incl. audio over IP) and system designs.

Development in the year

During the financial year, the company experienced significant growth and consequently the income statement of the Company for 2019/20 shows a profit of TDKK 8,160 up from 5.973 the previous year.

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 have considered the outbreak of the COVID 19 (Coronavirus) pandemic and its current and future potential effects on the Company. Management expect a revenue growth for the financial year 2020/21 compared with previous year.

The Company has a solid cash position in order to fund the Company's organic growth and operations through the financial year 2020/21 and beyond.

Despite the implications of COVID 19, a situation that management is monitoring closely, management expects that revenue will increase, while profitability will remain at the same level as the financial year 2019/20.

Management's Review

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 closed new contracts with customers during the financial year 2019/20. This has resulted in an increased activity level in R&D, including new products and an increased level of capitalizations. Furthermore, the Company will continue to invest more than 15% of the annual revenue in product development. On behalf of this ICEpower expects an increasing revenue during the financial year 2020/21 and 2021/22.

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	2019/20 TDKK	2018/19 TDKK
Gross profit/loss		67,321	52,894
Staff expenses	1	-32,832	-26,129
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-20,770	-16,316
Profit/loss before financial income and expenses		13,719	10,449
Income from investments in subsidiaries	3	164	362
Financial income	4	2,996	4,469
Financial expenses	5	-6,840	-7,660
Profit/loss before tax		10,039	7,620
Tax on profit/loss for the year	6	-1,879	-1,647
Net profit/loss for the year		8,160	5,973

Balance Sheet 31 May

Assets

	Note	2020 TDKK	2019 TDKK
Completed development projects		47,023	24,464
Acquired licenses		1,373	1,340
Acquired other similar rights		0	0
Development projects in progress		10,906	19,824
Intangible assets	7	59,302	45,628
Plant and machinery		5,194	3,974
Other fixtures and fittings, tools and equipment		727	582
Leasehold improvements		1,002	1,094
Property, plant and equipment	8	6,923	5,650
Investments in subsidiaries	9	1,045	881
Deposits	10	554	554
Fixed asset investments		1,599	1,435
Fixed assets		67,824	52,713
Inventories		10,029	10,983
Trade receivables		24,156	15,325
Receivables from group enterprises		128	128
Other receivables		621	669
Corporation tax		1,835	897
Corporation tax receivable from group enterprises		897	0
Prepayments	11	1,072	717
Receivables		28,709	17,736
Cash at bank and in hand		12,520	21,220
Currents assets		51,258	49,939
Assets		119,082	102,652

Balance Sheet 31 May

Liabilities and equity

	Note	2020 TDKK	2019 TDKK
Share capital		1,940	1,940
Reserve for net revaluation under the equity method		904	740
Reserve for development costs		26,377	12,736
Retained earnings		23,504	29,149
Proposed dividend for the year		0	17,000
Equity		52,725	61,565
Provision for deferred tax	13	12,254	8,540
Other provisions	14	400	282
Provisions		12,654	8,822
Other payables		2,388	0
Long-term debt	15	2,388	0
Prepayments received from customers		1,361	0
Trade payables		39,720	24,292
Payables to group enterprises		2,839	1,017
Deposits		360	252
Other payables	15	7,035	6,704
Short-term debt		51,315	32,265
Debt		53,703	32,265
Liabilities and equity		119,082	102,652
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	16		
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Statement of Changes in Equity

	Share capital	Reserve for net revalua- tion under the equity method	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 June	1,940	740	12,736	29,149	17,000	61,565
Ordinary dividend paid	0	0	0	0	-17,000	-17,000
Development costs for the year	0	0	31,919	-31,919	0	0
Depreciation, amortisation and impairment for the year	0	0	-18,278	18,278	0	0
Net profit/loss for the year	0	164	0	7,996	0	8,160
Equity at 31 May	1,940	904	26,377	23,504	0	52,725

Notes to the Financial Statements

	2019/20	2018/19
	TDKK	TDKK
1 Staff expenses		
Wages and salaries	30,182	23,987
Pensions	2,336	1,888
Other social security expenses	314	254
	32,832	26,129
Including remuneration to the Executive Board	2,422	2,165
Average number of employees	45	38
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	18,889	14,438
Depreciation of property, plant and equipment	1,881	1,878
	20,770	16,316
3 Income from investments in subsidiaries		
Share of profits of subsidiaries	164	155
Other regulations	0	207
	164	362
4 Financial income		
Other financial income	350	692
Exchange adjustments	2,646	3,777
	2,996	4,469

Notes to the Financial Statements

	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK
5 Financial expenses		
Other financial expenses	995	968
Exchange adjustments, expenses	5,845	6,692
	<u>6,840</u>	<u>7,660</u>
6 Tax on profit/loss for the year		
Current tax for the year	-1,735	0
Deferred tax for the year	3,714	2,534
Adjustment of tax concerning previous years	0	10
Adjustment of deferred tax concerning previous years	-100	-897
	<u>1,879</u>	<u>1,647</u>

Notes to the Financial Statements

7 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	101,116	2,534	1,533	19,824	125,007
Additions for the year	348	644	0	31,571	32,563
Transfers for the year	40,489	0	0	-40,489	0
Cost at 31 May	<u>141,953</u>	<u>3,178</u>	<u>1,533</u>	<u>10,906</u>	<u>157,570</u>
Impairment losses and amortisation at 1 June	76,652	1,194	1,533	0	79,379
Amortisation for the year	<u>18,278</u>	<u>611</u>	<u>0</u>	<u>0</u>	<u>18,889</u>
Impairment losses and amortisation at 31 May	<u>94,930</u>	<u>1,805</u>	<u>1,533</u>	<u>0</u>	<u>98,268</u>
Carrying amount at 31 May	<u>47,023</u>	<u>1,373</u>	<u>0</u>	<u>10,906</u>	<u>59,302</u>

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

8 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 June	8,636	6,286	1,851	16,773
Additions for the year	2,424	440	290	3,154
Cost at 31 May	11,060	6,726	2,141	19,927
Impairment losses and depreciation at 1 June	4,662	5,704	757	11,123
Depreciation for the year	1,204	295	382	1,881
Impairment losses and depreciation at 31 May	5,866	5,999	1,139	13,004
Carrying amount at 31 May	5,194	727	1,002	6,923

9 Investments in subsidiaries

	2020 TDKK	2019 TDKK
Cost at 1 June	141	141
Cost at 31 May	141	141
Value adjustments at 1 June	740	305
Exchange adjustment	0	73
Net profit/loss for the year	164	155
Other equity movements, net	0	207
Value adjustments at 31 May	904	740
Carrying amount at 31 May	1,045	881

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
ICEpower USA	San Diego	25.000 USD	100%	1,044,768	163,761

Notes to the Financial Statements

10 Other fixed asset investments

	Deposits TDKK
Cost at 1 June	554
Cost at 31 May	554
Carrying amount at 31 May	554

11 Prepayments

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

	2019/20 TDKK	2018/19 TDKK
12 Distribution of profit		
Proposed dividend for the year	0	17,000
Reserve for net revaluation under the equity method	164	362
Retained earnings	7,996	-11,389
	8,160	5,973

13 Provision for deferred tax

Provision for deferred tax at 1 June	8,804	6,007
Amounts recognised in the income statement for the year	3,450	2,534
Amounts recognised in equity for the year	0	-1
Provision for deferred tax at 31 May	12,254	8,540

14 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 400k (2020: DKK 400k) have been recognised for expected warranty claims.

Notes to the Financial Statements

15 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:

	<u>2020</u> TDKK	<u>2019</u> TDKK
Other payables		
Between 1 and 5 years	2,388	0
Long-term part	2,388	0
Other short-term payables	7,035	6,704
	<u>9,423</u>	<u>6,704</u>

16 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 totalling DKK 10.010k at external partner will be subject to a lien for any unpaid charges and advances.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	<u>2020</u> TDKK	<u>2019</u> TDKK
Within 1 year	1,574	1,614
Between 1 and 5 years	4,845	6,284
	<u>6,419</u>	<u>7,898</u>

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.

Notes to the Financial Statements

	2020	2019
	TDKK	TDKK
16 Contingent assets, liabilities and other financial obligations (continued)		

There are no further security and contingent liabilities at 31 May 2020, other than what is normal in the line of business.

17 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, Denmark

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of ICEpower A/S for 2019/20 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019/20 are presented in TDKK.

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

18 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.

Notes to the Financial Statements

18 Accounting Policies (continued)

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, development performed for own account, recognised in assets, expenses for raw materials and consumables and other external expenses.

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.

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

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

Prepayments

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

Equity

Dividend

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the 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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

Financial Highlights

Explanation of financial ratios

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