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# ***Sigma Designs Technology Denmark ApS***

Emdrupvej 28B, DK-2100 København Ø

## **Annual Report for 1 February 2016 - 31 January 2017**

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CVR No 32 78 72 74

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
14/06 2017

Anders Lavesen  
Chairman



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# **Management's Statement**

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Sigma Designs Technology Denmark ApS for the financial year 1 February 2016 - 31 January 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 January 2017 of the Company and of the results of the Company operations for 2016/17.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Copenhagen, 14 June 2017

## **Executive Board**

Niels Thybo Johansen

## **Supervisory Board**

Thinh Quy Tran  
Chairman

Niels Thybo Johansen

Elias Nadim Nader

# Independent Auditor's Report

To the Shareholder of Sigma Designs Technology Denmark ApS

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 January 2017 and of the results of the Company operations for the financial year 1 February 2016 - 31 January 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Sigma Designs Technology Denmark ApS for the financial year 1 February 2016 - 31 January 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

## Basis for Opinion

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

## Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

# Independent Auditor's Report

## Management's Responsibilities for the Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

København, 14 June 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Niels Henrik B. Mikkelsen  
State Authorised Public Accountant

James Liang  
State Authorised Public Accountant

## Company Information

### **The Company**

Sigma Designs Technology Denmark ApS  
Emdrupvej 28B  
DK-2100 København Ø

CVR No: 32 78 72 74  
Financial period: 1 February - 31 January  
Incorporated: 15 March 2010  
Municipality of reg. office: København

### **Bestyrelse**

Thinh Quy Tran, Chairman  
Niels Thybo Johansen  
Elias Nadim Nader

### **Executive Board**

Niels Thybo Johansen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

# Management's Review

## Main activity

Sigma Designs Technology Denmark ApS is a Danish-American company which is active in the home control and energy management market. The Company has developed Z-Wave TM Technology, which enables low cost, highly reliable wireless communication between devices such as power outlets, light switches, sensors and alarms, thermostats, AV equipment (TV, Radio, etc), door locks and other similar devices on a layered and interoperable platform.

Our Z-Wave TM Technology provides system integrators access to over 1700 products complying with the same standard and with guaranteed interoperability which we believe creates an attractive ecosystem. This makes our Z-Wave TM Technology unique in the home control and energy management market, and a prime candidate to be selected by new service providers entering this emerging space. Because the International Telecommunication Union, or ITU, has developed a new sub 1GHz narrow band wireless standard which is largely based on Z-Wave TM Technology and defines backwards compatibility to the Z-Wave TM standard, and because of the large ecosystem of products based on the Z-Wave TM standard, we believe our Z-Wave TM products will be one of the preferred solutions for telecommunication and multi-service operators.

Our Z-Wave TM Technology is being marketed by a sister company - Sigma Designs Denmark Aps.

## Development in the year

The income statement of the Company for 2016/17 shows a profit of TDKK 2,358, and at 31 January 2017 the balance sheet of the Company shows equity of TDKK 7,760.

## Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.



## Income Statement 1 February - 31 January

	Note	2016/17 TDKK	2015/16 TDKK
<b>Gross profit/loss</b>		<b>12.926</b>	<b>10.680</b>
Distribution expenses	1	-4.489	-4.236
Administrative expenses	1	-5.229	-4.388
<b>Operating profit/loss</b>		<b>3.208</b>	<b>2.056</b>
Other operating expenses		-9	-39
<b>Profit/loss before financial income and expenses</b>		<b>3.199</b>	<b>2.017</b>
Financial income	2	296	165
Financial expenses	3	-472	-642
<b>Profit/loss before tax</b>		<b>3.023</b>	<b>1.540</b>
Tax on profit/loss for the year	4	-665	-365
<b>Net profit/loss for the year</b>		<b>2.358</b>	<b>1.175</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings	2.358	1.175
	<b>2.358</b>	<b>1.175</b>

# Balance Sheet 31 January

## Assets

	Note	2017 TDKK	2016 TDKK
Software		957	1.911
<b>Intangible assets</b>	5	<b>957</b>	<b>1.911</b>
Other fixtures and fittings, tools and equipment		394	585
<b>Property, plant and equipment</b>	6	<b>394</b>	<b>585</b>
<b>Fixed assets</b>		<b>1.351</b>	<b>2.496</b>
Receivables from group enterprises		22.357	17.341
Other receivables		370	305
Prepayments		244	2
<b>Receivables</b>		<b>22.971</b>	<b>17.648</b>
<b>Cash at bank and in hand</b>		<b>3.168</b>	<b>2.589</b>
<b>Currents assets</b>		<b>26.139</b>	<b>20.237</b>
<b>Assets</b>		<b>27.490</b>	<b>22.733</b>

# Balance Sheet 31 January

## Liabilities and equity

	Note	2017 TDKK	2016 TDKK
Share capital		80	80
Retained earnings		7.680	5.322
<b>Equity</b>		<b>7.760</b>	<b>5.402</b>
Provision for deferred tax		62	251
<b>Provisions</b>		<b>62</b>	<b>251</b>
Trade payables		1.322	1.805
Payables to group enterprises		13.035	11.064
Corporation tax		855	406
Other payables		4.456	3.805
<b>Short-term debt</b>		<b>19.668</b>	<b>17.080</b>
<b>Debt</b>		<b>19.668</b>	<b>17.080</b>
<b>Liabilities and equity</b>		<b>27.490</b>	<b>22.733</b>
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## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 February	80	5.322	5.402
Net profit/loss for the year	0	2.358	2.358
<b>Equity at 31 January</b>	<b>80</b>	<b>7.680</b>	<b>7.760</b>

# Notes to the Financial Statements

	2016/17 TDKK	2015/16 TDKK
<b>1 Staff</b>		
Wages and Salaries	30.053	26.382
Pensions	428	369
	<b>30.481</b>	<b>26.751</b>
Wages and Salaries and pensions are recognised in the following items:		
Cost of sales	24.383	21.632
Distribution expenses	3.014	3.002
Administrative expenses	3.084	2.117
	<b>30.481</b>	<b>26.751</b>
<b>Average number of employees</b>	<b>37</b>	<b>34</b>
<b>2 Financial income</b>		
Interest received from group enterprises	293	165
Exchange gains	3	0
	<b>296</b>	<b>165</b>
<b>3 Financial expenses</b>		
Interest paid to group enterprises	390	376
Other financial expenses	12	1
Exchange loss	70	265
	<b>472</b>	<b>642</b>
<b>4 Tax on profit/loss for the year</b>		
Current tax for the year	855	406
Deferred tax for the year	-190	-41
	<b>665</b>	<b>365</b>

# Notes to the Financial Statements

## 5 Intangible assets

	Software TDKK
Cost at 1 February	3.793
Additions for the year	274
Disposals for the year	-139
Cost at 31 January	3.928
Impairment losses and amortisation at 1 February	1.882
Amortisation for the year	1.228
Reversal of amortisation of disposals for the year	-139
Impairment losses and amortisation at 31 January	2.971
<b>Carrying amount at 31 January</b>	<b>957</b>

## 6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK
Cost at 1 February	1.478
Additions for the year	98
Disposals for the year	-135
Cost at 31 January	1.441
Impairment losses and depreciation at 1 February	893
Depreciation for the year	280
Reversal of impairment and depreciation of sold assets	-126
Impairment losses and depreciation at 31 January	1.047
<b>Carrying amount at 31 January</b>	<b>394</b>

# Notes to the Financial Statements

## 7 Contingent assets, liabilities and other financial obligations

### Contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Sigma Designs Denmark ApS is the management company of the joint taxation purposes. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

## 8 Related parties

	<u>Basis</u>
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### Controlling interest

Sigma Designs Inc. 47467 Fremont Blvd, Fremont, CA 94538, USA	Main owner
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### Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Sigma Designs Inc. 47467 Fremont Blvd, Fremont, CA 94538, USA

The Company's ultimate parent company is Sigma Designs Inc. The consolidated financial statements of Sigma Designs Inc. can be obtained at Sigma Designs Inc, 47467 Fremont Blvd, Fremont, CA 94538, USA.

# Notes, Accounting Policies

## Basis of Preparation

The Annual Report of Sigma Designs Technology Denmark ApS for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2016/17 are presented in TDKK.

## Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

## Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

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

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



# Notes, Accounting Policies

## Income Statement

### Gross profit/loss

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

### Revenue

Revenue regards commission income. Income in the form of commission is recognized in net sales when costs from which commission is received are incurred.

### Distribution expenses

Distribution expenses are expenses related to sales- and distribution expenses.

### Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, amortisation and depreciation, etc.

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment.

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

# Notes, Accounting Policies

## Balance Sheet

### Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 3 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 7,000 are expensed in the year of acquisition.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

## **Notes, Accounting Policies**

### **Prepayments**

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

### **Deferred tax assets and liabilities**

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

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

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

### **Current tax receivables and liabilities**

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

### **Financial debts**

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