Asetek Holdings, Inc.

Annual Report 2012

Management's review

Company Information

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Company Reg.-#:	4587448
Federal ID-#:	26-3331137
Incorporated in:	Delaware, USA on August 13, 2008

Board of Directors

Sam Szteinbaum, Chairman
Henri Richard
Chris J. Christopher
André Eriksen
Alexander Wong
Joergen Smidt
Gregers Kronborg
Ib Sonderby

Audit Committee

Alexander Wong
Gregers Kronborg

Executive Management

André Eriksen, CEO
Peter D. Madsen, CFO/company secretary

Auditor

PricewaterhouseCoopers LLP
San Jose

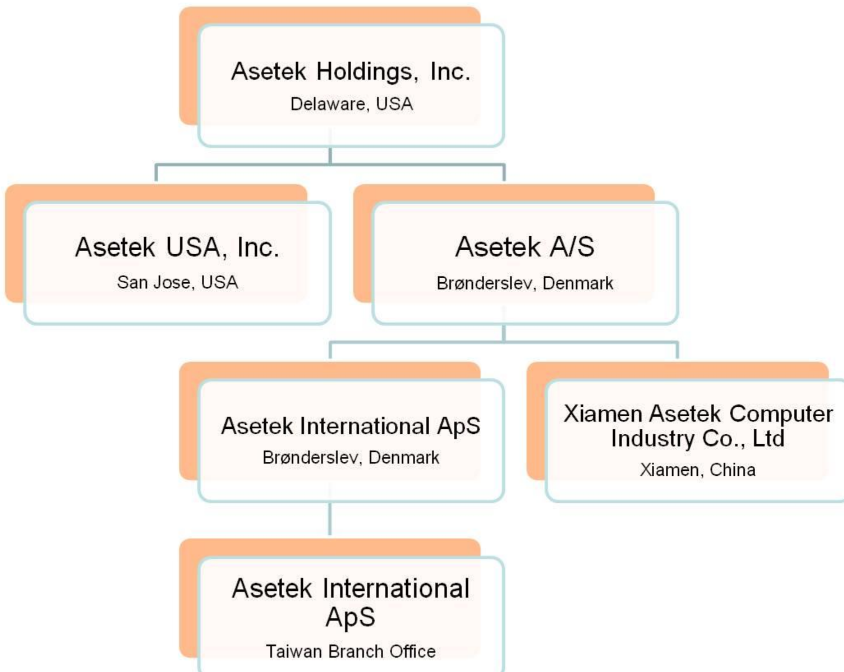
Management's review

Company background

Asetek Holdings, Inc. ('the Company'), and its subsidiaries (together, 'Asetek Group', 'the Group' or 'Asetek') is a privately held company that designs, develops and markets thermal management solutions used in computers and data center servers. The Group's core products utilize liquid cooling technology to provide improved performance, acoustics and energy efficiency. The Company is incorporated in Delaware, USA and headquartered in San Jose, California, USA with offices in Denmark and China.

Group organizational chart and legal structure

As of December 31, 2012, the Group was organized as follows:



The year 2012 in brief

- Asetek continued its mission as the leading supplier of liquid cooling solutions for high-end computing. The Company shipped 414 thousand units of its patented sealed liquid cooling units in 2012. From inception of the Company, total shipments of this type of product have exceeded one million units.
- The Company made significant progress developing and marketing its new product lines that will help to reduce the huge cost and negative environmental impact of cooling servers and data centers.
- Revenues in 2012 totaled $18.7 million, a 20% increase over 2011 ($15.6 million).
- Product gross margin of 36.3% was stable compared with 2011 (36.6%).
- Operating losses of $4.9 million (2011: $3.7 million) increased due to continued investment in the development of the data center product line and administrative expenses associated with preparation for new financing.
- Asetek secured $3.0 million in long-term convertible debt financing to bridge the Company's short-term cash needs and enable it to prepare for a potential initial public offering of shares.

Management's review

Financial position and operating results for 2012

Profit and loss. In 2012, Asetek Group had revenue of $18.7 million compared to $15.6 million in 2011. Average selling prices in 2012 declined 4% from 2011 due to the mix of products sold. Sales volumes increased by 24% from 2011 due principally to the increase in sales to customers acquired in late 2011 and 2012. In 2011, Asetek expanded its customer base by signing significant top-tier resellers Intel, AMD and Antec, and added ThermalTake as a reseller in 2012. In 2012, the Company's two largest customers comprised 43% of revenues compared with 45% in 2011 and 78% in 2010. Gross margin remained flat in 2012 compared with 2011.

In 2012, activities associated with reorganization and a planned initial public offering resulted in increased legal and administrative costs compared with 2011. In addition, Asetek incurred increased legal costs in efforts to defend the Company's intellectual property. As a result, general and administrative costs increased by 23% in 2012 compared with 2011. In 2011, the Company expanded its operational activities in China and evaluated critical functions for optimal performance. This enabled Asetek to achieve increased productivity for less cost, through consolidation of support functions and other process improvements. This focus on efficiency enabled the Company to reduce overhead costs by over 9% from 2010 to 2011.

As a result of continued focus on new product development, intellectual property defense and efforts directed at an initial public offering, Asetek incurred an operating loss of $4.9 million in 2012, compared with operating losses of $3.7 million in 2011 and $4.2 million in 2010.

Financial costs in 2012 increased from 2011 due to a financial loss associated with the change in fair value on the convertible preferred shares of $1.8 million, interest costs and a loss on the fair value of a $3.0 million convertible loan issued in October 2012 totaling $1.4 million, and drawdowns against lines of credit. Income on fair value of convertible preferred shares in 2011 resulted from a decrease in the value of the conversion option at December 31, 2011 due to uncertainty in the Company's operating forecasts at that time prior to development of the data center/server cooling business plan. During 2012, the Company developed and expanded the data center cooling strategy and business plan, resulting in an increase in value of the conversion option liability and recognized loss.

Balance sheet. Asetek's total assets at the end of 2012 were $8.2 million, a decrease from $8.5 million as of the end of 2011. The principal change in assets was the result of offsetting effects. Cash and cash equivalents decreased by $1.4 million associated with the operating losses incurred, after considering the effects of $3.0 million convertible debt issued. Intangible assets decreased by $0.7 million due to higher amortization costs. Trade receivables and other assets increased by $1.8 million from 2011 principally due to increased sales in the fourth quarter of 2012 compared with 2011. Inventories increased by $0.2 million associated with supporting increased revenue levels and product transitions.

Current liabilities, which include preferred shares and their embedded convertible option, increased to a total of $41.4 million at the end of 2012, from $40.8 million at the end of 2011, primarily due to an increase in fair value of the conversion option. Because the holders' ability to redeem the preferred shares upon change in control generates an unavoidable obligation to deliver cash, the host instrument and equity conversion option are each classified as a current liability on the balance sheet. The increase in other current liabilities was principally due to an increase in accrued administrative expenditures associated with our financing initiatives. These increases were partially offset by extending the maturity of a previously existing short-term $3.0 million note, resulting in classification of the note as long-term debt in 2012. Long-term debt also increased due to the $3.0 million convertible loan secured in October 2012.

Statement of cash flows. Net cash used by operating activities was $3.6 million for 2012, compared with $0.2 million used in 2011. The change was mainly attributed to the increased net loss, and increases in trade receivables and inventories. Cash used by investing activities was $1.3 million, related to additions in capitalized development costs. Cash provided by financing activities was relatively flat at $3.3 million in 2012 compared to $2.9 million in 2011. The Company secured a $3.0 million convertible loan in 2012 and issued $3.0 million of Series C convertible preferred shares in 2011. Net change in cash and cash equivalents was an outflow of $1.4 million in 2012, compared with an inflow of $0.2 million in 2011.

Management's review

Liquidity and financing. As is typical for venture capital backed companies, Asetek has incurred losses from operations and negative cash flows since its inception. During this time, Asetek has financed operations principally through the issuance of convertible preferred shares totaling $37.1 million. As of December 31, 2012, the Company has accumulated losses of $44.2 million, and negative equity of $40.6 million. The Company has taken various steps to add or extend other credit facilities. In September 2012, Asetek secured a $0.3 million (Danish Krone 2 million) line of credit with Sydbank in Denmark. In October 2012, the Company secured $3.0 million in funds from the issuance of a convertible loan payable primarily to existing shareholders. In December 2012, Asetek extended the maturity of a $3.0 million note payable to shareholder to February 2014. Notwithstanding the foregoing, the Company continues to seek additional financing, including directing efforts toward a possible initial public offering of its shares in 2013. While there is no assurance that the Company will generate sufficient revenues or operating profits in the future, based on financial forecasts, management estimates that the Company's operating activities and plans to secure additional financing in 2013 will enable Asetek Group to achieve its short-term goals. Accordingly, the accompanying financial statements have been prepared on a going concern basis. See Note 1 to the consolidated financial statements for additional details.

Management's review

Historical financial review

Accounting principles of preparation:	*IFRS*	*IFRS*	*IFRS*	*U.S. GAAP*	*Danish GAAP*	*Danish GAAP*
Fiscal Year	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
				Unaudited	*Unaudited*	*Unaudited*
Financial highlights: ($000's)						
Revenue	18,681	15,574	15,749	4,737	3,471	574
Gross profit	6,788	5,703	4,823	(966)	451	(2,755)
Gross margin %	36.3%	36.6%	30.6%	-20.4%	13.0%	-480.0%
EBITDA *(unaudited)*	(2,820)	(1,918)	(3,170)	(10,452)	(3,233)	(5,500)
Operating loss	(4,872)	(3,707)	(4,215)	(10,800)	(3,442)	(5,982)
Net income (loss)	(8,558)	(1,877)	(6,499)	(10,653)	(2,717)	(4,788)
Purchases of property and equipment	88	386	183	102	1,627	204
Units shipped (000's) ***(unaudited)***	414	333	354	103	54	8
Year-end values ($000's):						
Total assets	8,162	8,503	8,751	11,266	11,251	3,417
Total equity	(40,642)	(32,294)	(30,613)	(29,437)	(18,748)	(22,690)
Inventories	1,055	838	1,607	1,940	934	1,111
Total liabilities	48,804	40,797	39,364	40,703	29,999	26,108
Total liabilities and shareholders' equity	8,162	8,503	8,751	11,266	11,251	3,417
Employees ***(unaudited)***	60	51	58	52	37	31
Key ratios: ***(unaudited)***						
Average selling price per unit ($)	45.1	46.8	44.5	46.0	64.3	71.8
Revenue per employee ($000's)	311	305	272	91	94	19
Days sales outstanding	65	48	55	250	131	59
Inventory turns per year	12.6	8.1	6.2	4.0	3.0	6.0

The financial reports for years 2007, 2008, 2009 were not prepared under IFRS accounting principles. The following are some of the significant accounting adjustments that would be required to report these years under IFRS:

- Capitalization (and amortization) of intangible assets related to internal development projects;
- Revaluation of convertible option on preferred shares;
- Elimination of deferred tax assets in 2007 and 2008 related to net operating loss carryforwards recorded under Danish GAAP;
- Reclassification of foreign currency gains from equity to operating expenses; and
- Accounting for share based payments under IFRS 2

The above adjustments have not been quantified and other additional adjustments may be required.

Management's review

Report of executive management

Since its inception in 2000, Asetek has been a pioneer and market leader in the development of liquid cooling for personal computers. Starting in 2007 and accelerating significantly in 2009, we commercialized our solutions and secured significant original equipment manufacturers (OEMs) and resellers including Dell, HP, and Corsair. Through the end of 2012, we had delivered over 1.2 million of our patented sealed liquid cooling units to desktop customers worldwide, serving principally the PC enthusiast and professional workstation markets.

Beginning in 2011 and continuing through 2012, we increased the focus on a large sector with an unserved need for liquid cooling solutions – high performance computer servers and data centers – and began to shift our product development efforts to this new opportunity. We are applying our extensive experience with desktop liquid cooling to the market for inside-rack/server liquid cooling solutions, and driving to build leadership within this new market by following our proven desktop strategy and leveraging our key existing desktop customers.

Market development. The commercial market for liquid cooling solutions is relatively new and is still in development. Asetek is one of the few enterprises solely focused on the liquid cooling sector. We view the addressable market in segments as follows:

- Gaming and Do-it-yourself (DIY) enthusiasts. Computer gaming is growing, and DIY enthusiasts who build their own PC's need a better cooling solution. Asetek has made liquid cooling the standard in OEM gaming PC's, as we see PC suppliers in need for differentiation in the high-end market to maintain and increase margins.
- Enterprise workstations. Professionals who demand low acoustic noise and higher performance from their workstations.
- Supercomputing. Financial services enterprises, military agencies, and similar operations that have non-stop, mission critical needs for supercomputer processing power. Supercomputing demands high performance, density and significant power for massive operating centers. Advanced liquid cooling reduces the cost of high power consumption and increases performance.
- General purpose data centers. The huge growth in both social media and mobile computing is driving significant growth in large general purpose data centers for storage, cloud solutions and other advancing markets. Liquid cooling can significantly reduce the total cost of ownership.
- Custom tailored solutions. Customer-specific needs for improved cooling and reduced noise and energy cost.

Product lines. To the above listed market segments, we offer the following product lines:

- CPU /GPU liquid cooling for the desktop – our market-leading array of cooling solutions for a wide range of PC's and workstations, available on a retail and OEM basis. The major part of Asetek's revenue from inception through 2011 has been generated through shipment of these products.
- Internal loop liquid cooling – server cooling system offered on an individual blade basis
- Rack CDU liquid cooling –two loop, fully integrated, closed and sealed system that eliminates heat from CPUs, GPUs and memory on a full server rack.
- Sealed server liquid cooling – completely sealed server cooling system, eliminating virtually all server-generated heat, with no need for air cooling.

Future outlook. The future performance of Asetek is most importantly impacted by:

- the growth of the high performance DIY and enterprise workstation markets, and
- the Company's ability to generate revenue from new products and applications offered in untested markets such as servers and data centers.

In 2013, management expects modest revenue growth in our gaming/DIY and enterprise workstation markets. Predicting revenues from the server and data center markets is inherently difficult, as these markets are new to commercial liquid cooling solutions. We are currently completing the development of our first generation server cooling products and working with customers in various stages of proof-of-concept designs. We therefore do not anticipate significant revenue in the server and data center markets. While we have much work to complete, we are excited about the market response and the opportunity for server and data center liquid cooling solutions, and are confident that Asetek's products will be well suited to achieve success in this market.

Internal environment and human resources. We recognize that Asetek's key assets are its employees and we are committed to maintaining a stimulating working environment that offers opportunity for both personal and professional development. We maintain a team-oriented culture where all employees have the opportunity to contribute significantly to the success of the Company. This is also necessary to continue to attract and retain highly qualified employees within the computer industry. Asetek welcomes applications for employment from all sectors of the community and strives to promote equal opportunity of employment to all. The Group maintains a positive working environment and sick leave and turnaround is not significant. No working accidents or injuries occurred in 2012.

External environment. Asetek Group operations' effect on the environment is minimal and is typical for a supplier of computer components. Our manufacturing operations are outsourced to a commercial manufacturer in China, which we continuously monitor on various factors relating to the environment and other social responsibilities. The principal source of strain on the environment from our business is related to shipment of inventory, which is conducted in accordance with normal routine commerce.

Social responsibility. While the Company has not yet developed a formal program of CSR policies, Asetek complies with the laws and regulations in each of the countries in which it operates.

Dividends. Asetek is investing its capital in the development and marketing of its cooling products and also values the flexibility to be able to pursue strategic opportunities if they should arise. The Company will therefore retain within the Company any surplus cash that it generates.

Events after the reporting period. After the reporting period there have been subsequent events that are detailed in Note 23 in the Notes to the Consolidated Financial Statements in this Annual Report.

Risk management. Refer to Note 3 of the consolidated financial statements.

Corporate governance

The work of the board of directors

Board responsibilities. The Board's main tasks include participating in developing and adopting the Company's strategy, performing the relevant control functions and serving as an advisory body for the executive management. The Board reviews and adopts the Company's plans and budgets. Items of major strategic or financial importance for the Company are items processed by the Board. The Board is responsible for hiring the CEO and defining his or her work instructions as well as setting of his or her compensation. The Board periodically reviews the Company's policies and procedures to ensure that the Group is managed in accordance with good corporate governance principles, upholding high ethics.

Financial reporting. The Supervisory Board receives regular financial reports on the Company's economic and financial status.

Notification of meetings and discussion of items. The Board schedules regular meetings each year. Ordinarily, the Board meets 3-4 times a year, normally in San Jose. Additional meetings may be convened on an ad hoc basis.

All Board members receive regular information about the Company's operational and financial progress in advance of the scheduled Board meetings.

The Board members also regularly receive operations reports and participate in operations reviews. The Company's business plan, strategy and risks are regularly reviewed and evaluated by the Board. The Board Members are free to consult the Company's senior executives as needed. Ordinarily, the Chairman of the Board proposes the agenda for each Board meeting. Besides the Board Members, Board meetings are attended by the CEO. Other participants are summoned as needed. The Board approves decisions of particular importance to the Company including the strategies and strategic plans, the approval of significant investments, and the approval of business acquisitions and disposals.

Conflicts of interest. In a situation involving the Chairman of the Board personally, this matter will be chaired by some other member of the board.

Use of Board Committees. Currently, the Company has an Audit Committee and a Compensation Committee.

- The Audit Committee has responsibilities related to financial reporting, the independent auditor, internal reporting and risk management. The Committee consists of two shareholder-elected Board Members. The other Board Members are entitled to attend if they so desire. Members: Alexander Wong (Chairman) and Gregers Kronborg.
- The Compensation Committee has responsibilities related to developing proposals for the applicable remuneration policy and execution of the Management Board and the Board. Members: Sam Szteinbaum (Chairman), Alexander Wong (Member) and Henri Richard (Member).

The Board's self-evaluation. The Board's composition, competencies, working methods and interaction are discussed on an ongoing basis. In this connection, the Board also evaluates its efforts in terms of corporate governance.

Remuneration of the board of directors

As a consequence of the nature of the ownership structure, directors have not been paid any remuneration for the years leading up to, and including 2012. Independent board members received share option grants in lieu of cash remuneration in 2012.

Remuneration of the executive staff

The Remuneration Committee recommends to the Board, and the Board sets, the terms of employment of the members of the Management Board. Each year, the Remuneration Committee undertakes a review of salary and other remuneration to the CEO as well as for other members of the Management Board.

The option program and the allocation of options to the Management Board and Board members are decided upon by the Board.

Statement by Management

The Executive Board and the Board of Directors have today considered and approved the annual report of Asetek Holdings, Inc. for the financial year January 1 to December 31, 2012. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

We hereby confirm that, to the best of our knowledge, the consolidated financial statements for the years ending December 31, 2012, 2011 and 2010, have been prepared in accordance with applicable standards and give a true and fair review of the assets, liabilities, financial position and profit and loss of the Group taken as whole.

The directors' report gives a true and fair review of the development and performance of the business and the position of the Group, as well as a description of the principal risks and uncertainties facing the Group.

San Jose, California
February 12, 2013

Executive Board:

Andre Sloth Eriksen Chief Executive Officer	Peter Dam Madsen Chief Financial Officer and Corporate Secretary

Board of Directors:

Sam Szteinbaum, chairman	Alexander Wong
Andre Sloth Eriksen	Chris J. Christopher
Gregers Kronborg	Henri Richard
Ib Sonderby	Joergen Smidt

Independent Auditor's Report

To the Board Of Directors and Shareholders of

Asetek Holdings, Inc.

We have audited the accompanying consolidated financial statements of Asetek Holdings, Inc and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2012, 2011 and 2010, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three years then ended, which as described in Note X to the consolidated financial statements, have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Asetek Holdings, Inc. and it subsidiaries at December 31, 2012, 2011 and 2010, and the results of their operations and their cash flows for the three years then ended in accordance with International Financial Reporting Standards adopted by the European Union.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Company prepares its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, which differ from accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

San Jose, CA
February 12, 2013

Asetek Holdings, Inc.
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2012, 2011 and 2010

USD 000's	Note	2012	2011	2010
Revenue	4	$ 18,681	$ 15,574	$ 15,749
Cost of sales	7	11,893	9,871	10,926
Gross profit		6,788	5,703	4,823
Research and development		(3,717)	(2,926)	(2,667)
Selling, general and administrative		(7,878)	(6,400)	(7,024)
Foreign exchange (loss)/gain		(65)	(84)	653
Total operating expenses	7	(11,660)	(9,410)	(9,038)
Operating loss		(4,872)	(3,707)	(4,215)
Finance income	8		2,227	-
Finance costs	8	(3,693)	(389)	(2,274)
Total financial income (expenses)		(3,693)	1,838	(2,274)
Loss before tax		(8,565)	(1,869)	(6,489)
Income tax	9, 10	7	(8)	(10)
Loss for the year		$ (8,558)	$ (1,877)	$ (6,499)
Foreign currency translation adjustments		67	110	(538)
Total comprehensive loss		$ (8,491)	$ (1,767)	$ (7,037)

All operations are continuing.

The Notes on the following pages are an integral part of these consolidated financial statements.

Asetek Holdings, Inc.
Consolidated Balance Sheet
As of December 31,

USD 000's	**Note**	**2012**	**2011**	**2010**
ASSETS				
Non-current assets				
Property and equipment	13	$ 440	$ 640	$ 532
Intangible assets	12	1,448	2,139	1,631
Other assets		-	38	47
Total non-current assets		1,888	2,817	2,210
Current assets				
Inventory	15	1,055	838	1,607
Trade receivables and other	14	3,971	2,180	2,434
Cash and cash equivalents		1,248	2,668	2,500
Total current assets		6,274	5,686	6,541
Total assets		$ 8,162	$ 8,503	$ 8,751
EQUITY AND LIABILITIES				
Equity				
Share capital	16	$ 2	$ 2	$ 2
Share premium	16	3,935	3,792	3,706
Accumulated deficit		(44,218)	(35,660)	(33,783)
Translation reserves		(361)	(428)	(538)
Total equity		(40,642)	(32,294)	(30,613)
Non-current liabilities				
Long-term debt	17	7,451	15	28
Total non-current liabilities		7,451	15	28
Current liabilities				
Redeemable preferred shares	17	29,510	29,242	26,756
Convertible option on preferred shares	17	7,612	5,669	7,266
Short-term debt	17	314	3,035	3,076
Accrued liabilities		1,393	601	403
Accrued compensation and employee benefits		534	550	594
Trade payables		1,990	1,685	1,241
Total current liabilities		41,353	40,782	39,336
Total liabilities		48,804	40,797	39,364
Total equity and liabilities		$ 8,162	$ 8,503	$ 8,751

The Notes on the following pages are an integral part of these consolidated financial statements.

Asetek Holdings, Inc.
Consolidated Cash Flow Statement
For the years ended December 31, 2012, 2011 and 2010

USD 000's	Note	2012	2011	2010
Cash flows from operating activities				
Loss for the year		$ (8,558)	$ (1,877)	$ (6,499)
Depreciation and amortization	12, 13	2,052	1,789	1,045
Finance costs (income)	8	3,693	(1,838)	2,047
Income tax expense (income)	9, 10	(7)	8	10
Impairment of intangible assets		74	268	-
Cash payments for income tax		(2)	(2)	(36)
Share based payments expense	6	140	64	105
Changes in trade receivables, inventories, other assets		(2,070)	1,082	1,527
Changes in trade payables and accrued liabilities		1,045	266	(2,799)
Net cash used in operating activities		(3,633)	(240)	(4,600)
Cash flows from investing activities				
Additions to intangible assets	12	(1,165)	(2,279)	(1,146)
Purchase of property and equipment	13	(88)	(386)	(183)
Net cash used in investing activities		(1,253)	(2,665)	(1,329)
Cash flows from financing activities				
Proceeds from debt issuance	17	3,306	-	3,000
Cash payments for interest on debt		(322)	(176)	(12)
Proceeds from issuance of share capital		3	22	-
Proceeds from issuance of convertible preferred shares	17	366	3,116	-
Principal and interest payments on finance leases	18	(35)	(56)	(147)
Net cash provided by financing activities		3,318	2,906	2,841
Effect of exchange rate changes on cash and cash equivalents		148	167	(99)
Net changes in cash and cash equivalents		(1,420)	168	(3,187)
Cash and cash equivalents at beginning of period		2,668	2,500	5,687
Cash and cash equivalents at end of period		$ 1,248	$ 2,668	$ 2,500

The Notes on the following pages are an integral part of these consolidated financial statements.

Asetek Holdings, Inc.

Consolidated Statement of Changes in Equity

For the years ended December 31, 2012, 2011 and 2010

(USD 000's)	Share capital	Share premium	Translation reserves	Accumulated deficit	Total
Equity at January 1, 2010	$ 2	$ 3,601	-	(27,284)	(23,681)
Total comprehensive income for 2010					
Loss for the year	-	-	-	(6,499)	(6,499)
Foreign currency translation adjustments	-	-	(538)	-	(538)
Total comprehensive loss for 2010	-	-	(538)	(6,499)	(7,037)
Transactions with owners in 2010					
Share based payment expense	-	105	-	-	105
Transactions with owners in 2010	-	105	-	-	105
Equity at December 31, 2010	$ 2	$ 3,706	(538)	$ (33,783)	(30,613)
Total comprehensive income for 2011					
Loss for the year	-	-	-	(1,877)	(1,877)
Foreign currency translation adjustments	-	-	110	-	110
Total comprehensive loss for 2011	-	-	110	(1,877)	(1,767)
Transactions with owners in 2011					
Shares issued	-	22	-	-	22
Share based payment expense	-	64	-	-	64
Transactions with owners in 2011	-	86	-	-	86
Equity at December 31, 2011	$ 2	$ 3,792	(428)	$ (35,660)	(32,294)
Total comprehensive income for 2012					
Loss for the year	-	-	-	(8,558)	(8,558)
Foreign currency translation adjustments	-	-	67		67
Total comprehensive loss for 2012	-	-	67	(8,558)	(8,491)
Transactions with owners in 2012					
Shares issued	-	3	-	-	3
Share based payment expense	-	140	-	-	140
Transactions with owners in 2012	-	143	-	-	143
Equity at December 31, 2012	$ 2	$ 3,935	$ (361)	$ (44,218)	(40,642)

The Notes on the following pages are an integral part of these consolidated financial statements.

1. General information

Asetek Holdings, Inc. ('the Company'), and its subsidiaries (together, 'Asetek Group', 'the Group' or 'Asetek') is a privately held company that designs, develops and markets thermal management solutions used in computers and data center servers. The Group's core products utilize liquid cooling technology to provide improved performance, acoustics and energy efficiency. The Company is incorporated in Delaware, USA and headquartered in San Jose, California, USA with offices in Denmark and China.

1.1 Going concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred losses from operations and negative cash flows from operations since inception. As of December 31, 2012, the Company had an accumulated deficit of $44.2 million. Management plans to obtain funding in the first half of 2013 through an initial public offering of its shares on the Oslo Stock Exchange. In the event that an initial public offering is delayed or unsuccessful, management believes that the Company can secure additional funding from its current investors. Although management continues to pursue these plans, there is no assurance that the Company will be successful in completing an initial public offering or other financing on terms acceptable to the Company, or at all. Failure to generate sufficient revenues or raise sufficient funds may require the Company to modify, delay or abandon some of its plans and investments, which would have a material adverse effect on the Company's business, operating results, and financial condition and the Company's ability to achieve its intended business objectives. These circumstances raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

The consolidated financial statements have been prepared on a historical cost convention, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and International Financial Reporting Interpretation Committee interpretations. These are the Group's first IFRS financial statements.

2.2. Consolidation

The consolidated financial statements comprise the Company and its consolidated subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from the intercompany transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

2.3. Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company's entities in the United States of America, Denmark and China are the U.S. dollar, Danish kroner, and Chinese yuan renminbi, respectively. The consolidated financial statements are presented in U.S. dollars, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized as operating expense in the income statement in foreign exchange (loss)/gain.

Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates;
- All resulting exchange differences are recognized in other comprehensive income

2.4. Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided over the estimated useful lives of the depreciable assets, generally three to five years, using the straight-line method. The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized as operating expenses in the consolidated income statement. Property and equipment is grouped as follows:

Group	Estimated Useful Life
Leasehold improvements	Lesser of 5 years or lease term
Plant and machinery	5 years
Tools, equipment, fixtures	3 to 5 years

2.5. Research and development

Research costs are expensed as incurred. Costs directly attributable to the design and testing of new or improved products to be held for sale by the Group are recognized as intangible assets within development projects when all of the following criteria are met:

- It is technically feasible to complete the product so that it will be available for sale;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;

- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the product include the employee costs associated with development and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as expense when incurred. Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs recognized as assets are amortized on a straight-line basis over their estimated useful lives, which generally range between three and twenty-four months. Amortization expense related to capitalized development costs is included in research and development expense.

2.6. Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of 1) an asset's fair value less costs to sell or 2) its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that previously suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7. Financial assets

Recognition and Measurement. The Group determines the classification of its financial assets at initial recognition. Financial assets within the scope of IAS 39 are classified as follows:

- 'Financial assets at fair value through profit or loss' are financial assets held for trading, and are classified as current if they are expected to be settled within twelve months.
- 'Loans and receivables' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets except when they have maturities of twelve months or more from the balance sheet date.
- 'Available-for-sale financial assets' are all others that are designated in this category or not classified in the other categories.

For all years presented, the Group's financial assets include only 'loans and receivables'.

Impairment of financial assets. For financial assets carried at amortized cost, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement. As of December 31, 2012, the Company has not incurred any impairment losses on financial assets.

2.8. Financial liabilities

Recognition and measurement. Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or other liabilities. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognized initially at fair value less, in the case of other liabilities, directly attributable transaction costs. The measurement of financial liabilities depends on their classification as follows:

- 'Financial liabilities at fair value through profit or loss' are liabilities entered into that do not meet the hedge accounting criteria as defined by IAS 39. Gains or losses on liabilities held for trading are recognized in profit and loss.
- 'Other liabilities' – After initial recognition, interest bearing debt is subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.
- 'Trade payables' are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Trade payables are classified as current liabilities if payment is due within one year or less.
- Redeemable convertible preferred shares and convertible debt are accounted for as specified in Note 2.14

Offsetting of financial instruments. Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.9. Inventories

Inventories are stated at the lower of actual cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Adjustments to reduce the cost of inventory to its net realizable value, if required, are made for estimated excess, obsolescence, or impaired balances.

2.10. Trade receivables

Trade receivables are amounts due from customers for product sold in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. If collection is expected in one year or less, trade receivables are classified as current assets.

2.11. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits with banks, overdrafts and other short-term highly liquid investments with original maturities of three months or less.

2.12. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13. Share-based payments

The Company's 2008 Equity Incentive Plan allows management and key personnel to acquire shares in the Company. The plan is an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) to purchase shares in the Company at a fixed exercise price. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. The grant date fair value of options granted is recognized as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options (vesting period). The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions as set forth in the share option program. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on historical volatility of comparable companies with publicly available share prices), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on the U.S. Treasury yield curve). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. At each reporting date, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. The impact of the revision to original estimates, if any, is recognized in the Statement of Comprehensive Income, with a corresponding adjustment to equity.

2.14. Redeemable convertible preferred shares and convertible debt

The Company has redeemable convertible preferred shares and convertible debt outstanding that can be converted to share capital at the option of the holder.

Redeemable convertible preferred shares. The redeemable preferred shares are recognized initially upon issuance at the difference between the net proceeds of the instrument as a whole and the fair value of the equity conversion option. Because the holders' ability to redeem these shares upon change in control generates an unavoidable obligation to deliver cash, the host instrument and equity conversion option are each classified as a current liability on the balance sheet. Due to the financial protection provided to its holders in the event of subsequent offerings, the equity conversion component is accounted for as a derivative liability and carried at fair value. Changes in the fair value of the equity conversion component are recorded as finance income or cost. Any dividend payments on these preferred shares are recognized in the income statement as finance income or cost.

Convertible debt. The Company's convertible debt includes terms allowing the holders to convert their portion of the loan to common shares at a discount below the share price in the event of an initial public offering, therefore making it a financial instrument with embedded derivative features. As a result, the Company has designated this financial instrument in its entirety to be valued at fair value through profit or loss as allowed under IAS 39. Changes in the fair value of the convertible debt are recorded as finance income or cost.

2.15. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16. Revenue recognition

Revenue represents sale of the Group's products to customers which are principally resellers and original equipment manufacturers. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, sales tax, returns and after eliminating sales within the Group.

The Group recognizes revenue when shipment or delivery has occurred, the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity. Customer purchase orders and/or contracts are used as evidence of an arrangement. Delivery occurs when products are shipped to the specified location and the risks of obsolescence and loss have been transferred to the reseller. For certain customers with vendor-managed inventory, delivery does not occur until product is acquired by the vendor from the vendor-managed inventory location. The Company assesses collectability based primarily on the creditworthiness of the customer as determined by credit checks and customer payment history. Customers do not generally have a right of return.

2.17. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

The Group leases certain property and equipment. Leases of property and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and the asset is accounted for as if it has been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments over the term of the lease.

Finance lease payments are allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Amounts due within one year are classified as current liabilities. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.18. Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. If the impact of time value is significant, the provision is calculated by discounting anticipated future cash flow using a discount rate before tax that reflects the market's pricing of the present value of money and, if relevant, risks specifically associated with the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.19. Contingent liabilities

Contingent liabilities are not recognized in the financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

2.20. Segment reporting

The CEO is the Group's chief operating decision-maker. The CEO assesses the performance of the Group principally on measures of revenue, gross margins, overheads, EBITDA and inventory levels of the Group as a whole.

Business segmentation. The Group has only one business segment as all of its products are related to liquid cooling. Sales statistics reviewed for various customer groups are considered to be within the same business segment. Consequently, the revenue and expenses, assets and liabilities for the Group are not divided between multiple business segments for key operating decision-making.

Geographical segmentation. Each of the Group's offices in its three principal geographies fulfills a particular function that serves the Asetek Group as a whole. The majority of costs incurred in each of the geographies are generally incurred for the benefit of the entire Group and not to generate revenue in the respective geography. As a result, the financial results of the Group are not divided between multiple geographical segments for key operating decision-making. Revenue and assets by geography is measured and reported in Note 4, Geographical information.

2.21. Cash flow statement

The cash flow statement is prepared using the indirect method.

2.22. Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Areas where significant judgment has been applied are:

- Capitalization of development costs: the Group's business includes a significant element of research and development activity. Under IAS 38, there is a requirement to capitalize and amortize development spend to match costs to expected benefits from projects deemed to be commercially viable. The application of this policy involves the ongoing consideration by management of the forecasted economic benefit from such projects compared to the level of capitalized costs, together with the selection of amortization periods appropriate to the life of the associated revenues from the product. If customer demand for products or the useful lives of products vary from management estimates, impairment charges on intangibles could increase.
- Fair value of financial liabilities: the Company's conversion option on its preferred shares and convertible loan are accounted for at fair value under IAS 39. In order to determine fair value, management must make estimates of future Company performance, revenue growth and identify similar companies for valuation comparisons. In addition, management must provide probability weighting of alternative financing scenarios for the Company and project the related timing of such outcomes. If management revises its assumptions or changes its estimates, gains or losses on these financial liabilities could fluctuate significantly.
- Provision for excess/obsolete inventory: management's forecast of revenue by product is a factor in determination of inventory reserves. If future customer demand or ordering patterns vary from management estimates, inventory may be overstated.
- Share based compensation: expenditures related to share based compensation are sensitive to assumptions used in calculation of fair value. If the volatility, expected life or risk-free interest rates differ materially from management's assumptions, the share based compensation expense could fluctuate.

2.23. Defined contribution plan

In 2008, the Company established a defined contribution savings plan (the “Plan”) in the U.S. that meets the requirements under Section 401(k) of the U.S. Internal Revenue Code. This Plan covers substantially all U.S. employees who meet the minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Company contributions to the Plan may be made at the discretion of the board of directors. Through December 31, 2012, there have been no contributions made to the Plan by the Company.

2.24. Transition to IFRS

These are the Company’s first IFRS financial statements and the Company adopted IFRS with a transition date (opening balance sheet date) of January 1, 2010. The Company’s consolidated financial statements were previously prepared in accordance with U.S. generally accepted accounting principles (GAAP). U.S. GAAP differs in some areas from IFRS. In preparing these consolidated financial statements, the Company has amended certain accounting and measurement methods previously applied in the U.S. GAAP financial statements to comply with IFRS. Note 24 of these consolidated financial statements contains reconciliations and descriptions of the impact of the transition from U.S. GAAP to IFRS on equity, income and comprehensive income as of January 1, 2010 and for fiscal years ended December 31, 2011 and 2010.

2.25. Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

These are the Group’s first IFRS financial statements. Accordingly, in accordance with IFRS 1, “First-time adoption of International Financial Reporting Standards”, the Group has used the same accounting policies in its opening IFRS statement of financial position and throughout all periods presented in these IFRS financial statements.

(b) Standards early adopted by the Group

The Group has early adopted the amendment to IAS 1, ‘Financial statement presentation’ regarding the composition of a complete set of financial statements and the minimum comparative information.

The Group has adopted IFRS 10, Consolidated financial statements’. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. As stated above, the Group has used the same accounting policies in its opening IFRS statement of financial position and throughout all periods presented in these IFRS financial statements.

The Group is therefore also required to adopt IFRS 12, ‘Disclosures of interests in other entities’. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has no such interests in other entities.

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

Amendment to IAS 1, ‘Financial statement presentation’ regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

3. Risk management and debt

The group's activities expose it to a variety of risks: liquidity risk, market risk (including foreign exchange risk and interest rate risk) and credit risk. The primary responsibility for Asetek's risk management and internal controls in relation to the financial reporting process rests with executive management. Asetek's internal control procedures are integrated in the accounting and reporting systems and include procedures with respect to review, authorization, approval and reconciliation. Management is in charge of ongoing efficient risk management, including the identification of material risks, the development of systems for risk management, and that significant risks are routinely reported to the board of directors.

Liquidity risk. The Group has incurred losses from operations and negative cash flows from operations since inception. To date, the Group has maintained liquidity by issuing convertible preferred shares, convertible debt and notes payable to shareholders, and securing bank lines of credit and trade receivables financing. The Group's corporate finance team monitors risk of a shortage of funds through regular updates and analysis of cash flow projections and maturities of financial assets and liabilities. The finance teams also review liquidity, balance sheet ratios (such as days' sales outstanding, inventory turns) and other debt covenant metrics on a regular basis to ensure compliance both on a short- and long-term basis.

The following are contractual maturities of financial liabilities, including estimated interest payments on an undiscounted basis. Management expects that its outstanding redeemable convertible preferred shares will be converted to equity in the event of a public offering. For purposes of the following table, liquidation of the preferred shares is assumed to be on demand, due to the holders' ability to redeem these shares upon a change in control.

Debt Maturities

As of December 31, 2012

(USD 000's)	On Demand (1)	Less than 3 months	3 to 12 months	1 to 5 years	Total
Redeemable preferred shares	$ (29,510)	$ -	$ -	$ -	$ (29,510)
Convertible option on preferred shares	(7,612)	-	-	-	(7,612)
Note payable (2)	-	-	-	(3,001)	(3,001)
Convertible loan	-	-	-	(4,443)	(4,443)
Line of credit	(306)	-	-	-	(306)
Finance leases	-	(2)	(6)	(7)	(15)
Trade payables and accrued liabilities	-	(3,612)	(305)	-	(3,917)
	$ (37,428)	$ (3,614)	$ (311)	$ (7,451)	$ (48,804)

As of December 31, 2011

(USD 000's)	On Demand (1)	Less than 3 months	3 to 12 months	1 to 5 years	Total
Redeemable preferred shares	$ (29,242)	$ -	$ -	$ -	$ (29,242)
Convertible option on preferred shares	(5,669)	-	-	-	(5,669)
Note payable (2)	-	-	(3,000)	-	(3,000)
Finance leases	-	(21)	(14)	(15)	(50)
Trade payables and accrued liabilities	-	(2,485)	(351)	-	(2,836)
	$ (34,911)	$ (2,506)	$ (3,365)	$ (15)	$ (40,797)

As of December 31, 2010

(USD 000's)	On Demand (1)	Less than 3 months	3 to 12 months	1 to 5 years	Total
Redeemable preferred shares	$ (26,756)	$ -	$ -	$ -	$ (26,756)
Convertible option on preferred shares	(7,266)	-	-	-	(7,266)
Note payable (2)	-	-	(3,000)	-	(3,000)
Finance leases	-	(29)	(47)	(28)	(104)
Trade payables and accrued liabilities	-	(1,868)	(370)	-	(2,238)
	$ (34,022)	$ (1,897)	$ (3,417)	$ (28)	$ (39,364)

(1) Redeemable on demand, contingent upon a change in control of the Company
(2) In December 2012, the maturity date on the note payable was extended to February 2014.

Market risk factors. The Group's principal financial liabilities consist of short-term debt on revolving lines of credit, notes payable, convertible debt and redeemable convertible preferred shares. The Group's financial assets mainly comprise trade receivables, cash and deposits. The Group's operations are exposed to market risks, principally foreign exchange risk and interest rate risk.

(a) Foreign exchange risk. With few exceptions, the Group's inventory purchase and sale transactions are denominated in U.S. dollars. The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, principally with respect to the Danish kroner. Foreign exchange risk arises from operating results and net assets associated with Denmark-based operations where the Danish kroner is the functional currency. The Company's Denmark entity has a revolving line of credit available totaling 2 million Danish kroner ($353,000). The Group does not enter into derivatives or other hedging transactions to manage foreign exchange risk. Management mitigates this exposure through timely settlement of intercompany operating liabilities.

The ending exchange rate at December 31, 2012 was 5.66 Danish kroner to one U.S. dollar (5.75 and 5.61 to the U.S. dollar at December 31, 2011 and 2010, respectively). The effect of a 10% strengthening (weakening) of the Danish kroner against the U.S. dollar for the reporting period would have resulted in an increase (decrease) in post-tax loss for fiscal year 2012 of $127,000. The comparative effects for prior years are increases of $278,000 and $487,000 increase for fiscal years 2011 and 2010, respectively.

(b) Interest rate risk. As of December 31, 2012, Asetek has the following debt that is subject to interest rate risk:

- Convertible loan due to investors – The Company borrowed $3.0 million in October 2012 under a convertible loan requiring 10% interest payments beginning September 2014. The loan is payable in October 2015 with a total effective interest rate of 18% if not converted by the investors. Due to the fixed repayment schedule if not converted, interest rate risk is not significant.
- Note payable to shareholder – a $3.0 million note due February 28, 2014 carries 10% interest which is paid annually. Due to the short-term nature of the loan and the fixed rate, interest rate risk is not significant.
- Line of credit with Comerica Bank – $1.0 million revolving line of credit available to the Company, payable at the bank prime rate plus two percentage points. As of December 31, 2012, the Company had no amounts outstanding under this line.
- Line of credit with Sydbank – 2 million Danish kroner revolving line of credit available to Asetek A/S (approximately $306,000 outstanding at December 31, 2012). The line carries interest at the Danish CIBOR 3 rate plus 4.5 percentage points, which in total was 4.8% at December 31, 2012. Based on the line's revolving, short-term nature, interest rate risk is not significant.

Capital and debt management. Because the Company is in the relatively early stages of developing its market, its primary focus has been to support its product development initiatives, maintain liquidity through use of financing alternatives, and maximize shareholder value. The Group manages its capital and debt structure with consideration of economic conditions, and has secured short-term debt and convertible debt or issued convertible preferred shares to support its market strategies and liquidity needs. In order to achieve the Group's objectives, executive management is considering an initial public offering of its common shares on a public exchange.

Credit risk factors. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk primarily through trade receivables and cash deposits. Management mitigates credit risk through standard review of customer credit-worthiness and maintaining its liquid assets principally with reputable banks, principally Comerica Bank in the U.S. and Sydbank in Denmark. The carrying amount of the financial assets represents the maximum credit exposure. Trade receivables that are deemed uncollectible are charged to expense with an offsetting allowance recorded against the trade receivable. In 2012, two customers accounted for 24% and 19% of revenues, respectively. In 2011, four customers accounted for 24%, 21%, 17% and 15% of revenues, respectively. In 2010, two customers accounted for 59% and 19% of revenues, respectively. At December 31, 2012, one customer represented 28% of outstanding trade receivables. At December 31, 2011, one customer represented 17% of outstanding trade receivables. At December 31, 2010, two customers represented 55% and 20% of outstanding trade receivables, respectively. The reserve for uncollectible trade accounts was $162,000 at December 31, 2012 (2011: $5,000 and 2010: $49,000). The aged trade receivables and bad debt reserve balances for all years presented are provided in Note 14.

The maximum exposure to credit risk at the reporting dates was:

(USD 000's)	31-Dec-12	31-Dec-11	31-Dec-10
Cash and cash equivalents	$ 1,248	$ 2,668	$ 2,500
Trade receivables and other	3,971	2,180	2,434
Other assets	-	38	47
Maximum credit exposure	$ 5,219	$ 4,886	$ 4,981

4. Geographical information

The Group operates internationally in several geographical areas mainly in Asia, Europe and the Americas. The following table presents the Group's revenue and assets in each of the principal geographical areas:

	2012		
(USD 000's)	Revenue	Current assets	Non-current assets
Asia	$ 10,841	$ 2,627	$ 129
Americas	3,384	1,955	82
Europe	4,456	1,692	1,677
Total	$ 18,681	$ 6,274	$ 1,888

	2011		
(USD 000's)	Revenue	Current assets	Non-current assets
Asia	$ 8,826	$ 1,677	$ 117
Americas	3,628	2,222	92
Europe	3,120	1,787	2,608
Total	$ 15,574	$ 5,686	$ 2,817

	2010		
(USD 000's)	Revenue	Current assets	Non-current assets
Asia	$ 9,208	$ 1,704	$ 61
Americas	4,944	2,788	40
Europe	1,597	2,049	2,109
Total	$ 15,749	$ 6,541	$ 2,210

Revenue in the United States of America (country of domicile) was $3.4 million in 2012. ($3.6 million in 2011 and $4.9 million in 2010).

For the purpose of the above presentation, the information pertaining to revenue and current assets is calculated based on the location of the customers, whereas information pertaining to non-current assets is based on the physical location of the assets. The information pertaining to current assets is calculated as a summation of assets such as trade receivables and finished goods inventories reasonably attributable to the specific geographical area.

5. Salary costs and remunerations

(USD 000's)	2012	2011	2010
Salaries	$ 4,905	$ 5,735	$ 5,747
Social cost	339	320	307
Share based payment	140	64	105
Other expenses	39	144	111
Total personnel expenses before capitalization	$ 5,423	$ 6,263	$ 6,270
Capitalized as development cost	(659)	(1,310)	(535)
Total personnel expenses in statement of income	$ 4,764	$ 4,953	$ 5,735
Average number of employees	51	54	56

The staff costs are specified as follows:

(USD 000's)	2012	2011	2010
Research and development	1,820	2,133	1,930
Selling, general and administrative	3,603	$ 4,130	$ 4,340
Total personnel expenses before capitalization	$ 5,423	$ 6,263	$ 6,270

Compensation to key management in 2012

	Salary	Options	Total
Officers	622	32	654
Other senior management	841	40	881
	1,463	72	1,535

Compensation to the Board in 2012

	Remuneration	Options	Total
Chairman of the Board of Directors	-	14	14
Other members of the Board of Directors	-	10	10
	-	24	24

In the figures listed above are included incentive based compensation for management and staff. Incentive based compensation is based on a combination of quarterly cash based rewards and periodic grants of options to buy the Company's common shares. The bonus plan for the CEO is approved by the Board of Directors at the beginning of the year and the bonus payments for the CEO and the upper management are reviewed by the Board of Directors on an annual basis. All bonus plans are structured to include an absolute dollar cap.

The executive management is employed on normal terms, with contracts including reasonable termination and 'Change of Control' clauses. Apart from this, the Company has not entered into any agreements with members of the Board of Directors or management pertaining to compensation in connection with contract termination in connection with ownership changes.

6. Share based payment

Asetek's Equity Incentive Plan ('the Plan') is a share option program where the employees and other parties that deliver services to the Group have been granted share options. The options, if vested and executed, will be settled in common shares of the Company.

The options are granted at the time of employment and, at the discretion of the Board of Directors, under other circumstances. The options are granted with exercise prices equaling the fair market value of the underlying security, of which a valuation is prepared periodically by external valuation experts. Share based compensation expense was $140,000, $64,000 and $105,000 for the years ended December 31, 2012, 2011 and 2010, respectively.

The Plan was adopted by the Board of Directors in 2008 and has the following purpose:

- To attract and retain the best available personnel for positions of substantial responsibility;
- to provide additional incentive to Employees and Directors and Consultants, and
- to promote the success of the Company's business.

As per December 31, 2012 there is a total of 1,048,187 common shares authorized under the Plan.

Date of authorization	Number of options
September 2008	697,380
October 2009	194,534
October 2011	156,273
Total number of options authorized	1,048,187

Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

List of outstanding options	2012	Weighted Average Exercise Price	2011	Weighted Average Exercise Price	2010	Weighted Average Exercise Price
Options outstanding on January 1	805,422	$ 0.94	747,419	$ 0.94	509,888	$ 0.94
Options granted	178,267	$ 0.96	120,547	0.96	429,343	0.94
Options exercised	(3,381)	$ 0.94	(23,715)	0.94	-	0.94
Options forfeited	(33,525)	$ 0.96	(38,829)	0.94	(191,812)	0.94
Outstanding options on December 31	946,783	$ 0.94	805,422	$ 0.94	747,419	$ 0.94
Exercisable options on December 31	655,074	$ 0.94	478,628	$ 0.94	321,014	$ 0.94

Of the options outstanding at December 31, 2012, 668,362 have an exercise price of $0.94 per share while 278,421 options have an exercise price of $0.96 per share. The weighted average remaining contractual term is 5.07 years.

The Company calculated the fair value of each option award on the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used for the period indicated:

Valuation assumptions:	2012	2011	2010
Risk-free interest rate	0.6%	1.6%	2.0%
Dividend yield	0.0%	0.0%	0.0%
Expected life of options (years)	4.7	4.6	4.4
Expected volatility	58.4%	53.4%	53.8%

The fair value of common shares underlying the share options and equity awards has historically been determined by management with input from independent third-party valuation firms. All options are intended to be exercisable at a price per share not less than the per share fair market value of the common shares underlying those options on the date of grant. Prior to the issuance of our financial statements for the year ended December 31, 2012, management decided to revise its estimates of the fair value of the Company's common shares, solely for reporting purposes, as of the date of the option grants that occurred in June 2012. Management determined the fair value of common shares as of June 2012 for financial reporting purposes based in part on an analysis of relevant metrics, including:

- the Company's operating and financial performance,

- the Company's stage of development and revenues growth,
- the valuation of comparable companies,
- and the likelihood of achieving a liquidity event for common shares underlying the share options, such as an initial public offering or sale of the Company, given prevailing market conditions and the relative financial condition of the Company at time of grant.

Based on analysis of the above relevant metrics, management estimated the fair value of common shares for financial reporting purposes as of the date of the option grants in June 2012 to be $2.24 per share. Options granted in June 2012 have an exercise price of $0.96 per share. As a result of Management's revision in the fair market value of common shares, share based compensation expense increased by $63,000 for the year ended December 31, 2012.

7. Expenses by nature

(USD 000's)	2012	2011	2010
Inventories recognized as cost of sales (Note 15)	$ 11,748	$ 9,750	$ 10,853
Personnel expenses (Note 5)	5,423	6,263	6,270
Depreciation and amortization	2,052	1,789	1,045
Legal, patent, consultants and auditor	1,956	847	1,002
Facilities and infrastructure	933	1,015	842
Other expenses	2,606	1,896	1,098
Total operating expenses before capitalization	24,718	21,560	21,110
Less: capitalized costs for development projects (Note 12)	(1,165)	(2,279)	(1,146)
Total expenses	$ 23,553	$ 19,281	$ 19,964

Depreciation and amortization expense by classification on the income statement is as follows:

(USD 000's)	2012	2011	2010
Depreciation and amortization included in:			
Cost of sales	$ 145	$ 121	$ 73
Research and development	1,863	1,624	954
Selling, general and administrative	44	44	18
Total	$ 2,052	$ 1,789	$ 1,045

8. Finance costs and income

(USD 000's)	2012	2011	2010
Income (loss) on fair value of convertible preferred shares	$ (1,845)	$ 2,227	$ (2,047)
Loss on fair value of convertible loan	(1,389)	-	-
Non-cash items included in finance costs and income	(3,234)	2,227	(2,047)
Interest on note payable	(300)	(300)	(139)
Interest on convertible loan	(54)	-	-
Finance lease interest	(3)	(7)	(36)
Line of credit interest, other bank fees	(102)	(82)	(52)
Total finance (costs) / income	$ (3,693)	$ 1,838	$ (2,274)

The income (loss) on fair value of convertible preferred shares and the loss on convertible loan are non-cash transactions resulting from recording the instruments at fair value at period end. Income on fair value of convertible preferred shares in 2011 resulted from a decrease in the value of the conversion option at December 31, 2011 due to uncertainty in the Company's operating forecasts at that time prior to development of the data center/server cooling business plan. During 2012, the Company developed and expanded the data center cooling strategy and business plan, resulting in an increase in value of the conversion option liability and recognized loss.

9. Income taxes

Tax on profit/loss for the year is specified as follows:

(USD 000's)	2012	2011	2010
Current income tax	$ (7)	$ 8	$ 10
Deferred income tax	-	-	-
Tax expense	$ (7)	$ 8	$ 10

The tax on the group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

(USD 000's)	2012	2011	2010
Profit (loss) before tax	$ (8,565)	$ (1,869)	$ (6,489)
Tax benefit (charge) calculated at domestic rates applicable to profits/losses in respective countries	$ (3,066)	$ (472)	$ (2,080)
Tax effects of:			
Expenses (income) not deductible for tax purposes	1,309	(38)	2
Tax losses for which no asset was recognized	1,750	518	2,088
Tax (benefit) charge	$ (7)	$ 8	$ 10

10. Deferred income tax

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit is probable. Due to uncertainty in realizability the group did not recognize deferred income tax assets of $13,142,000 (2011: $11,414,000, 2010: $10,254,000) in respect of losses amounting to $56,795,000 (2011: $48,699,000; 2010: $43,474,000) that can be carried forward against future taxable income. Losses of the U.S. parent company and the U.S. subsidiary will begin to expire in 2017 and losses of the Denmark subsidiary do not expire.

The group did not recognize deferred tax liabilities resulting to temporary differences of $128,000 (2011: $275,000; 2010: $267,000) in respect of costs deducted in taxation but not in bookkeeping amounting to $365,000 (2011: $806,000; 2010: $962,000).

In accordance with IAS 12, because of the history of recent losses, the Company recognizes deferred tax assets arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the Company. As of December 31, 2012, 2011 and 2010, no deferred tax assets have been recorded by the Company.

11. Financial instruments category and fair value estimation

All of the Company's financial assets as of the balance sheet dates presented are classified as 'loans and receivables' having fixed or determinable payments that are not quoted in an active market. With the exception of the conversion option on the redeemable convertible preferred shares and the convertible loan, all of the Company's financial liabilities are carried at amortized cost. The conversion option on the redeemable preferred shares is carried as a liability at fair value through profit and loss using unobservable market data (Level 3) for inputs. The convertible loan is carried as a liability at fair value through profit and loss using unobservable market data (Level 3) for inputs. Assumptions and inputs used by management in estimating the fair value of the conversion option and the fair value of the convertible loan include projections of the Company's future operating and financial performance, the

Company's stage of development and revenues growth, the forecasting and weighting of the probability of alternative financing scenarios for the Company, and the valuation of comparable companies.

The Company believes that book value approximates fair value for all financial instruments as of December 31, 2012, 2011 and 2010. The values of the Group's assets and liabilities are as follows at the respective balance sheet dates:

As of December 31, 2012

(USD 000's)	Loans and receivables
Assets as per balance sheet:	
Trade receivables and other	$ 3,971
Cash and cash equivalents	1,248
	$ 5,219

(USD 000's)	Liabilities at fair value through profit and loss	Other financial liabilities at amortized cost	Total
Liabilities as per balance sheet:			
Long-term debt	$ 4,443	$ 3,008	$ 7,451
Redeemable preferred shares	-	29,510	29,510
Convertible option on preferred shares	7,612	-	7,612
Short-term debt	-	314	314
Trade payables and accrued liabilities	-	3,917	3,917
	$ 12,055	$ 36,749	$ 48,804

As of December 31, 2011

(USD 000's)	Loans and receivables
Assets as per balance sheet:	
Trade receivables and other	$ 2,180
Cash and cash equivalents	2,668
	$ 4,848

(USD 000's)	Liabilities at fair value through profit and loss	Other financial liabilities at amortized cost	Total
Liabilities as per balance sheet:			
Long-term debt	$ -	$ 15	$ 15
Redeemable preferred shares	-	29,242	29,242
Convertible option on preferred shares	5,669	-	5,669
Short-term debt	-	3,035	3,035
Trade payables and accrued liabilities	-	2,836	2,836
	$ 5,669	$ 35,128	$ 40,797

As of December 31, 2010

(USD 000's)		Loans and receivables
Assets as per balance sheet:		
Trade receivables and other	$	2,434
Cash and cash equivalents		2,500
	$	4,934

(USD 000's)		Liabilities at fair value through profit and loss		Other financial liabilities at amortized cost		Total
Liabilities as per balance sheet:						
Long-term debt	$	-	$	28	$	28
Redeemable preferred shares		-		26,756		26,756
Convertible option on preferred shares		7,266		-		7,266
Short-term debt		-		3,076		3,076
Trade payables and accrued liabilities		-		2,238		2,238
	$	7,266	$	32,098	$	39,364

12. Intangible assets

The Group routinely incurs costs directly attributable to the design and testing of new or improved products to be held for sale. These costs are capitalized as intangible assets and amortized over the estimated useful lives of the products, typically three to twenty-four months. The following table presents a summary of the activity.

(USD 000's)		Development Projects
Cost		
Balance at January 1, 2010	$	1,414
Additions		1,146
Balance at December 31, 2010	$	2,560
Balance at January 1, 2011	$	2,560
Additions		2,279
Deletions - completion of useful life		(742)
Impairment loss		(299)
Balance at December 31, 2011	$	3,798
Balance at January 1, 2012	$	3,798
Additions		1,165
Deletions - completion of useful life		(665)
Impairment loss		(127)
Balance at December 31, 2012	$	4,171
Acccumulated amortization and impairment losses		
Balance at January 1, 2010	$	(111)
Amortization for the year		(818)
Balance at December 31, 2010	$	(929)
Balance at January 1, 2011	$	(929)
Amortization for the year		(1,503)
Amortization associated with deletions		742
Amortization associated with impairment losses		31
Balance at December 31, 2011	$	(1,659)
Balance at January 1, 2012	$	(1,659)
Amortization for the year		(1,782)
Amortization associated with deletions		665
Amortization associated with impairment losses		53
Balance at December 31, 2012	$	(2,723)
Carrying amount at December 31, 2010	$	1,631
Carrying amount at December 31, 2011	$	2,139
Carrying amount at December 31, 2012	$	1,448

Impairment tests are performed whenever there are indications of a need for write-offs. If the value of expected future free cash flow of the specific development project is lower than the carrying value, the asset is written down to the lower value. The booked value includes capitalized salary expenses and other net assets for the cash flow producing project. Expected future free cash flow is based on budgets and anticipations prepared by management. The main parameters are the development in revenue, EBIT and working capital.

13. Property and equipment

The following table presents a summary of property and equipment activity.

(USD 000's)		Leasehold improvements		Machinery		Other fixtures, fittings, tools, equipment		Total
Cost								
Balance at January 1, 2010	$	45	$	1,549	$	319	$	1,913
Additions		-		133		63		196
Disposals		-		(629)		(31)		(660)
Exchange rate differences		(3)		(107)		(20)		(130)
Balance at December 31, 2010	$	42	$	946	$	331	$	1,319
Balance at January 1, 2011	$	42	$	946	$	331	$	1,319
Additions		46		310		45		401
Disposals		(7)		(49)		6		(50)
Exchange rate difference		(1)		(13)		(4)		(18)
Balance at December 31, 2011	$	80	$	1,194	$	378	$	1,652
Balance at January 1, 2012	$	80	$	1,194	$	378	$	1,652
Additions		52		11		25		88
Disposals		-		(10)		(48)		(58)
Exchange rate difference		1		10		4		15
Balance at December 31, 2012	$	133	$	1,205	$	359	$	1,697
Acccumulated depreciations								
Balance at January 1, 2010	$	(38)	$	(1,038)	$	(243)	$	(1,319)
Disposals		-		630		31		661
Depreciations for the year		(2)		(186)		(39)		(227)
Exchange rate differences		3		78		17		98
Balance at December 31, 2010	$	(37)	$	(516)	$	(234)	$	(787)
Balance at January 1, 2011	$	(37)		(516)	$	(234)	$	(787)
Disposals		2		31		-		33
Depreciations for the year		(4)		(221)		(48)		(273)
Exchange rate differences		1		10		4		15
Balance at December 31, 2011	$	(38)	$	(696)	$	(278)	$	(1,012)
Balance at January 1, 2012	$	(38)	$	(696)	$	(278)	$	(1,012)
Disposals		-		10		48		58
Depreciations for the year		(20)		(210)		(60)		(290)
Exchange rate differences		(1)		(9)		(3)		(13)
Balance at December 31, 2012	$	(59)	$	(905)	$	(293)	$	(1,257)
Carrying amount at December 31, 2010	$	5	$	430	$	97	$	532
Carrying amount at December 31, 2011	$	42	$	498	$	100	$	640
Carrying amount at December 31, 2012	$	74	$	300	$	66	$	440

At December 31, 2012, property and equipment includes leased equipment at a gross value of approximately $29,000 which had accumulated amortization of $15,000. (2011: gross value of $134,000 and accumulated amortization of $80,000. 2010: gross value of $274,000 and accumulated amortization of $173,000). As of December 31, 2012, the Company has $3.0 million of debt collateralized by all assets of the Company, including property and equipment.

Asetek Holdings, Inc.

Notes to the Annual Report

14. Trade receivables and other

(USD 000's)	31-Dec-12	31-Dec-11	31-Dec-10
Gross trade receivables	$ 3,467	$ 2,038	$ 2,386
Provision for uncollectible accounts	(162)	(5)	(49)
Net trade receivables	3,305	2,033	2,337
Other receivables and assets	666	147	97
Total trade receivables and other	$ 3,971	$ 2,180	$ 2,434

Trade receivables are non-interest bearing and are generally on payment terms of Net 30 days.
The aging of trade receivables as of the reporting date is as follows:

			Past Due		
(USD 000's)	Total	0 to 30 days	31 to 60 days	61 to 90 days	Over 90 days
December 31, 2012	$ 3,467	$ 1,877	$ 1,082	$ 179	$ 329
December 31, 2011	$ 2,038	$ 1,173	$ 557	$ 247	$ 61
December 31, 2010	$ 2,386	$ 1,673	$ 541	$ 90	$ 82

The carrying amount of trade receivables is approximately equal to fair value due to the short term to maturity. Regarding credit risks, refer to Note 3.

A summary of the activity in the provision for uncollectible accounts is as follows:

(USD 000's)	Provision for uncollectible accounts
Balance at January 1, 2010	$ (54)
Additions	(42)
Reversals	47
Balance at December 31, 2010	$ (49)
Balance at January 1, 2011	$ (49)
Additions	(11)
Reversals	55
Balance at December 31, 2011	$ (5)
Balance at January 1, 2012	$ (5)
Additions	(219)
Reversals	62
Balance at December 31, 2012	$ (162)

Other receivables. Included in other receivables at December 31, 2012 is an award from the Danish government of 1.8 million Danish krone ($321,000). This receivable represents a subsidy awarded to fund the development and testing of a prototype solution for sealed server cooling and is subject to standard reporting requirements and conditions associated with grants of this type.

15. Inventories

(USD 000's)	31-Dec-12	31-Dec-11	31-Dec-10
Raw materials	$ 249	$ 80	$ 508
Work in process	-	37	311
Finished goods	904	777	851
Total net inventories	1,153	894	1,670
Less: provision for inventory reserves	(98)	(56)	(63)
Total net inventories	$ 1,055	$ 838	$ 1,607

(USD 000's)	2012	2011	2010
Inventories recognized as cost of sales during the period	$ (11,748)	$ (9,750)	$ (10,853)
Write-down of inventories to net realizable value	$ (98)	$ (56)	$ (114)

A summary of the activity in the provision for inventory reserves is as follows:

(USD 000's)	Provision for inventory reserves
Balance at January 1, 2010	$ (217)
Additions	(114)
Write-offs	268
Balance at December 31, 2010	$ (63)
Balance at January 1, 2011	$ (63)
Additions	(56)
Write-offs	63
Balance at December 31, 2011	$ (56)
Balance at January 1, 2012	$ (56)
Additions	(98)
Write-offs	56
Balance at December 31, 2012	$ (98)

16. Share capital and shareholder information

The following table summarizes common share activity in the years presented:

	2012	2011	2010
Common shares outstanding - January 1	1,574,415	1,550,700	1,550,700
Shares issued	3,381	23,715	-
Common shares outstanding - December 31	1,577,796	1,574,415	1,550,700
Par value	$ 0.001	$ 0.001	$ 0.001
Share capital on balance sheet *(USD 000's)*	$ 2	$ 2	$ 2

The principal shareholders of common at December 31, 2012 are:

Shareholder	Number of Shares	Ownership Interest
Andre Eriksen Holding ApS	408,010	25.9%
ZOAR Invest ApS	287,000	18.2%
Friheden Invest A/S	220,000	13.9%
Kartago Development ApS	200,000	12.7%
Paul Wallewik	180,000	11.4%
Other shareholders	282,786	17.9%
	1,577,796	100.0%

Shares owned directly or indirectly by management and the Board of Directors at December 31, 2012:

Name	Number of Shares
Andre Sloth Eriksen, CEO	408,010
	408,010

17. Redeemable convertible preferred shares and other debt

The following is a summary of the Company's outstanding and net debt:

(USD 000's)	31-Dec-12	31-Dec-11	31-Dec-10
Redeemable preferred shares	$ (29,510)	$ (29,242)	$ (26,756)
Convertible option on preferred shares	(7,612)	(5,669)	(7,266)
Line of credit	(306)	-	-
Note payable to shareholder	-	(3,000)	(3,000)
Finance leases - due within one year	(8)	(35)	(76)
Debt included in current liabilities	(37,436)	(37,946)	(37,098)
Long-term convertible loan	(4,443)	-	-
Note payable to shareholder	(3,001)	-	-
Finance leases - due after one year	(7)	(15)	(28)
Total debt	(44,887)	(37,961)	(37,126)
Less: cash and equivalents	1,248	2,668	2,500
Net debt	$ (43,639)	$ (35,293)	$ (34,626)

Redeemable convertible preferred shares. The following is a summary of outstanding redeemable preferred shares:

As of December 31, 2012:

Redeemable Convertible Shares	Authorized *(000's)*	Issued and Outstanding *(000's)*	Liquidation Preference *(USD 000's)*	Proceeds Net of Issuance Costs *(USD 000's)*	Issuance Price per Share
Series A-1	2,266	2,266	$ 13,573	$ 10,356	$ 5.99
Series A-2	210	210	1,698	1,575	$ 8.09
Series B	2,700	2,317	15,964	16,253	$ 6.89
Series C	2,868	2,867	11,500	11,483	$ 4.01
Total	8,044	7,660	$ 42,735	$ 39,667	

(USD 000's)	Fair Value of Conversion Option	Carrying Value of Preferred Shares	Total Carrying Value
Series A-1	1,726	10,070	11,796
Series A-2	95	1,238	1,333
Series B	1,387	8,982	10,369
Series C	4,404	9,220	13,624
	$ 7,612	$ 29,510	$ 37,122

As of December 31, 2011

Redeemable Convertible Shares	Authorized *(000's)*	Issued and Outstanding *(000's)*	Liquidation Preference *(USD 000's)*	Proceeds Net of Issuance Costs *(USD 000's)*	Issuance Price per Share
Series A-1	2,266	2,266	$ 13,573	$ 10,356	$ 5.99
Series A-2	210	210	1,698	1,575	$ 8.09
Series B	2,700	2,317	15,964	16,253	$ 6.89
Series C	2,868	2,776	11,133	11,116	$ 4.01
	8,044	7,569	$ 42,368	$ 39,300	

(USD 000's)	Fair Value of Conversion Option	Carrying Value of Preferred Shares	Total Carrying Value
Series A-1	1,697	10,070	11,767
Series A-2	157	1,238	1,395
Series B	1,735	8,982	10,717
Series C	2,080	8,952	11,032
	$ 5,669	$ 29,242	$ 34,911

As of December 31, 2010:

Redeemable Convertible Shares	Authorized *(000's)*	Issued and Outstanding *(000's)*	Liquidation Preference *(USD 000's)*	Proceeds Net of Issuance Costs *(USD 000's)*	Issuance Price per Share
Series A-1	2,266	2,266	$ 13,573	$ 11,120	$ 5.99
Series A-2	210	210	1,698	1,616	$ 8.09
Series B	2,700	2,317	15,964	16,121	$ 6.89
Series C	1,995	1,995	8,000	8,000	$ 4.01
	7,171	6,788	$ 39,235	$ 36,857	

(USD 000's)	Fair Value of Conversion Option	Carrying Value of Preferred Shares	Total Carrying Value
Series A-1	2,425	10,070	12,495
Series A-2	225	1,238	1,463
Series B	2,480	8,982	11,462
Series C	2,136	6,466	8,602
	$ 7,266	$ 26,756	$ 34,022

In September 2008, the Company completed an exchange of all share capital of Asetek A/S for capital shares of the Company pursuant to an exchange agreement. In October 2011, the Company issued 781,389 shares of Series C Preferred with a par value of $0.001 and a purchase price of $4.010 for a total consideration of $3,133,370, less issuance costs of $17,367 for a net value $3,116,003. In May 2012, the Company issued 91,429 shares of Series C Preferred with a par value of $0.001 and a purchase price of $4.010 for a total consideration of $366,630.

Significant terms of the convertible preferred shares (collectively, the “preferred shares”) are as follows:

Voting – Each of the preferred shares has voting rights equivalent to the number of shares of common shares into which it is convertible.

Dividend Rights –The holder of each of the preferred shares is entitled to receive, when and if declared by the Board of Directors of the Company, noncumulative dividends at an annual rate per share of $0.4792, $0.6472, $0.5512 and $0.3208 for Series A-1, Series A-2, Series B and Series C preferred, respectively. After payment of such dividends, any additional dividends shall be distributed among the holders of the preferred and common shares pro rata on an if-converted basis. No dividends have been declared through December 31, 2012, and accordingly, no amounts have been recorded in the accompanying financial statements related to dividends.

Liquidation Preference – In the event of any liquidation, dissolution, winding up, or change of control of the Company, the holders of each series of preferred shares shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Company to holders of common shares, an amount equal to $5.99, $8.09, $6.89 and $4.01 per share for each share of Series A-1, Series A-2, Series B and Series C convertible preferred shares, respectively, plus any accrued or declared but unpaid dividends. If the assets or property available for distribution are not sufficient to allow full payment to the holders of preferred shares as set forth above, the available assets shall be distributed ratably to the holders of preferred shares in proportion to the full preferential amount each holder is otherwise entitled to receive. If there are remaining assets of the Company after distribution to the preferred shareholders, the remaining assets would be distributed pro rata among the holders of the preferred and common shares in proportion to the number of shares of common shares held by each party, with the preferred shares treated as if converted to shares of common at the then applicable conversion rate. The preferred shareholders have the right to redeem their shares in the event of a change in control and the Company does not, as defined by IAS 32, have the unconditional right to avoid delivering payment to settle the instrument.

Conversion – Each share of preferred is convertible, at the option of the holder thereof, at any time into the number of shares of common as determined by dividing the original issuance price into the conversion price for such series. The conversion prices for each series are $5.99, $8.09, $6.89, and $4.01 per share for Series A-1, Series A-2, Series B and Series C convertible preferred shares, respectively. The preferred shares shall automatically be converted into common shares upon an initial public offering with an offering price per share of not less than $12.03, resulting aggregate cash proceeds of at least $30 million and the listing of the Company's common shares on an internationally recognized exchange. Automatic conversion to common shares may also occur upon the request of over 50% of the holders of outstanding preferred shares. In the event of certain subsequent issuance of common stock at a price less than the conversion price of one or more classes of preferred shares, the conversion price of the affected preferred shares will be adjusted downward on a basis proportionate with the number of shares affected and the variation in price.

Convertible loan. On October 26, 2012, the Company entered into an unsecured convertible loan agreement with seven investors to raise $3.0 million to be used for working capital in preparation for an initial public offering (IPO). Interest accrues from the loan date at a stated annual rate of 10% and is paid quarterly beginning in September 2014. In the event of an IPO, the investors may convert their portion of the loan to common shares at a discount of 20% below the IPO share price. If the Company does not complete an IPO on the Oslo Stock Exchange within twenty-four months from the date of the loan, the investors have the right to convert their portion of the loan plus accrued interest into Series C preferred shares of the Company at a conversion price of $4.01 per share. Any unpaid or unconverted loan amounts are to be paid in full by September 30, 2015. At its option, the Company may repay the loan, plus accrued interest, any time before maturity according to the following repayment schedule:

Repayment made during the period from:	Principal due is multiplied times:
Loan inception to 6 months	105.0%
Over 6 months from loan inception up to 12 months	110.0%
Over 12 months from loan inception up to 18 months	115.5%
Over 18 months from loan inception up to 24 months	121.0%
Over 24 months from loan inception up to 30 months	128.0%
Over 30 months up to maturity date	135.0%

Note payable. In July 2010, the Company executed a promissory note to a preferred shareholder in return for $3.0 million of operating funds. The promissory note has a stated interest rate of 10%, with interest payments due annually on December 31, and is collateralized by the total assets of the Company. The original maturity date of the note was December 31, 2011. In May 2011, the Company extended the maturity of the note to December 31, 2012. In December 2012, in return for extending the maturity date of the note to February 28, 2014, the Company incurred a one-time maturity extension fee of $150,000 that is due on the maturity date. This fee is accounted for as a modification to the note and will accrete on a straight-line basis over the remaining period up to maturity. At December 31, 2012, the promissory note has a book value of $3.0 million, which approximates fair value. Accrued interest of $300,000 related to the promissory note is included in accrued liabilities at December 31, 2012.

USA and Holdings line of credit. In November 2010, Asetek USA, Inc. and Asetek Holdings, Inc. entered into a revolving line of credit agreement with Comerica Bank. The agreement is collateralized by a lien over the Company's assets and has a maturity date of March 31, 2013. As of December 31, 2012, the available line of credit to the Company totaled $1.0 million and there was no outstanding balance. Interest on the line is payable monthly at the bank prime rate plus 3.75 percentage points. The line of credit is subject to certain covenants pertaining to equity financing achievements and operating results. As of December 31, 2012, the Company was not in compliance with certain of these covenants, and as a result the availability of this credit facility is subject to the Bank's waiver or amendment of these covenants.

Asetek A/S Denmark line of credit. In September 2012, the Company entered into a revolving line of credit agreement with Sydbank. The line is collateralized by the trade receivables of Asetek A/S and is payable on demand. At December 31, 2012, the total line was 2 million Danish kroner, which equates to $353,000 at December 31, 2012. Interest on the line is payable monthly at the Danish CIBOR 3 rate plus 4.5 percentage points, which in total was 4.8% at December 31, 2012. As of December 31, 2012, the Company had 1.7 million Danish kroner ($306,000) outstanding on the line.

Letter of credit. As of December 31, 2012, the Company had an outstanding letter of credit for $500,000 issued to its principal manufacturer. This letter of credit expires April 2013.

18. Leases

Operating leases. The Company leases its facilities under noncancelable operating leases. In November 2010, the Company entered into a new lease agreement for its corporate offices. The new lease term is January 2011 through January 2014. Future minimum operating lease payments are as follows as of the balance sheet date:

(USD 000's)	31-Dec-12	31-Dec-11	31-Dec-10
Minimum operating lease payments due:			
In the following year	$ 114	$ 109	$ 113
In the second year	-	114	109
In the third year	-	-	114
	$ 114	$ 223	$ 336

Finance leases. The Company has finance leases outstanding for engineering and test equipment and the leases generally have terms of 36 months. There are no lease commitments beyond five years. Future minimum lease payments under finance leases are as follows as of the respective balance sheet date:

(USD 000's)	31-Dec-12	31-Dec-11	31-Dec-10
Minimum finance lease payments as of December 31	$ 16	$ 54	$ 110
Less: Amount representing interest	(1)	(4)	(6)
Total obligations under finance leases	$ 15	$ 50	$ 104
Obligations under finance leases due within one year	$ 8	$ 35	$ 76
Obligations under finance leases due after one year	7	15	28
	$ 15	$ 50	$ 104

19. Transactions with related parties

The Company's chairman is a member of the board of directors of a reseller of Company products. During the years ended December 31, 2012, 2011 and 2010, the Company had sales of inventory to the reseller of $1.2 million, $2.6 million and $9.4 million, respectively. As of December 31, 2012, 2011 and 2010, the Company had outstanding trade receivables from the reseller of $473,000, $179,000 and $1.3 million, respectively.

20. Subsidiaries

The following subsidiaries are included in the consolidated accounts:

Company	Domicile	Stake	Voting Share	Activity
Asetek USA, Inc.	USA	100%	100%	Trading
Asetek A/S	Denmark	100%	100%	Trading
Xiamen Asetek Computer Industry Co., Ltd.	China	100%	100%	Trading
Asetek International ApS	Denmark	100%	100%	Trading

21. Audit fees

The Group's principal auditors perform audits for all of Asetek's entities except for the Xiamen, China subsidiary, which is audited by a local firm. The Group's principal auditors received a total fee of $463,000, $120,000 and $61,000 in 2012, 2011 and 2010, respectively. The fee is distributed between these services:

(USD 000's)	2012	2011	2010
Audit services	$ 226	$ 100	$ 61
Tax and consulting assistance	237	20	-
Total	$ 463	$ 120	$ 61

22. Board of Directors and executive management

The members of the Board of Directors have reported, that they had the following other director positions at December 31, 2012:

Board member	Board chairman/member in	Country
Sam Szteinbaum - Chairman, USA	Corsair Inc.	USA
	The Wonder Years Inc.	USA
Alexander Wong - Member, USA	Cervel Neurotech Inc.	USA
	Desi Hits! Inc.	USA
	Infinite Power Solutions Inc.	USA
	Kanjoya Inc.	USA
	Natrix Separation Inc.	USA
	Tapjoy Inc.	USA
André Eriksen - Member, USA	Asetek A/S	Denmark
	Asetek International ApS	Denmark
	Xiamen Asetek Computer Industry Co., Ltd.	China
	IT Security A/S	Denmark
Chris J. Christopher - Member, USA	Forston Labs Inc.	USA
	Physical Activity Innovations Inc.	USA
Gregers Kronborg - Member, Denmark	Napatech A/S	Denmark
	Circal A/S	Denmark
	T-VIPS A/S	Denmark
	Constantia Ejendom A/S	Denmark
	Trustpilot A/S	Denmark
	Fornyelsesfonden	Denmark
	DVCA	Denmark
	Gregers Kronborg ApS	Denmark
	Stenkaersvej ApS	Denmark
Henri Richard - Member, USA	Ultratech Inc.	USA
Ib Sonderby - Member, Denmark	Ardano A/S	Denmark
	Desita A/S	Denmark
	D-Scan International A/S	Denmark
	Mim Cashew & Agricultural Producs Ltd.	Ghana
	Nigadan A/S	Denmark
	SISO A/S	Denmark
	SplitmediaLabs Ltd.	Hong Kong
	Vesta Management A/S	Denmark
	Friheden Invest A/S	Denmark
	H. Reimar Nielsen A/S	Denmark
	H. Reimar Nielsen Ejendomsselskab A/S	Denmark
	H. Reimar Nielsen Parkbebyggelse A/S	Denmark
	HRNK A/S	Denmark
	KTA Holding A/S	Denmark
	Singvik Pte. Ltd.	Singapore
	Silkeborg Østerport Holding A/S	Denmark
	Silkeborg Østerport 1 A/S	Denmark
	Silkeborg Østerport 2 A/S	Denmark
	Silkeborg Østerport 3 A/S	Denmark
	Zoar Invest ApS	Denmark
	Zoar Holding ApS	Denmark
Jørgen Smidt - Member, Denmark	CloudMade A/S	Denmark
	TeleFaction A/S	Denmark

Executive management	Board chairman/member in	Country
André Eriksen - CEO	Asetek A/S	Denmark
	Asetek International ApS	Denmark
	Xiamen Asetek Computer Industry Co., Ltd.	China
	IT Security A/S	Denmark
Peter D. Madsen - CFO/Secretary	Asetek A/S	Denmark
	Asetek International ApS	Denmark
	Xiamen Asetek Computer Industry Co., Ltd.	China

23. Post balance sheet events

In January 2013, the Company formed a new entity, Asetek A/S as a subsidiary of Asetek Holdings, Inc., and renamed the previously existing Denmark operating entity from "Asetek A/S" to "Asetek Denmark A/S". The formation of Asetek A/S has no effect on Asetek Group's ownership or operating results.

24. First time adoption of IFRS

The Company adopted IFRS on January 1, 2011, with a transition date of January 1, 2010. Prior to the adoption of IFRS, the Company prepared its consolidated financial statements in accordance with U.S. GAAP. The Company did not issue audited consolidated financial statements for periods prior to 2010. The Company's consolidated financial statements included in this report were prepared as described in Note 2, including the application of IFRS 1, "First time adoption of IFRS". IFRS 1 provides for certain mandatory exceptions and provides for certain elective exemptions for first time adopters. These consolidated financial statements have been prepared in accordance with IFRS standards and International Financial Reporting Interpretation Committee ("IFRIC") interpretations issued and effective as of the timing of preparing these consolidated financial statements.

The basic principles of IFRS 1 assume that on the initial adoption of IFRS standards, the principles will be applied retrospectively as if the standards had been applied and effective from the date of inception. However, the IASB has determined that retrospective application in certain situations cannot be performed with sufficient reliability and without incurring unreasonable cost. Therefore IFRS offers mandatory exceptions to facilitate conversion from U.S. GAAP to IFRS. Below are the mandatory exceptions and elective exemptions applicable to the Company.

Mandatory exceptions

Estimates. The estimates made in the opening IFRS balance sheet reflect conditions that existed at the date of the underlying transaction or January 1, 2010, as required by each specific IFRS standard. Hindsight was not used to create or revise estimates. All estimates used in preparation of the opening balance sheet at the transition date reflect the facts and circumstances at the date of the underlying transaction or January 1, 2010, as may be the case.

Elective exemptions

Cumulative currency translation differences. IFRS 1 permits cumulative translation differences to be reset to zero at the transition date. The Company has elected to reset all cumulative translation differences to zero in the opening accumulated deficit at January 1, 2010. The resulting impact was a decrease in accumulated other comprehensive loss of $159,000 and an increase to accumulated deficit of $159,000. There was no impact to total shareholders' equity.

Reconciliation of GAAP to IFRS

As a result of the conversion to IFRS, the principal changes to the Company's financial results are as follows:

- Capitalization of costs associated with product development are required under IFRS but not GAAP. The capitalization of these costs and resulting amortization over the product's lifecycle resulted in a decrease in accumulated deficit and a corresponding increase in non-current assets of $2.5 million and $1.9 million as of December 31, 2011 and 2010, respectively.
- IAS 39 requires that the conversion feature of the convertible preferred shares is carried at fair value, with the changes in the value charged to other income/expense. This accounting change on the conversion feature resulted in an increase in finance income of $2.2 million and an increase to finance cost of $2.0 million in fiscal years 2011 and 2010, respectively, and corresponding decreases and increases in the carrying value of the liability for the convertible preferred shares.
- IFRS 2 requires that each installment of a share based payment award be treated as a separate grant and separately measured and attributed to expense over the vesting period. The transition to IFRS for share based payment expense resulted in an increase to the accumulated deficit of $34,000 at the January 1, 2010 transition date, a decrease to net loss of $15,000 in fiscal year 2011, and an increase to net loss of $2,000 in fiscal 2010.

Asetek Holdings, Inc.
Notes to the Annual Report

Reconciliations from the U.S. GAAP prepared accounts to the IFRS consolidated accounts are presented in the following tables.

Reconciliation of Consolidated Balance Sheet
As of January 1, 2010 (transition date)

USD 000's	U.S. GAAP Balance	Eliminate Translation Reserves (1)	Capitalized Development Costs (2)	Valuation of Preferred Shares (3)	Adjust Share based Payment (4)	Reclass Bank Overdraft (5)	IFRS Balance
ASSETS							
Non-current assets							
Property and equipment	$ 341	-	244	-	-	-	585
Intangible assets	-	-	1,303	-	-	-	1,303
Other assets	19	-	-	-	-	-	19
Total non-current assets	360	-	1,547	-	-	-	1,907
Current assets							
Inventory	1,940	-	-	-	-	-	1,940
Trade receivables and other	3,279	-	-	-	-	-	3,279
Cash and cash equivalents	5,796	-	-	-	-	(109)	5,687
Total current assets	11,015	-	-	-	-	(109)	10,906
Total assets	$ 11,375	$ -	$ 1,547	$ -	$ -	$ (109)	$ 12,813
EQUITY AND LIABILITIES							
Equity							
Share capital	$ 2	-	-	-	-	-	$ 2
Share premium	3,567	-	-	-	34	-	3,601
Accumulated deficit	(32,847)	(159)	1,547	4,209	(34)	-	(27,284)
Translation reserves	(159)	159	-	-	-	-	-
Total equity	(29,437)	-	1,547	4,209	-	-	(23,681)
Non-current liabilities							
Long-term debt	117	-	-	-	-	-	117
Total non-current liabilities	117	-	-	-	-	-	117
Current liabilities							
Redeembable convertible preferred shares	36,184	-	-	(9,428)	-	-	26,756
Convertible option on preferred shares	-	-	-	5,219	-	-	5,219
Notes payable and other debt	64	-	-	-	-	-	64
Accrued liabilities	190	-	-	-	-	-	190
Accrued compensation and employee benefits	586	-	-	-	-	-	586
Trade payables	3,671	-	-	-	-	(109)	3,562
Total current liabilities	40,695	-	-	(4,209)	-	(109)	36,377
Total liabilities	40,812	-	-	(4,209)	-	(109)	36,494
Total equity and liabilities	$ 11,375	$ -	$ 1,547	$ -	$ -	$ (109)	$ 12,813

(1) Translation reserves that have accumulated prior to the transition date are reset to zero as permitted under IFRS 1.

(2) Costs incurred attributable to the design and testing of new products are capitalized as intangible assets and fixed assets in accordance with IAS 38.

(3) The conversion feature of the redeemable preferred shares is accounted for as a derivative liability and carried at fair value as of the balance sheet date in accordance with IAS 39.

(4) Under IFRS 2, each installment of each award is accounted for as a separate grant in calculating share based payment expense.

(5) The bank overdraft may be settled against other cash deposits with the bank, and therefore is offset with cash and cash equivalents in accordance with IAS 32.

Reconciliation of Consolidated Statement of Comprehensive Income
For year ended December 31, 2010

USD 000's	U.S. GAAP Balance	Capitalized Development Costs (2)	Valuation of Preferred Shares (3)	Adjust Share based Payment (4)	Reclass of FX Currency Gain (6)	IFRS Balance
Revenue	$ 15,749	$ -	$ -	$ -	$ -	$ 15,749
Cost of sales	10,853	73	-	-	-	10,926
Gross margin	4,896	(73)	-	-	-	4,823
Research and development	3,123	(461)	-	5	-	2,667
Selling, general and administrative	7,027	-	-	(3)	-	7,024
Foreign exchange loss (gain)	-	-	-	-	(653)	(653)
Total operating expenses	10,150	(461)	-	2	(653)	9,038
Operating profit/(loss)	(5,254)	388	-	(2)	653	(4,215)
Financial income	426	-	-	-	(426)	-
Financial expenses	-	-	(2,047)	-	(227)	(2,274)
Total finance income/(expenses)	426	-	2,047	-	(653)	2,274
Profit/ (loss) before tax	(4,828)	388	2,047	(2)	-	(6,489)
Income tax	10	-	-	-	-	10
Profit/ (loss) for the period	$ (4,838)	$ 388	$ 2,047	$ (2)	$ -	$ (6,499)
Foreign currency translation adjustments	(538)	-	-	-	-	(538)
Total comprehensive income	$ (5,376)	$ 388	$ 2,047	$ (2)	$ -	$ (7,037)

(2) Costs incurred attributable to the design and testing of new products are capitalized as intangible assets and fixed assets in accordance with IAS 38.

(3) The conversion feature of the redeemable preferred shares is accounted for as a derivative liability and carried at fair value as of the balance sheet date in accordance with IAS 39.

(4) Under IFRS 2, each installment of each award is accounted for as a separate grant in calculating share based payment expense.

(6) Foreign currency exchange gains and losses are classified as a component of operating expense as permitted by IAS 21.

Reconciliation of Consolidated Balance Sheet
As of December 31, 2010

USD 000's	U.S. GAAP Balance	Eliminate Translation Reserves (1)	Capitalized Development Costs (2)	Valuation of Preferred Shares (3)	Adjust Share based Payment (4)	IFRS Balance
ASSETS						
Non-current assets						
Property and equipment	$ 228	-	304	-	-	532
Intangible assets	-	-	1,631	-	-	1,631
Other assets	47	-	-	-	-	47
Total non-current assets	275	-	1,935	-	-	2,210
Current assets						
Inventory	1,607	-	-	-	-	1,607
Trade receivables and other	2,434	-	-	-	-	2,434
Cash and cash equivalents	2,500	-	-	-	-	2,500
Total current assets	6,541	-	-	-	-	6,541
Total assets	$ 6,816	$ -	$ 1,935	$ -	$ -	$ 8,751
EQUITY AND LIABILITIES						
Equity						
Share capital	$ 2	-	-	-	-	$ 2
Share premium	3,670	-	-	-	36	3,706
Accumulated deficit	(37,685)	(159)	1,935	2,162	(36)	(33,783)
Translation reserves	(697)	159	-	-	-	(538)
Total equity	(34,710)	-	1,935	2,162	-	(30,613)
Non-current liabilities						
Long-term debt	28	-	-	-	-	28
Total non-current liabilities	28	-	-	-	-	28
Current liabilities						
Redeemable convertible preferred shares	36,184	-	-	(9,428)	-	26,756
Convertible option on preferred shares	-	-	-	7,266	-	7,266
Notes payable and other debt	3,076	-	-	-	-	3,076
Accrued liabilities	403	-	-	-	-	403
Accrued compensation and employee benefits	594	-	-	-	-	594
Trade payables	1,241	-	-	-	-	1,241
Total current liabilities	41,498	-	-	(2,162)	-	39,336
Total liabilities	41,526	-	-	(2,162)	-	39,364
Total equity and liabilities	$ 6,816	$ -	$ 1,935	$ -	$ -	$ 8,751

(1) Translation reserves that have accumulated prior to the transition date are reset to zero as permitted under IFRS 1.

(2) Costs incurred attributable to the design and testing of new products are capitalized as intangible assets and fixed assets in accordance with IAS 38.

(3) The conversion feature of the redeemable preferred shares is accounted for as a derivative liability and carried at fair value as of the balance sheet date in accordance with IAS 39.

(4) Under IFRS 2, each installment of each award is accounted for as a separate grant in calculating share based payment expense.

Reconciliation of Consolidated Statement of Comprehensive Income
For year ended December 31, 2011

USD 000's	U.S. GAAP Balance	Capitalized Development Costs (2)	Valuation of Preferred Shares (3)	Adjust Share based Payment (4)	Reclass of FX Currency Loss (6)	IFRS Balance
Revenue	$ 15,574	$ -	$ -	$ -	$ -	$ 15,574
Cost of sales	9,750	121	-	-	-	9,871
Gross margin	5,824	(121)	-	-	-	5,703
Research and development	3,605	(675)	-	(4)	-	2,926
Selling, general and administrative	6,411	-	-	(11)	-	6,400
Foreign exchange loss (gain)	-	-	-	-	84	84
Total operating expenses	10,016	(675)	-	(15)	84	9,410
Operating profit/(loss)	(4,192)	554	-	15	(84)	(3,707)
Financial income	-	-	2,227	-	-	2,227
Financial expenses	(473)	-	-	-	84	(389)
Total finance income/(expenses)	(473)	-	2,227	-	84	1,838
Profit/ (loss) before tax	(4,665)	554	2,227	15	-	(1,869)
Income tax	8	-	-	-	-	8
Profit/ (loss) for the period	$ (4,673)	$ 554	$ 2,227	$ 15	$ -	$ (1,877)
Foreign currency translation adjustments	110	-	-	-	-	110
Total comprehensive income	$ (4,563)	$ 554	$ 2,227	$ 15	$ -	$ (1,767)

(2) Costs incurred attributable to the design and testing of new products are capitalized as intangible assets and fixed assets in accordance with IAS 38.

(3) The conversion feature of the redeemable preferred shares is accounted for as a derivative liability and carried at fair value as of the balance sheet date in accordance with IAS 39.

(4) Under IFRS 2, each installment of each award is accounted for as a separate grant in calculating share based payment expense.

(6) Foreign currency exchange gains and losses are classified as a component of operating expense as permitted by IAS 21.

Reconciliation of Consolidated Balance Sheet
As of December 31, 2011

USD 000's	U.S. GAAP Balance	Eliminate Translation Reserves (1)	Capitalized Development Costs (2)	Valuation of Preferred Shares (3)	Adjust Share based Payment (4)	IFRS Balance
ASSETS						
Non-current assets						
Property and equipment	$ 290	$ -	$ 350	$ -	$ -	640
Intangible assets	-	-	2,139	-	-	2,139
Other assets	38	-	-	-	-	38
Total non-current assets	328	-	2,489	-	-	2,817
Current assets						
Inventory	838	-	-	-	-	838
Trade receivables and other	2,180	-	-	-	-	2,180
Cash and cash equivalents	2,668	-	-	-	-	2,668
Total current assets	5,686	-	-	-	-	5,686
Total assets	$ 6,014	$ -	$ 2,489	$ -	$ -	$ 8,503
EQUITY AND LIABILITIES						
Equity						
Share capital	$ 2	$ -	$ -	$ -	$ -	$ 2
Share premium	3,771	-	-	-	21	3,792
Accumulated deficit	(42,358)	(159)	2,489	4,389	(21)	(35,660)
Translation reserves	(587)	159	-	-	-	(428)
Total equity	(39,172)	-	2,489	4,389	-	(32,294)
Non-current liabilities						
Long-term debt	15	-	-	-	-	15
Total non-current liabilities	15	-	-	-	-	15
Current liabilities						
Redeembable convertible preferred shares	39,300	-	-	(10,058)	-	29,242
Convertible option on preferred shares	-	-	-	5,669	-	5,669
Notes payable and other debt	3,035	-	-	-	-	3,035
Accrued liabilities	601	-	-	-	-	601
Accrued compensation and employee benefits	550	-	-	-	-	550
Trade payables	1,685	-	-	-	-	1,685
Total current liabilities	45,171	-	-	(4,389)	-	40,782
Total liabilities	45,186	-	-	(4,389)	-	40,797
Total equity and liabilities	$ 6,014	$ -	$ 2,489	$ -	$ -	$ 8,503

(1) Translation reserves that have accumulated prior to the transition date are reset to zero as permitted under IFRS 1.

(2) Costs incurred attributable to the design and testing of new products are capitalized as intangible assets and fixed assets in accordance with IAS 38.

(3) The conversion feature of the redeemable preferred shares is accounted for as a derivative liability and carried at fair value as of the balance sheet date in accordance with IAS 39.

(4) Under IFRS 2, each installment of each award is accounted for as a separate grant in calculating share based payment expense.