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

Emdrupvej 28, DK-2100 København Ø

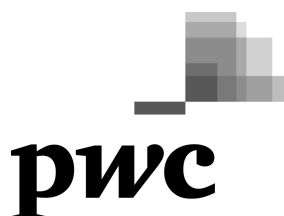
## **Annual Report for 1 February 2015 - 31 January 2016**

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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  
24/06 2016

Anders Lavesen  
Chairman



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## **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Sigma Designs Technology Denmark ApS for the financial year 1 February 2015 - 31 January 2016.

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 2016 of the Company and of the results of the Company operations for 2015/16.

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, 24 June 2016

### **Direktion**

Niels Thybo Johansen

### **Bestyrelse**

Thinh Quy Tran  
Chairman

Niels Thybo Johansen

Elias Nadim Nader

# **Independent Auditor's Report on the Financial Statements**

To the Shareholder of Sigma Designs Technology Denmark ApS

## **Report on the Financial Statements**

We have audited the Financial Statements of Sigma Designs Technology Denmark ApS for the financial year 1 February 2015 - 31 January 2016, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

### **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 as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 January 2016 and of the results of the Company operations for the financial year 1 February 2015 - 31 January 2016 in accordance with the Danish Financial Statements Act.

# **Independent Auditor's Report on the Financial Statements**

## **Statement on Management's Review**

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

København, 24 June 2016

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Niels Henrik B. Mikkelsen  
statsautoriseret revisor

James Liang  
statsautoriseret revisor

## Company Information

### **The Company**

Sigma Designs Technology Denmark ApS  
Emdrupvej 28  
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 active in the control networks market. The Company has developed the Z-Wave™ technology, which enables lowcost, 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 therefore interoperable platform.

Our Z-Wave™ Technology provides system integrators access to over 1500 products complying with the same standard and with guaranteed interoperability which we believe creates an attractive ecosystem. This makes our Z-Wave™ 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™ Technology and defines backwards compatibility to the Z-Wave™ standard, and because of the large ecosystem of products based on the Z-Wave™ standard, we believe our Z-Wave™ products will be one of the preferred solutions for telecommunication and multi-service operators.

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

## Development in the year

The income statement of the Company for 2015/16 shows a profit of TDKK 1,175, and at 31 January 2016 the balance sheet of the Company shows equity of TDKK 5,402.

## 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	2015/16 TDKK	2014/15 TDKK
<b>Revenue</b>		<b>41.462</b>	<b>31.923</b>
Cost of sales		-30.782	-24.166
<b>Gross profit/loss</b>		<b>10.680</b>	<b>7.757</b>
Distribution expenses		-4.236	-2.428
Administrative expenses		-4.388	-3.664
Other operating expenses		-39	0
<b>Resultat før finansielle poster</b>		<b>2.017</b>	<b>1.665</b>
Financial income	1	165	290
Financial expenses	2	-642	-1.132
<b>Profit/loss before tax</b>		<b>1.540</b>	<b>823</b>
Tax on profit/loss for the year	3	-365	-176
<b>Net profit/loss for the year</b>		<b>1.175</b>	<b>647</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings	1.175	647
	<b>1.175</b>	<b>647</b>

# Balance Sheet 31 January

## Assets

	Note	2016 TDKK	2015 TDKK
Software		1.911	2.950
<b>Intangible assets</b>	<b>4</b>	<b>1.911</b>	<b>2.950</b>
Other fixtures and fittings, tools and equipment		585	228
Leasehold improvements		0	28
<b>Property, plant and equipment</b>	<b>5</b>	<b>585</b>	<b>256</b>
<b>Fixed assets</b>		<b>2.496</b>	<b>3.206</b>
Receivables from group enterprises		17.341	12.041
Other receivables		305	221
Prepayments		2	312
<b>Receivables</b>		<b>17.648</b>	<b>12.574</b>
<b>Cash at bank and in hand</b>		<b>2.589</b>	<b>2.931</b>
<b>Currents assets</b>		<b>20.237</b>	<b>15.505</b>
<b>Assets</b>		<b>22.733</b>	<b>18.711</b>

# Balance Sheet 31 January

## Liabilities and equity

	Note	2016 TDKK	2015 TDKK
Share capital		80	80
Retained earnings		5.322	4.147
<b>Equity</b>		<b>5.402</b>	<b>4.227</b>
Hensættelse til udskudt skat		251	292
<b>Provisions</b>		<b>251</b>	<b>292</b>
Trade payables		1.805	744
Payables to group enterprises		11.064	10.254
Corporation tax		406	123
Other payables		3.805	3.071
<b>Short-term debt</b>		<b>17.080</b>	<b>14.192</b>
<b>Debt</b>		<b>17.080</b>	<b>14.192</b>
<b>Liabilities and equity</b>		<b>22.733</b>	<b>18.711</b>
Staff	6		
Related parties and ownership	7		

## Statement of Changes in Equity

	Share capital TDKK	Retained earnings TDKK	Total TDKK
Equity at 1 February	80	4.147	4.227
Net profit/loss for the year	0	1.175	1.175
<b>Equity at 31 January</b>	<b>80</b>	<b>5.322</b>	<b>5.402</b>

# Notes to the Financial Statements

	2015/16 TDKK	2014/15 TDKK
<b>1 Financial income</b>		
Interest received from group enterprises	166	289
Exchange gains	-1	1
	<b>165</b>	<b>290</b>
<b>2 Financial expenses</b>		
Interest paid to group enterprises	376	381
Other financial expenses	1	0
Exchange loss	265	751
	<b>642</b>	<b>1.132</b>
<b>3 Tax on profit/loss for the year</b>		
Current tax for the year	406	0
Deferred tax for the year	-41	176
	<b>365</b>	<b>176</b>

# Notes to the Financial Statements

## 4 Intangible assets

	Software TDKK
Cost at 1 February	4.596
Additions for the year	681
Disposals for the year	-1.484
Cost at 31 January	3.793
Impairment losses and amortisation at 1 February	1.646
Amortisation for the year	1.720
Reversal of amortisation of disposals for the year	-1.484
Impairment losses and amortisation at 31 January	1.882
<b>Carrying amount at 31 January</b>	<b>1.911</b>

## 5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK
Cost at 1 February	969	46
Additions for the year	596	0
Disposals for the year	-87	-46
Cost at 31 January	1.478	0
Impairment losses and depreciation at 1 February	741	18
Impairment losses for the year	16	24
Depreciation for the year	223	4
Reversal of impairment and depreciation of sold assets	-87	-46
Impairment losses and depreciation at 31 January	893	0
<b>Carrying amount at 31 January</b>	<b>585</b>	<b>0</b>

# Notes to the Financial Statements

	2015/16 TDKK	2014/15 TDKK
<b>6 Staff</b>		
Wages and Salaries	26.382	19.606
Pensions	369	989
Other social security expenses	0	545
	<b>26.751</b>	<b>21.140</b>

Wages and Salaries, pensions and other social security expenses are recognised in the following items:

Cost of sales	21.632	17.415
Distribution expenses	3.002	2.023
Administrative expenses	2.117	1.702
	<b>26.751</b>	<b>21.140</b>

## 7 Related parties and ownership

### Basis

#### Controlling interest

Sigma Designs Inc. 1778 McCarthy Blvd, Milpitas, CA., 95035, USA      Hovedeejer

#### 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. 1778 McCarthy Blvd, Milpitas, CA., 95035, USA

# Accounting Policies

## Basis of Preparation

The Annual Report of Sigma Designs Technology Denmark ApS for 2015/16 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015/16 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. Gains and losses 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 transaction date rates are recognised in financial income and expenses in the income statement.

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

# **Accounting Policies**

## **Income Statement**

### **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.

### **Cost of sales**

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

### **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.

## **Balance Sheet**

### **Intangible assets**

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

## Accounting Policies

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.

### Prepayments

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

# Accounting Policies

## 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.

## Financial debts

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