

Anritsu A/S

Registration No. 28 31 01 61

Annual Report 2020/21

Management review and financial statements
for the period 1 April 2020 – 31 March 2021

(17th fiscal year)

Annual Report was presented and approved at
the Annual General Meeting

Date: 7th July 2021

Takeshi Shima
Chairman of the meeting

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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 2020/21 for the financial year 1 April 2020– 31 March 2021.

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 2021 and of the results of the Company's operations and cash flows for the financial year 1 April 2020 – 31 March 2021.

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, 7th July 2021

Executive Board

Ralf Iding

Board of Directors

T. Shima
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 – 31 March 2021 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 2021 and of the results of the Company's operations and cash flows for the financial year 1 April – 31 March 2021 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

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, 7th July 2021

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Kim Schmidt
State Authorised
Public Accountant
mne34552

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

Takeshi Shima (Chairman),
Toru Wakinaga
Akifuma Kubota
Neil Tomlinson
Ralf Iding

Executive Board

Ralf Iding

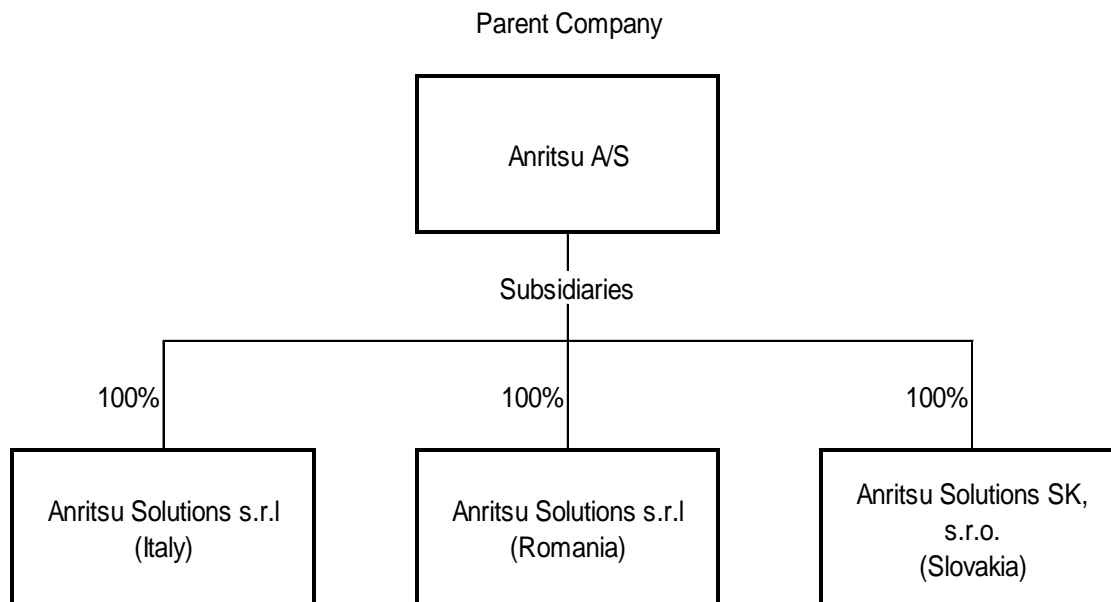
Ownership

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



Financial highlights

EUR 1.000	2020/21	2019/20	2018/19	2017/18	2016/17
Key figures					
Revenue	31,040	37,181	39,813	26,664	37,656
Gross profit	10,282	10,988	7,041	8,054	13,959
Result from primary operations	1,923	1,817	-2,492	-3,027	466
Result of financial items	-913	264	311	-1,718	734
Result for the year	1,486	1,609	-1,849	-4,850	723
Balance sheet					
Fixed assets	14,484	13,575	11,985	18,098	10,614
Current assets	27,545	25,260	30,493	23,058	35,779
Total assets, year end	42,029	38,835	40,033	41,156	46,393
Investments in tangible assets	0	69	0	6,510	0
Share Capital	29,088	29,088	29,088	29,088	29,088
Equity, year end	27,165	25,679	24,070	25,925	30,781
Number of employees, average					
	8	9	8	8	14
Key ratios					
Operating margin	6.2%	4.9%	-6.3%	-11.4%	1.2%
Return on invested capital	8.0%	7.6%	-10.8%	-11.7%	1.7%
Gross margin	33.1%	29.6%	17.7%	30.2%	37.1%
Solvency ratio	64.6%	66.1%	60.1%	63.0%	66.3%
Return on equity	5.6%	6.5%	-7.4%	-17.1%	2.4%

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 16,5% from Euro 37.2 million to Euro 31.0 million. Economic uncertainty as a result of the COVID19 crisis, has made customer more cautious regarding their investments. Production costs have decreased by 20% from Euro 26.2 million to Euro 20.8 million. Margin has improved from 29% to 33%. This margin improvement is the result of improved efficiency in delivering contract with customers and cost management.

Selling costs have significantly decreased compared to last year (-1,2 million). This is the result of a decrease in travel costs and commissions. The administrative expenses include an exceptional accrual for reorganisation. This mainly explains the 0,5 million increase.

The drop in financial result is the result of less favorable exchange rate impact.

As a result of the above, the company is showing a profit before tax of Eur 1,0 million as opposed to a profit of EUR 2.1 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 2,6 million.

Cash and cash equivalents amounted to EUR 11.5 million at the end of the year compared to EUR 9,4 million at the end of the previous fiscal year. This reflects the efforts made in delivering more profitable projects and a strong emphasis in cash collection.

At the end of the fiscal year, the Company's equity amounted to EUR 27.2 million, and the equity ratio of the company was 64,6%

In addition to the amount of cash available at the end of March 2021, the company's banks have confirmed that they will maintain the available credit facilities. Thus, at 31 March 2021 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 2021/22

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.

The company is hoping to take advantage of the apparent slowdown of the covid 19 crisis and benefits from the overall economy recovery.

Events after the date of the balance sheet date

No significant event has occurred since 31st March 2021 that would affect the assessment of the financial position of the company.

INCOME STATEMENT 1 APRIL - 31 MARCH

EUR 1.000	Note	<u>2020/21</u>	<u>2019/20</u>
Revenue		31,040	37,181
Production costs	2	<u>-20,757</u>	<u>-26,193</u>
GROSS PROFIT		<u>10,282</u>	<u>10,988</u>
Research and development costs	3 + 4	-272	-369
Distribution costs		-5,123	-6,376
Administrative expenses		<u>-3,411</u>	<u>-2,930</u>
RESULT OF ORDINARY, PRIMARY OPERATIONS		<u>1,475</u>	<u>1,313</u>
RESULT BEFORE FINANCIAL ITEMS		<u>1,475</u>	<u>1,313</u>
Share of result in subsidiaries	5	447	504
RESULT FROM PRIMARY OPERATIONS		<u>1,923</u>	<u>1,817</u>
Financial income	6	0	835
Financial costs	7	<u>-913</u>	<u>-571</u>
RESULT BEFORE TAX		<u>1,010</u>	<u>2,081</u>
Tax for the year	8	<u>476</u>	<u>-472</u>
RESULT FOR THE YEAR	9	<u>1,486</u>	<u>1,609</u>

BALANCE SHEET 31 MARCH

ASSETS

EUR 1.000	Note	31/03/2021	31/03/2020
Software		17	27
Completed development projects		5,434	3,763
Development projects in progress		6,003	7,123
INTANGIBLE ASSETS	10	11,453	10,913
Operating equipment		102	180
TANGIBLE ASSETS	11	102	180
Investment in subsidiaries		2,902	2,455
Deposits		27	27
FINANCIAL ASSETS	5	2,930	2,482
FIXED ASSETS		14,484	13,575
Finished goods and goods for resale		2,694	2,612
INVENTORIES		2,694	2,612
Deferred tax assets	12	1,536	1,479
Trade receivables	13	5,877	6,436
Contract work in progress	14	1,670	3,624
Receivables from subsidiaries		886	285
Receivables from affiliated companies		761	876
Other receivables		2,144	34
Prepayments	15	458	491
RECEIVABLES		13,331	13,226
CASH AT BANK AND IN HAND		11,520	9,422
CURRENT ASSETS		27,545	25,260
ASSETS		42,029	38,835

BALANCE SHEET 31. MARCH

EQUITY & LIABILITIES

EUR 1.000	Note	<u>31/03/2021</u>	<u>31/03/2020</u>
Share capital		29,088	29,088
Revaluation reserve subs		439	-
Reserv for R&D development costs		5,949	5,520
Retained earning		<u>(8,312)</u>	<u>(8,929)</u>
EQUITY		<u>27,165</u>	<u>25,679</u>
Amounts owed to suppliers		-	915
LONG-TERM LIABILITIES	16	<u>-</u>	<u>915</u>
Current portion of non-current liabilities	16	610	1,775
Prepayment from customers	17	7,057	4,016
Amount owed to suppliers		1,976	1,599
Amount owed to subsidiaries		902	1,532
Amounts owed to affiliated companies		700	661
Other payables		<u>3,620</u>	<u>2,658</u>
SHORT TERM LIABILITIES		<u>14,864</u>	<u>12,241</u>
TOTAL LIABILITIES		<u>14,864</u>	<u>13,156</u>
EQUITY AND LIABILITIES		<u><u>42,029</u></u>	<u><u>38,835</u></u>
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EQUITY STATEMENT

EUR 1.000	Share capital	Retained earnings	Revalua- tion re- serve subs	Reserve for capitalized development cost	Total
Equity 1 April 2020	29,088	-8,929	0	5,520	25,679
Currency adjustment	0	0	0	0	0
Result of the year	0	618	439	429	1,486
Equity 31 March 2021	29,088	-8,312	439	5,949	27,165
Equity 1 April 2019	29,088	-10,329	0	5,311	24,070
Currency adjustment	0	0	0	0	0
Result of the year	0	1,400	0	209	1,609
Equity 31 March 2020	29,088	-8,929	0	5,520	25,679

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

CASH FLOW STATEMENT

EUR 1.000	Note	31/03/2021	31/03/2020
Result from primary operations		1,923	1,817
Adjustments for non-cash items	22	3,027	2,654
CASH FLOW OPERATIONS BEFORE CHANGES IN WORKING CAPITAL		4,950	4,471
Change in inventories		-82	52
Change in receivables		559	-347
Change in contract work in progress		1,954	6,218
Change in other receivables and prepayments		-2,076	939
Change in receivables from associated and group related companies		-486	3,100
Change in payables to suppliers		377	478
Change in payables to affiliated and group related companies		-591	-1,284
Change in Current portion of non-current liabilities		-2,080	1,516
Change in other payables		961	-2,032
Change in prepayments from customers		3,041	-3,930
CHANGE IN WORKING CAPITAL		1,578	4,710
CASH FLOW FROM OPERATIONS BEFORE FINANCIALS AND TAX		6,528	9,181
Financial income received		336	609
Financial cost paid		-652	-571
Paid taxes		-319	224
FINANCIALS AND TAX		-635	262
CASH FLOW FROM OPERATING ACTIVITIES		5,893	9,443
Acquisition of intangible assets		-3,796	-3,944
Acquisition of tangible assets		0	-69
CASH FLOW FROM INVESTING ACTIVITIES		-3,796	-4,013
CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES		2,097	5,430
CASH FLOW FROM FINANCING ACTIVITIES			
NET CASH FLOW		2,097	5,430
Cash and cash equivalents 1 April		9,422	3,992
CASH AND CASH EQUIVALENTS 31 MARCH		11,519	9,422

1. Accounting policies

The annual report 2020/21 has been prepared in accordance 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.

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.

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 staff-related 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 residual 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.

Subsidiaries with 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 incurred 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	2020/21	2019/20
Production costs	17,512	23,329
Depreciation of capitalized development costs	3,245	2,864
Production costs	20,757	26,193

3. Development costs

Incurred development costs	4,067	4,283
Capitalized development costs	-3,795	-3,914
Development costs	272	369

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 2020	2,463	27
Cost Price 31 March 2021	2,463	27
Revaluations 1 April 2020	-8	0
Result of the year	447	0
Revaluation 31 March 2021	439	0
Carrying amount 31 March 2021	2,902	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 208K	1,201	122
Anritsu Solutions s.r.l, Romania (Bucharest)	EUR 23K	773	177
Anritsu Solutions s.r.l, Slovakia (Bratislava)	EUR 18K	928	148
Anritsu A/S's share		2,902	447

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

	2020/21	2019/20	
6. Financial income			
Net foreign exchange gains	0	835	
Financial income	0	835	
7. Financial costs			
Interest costs, banks and credit institutes	94	78	
Net exchange rate loss	818	493	
Financial costs	913	571	
8. Tax for the year			
Paid Withholding taxes	319	280	
Tax reclaim of realised R&D costs	-738	-504	
Deferred tax adjustment for the year	-57	696	
Tax for the year	-476	472	
9. Proposed distribution of result			
Retained earnings	618	1,400	
Reserve for capitalized development cost	429	209	
Revaluation reserve subsidiaries	439	0	
	1,486	1,609	
10. Intangible Fixed assets	Software	Completed development projects	Development projects in progress
Cost price 1 April 2020	91	14,124	7,123
Additions	0	0	3,795
Transferred	0	4,916	-4,916
Disposal	-61	0	0
Cost price 31 March 2021	30	19,040	6,003
Depreciations and impairment 1 April 2020	65	10,361	0
Depreciation of the year	10	3,245	0
Depreciation of disposed assets	-61	0	0
Depreciation and impairment 31 March 2021	13	13,606	0
Carrying amount 31 March 2021	17	5,434	6,003
To be depreciated over	3 years	3 years	-

11. Tangible assets	Operating equipment	It equipment	Leased equipment
Cost price 1 April 2020	6,625	45	21
Disposal	0	0	-21
Cost Price 31 March 2021	6,625	45	0
Depreciation 1 April 2020	6,445	45	21
Depreciation for the year	78	0	0
Depreciation of disposed assets	0	0	-21
Depreciation 31 March 2021	6,523	45	0
Carrying amount 31 March 2021	102	0	0

To be depreciated over 3 - 5 years 3 - 5 years 3 - 5 years

12. Deferred tax assets	31/03/2021	31/03/2020
Deferred tax assets 1. April	1,479	2,175
Deferred tax adjustment for the year	57	-696
Deferred tax assets	1,536	1,479

The deferred tax assets are solely related to differences between the tax values and the book values of assets and liabilities. The company has a tax loss carryforwards of EUR 11,3 million which is not recognized in the deferred tax assets.

13. Trade Receivables	31/03/2021	31/03/2020
Receivables from sales of goods and services	6,031	6,494
Provisions for expected losses	-154	-58
Trade receivables	5,877	6,436

14. Contract work in progress

Sales value of completed work	14,401	31,054
Progress billing	-14,915	-29,501
	-514	1,553

Recognized as follows in the balance:

Contract work in progress for third parties entered under assets	1,670	3,624
Received prepayments entered under liabilities	-2,183	-2,071
Current work in progress net	-514	1,553

15. Prepayments

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

16. Debt liabilities	31/03/2021	31/03/2020
Within a year	610	1,775
Between one and five years	0	915
Suppliers liabilities	610	2,690

17. Prepayments from customers

Prepayments on contract work in progress for third parties (cf. Note 14)	2,183	2,071
Prepayments from customers, derived from service contracts	4,874	1,945
Prepayments from customers	7,057	4,016

18. Contingent Items

Securities

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

Contingent liabilities

Security for Anritsu A/S's customer obligations in projects in progress. Bank guarantees of EUR 0,9M have been provided.

The parent company Anritsu Corporation has provided an equivalent guarantee to the banks providing the guarantees.

19. Staff costs	2020/21	2019/20
Wages and salaries	2,027	1,506
Pensions	17	28
Other social security costs	85	75
Total	2,129	1,609

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

Production costs	667	415
Distribution costs	1,330	883
Administration costs	132	312
Total	2,129	1,610

Average number of employees	8	9
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Pursuant to section 98B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed. The Board of Directors has not received remuneration.

20. Depreciation

Depreciation on development projects	3,245	2,864
Depreciation on intangible assets	10	6
Depreciation on tangible assets	78	69
Total	3,333	2,939

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

Production costs	65	5
Administration costs	0	0
Production costs, capitalized development projects	3,245	2,864
Research and development costs, other assets	13	65
Distribution costs	10	6
Total	3,334	2,939

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

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

Back- ground

Principal Shareholder

Other related parties:

Anritsu Solutions s.r.l, Italy
Anritsu Solutions SPA, Romania
Anritsu Solutions SK s.r.o., Slovakia

Back- ground

Subsidiary
Subsidiary
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 parent company is available from this address:

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

or at this link: www.anritsu.com

Related party transactions

	2020/21	2019/20
Sale of services and goods to subsidiaries	1,818	2,501
Purchase of services and goods from subsidiaries	9,169	8,931
Total of transactions between Anritsu A/S and subsidiaries	10,987	11,432
Sale of services and goods to affiliated companies	9,390	7,053
Purchase of services and goods from affiliated companies	6,183	7,012
Total of transactions between Anritsu A/S and affiliated companies	15,574	14,065

Payables and receivables to/from associates and subsidiaries are disclosed in the balance sheet.

22. Adjustments for non-cash items

	31/03/2021	31/03/2020
Depreciation	3,334	2,939
Share of result in subsidiaries	-447	-504
Unrealised gains from exchange rate adjustment of foreign currency	0	226
Unrealised losses from exchange rate adjustment of foreign currency	-597	0
Other adjustments	738	-7
Adjustments for non-cash items	3,027	2,654