Thrane & Thrane A/S

Lundtoftegårdsvej 93 D, DK-2800 Kgs. Lyngby

Annual Report for 1 January - 31 December 2015

CVR No 65 72 46 18

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 26/5 2016

Jakob Skaadstrup Andersen
Chairman

pwc

Contents

pwc

Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Thrane & Thrane A/S for the financial year 1 January - 31 December 2015.

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 December 2015 of the Company and of the results of the Company operations for 2015.

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.

Kongens Lyngby, 26 May 2016

Executive Board

Frederick John Cahill

Morten Schøtt Knudsen

Supervisory Board

Michael Georges Marcel Emelianoff
Chairman

Simon Peter Campbell Morgan
Deputy Chairman

Stephen Charles Beeching

Christian Schreiner Mørup-Petersen

Kristjan Sonne Nørgaard

Independent Auditor's Report on the Financial Statements

To the Shareholders of Thrane & Thrane A/S

Report on the Financial Statements

We have audited the Financial Statements of Thrane & Thrane A/S for the financial year 1 January - 31 December 2015, 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 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 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.

Copenhagen, 26 May 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Erik Stener Jørgensen
statsautoriseret revisor

René Poulsen
statsautoriseret revisor

Company Information

The Company	Thrane & Thrane A/S Lundtoftegårdsvej 93 D DK-2800 Kgs. Lyngby Telephone: 39558800 Facsimile: 39558888 CVR No: 65 72 46 18 Financial period: 1 January - 31 December Municipality of reg. office: Lyngby-Taarbæk
Supervisory Board	Michael Georges Marcel Emelianoff, Chairman Simon Peter Campbell Morgan, Deputy Chairman Stephen Charles Beeching Christian Schreiner Mørup-Petersen Kristjan Sonne Nørgaard
Executive Board	Frederick John Cahill Morten Schøtt Knudsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2015	2014	2013	2012 *)	2011/12
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Revenue	1.308	1.183	953	674	1.049
Operating profit/loss	80	54	-57	-104	131
Net financials	-45	-42	-20	116	-4
Net profit/loss for the year	22	10	-66	36	91
Balance sheet					
Balance sheet total	1.360	1.107	1.116	1.367	1.508
Equity	406	487	767	1.009	894
Investment in property, plant and equipment	16	27	0	-2	13
Number of employees	561	534	532	598	544
Ratios					
Gross margin	21,5%	24,0%	14,7%	7,4%	31,1%
Profit margin	6,1%	4,6%	-6,0%	-15,4%	12,5%
Return on assets	5,9%	4,9%	-5,1%	-7,6%	8,7%
Return on equity	4,9%	1,6%	-7,4%	3,8%	10,5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

*) Covering the period 1 May - 31 December 2012.

Management’s Review

Financial Statements of Thrane & Thrane A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

The Company’s primary activities are development, manufacturing and marketing of professional radio and satellite communication equipment.

Development in the year

The income statement of the Company for 2015 shows a profit of TDKK 22,039, and at 31 December 2015 the balance sheet of the Company shows equity of TDKK 406,231.

Capital resources

Based on the Company’s budget for 2016, the Company is expected to have adequate capital resources.

Strategy and objectives

Targets and expectations for the year ahead

The Company expects a profit in 2016 on a higher level than in 2015.

Basis of earnings

Research and development

Costs for Research and development are being paid on a continuing basis. During the years the Company has acquired an extensive knowledge and expertise. It is the Company's aim to maintain this expertise and to use the Company's competences in connection with the development of new products.

Statutory statement of corporate social responsibility

A high level of corporate social responsibility has always been an integral part of Thrane & Thrane's mission, corporate structure, strategy and daily operations, in relation to our markets and customers as well as within our organization. Management believes corporate responsibility is a prerequisite for value creation and long-term performance, and our values are in line with the principles of the UN Global Compact.

Follow-up on and organization of Thrane & Thrane's ongoing social responsibility efforts are an integral part of our day-to-day management tasks. Overall responsibility for these efforts is thus anchored with the company's management and the heads of the individual units. Our efforts are coordinated and supported by a cross-organizational steering committee.

Management's Review

Share of the underrepresented gender

While Thrane & Thrane A/S considers diversity a strength in itself, when recruiting employees the Company prioritises professional and personal competences in relation to the right candidate for the position.

It is Thrane & Thrane A/S's objective that the Supervisory Board and the Executive Board represent different educational backgrounds as well as both genders. Once a year, the Supervisory Board will - as part of the organisational review - assess Thrane & Thrane A/S's specific targets for diversity at the organisation's management levels and follow up on these targets.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2015 of the Company and the results of the activities of the Company for the financial year for 2015 have not been affected by any unusual events.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2015 TDKK	2014 TDKK
Revenue	1	**1.308.107**	**1.183.083**
Cost of sales		-1.027.324	-898.867
Gross profit/loss		**280.783**	**284.216**
Distribution expenses		-97.800	-94.614
Administrative expenses		-103.313	-135.855
Operating profit/loss		**79.670**	**53.747**
Profit/loss before financial income and expenses		**79.670**	**53.747**
Income from investments in subsidiaries	2	-18.318	-18.083
Income from investments in associates		-265	17
Financial income	3	74.226	36.936
Financial expenses	4	-100.389	-61.226
Profit/loss before tax		**34.924**	**11.391**
Tax on profit/loss for the year	5	-12.885	-907
Net profit/loss for the year		**22.039**	**10.484**

Distribution of profit

Proposed distribution of profit

	2015	2014
Proposed dividend for the year	0	78.000
Retained earnings	22.039	-67.516
	22.039	**10.484**

Balance Sheet 31 December

Assets

	Note	2015	2014
		TDKK	TDKK
Development projects		0	28.305
Software		11.840	16.500
Goodwill / Customer files		440.037	111.157
Intangible assets	6	**451.877**	**155.962**
Plant and machinery		30.235	26.511
Other fixtures and fittings, tools and equipment		3.662	5.053
Leasehold improvements		10.170	11.739
Property, plant and equipment in progress		2.150	3.127
Property, plant and equipment	7	**46.217**	**46.430**
Investments in subsidiaries	8	240.497	291.383
Investments in associates		2.109	2.374
Fixed asset investments		**242.606**	**293.757**
Fixed assets		**740.700**	**496.149**
Inventories	9	**253.959**	**155.901**
Trade receivables		238.383	249.186
Contract work in progress	10	3.821	0
Receivables from group enterprises		50.927	57.523
Other receivables		8.181	11.647
Deferred tax asset		13.084	0
Corporation tax		17.618	0
Prepayments	11	16.115	6.973
Receivables		**348.129**	**325.329**
Cash at bank and in hand		**17.276**	**129.313**
Currents assets		**619.364**	**610.543**
Assets		**1.360.064**	**1.106.692**

Balance Sheet 31 December

Liabilities and equity

	Note	2015	2014
		TDKK	TDKK
Share capital		118.885	118.885
Retained earnings		287.346	289.632
Proposed dividend for the year		0	78.000
Equity	12	**406.231**	**486.517**
Provision for deferred tax		36.150	21.120
Other provisions		24.425	37.776
Provisions		**60.575**	**58.896**
Short-term part of other debt relating to the issue of bonds		0	2.302
Prepayments received from customers		44.206	26.790
Trade payables		122.661	130.479
Contract work in progress in debt	10	0	1.789
Payables to group enterprises		629.396	277.512
Corporation tax		0	13.626
Other payables		96.331	108.077
Deferred income		664	704
Short-term debt		**893.258**	**561.279**
Debt		**893.258**	**561.279**
Liabilities and equity		**1.360.064**	**1.106.692**
Contingent assets, liabilities and other financial obligations	13		
Staff	14		
Fee to auditors appointed at the general meeting	15		
Related parties and ownership	16		

Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	118.885	289.632	78.000	486.517
Net effect from adjustment of fundamental error	0	-19.731	0	-19.731
Adjusted equity at 1 January	118.885	269.901	78.000	466.786
Ordinary dividend paid	0	0	-78.000	-78.000
Exchange adjustments relating to foreign entities	0	-514	0	-514
Fair value adjustment of hedging instruments, end of year	0	-5.333	0	-5.333
Tax on adjustment of hedging instruments for the year	0	1.253	0	1.253
Net profit/loss for the year	0	22.039	0	22.039
Equity at 31 December	**118.885**	**287.346**	**0**	**406.231**

Notes to the Financial Statements

		2015	2014
		TDKK	TDKK
1	**Revenue**		
	Geographical segments		
	Revenue, Denmark	55.138	43.907
	Revenue, exports	1.252.969	1.139.176
		1.308.107	**1.183.083**
	Business segments		
	Terminals	1.190.653	1.084.484
	Systems	117.454	98.599
		1.308.107	**1.183.083**
2	**Income from investments in subsidiaries**		
	Share of profits of subsidiaries	5.263	2.730
	Amortisation of goodwill	-23.506	-23.506
	Change in intercompany profit on inventories purchased within the Group	-75	2.693
		-18.318	**-18.083**
3	**Financial income**		
	Interest received from group enterprises	95	206
	Other financial income	3.562	1.922
	Exchange adjustments	70.569	34.808
		74.226	**36.936**
4	**Financial expenses**		
	Interest paid to group enterprises	5.605	2.504
	Other financial expenses	2.488	1.076
	Exchange adjustments, expenses	92.296	57.646
		100.389	**61.226**

Notes to the Financial Statements

	2015	2014
	TDKK	TDKK

5 Tax on profit/loss for the year

	2015 TDKK	2014 TDKK
Current tax for the year	1.566	29.868
Deferred tax for the year	1.946	-25.524
Adjustment of tax concerning previous years	8.120	-3.437
	11.632	**907**
which breaks down as follows:		
Tax on profit/loss for the year	12.885	907
Tax on changes in equity	-1.253	0
	11.632	**907**

6 Intangible assets

	Development projects	Software	Goodwill / Customer files
	TDKK	TDKK	TDKK
Cost at 1 January	445.731	46.081	198.597
Additions for the year	0	807	344.424
Cost at 31 December	445.731	46.888	543.021
Impairment losses and amortisation at 1 January	417.426	29.581	87.440
Amortisation for the year	28.305	5.467	15.544
Impairment losses and amortisation at 31 December	445.731	35.048	102.984
Carrying amount at 31 December	**0**	**11.840**	**440.037**

Notes to the Financial Statements

7 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	100.911	26.177	13.042	3.127
Additions for the year	12.463	348	1.296	1.898
Disposals for the year	-336	-45	0	-106
Transfers for the year	2.748	21	0	-2.769
Cost at 31 December	115.786	26.501	14.338	2.150
Impairment losses and depreciation at 1 January	74.400	21.124	1.303	0
Depreciation for the year	11.423	1.746	2.865	0
Reversal of impairment and depreciation of sold assets	-272	-31	0	0
Impairment losses and depreciation at 31 December	85.551	22.839	4.168	0
Carrying amount at 31 December	**30.235**	**3.662**	**10.170**	**2.150**

Notes to the Financial Statements

	2015	2014
	TDKK	TDKK
8 Investments in subsidiaries		
Cost at 1 January	836.056	836.056
Cost at 31 December	836.056	836.056
Value adjustments at 1 January	-544.673	-488.332
Exchange adjustment	-284	-1.205
Net profit/loss for the year (incl. goodwill amortisation)	-18.284	-18.083
Dividend to the Parent Company	-32.318	-37.053
Value adjustments at 31 December	-595.559	-544.673
Carrying amount at 31 December	**240.497**	**291.383**
Remaining positive difference included in the above carrying amount at 31 December	229.181	252.686

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Thrane & Thrane Aalborg A/S	Aalborg, Denmark	TDKK 20.000	100%	42.042	5
Thrane & Thrane Norge A/S	Billingstad, Norway	TNOK 37.996	100%	5.171	5.377
Naval Electronics AB	Malmö, Sweden	TSEK 120	100%	81	-

Notes to the Financial Statements

		2015	2014
		TDKK	TDKK
9	**Inventories**		
	Raw materials and consumables	69.382	52.681
	Work in progress	77.818	52.844
	Finished goods and goods for resale	106.759	50.376
		253.959	**155.901**
10	**Contract work in progress**		
	Selling price of production for the period	34.368	16.730
	Payments received on account	-30.547	-18.519
		3.821	**-1.789**
	Recognised in the balance sheet as follows:		
	Contract work in progress recognised in assets	3.821	0
	Contract work in progress in debt	0	-1.789
		3.821	**-1.789**

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions etc.

Notes to the Financial Statements

12 Equity

The share capital consists of 5,944,244 shares of a nominal value of TDKK 20. No shares carry any special rights.

The share capital has developed as follows:

	2015	2014	2013	2012	2011
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 January	118.885	118.885	118.885	113.625	113.255
Capital increase	0	0	0	5.260	370
Capital decrease	0	0	0	0	0
Share capital at 31 December	**118.885**	**118.885**	**118.885**	**118.885**	**113.625**

13 Contingent assets, liabilities and other financial obligations

	2015	2014
	TDKK	TDKK
Rental agreements and leases		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	19.183	17.549
Between 1 and 5 years	76.883	71.555
	96.066	**89.104**

Contingent liabilities

Warranty provisions amount to TDKK 733.

The Company has purchase commitments with suppliers as part of normal operation.

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

Notes to the Financial Statements

		2015	2014
		TDKK	TDKK
14	**Staff**		
	Wages and Salaries	311.109	314.384
	Pensions	8.858	11.236
	Other social security expenses	5.830	5.400
	Other staff expenses	15.598	15.024
		341.395	**346.044**
	Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
	Cost of sales	230.574	225.716
	Distribution expenses	58.361	57.983
	Administrative expenses	52.460	62.345
		341.395	**346.044**
	Including remuneration to the Executive and Supervisory Boards of:		
	Executive Board	7.277	10.323
	Supervisory Board	125	100
		7.402	**10.423**
	Average number of employees	**561**	**534**

15 Fee to auditors appointed at the general meeting

	2015	2014
Audit fee to PricewaterhouseCoopers	640	633
Other assurance engagements	8	0
Tax advisory services	196	414
Other services	95	42
	939	**1.089**

Notes to the Financial Statements

16 Related parties and ownership

	Basis
Controlling interest	
Lockman Electronic Holdings Ltd	Majority shareholder

Transactions

Related parties comprise the Company's Executive Board, Supervisory Board, etc as well as other enterprises of the Thrane & Thrane and Cobham Group.

Transactions with related parties comprise ordinary business transactions and miscellaneous administration services.

Trading is effected at arm's length.

Ownership

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

Lockman Electronic Holdings Ltd
Brook Road, Wimborne
Dorset, UK

Consolidated Financial Statements

The Company is included in the Group Annual Report of Cobham plc.

The Group Annual Report of Cobham plc may be obtained at the following address:

www.cobham.com

Accounting Policies

Basis of Preparation

The Annual Report of Thrane & Thrane A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Cobham plc, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Cobham plc, the Company has not prepared a cash flow statement.

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.

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.

DKK is used as the measurement currency. All other currencies are regarded as foreign currencies.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

Accounting Policies

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Segment reporting

Segment information is presented in respect of business segments and geographical segments based on the Companys risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments. In compliance with the Danish Executive Order on exemptions from the Danish Financial Statements Act, reporting on geographical segments comprises revenue only.

The items included in profit before financial income and expenses are allocated to the extent that they are directly or indirectly attributable to the segments. Items allocated, as either directly or indirectly attributable, comprise “cost of sales”, “distribution expenses” and “administrative expenses” “expenses for raw materials and consumables”, “other external expenses”, “staff expenses” and “depreciation, amortisation and impairment”. Some of these items are not attributable, directly or indirectly, to a segment and are therefore not allocated. The items allocated as indirectly attributable to the segments are allocated by means of sharing keys determined on the basis of segment drain on key resources.

Accounting Policies

Segment fixed assets comprise all fixed assets used directly for segment operations, including intangible assets, property, plant and equipment and investments in associates.

Segment liabilities comprise segment operating liabilities, including trade payables and other payables.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

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 and administration.

Cost of sales also includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs. Finally, provisions for losses on contract work are recognised.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

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

Accounting Policies

Income from investments in subsidiaries and associates

The items "Income from investments in subsidiaries" and "Income from investments in associates" in the income statement include the proportionate share of the profit for the year.

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.

The Company is jointly taxed with wholly owned Danish subsidiaries and a Danish related company controlled by the same ultimate Parent Company. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill and customer files acquired is measured at cost less accumulated amortisation. The assets are amortised on a straight-line basis over their useful lives determined at 20 years for goodwill and 10-20 years for customer files.

Accounting Policies

Investments in development comprise expenses, salaries and amortisation directly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable, where there is a functional prototype and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if cost can be measured reliably and sufficient certainty exists that the future earnings can cover cost of sales, distribution and administrative expenses involved as well as investments in development.

Borrowing costs from both specific and general borrowing directly or indirectly related to projects with a long-term manufacturing period are attributed to the cost of development projects over the development period.

Contributions received to cover product development costs are offset against development costs incurred on the individual project. Contributions in excess of project development costs incurred are recognised in prepayments.

Software is measured at cost less accumulated amortisation.

Software is amortised on a straight-line basis over the expected useful life determined at 3-5 years.

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.In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

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:

Land and buildings	20-30	years
Plant and machinery	3-7	years
Other fixtures and fittings, tools and equipment	3-7	years
Leasehold improvements	3-13	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

Accounting Policies

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.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items “Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries and associates.

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Accounting Policies

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Treasury shares

Purchase and sales prices for treasury shares are recognised directly in equity. A reduction of capital by cancellation of treasury shares reduces the share capital by an amount equal to the nominal value of the shares and increases retained earnings. Dividend on treasury shares is recognised directly in equity under retained earnings.

Provisions

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

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work. Provisions with an expected maturity exceeding 1 year from the balance sheet date are discounted at the average bond yield.

Accounting Policies

Deferred tax assets and lia bi li ties

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.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$