Anritsu A/S
Regus Winghouse - Ørestads Boulevard
73, 4th floor, 2300 Copenhagen
Telephone: +45 72 11 22 00
CVR-number: DK28310161

Anritsu A/S

Registration No. 28 31 01 61

Annual Report 2019/20

Management review and financial statements
for the period 1 April 2019 – 31 March 2020

(16th fiscal year)

Annual Report was presented and approved at the Annual General Meeting

Date: ________________________ 2020

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Chairman of the meeting

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CONTENT

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of 2019/20 for the financial year 1 April 2019– 31 March 2020.

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

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2020 and of the results of the Company's operations and cash flows for the financial year 1 April 2019 – 31 March 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and the Company's financial position.

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

Copenhagen, 1st July 2020

Executive Board

Ralf Iding

Board of Directors

Y. Takahashi Chairman	T. Wakinaga	Ralf Iding
A. Kubota	N. Tomlinson	

Independent auditor's report

To the shareholders of Anritsu A/S

Opinion

We have audited the financial statements of Anritsu A/S for the financial year 1 April 2019 – 31 March 2020 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2020 and of the results of the Company's operations and cash flows for the financial year 1 April 2019 – 31 March 2020 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 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that 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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 company 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.
- 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.

Statement on the Management's review

Management is responsible for the Management's review.
Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 1st July 2020

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jon Beck
State Authorised
Public Accountant
mne32169

Company details

Anritsu A/S
Regus Winghouse - Ørestads Boulevard 73, 4th floor, 2300 Copenhagen

Phone :	+45 72 11 22 00
Fax:	+45 72 11 22 10
Web site:	www.anritsu.com

Registration No.:	28 31 01 61
Established:	1st of July 2004
Registered office:	Copenhagen

Board of Directors

Yukihiro Takahashi (Chairman),
Toru Wakinaga
Akifuma Kubota
Neil Tomlinson
Ralf Iding

Executive Board

Ralf Iding

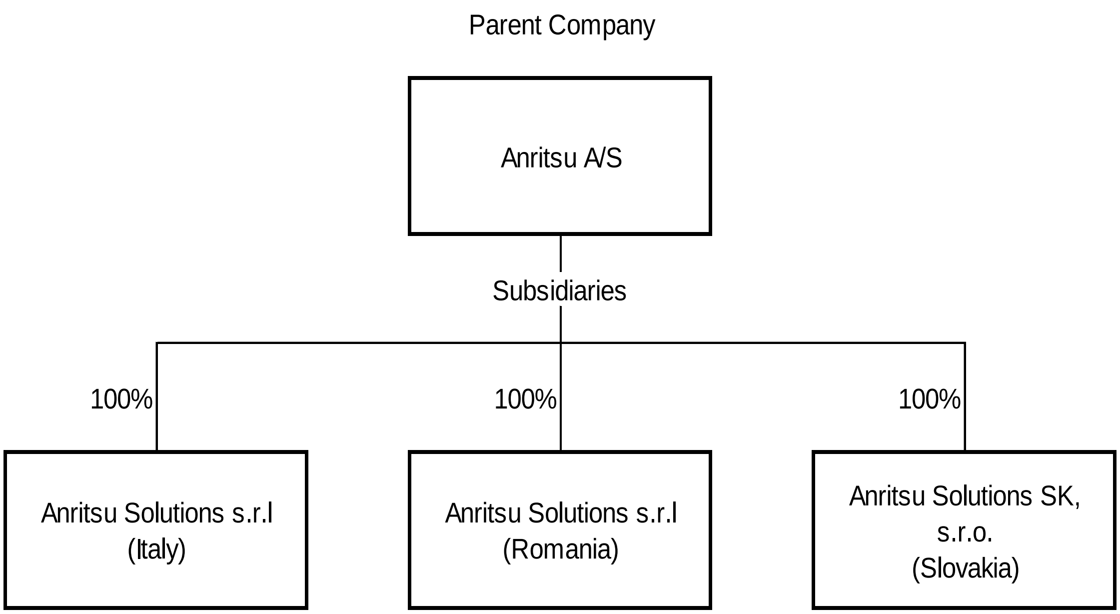
Ownership

Anritsu Corporation holds 100% of the Company's share capital.
Anritsu A/S is included in the consolidated accounts of Anritsu Corporation for which company details can be found at www.anritsu.com

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø

Group Chart


Parent Company
Anritsu A/S
Subsidiaries
100%
100%
100%
Anritsu Solutions s.r.l
(Italy)
Anritsu Solutions s.r.l
(Romania)
Anritsu Solutions SK, s.r.o.
(Slovakia)

Financial highlights

EUR 1.000	2019/20	2018/19	2017/18	2016/17	2015/16
Key figures					
Revenue	37 181	39 813	26 664	37 656	30 369
Gross profit	10 988	7 041	8 054	13 959	12 952
Result from primary operations	1 817	-2 492	-3 027	466	-59
Result of financial items	264	311	-1 718	734	766
Result for the year	1 609	-1 849	-4 850	723	631
Balance sheet					
Fixed assets	13 575	11 985	18 098	10 614	10 497
Current assets	25 260	30 493	23 058	35 779	32 841
Total assets, year end	38 835	40 033	41 156	46 393	43 338
Investments in tangible assets	69	0	6 510	0	74
Share Capital	29 088	29 088	29 088	29 088	29 088
Equity, year end	25 679	24 070	25 925	30 781	30 009
Number of employees, average	**9**	**8**	**8**	**14**	**27**
Key ratios					
Operating margin	4,9%	-6,3%	-11,4%	1,2%	-0,2%
Return on invested capital	7,6%	-10,8%	-11,7%	1,7%	-0,2%
Gross margin	29,6%	17,7%	30,2%	37,1%	42,6%
Solvency ratio	66,1%	60,1%	63,0%	66,3%	69,2%
Return on equity	6,5%	-7,4%	-17,1%	2,4%	2,1%

Financial ratios are calculated in accordance with the “Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommandations and Ratios”. The definitions are described in the accounting policies.

Management review

Principal activities

The Company provides Service Assurance in the form of integrated systems for monitoring telecommunications networks.

The products and services are used to ensure high performance and quality of networks within GSM, GPRS, UMTS, LTE, VoLTE and VoIP networks. The solutions provided are now critical to customers, enabling them to manage their Customer's Experience and the End to End service quality of their networks. This ensures that operators reduce churn, improve efficiency and optimize their network investments.

Customers are offered a range of services including 24hrs support, training, system administration, on-site engineering and other consultancy services.

Development through the year

Result for the year

Revenue has decreased by 7% from Euro 39.8 million to Euro 37.1 million. Production costs have decreased by 20% from Euro 32.8 million to Euro 26.1 million. This significant improvement in gross profit (Euro 3.9 million) is the result of improved efficiency in delivering contract with customers. It is also due to the non-recurring onetime costs booked in previous financial year.

Selling costs have not changed significantly compared to last year. The Euro 0.2 million increase is the reflection of ordinary management decisions. The slight increase in administrative expenses (+Euro 0.4 million) is mainly the result of a reinforced management team.

Financial result is comparable to last year result at Eur 0.3 million.

As a result of the above, the company is showing a profit before tax of of Eur 2.1 million as opposed to a loss of EUR 2.2 million last year.

Share capital, equity and liquidity position

During the year the company has generated positive net cash flows, with cash generated from operations before financial items and tax amounting to EUR 5.4 million.

Cash and cash equivalents amounted to EUR 9.4 million at the end of the year compared to EUR 3.9 million at the end of the previous fiscal year. This reflects the efforts made in delivering more profitable projects.

At the end of the fiscal year, the Company's equity amounted to EUR 26.4 million, and the equity ratio of the company was 66.1%.

In addition to the amount of cash available at the end of March 2020, the company`s banks have confirmed that they will maintain the available credit facilities. Thus, at 31 March 2020 the company has EUR 28.8 million in uncommitted credit facilities.

It is the opinion of the Boards that the company's cash funds and credit facilities are adequate for the company to meet its commitments and liabilities as they fall due.

Strategic activities

As in previous year, the company is still focusing on selling the product suite eoAnalytics, enabling the company to better address its customer's needs and expectations. The company has recognised that the market expects faster software engineering of new solutions.

The Asia region as a whole remains a strategic growth area. Investments in a salesforce has already been made. Further business development is expected in 2020/21

The Romanian subsidiary has continued to improve the quality of the software releases, enabling faster upgrade times for customers and reduced operational costs.

Software Engineering

The company's software engineering activities take place in the parent company as well as in its subsidiaries.

The software engineering activities of the company are adapted to actual market conditions and constantly monitored to ensure software engineering project's profitability.

Special risks – operating risks and financial risks

Operating risks

The main operating risk of the company relates to its ability to maintain a strong position market position in order to ensure that the company's products and services continue to be attractive to customers.

This requires agile and fast software engineering and delivery of solutions that meet the evolving global market requirements of customers in a timely manner.

The company has a number of customers who are operating in regions which are experiencing significant conflict or political and social unrest which could affect the company's ability to deliver and maintain solutions.

Market risks

The most important market risks are related to the keen competition in the service assurance market and the constant demand for new products and services from customers. This can impose very heavy demands on constant new development of new solutions that meet time to market requirements. The stability of the global financial sector can have an impact on our customers CAPEX budgets.

Currency risk

Global activities expose results, cash flows and equity to fluctuation in exchange and interest rates affecting a number of the company's major trading currencies. The company is particularly exposed to fluctuations in the USD/Euro exchange rate.

Liquidity risks
At times the company delivers very large projects, and therefore the company must to some degree continually have credit facilities available. Therefore it is company policy continually to have irrevocable credit facilities that match the planned activities. It is also a company policy not to be dependent on a single lender, but to have loan facilities from several lenders.

Interest rate risks
Since the company is in a positive cash position there is no significant interest rate risk.

Credit risks
The company's credit risks relate primarily to the receivables from large telecom providers. When undertaking business, the company policy is to ensure that the customer's credit ratings are satisfactory.

Knowledge resources.
The primary business base of the company includes development of integrated solutions for surveillance of telecommunication networks. This places special demands on the knowledge resources needed to develop the solutions.

For a constant supply of these solutions it is essential that the company is able to recruit and keep staff with a high education level and a detailed knowledge of the telecommunications global technology market, especially expertise in surveillance systems for telecommunication networks.

Expectations for the New Year
The company expects an improved result from primary operations compared to the result for the current year.

The vision is to continue to build a solid business and management structure that will grow profitability, manage market and external environment changes and continue to deliver competitive solutions that increase shareholder value.

At the present moment, the Company is not affected by COVID-19. The Company's products and services are still in demand, but the Company keeps close track of the development to counter and react on a declining order intake and revenue.

Events after the date of the balance sheet date
No significant event has occurred since 31st March 2020 that would affect the assessment of the financial position of the company.

INCOME STATEMENT 1 APRIL - 31 MARCH

EUR 1.000	**Note**	**2019/20**	**2018/19**
Revenue		37 181	39 813
Production costs	**2**	-26 193	-32 772
GROSS PROFIT		**10 988**	**7 041**
Reseach and development costs	**3 + 4**	-369	-550
Distribution costs		-6 376	-6 186
Administrative expenses		-2 930	-2 509
RESULT OF ORDINARY, PRIMARY OPERATIONS		**1 313**	**-2 204**
RESULT BEFORE FINANCIAL ITEMS		**1 313**	**-2 204**
Share of result in subsidiaries	**5**	504	-288
RESULT FROM PRIMARY OPERATIONS		**1 817**	**-2 492**
Financial income	**6**	835	1 704
Financial costs	**7**	-571	-1 393
RESULT BEFORE TAX		**2 081**	**-2 181**
Tax for the year	**8**	-472	332
RESULT FOR THE YEAR	**9**	**1 609**	**-1 849**

BALANCE SHEET 31 MARCH

ASSETS

EUR 1.000	Note	31/03/2020	31/03/2019
Software		27	2
Completed development projects		3 763	1 905
Development projects in progress		7 123	7 931
INTANGIBLE ASSETS	**10**	**10 913**	**9 838**
Operating equipment		180	181
TANGIBLE ASSETS	**11**	**180**	**181**
Investment in subsidiaries		2 455	1 945
Deposits		27	21
FINANCIAL ASSETS	**5**	**2 482**	**1 966**
FIXED ASSETS		**13 575**	**11 985**
Finished goods and goods for resale		2 612	2 663
INVENTORIES		**2 612**	**2 663**
Deferred tax assets	**12**	1 479	2 175
Trade receivables	**13**	6 436	6 089
Contract work in progress	**14**	3 624	7 397
Receivables from subsidiaries		285	1 141
Receivables from affiliated companies		876	3 120
Other receivables		34	91
Prepayments	**15**	491	1 380
RECEIVABLES		**13 226**	**21 393**
CASH AT BANK AND IN HAND		**9 422**	**3 992**
CURRENT ASSETS		**25 260**	**28 048**
ASSETS		**38 835**	**40 033**

EQUITY & LIABILITIES

EUR 1.000	Note	31/03/2020	31/03/2019
Share capital		29 088	29 088
Revaluation reserve subs		-	-
Reserve for R&D development costs		5 520	5 311
Retained earning		(8 929)	(10 329)
EQUITY		**25 679**	**24 070**
Amounts owed to suppliers		915	555
LONG-TERM LIABILITIES	**16**	**915**	**555**
Current portion of long-term liabilities	**16**	1 775	619
Prepayment from customers	**17**	4 016	7 945
Amount owed to suppliers		1 599	1 121
Amount owed to subsidiaries		1 532	2 311
Amounts owed to affiliated companies		661	1 167
Other payables		2 658	2 245
SHORT TERM LIABILITIES		**12 241**	**15 408**
TOTAL LIABILITIES		**13 156**	**15 963**
EQUITY AND LIABILITIES		**38 835**	**40 033**
Accounting Policies	**1**		
Contractual obligations, contingencies, etc.	**18**		
Other notes	**19 - 23**		

EQUITY STATEMENT

EUR 1.000	Share capital	Retained earnings	Revaluation reserve subs	Reserve for capital-ized devel-opment cost	Total
Equity 1 April 2019	29 088	-10 329	0	5 311	24 070
Currency adjustment	0	0	0	0	0
Result for the year	0	1 400	0	209	1 609
Equity 31 March 2020	29 088	-8 929	0	5 520	25 679
Equity 1 April 2018	29 088	-8 020	176	4 681	25 925
Currency adjustment	0	0	-6	0	-6
Result for the year	0	-2 309	-170	630	-1 849
Equity 31 March 2019	29 088	-10 329	0	5 311	24 070

The share capital consists of 21,700,000 shares of a norminal value of EUR 1.34 per share.
No shares have special rights.

CASH FLOW STATEMENT

EUR 1.000	Note	31/03/2020	31/03/2019
Result from primary operations		1 817	-2 492
Adjustments for non-cash items	22	2 654	8 506
CASH FLOW OPERATIONS BEFORE CHANGES IN WORKING CAPITAL		**4 471**	**6 013**
Change in inventories		52	17
Change in trade receivables		-347	418
Change in contract work in progress		6 218	-1 643
Change in other receivables and prepayments		939	319
Change in receivables from subsidiaries and affiliated companies		3 100	-2 814
Change in payables to suppliers		478	-1 324
Change in payables to subsidiaries and affiliated companies		-1 284	1 087
Change in long-term liabilities		1 516	-480
Change in other payables		-2 032	1 831
Change in prepayments from customers		-3 930	2 063
CHANGE IN WORKING CAPITAL		**4 710**	**-526**
CASH FLOW FROM OPERATIONS BEFORE FINANCIALS AND TAX		**9 181**	**5 487**
Financial income received		609	1 556
Financial cost paid		-571	-1 148
Received taxes		224	332
FINANCIALS AND TAX		**262**	**740**
CASH FLOW FROM OPERATING ACTIVITIES		**9 443**	**6 227**
Acquisition of intangible assets		-3 944	-2 891
Acquisition of tangible assets		-69	0
Dividend subsidiaries		0	400
CASH FLOW FROM INVESTING ACTIVITIES		**-4 013**	**-2 491**
CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES		**5 430**	**3 736**
Repayment of finance lease		0	-4
CASH FLOW FROM FINANCING ACTIVITIES		0	-4
NET CASH FLOW		**5 430**	**3 732**
Cash and cash equivalents 1 April		3 992	260
CASH AND CASH EQUIVALENTS 31 MARCH		**9 422**	**3 992**

1. Accounting policies

The annual report 2019/20 has been prepared in acordance with the provisions applying to class C (medium) enterprises under the Danish Financial Statements Act.

Referring to the Danish Financial Statements Act § 112 have the Company not prepared the consolidated financial statement for the Anritsu A/S Group. Anritsu A/S is included in the consolidated accounts of Anritsu Corporation, Japan which is the Parent Company.

The annual report is prepared in EUR 1,000.

Change in classification
In the balance sheet, a reclassification of EUR 2.4 Millon has been made between the captions "Contract work in progress" and "Other payable" in the comparative figures for 2018/19.

Recognition and measurement
Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognized in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

On recognition and measurement are considered gains, loss and risks known before the date of the annual report, if these confirm or de-confirm events that existed at the date of the balance sheet.

Income is recognized in the income statement as earned. Costs incurred to generate the year's earnings, including depreciation, amortization, impairment and provisions are recognized in the income statement.

Value adjustments of financial assets and liabilities measured at amortized cost are recognized in the income statement. Reversals as a result of changes in accounting estimates of amounts which were previously recognized in the income statement are also recognized in the income statement.

Foreign currency translation
Transactions denominated in foreign currencies (e.g. purchase/sale) are translated into the currency at the exchange rates at the transaction date or at a hedged exchange rate.

Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as interest income or expense and similar items.

Receivables and payables denominated in foreign currencies and forward exchange contracts are recognized at the exchange rates at the balance sheet date. Hedged receivables and payables are recognized at the hedged exchange rates. Foreign exchange gains or losses are recognized in the income statement under interest income and expense and similar items.

Derivative financial instruments
Derivative financial instruments are recognized at market value at the balance sheet date. Realized and unrealized gains and losses are recognized in the income statement.

The value of derivative financial instruments is recognized under receivables or short-term liabilities.

Foreign exchange adjustments of financial instrments designated as a hedge of future income and expenses are deferred and recognized in the income statement when such income and expenses have been realized. The value is recognized in a separate item in equity. Premiums received or paid on financial instruments are recognized in the income statement over the term of the instruments.

Gains or losses on derivative financial instruments designated as a hedge of capital expenditure are included in the cost of theinvestment.

Pension plans
Fixed periodic contributions (defined contribution plans) are recognized in the income statement.

INCOME STATEMENT

Revenue

Revenue from the sale of goods and rendering of services is recognized in the income statement provided that delivery has taken place before year-end. Revenue is measured excluding customer discounts and bonuses in relation to the sale.

Revenue from contract work in progress is recognized at the selling price of work performed during the year (the percentage of completion method). The stage of completion is determined as the percentage of rendered services relative to the total services to be provided under the contract.

Production costs

Production costs comprise of cost related to installation and support of integrated systems. The cost includes hardware, software, direct wages and salaries including social charges, and other stafrelated costs.

R&D costs

R&D costs comprise costs, salaries, and depreciation of operating assets and equipment directly or indirectly attributable to the Company's R&D activities.

Research costs are recognized as cost in the year when they are incurred.

Costs relating to development projects that are clearly defined and identifiable, where the technical utilization degree, sufficient resources and a potential future market or development opportunities in the Company is evidenced, and where the Company intends to produce, market or use the project, are capitalized from the date on which the above-mentioned conditions are satisfied and when the present value of future earnings is expected to exceed the development costs incurred. The cost of such development projects includes direct wages, salaries, materials and other direct and indirect costs attributable to the development projects.

Other development costs are recognized as cost in the year when they are incurred.

Selling and distribution costs

Selling and distribution costs comprise costs relating to the sale and distribution of products and services, including salaries, sales commissions, advertising and marketing costs and depreciation, etc.

Management and administrative expenses

Management and administrative expenses comprise expenses incurred for administrative staff and management, office expenses and depreciation, etc.

Profits/losses from investments in subsidiaries

The proportionate share of the profit/loss after tax of the individual subsidiaries is recognized in the income statement.

Financial items

Interest income and expense and similar items comprise interest income and expense relating to the fiscal year.

Also included are finance costs relating to finance leases, impairment of investments, realized and unrealized gains and losses on derivative financial instruments, securities recognized under current assets and items denominated in foreign currencies.

Any paid or received premium on derivative financial instruments is recognized in interest income and expense and similar items over the term of the instrument.

Tax on profit/loss for the year

Tax on the taxable income for the year adjusted for changes in provision for deferred tax for the year is recognized in the income statement. Withholding tax on dividends from foreign subsidiaries is recognized in the year when dividend is received and included in the profit for the year.

Surcharges, premiums and refunds relating to tax payments are included in financial items and similar items at the time of payment.

Tax payable is recognized under short-term liabilities and deferred tax is recognized under provisions.

Tax assets are recognized under investments. Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

The tax base of tax loss carry forwards or deferred tax is recognized as an asset when the tax losses are likely to reduce tax payments in coming years.

Deferred tax is provided for according to the tax rules and at the tax rates applicable when the temporary differences are expected to reverse. The change in deferred tax as a result of changes in tax rates is recognized in the income statement.

BALANCE SHEET

Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment.
Amortization of the following intangible assets is provided on a straight-line basis over the expected useful lives of the assets.

The expected useful lives are as follows:

Software.. 3 years
Development projects .... 3 years

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the disposal date, and are recognized in the income statement as other operating income or other operating costs, respectively.

Tangible assets

Property, machinery, equipment etc. are measured at cost less depreciation and impairment.

Cost includes the cost of acquisition and cost of materials, components, subcontractor services, direct wages and salaries, and indirect production costs. Interest and other borrowing costs are not included in the cost of acquisition.

The cost of assets leased under finance leases is stated at the lower of fair value or the present value of the future lease payments at the time of acquisition. Assets leased under finance leases are recognized in the balance sheet and depreciated as the Company's other property, plant and equipment.

Depreciation of property, plant and equipment is provided on a straight-line basis over the expected useful lives of the assets. In calculating depreciation on buildings, an estimated scrap value is used.

The expected useful lives are as follows:

Operating assets and
equipment ....3 - 5 years
IT equipment ....3 - 5 years
Leased equipment…………………..........3 - 5 years
Leasehold improvements ....3 - 5 years

The useful life and sidual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognized prospectively.

Gains or losses on the disposal or retirement of an item of property, plant and equipment are determined as the difference between the selling price less costs of dismantling and disposal of the item and restoring the site and the carrying amount at the date of disposal.

The gains or losses are recognized as other operating income or other operating costs, respectively. Gains and losses on sale of property are recognized in a separate line item.

Impairment of assets

The carrying amount of intangible assets and property, plant and equipment is subject to an impairment test in connection with the year-end reporting. If indications of impairment are present, the carrying amount is written down to the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the future net cash inflows expected to arise from the use of the asset.

Investments

Investments in subsidiaries are measured using the equity method at the proportionate share of the subsidiaries' net asset value.

Subsidiarieswith negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the Company's share of the negative net asset value. If the parent company has an obligation to cover the negative equity and if the negative equity exceeds the amount owed, the remaining amount is recognized in provisions.

Inventories

Hardware and software for resale are measured at cost in accordance with the FIFO method.

Where the net realizable value is lower than cost, inventories are written down to this lower value.

Receivables

Receivables are recognized at cost and subsequently measured at the amount expected to be received.

Contract work in progress

Contract work in progress is measured at the selling price of the part of the contract performed at the balance sheet date less progress billings and anticipated losses.

The stage of completion is determined as the percentage of rendered services relative to the total services to be provided under the contract.

Provisions for bad debt losses are deducted from the selling price and determined as the total losses on the contract regardless of the actual stage of completion.

The selling price of work performed exceeding progress billings and anticipated losses is recognized under receivables. Progress billings and anticipated losses exceeding the value of work performed are recognized under liabilities.

Prepayments

Prepayments comprise prepayment of costs incurreced relating to subsequent financial years.

Financial liabilities

Amounts owed to mortgage credit institutions and banks are recognized at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan.

Financial liabilities also include the capitalized residual obligation on finance leases.

Other liabilities are recognized at cost and subsequently measured at amortized cost.

Provisions

Provisions are recognized when as a result of events in the fiscal year or in previous years the Company has an obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Provisions for restructuring of the company include costs that are related to announced decisions to restructure the existing business units.

Other rental and lease matters

When contracts for rent and lease of buildings and operating assets are of an operational nature, rental and lease payments are recognized in the income statement for the period to which they relate.

The remaining rental and lease obligations under such contracts are disclosed as contingent liabilities.

Cash flow statement

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the Company's share of the profit for the year adjusted for non-cash operating items, changes in working capital and paid corporation tax.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognized in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognized up until the date of disposal.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and acquisitions and disposals of intangible assets, tangible assets and financial assets.

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividends to shareholders.

Key ratios

The key ratios stated in the survey of financial highlights have been calculated as follows:

Gross margin:

$$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

Operating margin:

$$\frac{\text{Profit of primary operations x 100}}{\text{Revenue}}$$

Return on invested capital:

$$\frac{\text{Profit of primary operations x 100}}{\text{Average invested capital}}$$

Invested capital:

Operating intangible and tangible fixed assets and net working capital

Return on equity:

$$\frac{\text{Profit for the year x 100}}{\text{Average equity}}$$

Solvency ratio:

$$\frac{\text{Equity end year x 100}}{\text{Total assets}}$$

2. Production costs

	2019/20	2018/19
Production costs	23 329	30 650
Depreciation of capitalized development costs	2 864	2 122
Production costs	**26 193**	**32 772**

3. Development costs

Incurred development costs	4 283	3 441
Capitalized development costs	-3 914	-2 891
Development costs	**369**	**550**

4. R&D development costs

The company is capitalizing costs incurred for the development of the MasterClaw (MC) product suite. Costs comprise mainly engineering costs based on time spent. Development projects are all subject to management approval. Only projects that could generate future revenue stream are eligible for capitalization. Software versioning management is performed by the head of R&D. It is subject to regular management review. On-going development ensure that the MasterClaw suite match customers expectations in the Service Assurance market. Although length of utilization of MC by customer exceed 5 years, projects are depreciated on a 3 year basis.

5. Financial assets

	Subsidiaries	Deposits
Cost value 1 April 2019	2 463	21
Other adjustments	0	0
Additions	0	6
Disposal	0	0
Cost Price 31 March 2020	**2 463**	**27**
Revaluations 1 April 2019	-518	0
Result of the year	504	0
Dividend	0	0
Currency adjustment	6	0
Revaluation 31 March 2020	**-8**	**0**
Carrying amount 31 March 2020	**2 455**	**27**

Investment in subsidiaries are specified as follows: (EUR 1.000)

Name	Company equity	Equity	Result of the year
Anritsu Solutions s.r.l, Italy (Rome)	EUR 115K	1 080	141
Anritsu Solutions s.r.l, Romania (Bucharest)	EUR 21K	600	148
Anritsu Solutions s.r.l, Slovakia (Bratislava)	EUR 17K	775	215
Anritsu A/S's share		**2 455**	**504**

All subsidiaries are owned 100% by Anritsu A/S.

6. Financial income

	2019/20	2018/19
Interest income	0	35
Net foreign exchange gains	835	1 669
Financial income	835	1 704

7. Financial costs

Interest costs, banks and credit instititutions	78	95
Net foreign exchange losses	493	1 298
Financial costs	571	1 393

8. Tax for the year

Paid Withholdning taxes	280	400
Tax paid for the Czech branch	0	24
Tax reclaim of realised R&D costs	-504	-738
Deferred tax adjustment for the year	696	-18
Tax for the year	472	-332

9. Proposed distribution of result

Retained earnings	1 400	-2 309
Reserve for capitalised development cost	209	630
Revaluation reserve subssidiaries	0	-170
	1 609	**-1 849**

10. Intangible Fixed assets	Software	Completed development projects	Development projects in progress
Cost price 1 April 2019	61	9 402	7 931
Additions	30	0	3 914
Transferred	0	4 721	-4 721
Disposal	0	0	0
Cost price 31 March 2020	**91**	**14 124**	**7 123**
Depreciations and impairment 1 April 2019	59	7 497	0
Depreciation of the year	6	2 864	0
Depreciation of disposed assets	0	0	0
Depreciation and impairment 31 March 2020	**65**	**10 361**	**0**
Carrying amount 31 March 2020	**27**	**3 763**	**7 123**
To be depreciated over	3 years	3 years	-

11. Tangible assets	Operating equipment	It equipment	Leased equipment
Cost price 1 April 2019	6 557	45	21
Additions	69	0	0
Disposal	0	0	0
Cost Price 31 March 2020	6 625	45	21
Depreciation 1 April 2019	6 376	45	21
Depreciation for the year	69	0	0
Depreciation of disposed assets	0	0	0
Depreciation 31 March 2020	6 445	45	21
Carrying amount 31 March 2019	**180**	**0**	**0**
To be depreciated over	3 - 5 years	3 - 5 years	3 - 5 years

12. Deferred tax assets	31/03/2020	31/03/2019
Deferred tax assets 1. April	2 175	2 157
Deferred tax adjustment for the year	-696	18
Deferred tax assets	1 479	2 175

The deferred tax assets is solely related to differences between the tax values and the book values of assets and liabilities and tax losses expected to be utilised in the near future. The company has a tax loss carryforwards that have a tax value of EUR 10.2 million which has not been recognised in the balance sheet.

13. Trade Receivables	31/03/2020	31/03/2019
Receivables from sales of goods and services	6 494	6 139
Provisions for expected losses	-58	-50
Trade receivables	**6 436**	**6 089**

14. Contract work in progress

Sales value of completed work	31 054	42 021
Progress billing	-29 501	-37 940
	1 553	**4 081**
Recognised as follows in the balance sheet:		
Contract work in progress for third parties recognised under assets	3 624	7 397
Received prepayments recognised under liabilities	-2 071	-3 316
Current work in progress net	**1 553**	**4 081**

15. Prepayments

Prepayments are prepaid costs representing rent, insurance, subscriptions, license payments and agent fees.

16. Debt liabilities	31/03/2020	31/03/2019
Within a year	1 775	619
Between one and five years	915	555
After five years	0	0
Suppliers liabilities	**2 690**	**1 174**

17. Prepayments from customers

Prepayments on contract work in progress for third parties (cf. Note 14)	2 071	3 316
Prepayments from customers, derived from service contracts	1 945	4 629
Prepayments from customers	**4 016**	**7 945**

18. Contractual obligations, contingencies, etc.

Surety

The company has not provided any surety in any of the company assets.

Contingent liabilities

Bank guarantees of EUR 0.8 Million have been provided to Anritsu A/S's customers to cover performance obligations related to projects in progress.
The parent company Anritsu Corporation has provided an equivalent guarantee to the banks providing the gurantees.

19. Staff costs

	2019/20	2018/19
Wages and salaries	1 506	1 789
Pensions	28	42
Other social security costs	75	55
Total	**1 609**	**1 886**

The staff cost is recognized in the income statement as below:

Production costs	415	660
Distribution costs	883	808
Administration costs	311	418
Total	**1 609**	**1 886**

Average number of employees	9	8

Pursuant to section 98B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed for 2019/20 (2018/19: EUR 444 thousand).

20. Depreciation

Depreciation on development projects	2 864	2 122
Depreciation on intangible assets	6	5
Depreciation on tangible assets	69	6 183
Total	**2 939**	**8 310**

Depreciation and impairment is recognized in the income statement as below:

Production costs	5	6 164
Production costs, capitalized development projects	2 864	2 122
Research and development costs	65	10
Distribution costs	6	9
Administration costs	-	5
Total	**2 939**	**8 310**

Depreciation of tangible assets includes assets that have been used as part of a solution that is delivered to a customer.

21. Related parties and ownership relations

Controlling interest	Background
Anritsu Corporation, Onna 5-1-1, Atsugi-shi Kanagawa 243-8555, Japan	Principal Shareholder

Other related parties:	Background
Anritsu Solutions s.r.l, Italy	Subsidiary
Anritsu Solutions s.r.l, Romania	Subsidiary
Anritsu Solutions s.r.l, Slovakia	Subsidiary

Ownership

The below shareholder is noted in the company register of shareholders as owner of a minimum of 5% of the votes on a minimum of 5% of the share capital.

Anritsu Corporation
Onna 5-1-1
Atsughi-shi
Kanagawa 243-8555
Japan

Group relations:

The company's immediate and ultimate parent company, which prepares the Group accounts, and of which the company is a part as a subsidiary is:

Anritsu Corporation, Onna 5-1-1, Atsugi-shi, Kanagawa 243-8555, Japan.

The Group accounts for the foreign parant company is available from this adress:

Anritsu Corporation, Onna 5-1-1, Atsugi-shi, Kanagawa 243-8555, Japan.

or at this link: www.anritsu.com

Related party transactions

	2019/20	2018/19
Sale of services and goods to subsidiaries	2 501	3 158
Purchase of services and goods from subsidiaries	8 931	8 284
Total of transactions between Anritsu A/S and subsidiaries	**11 432**	**11 442**
Sale of services and goods to affiliated companies	7 053	10 200
Purchase of services and goods from affiliated companies	7 012	7 468
Total of transactions between Anritsu A/S and affiliated companies	**14 065**	**17 668**

Remuneration to the Parent company´s Executive Board and Board of Directors is disclosed in note 19.

Receivables from and Payables to subsidiaries and affiliated companies are disclosed in the balance sheet.

22. Adjustments for non-cash items

	2019/20	2018/19
Depreciation	2 939	8 310
Share of result in subsidiaries	-504	288
Unrealised gains from exchange rate adjustment of foreign currency	226	149
Unrealised losses from exchange rate adjustment of foreign currency	0	-241
Other adjustments	-7	0
Adjustments for non-cash items	**2 654**	**8 506**