Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
Weidekampsgade 6
Postbox 1600
0900 Copenhagen C

Telefon 36 10 20 30
Telefax 36 10 20 40
www.deloitte.dk

RE Microphones Holding ApS

Gydevang 42-44
3450 Allerød
Central Business Registration No 25382714

Annual report 2018

The Annual General Meeting adopted the annual report on 13.05.2019

Chairman of the General Meeting

____
Name: Ann Frølund Winther

Contents

Entity details

Entity
RE Microphones Holding ApS
Gydevang 42-44
3450 Allerød

Central Business Registration No: 25382714
Registered in: Allerød
Financial year: 01.05.2018 - 31.12.2018

Executive Board
Fausto Incerti

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postbox 1600
0900 Copenhagen C

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of RE Microphones Holding ApS for the financial year 01.05.2018 - 31.12.2018.

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

In my opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group’s and the Parent’s financial position at 31.12.2018 and of the results of their operations and consolidated cash flows for the financial year 01.05.2018 - 31.12.2018.

I believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

I recommend the annual report for adoption at the Annual General Meeting.

Allerød, 13.05.2019

Executive Board

Fausto Incerti

Independent auditor's report

To the shareholder of RE Microphones Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of RE Microphones Holding ApS for the financial year 01.05.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.05.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

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

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

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

Independent auditor's report

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Entity’s internal control.

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

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 13.05.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Nikolaj Thomsen
State Authorised Public Accountant
Identification number (MNE) mne33276

Management commentary

	2018 DKK'000	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000
Financial highlights					
Key figures					
Gross profit	80.311	106.829	95.844	92.714	73.801
Operating profit/loss	18.340	20.614	22.787	22.211	19.168
Net financials	(5.916)	(11.333)	(8.780)	(8.070)	(6.807)
Profit/loss for the year	7.865	5.080	7.506	7.623	823
Total assets	322.470	320.507	307.141	304.491	312.007
Investments in property, plant and equipment	1.102	4.324	3.242	4.984	(4.095)
Equity incl minority interests	104.317	96.213	89.030	151.523	142.593
Employees in average	185	156	174	155	154
Ratios					
Return on equity (%)	7,8	5,5	6,2	5,2	0,6
Equity ratio (%)	32,3	30,0	29,0	49,8	45,7

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

Figures for 2018 consists of 8 months compared to the other periods which contains 12 months.

Ratios	**Calculation formula**	**Ratios**
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

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

The Group distributes microphone products and equipment to the North American market through its subsidiary, DPA Microphones Inc., Colorado, US and to the UK market through its subsidiary, Sound Network Ltd., London, UK. The Group also owns subsidiaries in Germany and Hong Kong.

Development in activities and finances

Reference is made to the annual report 2018 for the Group's subsidiary DPA Microphones A/S (Central Business Registration No 15912200) for comments on the business development in the financial year and outlook for 2019.

The income statement of the Group for 2018 shows a profit of TDKK 7.865. At 31 December 2018 the balance sheet of the Group shows equity of TDKK 104.317.

Management considers the profit satisfactory and in accordance with the announced expectations.

Outlook

Management expects continued sales growth and increased operating profit in 2019 based on the strengthened presence and distribution in key markets as well as continued investments in technology, products and the organization. Furthermore management expects growth in revenue and operating profit that will have a positive increase of at least 5 % on operating profit on an 8 months basis. The positive increase will be driven from the introduction of new products, full roll-out of recent product introductions and continuing growth in existing and new markets.

Environmental performance

The Group adheres to the guidelines listed in the RoHS Directive 2002/95 / EC (Restriction and Hazardous Materials) and the WEEE Directive 2002/95 / EC (Waste from Electrical and Electronic Equipment).

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2018

	Notes	2018 DKK'000	2017/18 DKK'000
Gross profit	1, 2	**80.311**	**106.829**
Distribution costs	1, 2	(35.120)	(46.169)
Administrative costs	1, 2	(26.851)	(40.046)
Operating profit/loss		**18.340**	**20.614**
Other financial income		562	43
Other financial expenses	3	(6.478)	(11.376)
Profit/loss before tax		**12.424**	**9.281**
Tax on profit/loss for the year	4	(4.559)	(4.201)
Profit/loss for the year	5	**7.865**	**5.080**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017/18 DKK'000
Completed development projects		4.486	7.478
Acquired intangible assets		4.778	5.125
Acquired trademarks		830	802
Goodwill		183.089	191.273
Development projects in progress		14.891	9.377
Intangible assets	6	**208.074**	**214.055**
Land and buildings		20.068	20.593
Other fixtures and fittings, tools and equipment		6.094	6.838
Leasehold improvements		537	734
Property, plant and equipment in progress		598	1.132
Property, plant and equipment	7	**27.297**	**29.297**
Other investments		31	31
Deposits		354	447
Fixed asset investments	8	**385**	**478**
Fixed assets		**235.756**	**243.830**
Raw materials and consumables		11.989	9.713
Work in progress		18.673	14.463
Manufactured goods and goods for resale		9.648	9.336
Inventories		**40.310**	**33.512**
Trade receivables		25.786	26.877
Other receivables		1.517	1.224
Income tax receivable		533	429
Prepayments	9	3.207	3.735
Receivables		**31.043**	**32.265**
Cash		**15.361**	**10.900**
Current assets		**86.714**	**76.677**
Assets		**322.470**	**320.507**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017/18 DKK'000
Contributed capital		200	200
Reserve for development expenditure		13.102	10.247
Retained earnings		91.015	85.766
Equity		**104.317**	**96.213**
Deferred tax	10	5.262	4.831
Other provisions	11	1.900	700
Provisions		**7.162**	**5.531**
Mortgage debts		0	9.657
Bank loans		0	11.982
Debt to other credit institutions		0	139.355
Income tax payable		0	4.314
Non-current liabilities other than provisions		**0**	**165.308**
Current portion of long-term liabilities other than provisions	12	166.226	13.515
Bank loans		5.882	0
Trade payables		12.227	13.029
Income tax payable		7.372	3.472
Other payables		19.284	23.439
Current liabilities other than provisions		**210.991**	**53.455**
Liabilities other than provisions		**210.991**	**218.763**
Equity and liabilities		**322.470**	**320.507**
Financial instruments	14		
Unrecognised rental and lease commitments	15		
Mortgages and securities	16		
Subsidiaries	17		

Consolidated statement of changes in equity for 2018

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	200	10.247	85.766	96.213
Exchange rate adjustments	0	0	277	277
Fair value adjustments of hedging instruments	0	0	36	36
Other equity postings	0	0	(72)	(72)
Tax of equity postings	0	0	(2)	(2)
Transfer to reserves	0	2.855	(2.855)	0
Profit/loss for the year	0	0	7.865	7.865
Equity end of year	**200**	**13.102**	**91.015**	**104.317**

Consolidated cash flow statement for 2018

	Notes	2018 DKK'000	2017/18 DKK'000
Operating profit/loss		18.340	20.614
Amortisation, depreciation and impairment losses		15.777	20.293
Working capital changes	13	(5.923)	6.536
Cash flow from ordinary operating activities		**28.194**	**47.443**
Financial income received		562	43
Financial income paid		(6.125)	(11.376)
Income taxes refunded/(paid)		(4.647)	(6.365)
Cash flows from operating activities		**17.984**	**29.745**
Acquisition etc of intangible assets		(10.020)	(11.143)
Acquisition etc of property, plant and equipment		(1.102)	(4.252)
Sale of property, plant and equipment		0	8
Acquisition of enterprises		0	(10.918)
Cash flows from investing activities		**(11.122)**	**(26.305)**
Loans raised		0	11.982
Instalments on loans etc		(8.283)	(9.794)
Sale of treasury shares		0	2.900
Cash flows from financing activities		**(8.283)**	**5.088**
Increase/decrease in cash and cash equivalents		**(1.421)**	**8.528**
Cash and cash equivalents beginning of year		10.900	2.372
Cash and cash equivalents end of year		**9.479**	**10.900**
Cash and cash equivalents at year-end are composed of:			
Cash		15.361	10.900
Short-term debt to banks		(5.882)	0
Cash and cash equivalents end of year		**9.479**	**10.900**

Notes to consolidated financial statements

	2018 DKK'000	2017/18 DKK'000
1. Staff costs		
Wages and salaries	65.300	82.089
Pension costs	4.750	6.117
Other social security costs	1.733	1.989
	71.783	**90.195**
Average number of employees	**185**	**156**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017/18 DKK'000
Total amount for management categories	4.890	5.389
	4.890	**5.389**

Special incentive programmes

Warrants have been issued to members of the board and the Management, which entitles the holders to buy shares in the company for a nominal value of DKK 1. The exercise of the subscription rights must take place no later than 01.01.2025 to an exercise price of DKK 1 per share. The total number of issued warrants are 17.680.

Capitalized staff cost

A part of the occurred staff costs has been capitalized under development projects and as inventories. The capitalized costs on inventories are reduced when products are sold and then accounted for as cost of goods sold. Capitalized costs for development projects amounts to 4.364 TDKK.

	2018 DKK'000	2017/18 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	10.458	14.578
Impairment losses relating to intangible assets	2.194	1.402
Depreciation on property, plant and equipment	3.127	4.313
Profit/loss from sale of intangible assets and property, plant and equipment	0	(10)
	15.779	**20.283**

Notes to consolidated financial statements

3. Other financial expenses	2018 DKK'000	2017/18 DKK'000
Interest expenses	5.791	9.363
Exchange rate adjustments	262	1.380
Other financial expenses	425	633
	6.478	**11.376**

4. Tax on profit/loss for the year	2018 DKK'000	2017/18 DKK'000
Tax on current year taxable income	3.959	4.769
Change in deferred tax for the year	560	(152)
Adjustment concerning previous years	40	(416)
	4.559	**4.201**

5. Proposed distribution of profit/loss	2018 DKK'000	2017/18 DKK'000
Retained earnings	7.865	5.080
	7.865	**5.080**

6. Intangible assets	Completed development projects DKK'000	Acquired intangible assets DKK'000	Acquired trademarks DKK'000	Goodwill DKK'000
Cost beginning of year	14.700	5.212	1.253	239.497
Transfers	987	0	0	0
Additions	0	0	170	0
Cost end of year	**15.687**	**5.212**	**1.423**	**239.497**
Amortisation and impairment losses beginning of year	(7.222)	(87)	(451)	(48.224)
Impairment losses for the year	(2.194)	0	0	0
Amortisation for the year	(1.785)	(347)	(142)	(8.184)
Amortisation and impairment losses end of year	**(11.201)**	**(434)**	**(593)**	**(56.408)**
Carrying amount end of year	**4.486**	**4.778**	**830**	**183.089**

Notes to consolidated financial statements

	Development projects in progress DKK'000
6. Intangible assets	
Cost beginning of year	10.779
Transfers	(987)
Additions	6.501
Cost end of year	**16.293**
Amortisation and impairment losses beginning of year	(1.402)
Impairment losses for the year	0
Amortisation for the year	0
Amortisation and impairment losses end of year	**(1.402)**
Carrying amount end of year	**14.891**

Development projects in progress

As previous years the company has capitalized development cost. The development costs are related to the development of new unique product technology and new products. The development costs are expected to add significant value to the product portfolio.

The calculation of development costs are based on actual progress in terms of time registrations and costs incurred in the development project. Costs are capitalized as incurred if this relates to the development project. The calculation of progress is based on achieved milestones. The company possess the resources and skills to complete the development.

Impairment

In the financial year, the group has written-off one of its development projects. The write-off amounts to 2.194 TDKK and the write-off has been carried out due to a lack of sales from the product. Therefore the assumption for the capitalization is no longer present. The project is written down to the highest value of the capital value and the expected sales value and in this case, the carrying value is calculated to be 0. The impairment test has been performed as a DCF-model with expected sales and earnings against the investment. The write-off is accounted for under production cost.

Notes to consolidated financial statements

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000	Property, plant and equipment in progress DKK'000
7. Property, plant and equipment				
Cost beginning of year	28.107	33.579	1.774	1.132
Exchange rate adjustments	0	92	0	0
Transfers	0	699	0	(699)
Additions	17	920	0	165
Cost end of year	**28.124**	**35.290**	**1.774**	**598**
Depreciation and impairment losses beginning of the year	(7.514)	(26.741)	(1.040)	0
Exchange rate adjustments	0	(67)	0	0
Depreciation for the year	(542)	(2.388)	(197)	0
Depreciation and impairment losses end of the year	**(8.056)**	**(29.196)**	**(1.237)**	**0**
Carrying amount end of year	**20.068**	**6.094**	**537**	**598**

	Other investments DKK'000	Deposits DKK'000
8. Fixed asset investments		
Cost beginning of year	31	447
Exchange rate adjustments	0	25
Additions	0	238
Disposals	0	(356)
Cost end of year	**31**	**354**
Carrying amount end of year	**31**	**354**

9. Prepayments

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

Notes to consolidated financial statements

	2018 DKK'000	2017/18 DKK'000
10. Deferred tax		
Intangible assets	4.615	3.991
Property, plant and equipment	827	736
Inventories	1.025	952
Receivables	(220)	(205)
Provisions	(418)	(154)
Liabilities other than provisions	(567)	(489)
	5.262	**4.831**

Changes during the year	
Beginning of year	4.831
Recognised in the income statement	431
End of year	**5.262**

11. Other provisions

Other provisions consist of DPA Microphones A/S' liability to re-establish rented premises and the addition for 2018 amounting to TDKK 1.200 consists of a provision to warranties for sold goods. The provision to warranty claims are calculated as a procentage of the revenue. The procentage is based on historical key figures for annual warranty claims and the cost associated with the claims.

12. Current portion of long-term liabilities other than provisions

The Entity has repaid all of its long-term liabilities in the beginning of 2019, therefore the liabilities are presented as short-term.

	2018 DKK'000	2017/18 DKK'000
13. Change in working capital		
Increase/decrease in inventories	(6.798)	11.871
Increase/decrease in receivables	1.066	(5.377)
Increase/decrease in trade payables etc	(1.606)	1.278
Other changes	1.415	(1.236)
	(5.923)	**6.536**

Notes to consolidated financial statements

14. Financial instruments

Derivates	Start date	End date	Ref. interest	Fixed interest rate	Currency	Notional amount DKK'000	Fair value DKK'000
Interest rate swap agreement	19.08.2016	31.10.2019	Cibor 6	0,065%	DKK	98.167	(197)
Interest rate swap agreement	11.12.2007	31.12.2037	Cibor 6	4,79%	DKK	6.641	(2.551)
Total fair value							**(2.748)**

	2018 DKK'000	2017/18 DKK'000
15. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**8.240**	**8.207**

16. Mortgages and securities

Security

The following assets have been placed as security with Danske Bank:
Floating charge in simple claims, inventory, other fixtures and fittings, tools and equipment and intangible rights amounting to TDKK 20.000. The book value of the assets are TDKK 70.631.

Mortgage deed in Industrivangen 10, 4550 Asnæs amounting to TDKK 4.500. The book value of the property are TDKK 20.064

Charge in unlisted shares in DPA Microphones A/S amounting to TDKK 1.040. The book value of net assets (equity) are TDKK 57.208.

Contingent liabilities

DPA Microphones A/S has entered a guarantee for RE Microphones ApS liabilities. The guarantee amounts to TDKK 151.646.

RE Microphones ApS has guaranteed for DPA Microphones A/S to Danske Bank for its liabilities amounting to TDKK 5.792.

Notes to consolidated financial statements

	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
17. Subsidiaries					
DPA Microphones A/S	Allerød, Denmark	A/S	100,0	57.208	19.549
DPA Microphones Inc.	Colorado, USA	Inc	100,0	12.995	716
DPA Microphones Ltd.	Hong Kong	Ltd	100,0	(138)	81
DPA Microphones GmbH	Germany	GmbH	100,0	223	12
Sound Network Ltd.	London, UK	Ltd	100,0	6.622	479
RE Microphones ApS	Allerød, Denmark	ApS	100,0	116.944	18.204

Parent income statement for 2018

	Notes	2018 DKK'000	2017/18 DKK'000
Gross profit/loss		**(1)**	**0**
Administrative costs		(139)	(8)
Operating profit/loss		**(140)**	**(8)**
Other financial income	2	35	44
Other financial expenses		(1)	(1)
Profit/loss before tax		**(106)**	**35**
Tax on profit/loss for the year		0	(8)
Profit/loss for the year	3	**(106)**	**27**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017/18 DKK'000
Investments in group enterprises		150.000	150.000
Fixed asset investments	4	**150.000**	**150.000**
Fixed assets		**150.000**	**150.000**
Receivables from group enterprises		2.266	1.348
Income tax receivable		0	118
Receivables		**2.266**	**1.466**
Cash		**1**	**900**
Current assets		**2.267**	**2.366**
Assets		**152.267**	**152.366**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017/18 DKK'000
Contributed capital	5	200	200
Retained earnings		152.040	152.146
Equity		**152.240**	**152.346**
Income tax payable		7	0
Other payables		20	20
Current liabilities other than provisions		**27**	**20**
Liabilities other than provisions		**27**	**20**
Equity and liabilities		**152.267**	**152.366**
Staff costs	1		
Contingent liabilities	6		
Mortgages and securities	7		
Related parties with controlling interest	8		
Transactions with related parties	9		

Parent statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	200	152.146	152.346
Profit/loss for the year	0	(106)	(106)
Equity end of year	**200**	**152.040**	**152.240**

Notes to parent financial statements

	2018	2017/18
1. Staff costs		
Average number of employees	**0**	**0**

Special incentive programmes

Warrants have been issued to members of the board and the Management, which entitles the holders to buy shares in the company for a nominal value of DKK 1. The exercise of the subscription rights must take place no later than 01.01.2025 to an exercise price of DKK 1 per share. The total number of issued warrants are 17.680.

	2018 DKK'000	2017/18 DKK'000
2. Other financial income		
Financial income arising from group enterprises	35	44
	35	**44**

	2018 DKK'000	2017/18 DKK'000
3. Proposed distribution of profit/loss		
Retained earnings	(106)	27
	(106)	**27**

	Investments in group enterprises DKK'000
4. Fixed asset investments	
Cost beginning of year	150.000
Cost end of year	**150.000**
Carrying amount end of year	**150.000**

	Number	Nominal value DKK'000	Share of contributed capital %
5. Treasury shares			
Holding of treasury shares:			
Shares (ApS)	37.435	37	18,7
	37.435	**37**	**18,7**

Notes to parent financial statements

6. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which RE Microphones ApS, Central Business No 25383338, serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

7. Mortgages and securities

Collateral securities provided for subsidiaries and group enterprises

RE Microphones Holding ApS guarantees for the Groups' external sources of funding, which amounts to TDKK 151.646. The gaurantee is charged in unlisted shares in RE Microphones ApS and amounts to TDKK 200. The book value of net assets (equity) are TDKK 116.944.

The Entity is jointly and severally liable with the jointly registered group enterprises for the total VAT payable.

8. Related parties with controlling interest

In the finanancial year REF IV Luxemborg Luxembourg S.á.r.l., has been a related party with controlling interest. With the change of owners in the late 2018 RCF S.p.A is now a related party with controlling interest.

9. Transactions with related parties

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

Accounting policies

Reporting class

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

The Entity has changed its financial year from 30.04 til 31.12. Therefore the annual report consists of 8 months and comparison figures includes 12 months.

Beside the change in financial year, the accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

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

Basis of consolidation

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

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

Accounting policies

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

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

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

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

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

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

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

Distribution costs
Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Accounting policies

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

Income from investments in group enterprises
Income from investments in group enterprises comprises dividend received from the individual group enterprises in the financial year.

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

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

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

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

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

The company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet
Goodwill
Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful lives are reassessed on an annual basis. The amortisation periods used are 10-20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Accounting policies

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

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

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

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

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

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

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

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

Estimated useful lives and residual values are reassessed annually.

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

Accounting policies

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

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

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

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

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

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

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

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

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Accounting policies

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

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

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

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

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

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

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

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

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

Cash and cash equivalents comprise cash.