
Soundboks ApS

Esromgade 15, 1. 1., DK-2200 København N

Annual Report for 2023

CVR No. 36 45 75 97

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 26/6 2024

Michael Winther
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Soundboks ApS for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations and cash flows for 2023.

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

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

Copenhagen N, 26 June 2024

Executive Board

Jesper Theil Thomsen

Christoffer Nyvold

Board of Directors

Tue Mantoni
Chairman

Jacob Christian Nielsen Thygesen Christoffer Nyvold
Vice chairman

Jesper Theil Thomsen

Christian Lindegaard Jepsen

Independent Auditor's report

To the shareholder of Soundboks ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Soundboks ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the Financial Statements

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

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 26 June 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild
State Authorised Public Accountant
mne33262

Oliver Svane
State Authorised Public Accountant
mne49837

Company information

The Company

Soundboks ApS
Esromgade 15, 1. 1.
2200 København N
CVR No: 36 45 75 97
Financial period: 1 January - 31 December
Incorporated: 5 December 2014
Financial year: 9th financial year
Municipality of reg. office: Copenhagen

Board of Directors

Tue Mantoni, chairman
Jacob Christian Nielsen Thygesen, vice chairman
Christoffer Nyvold
Jesper Theil Thomsen
Christian Lindegaard Jepsen

Executive Board

Jesper Theil Thomsen
Christoffer Nyvold

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit	54,351	27,505	49,079	29,567	14,745
EBITDA	-2,316	-25,765	14,392	2,270	-5,676
Profit/loss of primary operations	-15,578	-34,365	9,431	-2,141	-7,710
Profit/loss of financial income and expenses	-9,791	-10,114	-3,349	-1,891	-4,474
Net profit/loss for the year	-20,155	-33,754	5,544	-2,737	-9,087
Balance sheet					
Balance sheet total	145,794	162,260	137,514	83,001	51,002
Investment in property, plant and equipment	465	1,259	2,160	489	82
Equity	42,643	17,066	34,820	14,276	2,013
Cash flows					
Cash flows from:					
- operating activities	4,706	-57,978	13,110	-2,873	4,468
- investing activities	-19,691	-20,410	-18,448	-6,717	-6,505
- financing activities	24,997	17,881	30,750	34,940	2,468
Change in cash and cash equivalents for the year	10,012	-60,507	25,413	25,350	430
Number of employees	85	91	60	50	46
Ratios					
Return on assets	-10.7%	-21.2%	6.9%	-2.6%	-15.1%
Solvency ratio	29.2%	10.5%	25.3%	17.2%	3.9%
Return on equity	-67.5%	-130.1%	22.6%	-33.6%	103.9%

Management's review

Key activities

The company's objective is to produce and sell portable music system for consumers as well as any in related business.

Development in the year

The income statement of the Company for 2023 shows a loss of DKK 20,155,197, and at 31 December 2023 the balance sheet of the Company shows a positive equity of DKK 42,643,284.

Management considers the result unsatisfactory.

The result for the Company does not reflect the financial performance of the Soundboks Group.

The past year and follow-up on development expectations from last year

Revenue declined by 21% in 2023 following the 36% increase in 2022. There were a number of factors driving this drop in revenue: Firstly, the focus in 2023 was to restore profitable growth. This entailed a more careful customer acquisition approach which in turn resulted in higher profitability but also a decline in revenue. Secondly, the strong growth in 2022 was to a large extent driven by the launch volumes of the SOUNDBOKS GO, which provided a positive one-off effect on 2022 revenue. Finally, the lower demand for consumer electronic products has affected the industry since the second half of 2022, and the impact in 2023 was greater than the Company expected.

The 2023 result is positively affected by a normalization of component prices, transportation costs, and the US dollar rate. In addition, the Company has improved its sourcing and product quality, as well as maintained a strong focus on costs, which in December included an adjustment and reduction of the organization.

The 2023 EBITDA of DKK -2,3M is below the 0M DKK expected for the year. The lower result can be attributed to the greater than expected decline in revenue.

The Company completed a DKK 47M capital increase to strengthen the solidity of the Company through a combination of new capital investment and conversion of loans provided by the Parent company.

Special risks - operating risks and financial risks

The Company is not exposed to any special risks.

Foreign exchange risks

Activities abroad cause net profit, cash flow and equity to be influenced by exchange rate developments and interest rate trends for a number of currencies. The company manages the cash flow related exchange rate risk through the use of financial instruments.

Targets and expectations for the year ahead

The Company expects consumer spending in its core markets will remain negatively affected by macro-economic conditions. Due to the uncertainty the Company expects little to no revenue growth in 2024. EBITDA for the year is expected to improve further to a level of 0-5M DKK

Research and development

During the year the Company has incurred considerable research and development costs relating primarily to expansion of the hardware product portfolio. The investments are made to support future growth and to strengthen the Company's market position in the coming years.

Management's review

External environment

The Company focuses on raw materials and energy being optimally utilized, preventing pollution and recycling and minimizing waste where possible.

The Company in 2022 completed the review of its environmental footprint and is using the learnings to identify further opportunities for improvement.

Intellectual capital resources

The Company has built strong capabilities in technical speaker system design, user experience optimization and brand development, which are considered competitive advantages. The Company continuously invests in developing these competencies, and processes and systems are in place to ensure knowledge is retained in the Company. In addition, the Company works with external specialists to contract subject matter expertise in certain functional areas.

Uncertainty relating to recognition and measurement

Deferred tax asset is recognised with DKK 16.6 million in the balance sheet. The valuation of the deferred tax asset is based on expected positive earnings within the next 6 years. The valuation hereof is thus affected by uncertainty. For more information on this, please refer to note 1.

Unusual events

The financial position of the Company at 31 December 2023 and the results of the activities and cash flows of the Company for the financial year 2023 are affected by redundancies implemented in December 2023. The effect on the Company's result is DKK -1,6M.

Subsequent events

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

Income statement 1 January - 31 December

	Note	2023	2022
		DKK	DKK
Gross profit		54,351,478	27,505,078
Staff expenses	2	-56,667,959	-53,270,071
Earnings Before Interest Taxes Depreciation and Amortization		-2,316,481	-25,764,993
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-13,261,663	-8,600,397
Profit/loss before financial income and expenses		-15,578,144	-34,365,390
Financial income	3	78,145	1,110,497
Financial expenses	4	-9,869,125	-11,224,185
Profit/loss before tax		-25,369,124	-44,479,078
Tax on profit/loss for the year	5	5,213,927	10,725,370
Net profit/loss for the year	6	-20,155,197	-33,753,708

Balance sheet 31 December

Assets

	Note	2023	2022
		DKK	DKK
Completed development projects		13,534,734	11,065,124
Acquired licenses		0	0
Development projects in progress		16,684,557	10,867,620
Software		6,046,408	7,266,694
Intangible assets	7	36,265,699	29,199,438
Other fixtures and fittings, tools and equipment		1,395,972	2,322,404
Leasehold improvements		198,679	102,384
Property, plant and equipment	8	1,594,651	2,424,788
Investments in subsidiaries	9	200,000	200,000
Deposits	10	1,132,288	938,745
Fixed asset investments		1,332,288	1,138,745
Fixed assets		39,192,638	32,762,971
Finished goods and goods for resale		56,903,135	79,960,389
Inventories		56,903,135	79,960,389
Trade receivables		14,074,458	12,558,723
Receivables from group enterprises		382,360	2,316,712
Other receivables		862,170	180,606
Deferred tax asset	11	16,613,022	11,697,450
Corporation tax		1,002,270	1,921,311
Prepayments	12	10,975,080	5,474,277
Receivables		43,909,360	34,149,079
Cash at bank and in hand		5,788,485	15,387,678
Current assets		106,600,980	129,497,146
Assets		145,793,618	162,260,117

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		DKK	DKK
Share capital		182,489	136,000
Share premium account		0	0
Reserve for development costs		23,571,047	15,673,294
Reserve for hedging transactions		-757,198	0
Retained earnings		19,646,946	1,256,987
Equity		42,643,284	17,066,281
Payables to group enterprises		0	18,891,927
Other payables		54,077,349	60,338,591
Long-term debt	13	54,077,349	79,230,518
Credit institutions		149,979	19,761,428
Trade payables		15,011,436	22,735,704
Payables to group enterprises	13	407,537	317,101
Other payables	13,14	33,504,033	23,149,085
Short-term debt		49,072,985	65,963,318
Debt		103,150,334	145,193,836
Liabilities and equity		145,793,618	162,260,117
Uncertainty relating to recognition and measurement	1		
Contingent assets, liabilities and other financial obligations	17		
Related parties	18		
Subsequent events	19		
Accounting Policies	20		

Statement of changes in equity

	Share capital	Share premium account	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	136,000	0	15,673,294	0	1,256,987	17,066,281
Capital increase	46,489	46,442,909	0	0	0	46,489,398
Fair value adjustment of hedging instruments, end of year	0	0	0	-970,766	0	-970,766
Tax on adjustment of hedging instruments for the year	0	0	0	213,568	0	213,568
Other equity movements	0	0	1,434,246	0	-1,434,246	0
Development costs for the year	0	0	9,495,021	0	-9,495,021	0
Depreciation, amortisation and impairment for the year	0	0	-3,031,514	0	3,031,514	0
Net profit/loss for the year	0	0	0	0	-20,155,197	-20,155,197
Transfer from share premium account	0	-46,442,909	0	0	46,442,909	0
Equity at 31 December	182,489	0	23,571,047	-757,198	19,646,946	42,643,284

Cash flow statement 1 January - 31 December

	Note	2023	2022
		DKK	DKK
Result of the year		-20,155,197	-33,753,708
Adjustments	15	17,844,397	8,025,939
Change in working capital	16	10,447,912	-30,143,545
Cash flow from operations before financial items		8,137,112	-55,871,314
Financial income		78,145	49,457
Financial expenses		-4,939,892	-4,822,054
Cash flows from ordinary activities		3,275,365	-60,643,911
Corporation tax paid		1,430,964	2,666,197
Cash flows from operating activities		4,706,329	-57,977,714
Purchase of intangible assets		-19,032,505	-18,598,048
Purchase of property, plant and equipment		-465,283	-1,258,980
Fixed asset investments made etc		-230,793	-552,481
Sale of fixed asset investments made etc		37,250	0
Cash flows from investing activities		-19,691,331	-20,409,509
Repayment of payables to group enterprises		-5,402,529	0
Repayment of other long-term debt		-2,600,213	0
Raising of payables to group enterprises		0	1,880,620
Cash capital increase		33,000,000	16,000,000
Cash flows from financing activities		24,997,258	17,880,620
Change in cash and cash equivalents		10,012,256	-60,506,603
Cash and cash equivalents at 1 January		-4,373,750	56,132,853
Cash and cash equivalents at 31 December		5,638,506	-4,373,750
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		5,788,485	15,387,678
Overdraft facility		-149,979	-19,761,428
Cash and cash equivalents at 31 December		5,638,506	-4,373,750

Notes to the Financial Statements

1. Uncertainty relating to recognition and measurement

When preparing an annual account, the management makes a series of accounting choices and estimates that form the basis for the recognition and measurement of the company's assets and liabilities as well as income and expenses. The estimates made are based on historical experience and other factors which management deems reasonable under the circumstances, but which are inherently uncertain or unpredictable. The forecasts may be incomplete or inaccurate, and unexpected events or circumstances may arise. Furthermore, the company is subject to risks and uncertainties which may lead to actual outcomes deviating from these estimates. This means that estimates can be subject to considerable uncertainty.

Deferred tax asset

Deferred tax asset is recognised with DKK 16.6 million in the balance sheet. The valuation of the deferred tax asset is based on expected positive earnings within the next 6 years. The valuation hereof is thus affected by uncertainty.

2. Staff Expenses

	2023	2022
	DKK	DKK
Wages and salaries	50,342,962	46,873,326
Pensions	3,031,739	2,619,748
Other social security expenses	1,181,301	901,633
Other staff expenses	2,111,957	2,875,364
	<u>56,667,959</u>	<u>53,270,071</u>
Including remuneration to the Executive Board	<u>1,773,106</u>	<u>0</u>
Average number of employees	<u>85</u>	<u>91</u>

Remuneration to the Executive Board has not been disclosed for comparative figures in accordance with section 98 B(3) of the Danish Financial Statements Act.

Share-based payment

The Group has invited key employees and members of the board of directors of the group companies to acquire shares in Soundboks Inc.. The participants cannot freely dispose over the shares until the occurrence of an exit event.

Soundboks Inc. is furthermore the settling entity and the transaction is thus accounted for as an equity-settled programme.

Notes to the Financial Statements

	2023	2022
	DKK	DKK
3. Financial income		
Interest received from group enterprises	0	752,239
Other financial income	78,145	358,258
	<u>78,145</u>	<u>1,110,497</u>
	2023	2022
	DKK	DKK
4. Financial expenses		
Interest paid to group enterprises	549,339	1,462,426
Other financial expenses	8,999,093	4,862,208
Exchange loss	320,693	4,899,551
	<u>9,869,125</u>	<u>11,224,185</u>
	2023	2022
	DKK	DKK
5. Income tax expense		
Current tax for the year	-1,002,268	-1,921,311
Deferred tax for the year	-4,915,572	-8,804,059
Adjustment of tax concerning previous years	490,345	0
	<u>-5,427,495</u>	<u>-10,725,370</u>
thus distributed:		
Income tax expense	-5,213,927	-10,725,370
Tax on equity movements	-213,568	0
	<u>-5,427,495</u>	<u>-10,725,370</u>
	2023	2022
	DKK	DKK
6. Profit allocation		
Retained earnings	-20,155,197	-33,753,708
	<u>-20,155,197</u>	<u>-33,753,708</u>

Notes to the Financial Statements

7. Intangible fixed assets

	Completed development projects	Acquired licenses	Develop- ment projects in progress	Software
	DKK	DKK	DKK	DKK
Cost at 1 January	30,571,657	59,650	10,867,620	12,834,684
Additions for the year	5,749,730	0	7,558,535	5,724,240
Transfers for the year	606,437	0	-1,741,598	1,267,701
Cost at 31 December	<u>36,927,824</u>	<u>59,650</u>	<u>16,684,557</u>	<u>19,826,625</u>
Impairment losses and amortisation at 1 January	19,506,533	59,650	0	5,567,990
Amortisation for the year	6,362,722	0	0	5,603,521
Transfers for the year	-2,476,165	0	0	2,608,706
Impairment losses and amortisation at 31 December	<u>23,393,090</u>	<u>59,650</u>	<u>0</u>	<u>13,780,217</u>
Carrying amount at 31 December	<u>13,534,734</u>	<u>0</u>	<u>16,684,557</u>	<u>6,046,408</u>
Amortised over	<u>3 years</u>	<u>5 years</u>		<u>2 years</u>

Development projects relate to the development of new versions of the Company's existing products and new products. The development was progressing according to plan through the use of the resources allocated by Management to the development. The products is expected to be sold in the present market to the Company's existing customers. Prior to the initiation of the projects, the Company inquired of its customers as to the need for an updated product, which was well received.

Notes to the Financial Statements

8. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improve- ments
	DKK	DKK
Cost at 1 January	4,286,835	480,458
Additions for the year	291,283	174,000
Disposals for the year	-83,517	0
Cost at 31 December	<u>4,494,601</u>	<u>654,458</u>
Impairment losses and depreciation at 1 January	1,964,432	378,074
Depreciation for the year	1,184,770	77,705
Reversal of impairment and depreciation of sold assets	-50,573	0
Impairment losses and depreciation at 31 December	<u>3,098,629</u>	<u>455,779</u>
Carrying amount at 31 December	<u>1,395,972</u>	<u>198,679</u>
Amortised over	<u>3-5 years</u>	<u>5 years</u>
	2023	2022
	DKK	DKK

9. Investments in subsidiaries

Cost at 1 January	200,000	0
Additions for the year	0	200,000
Cost at 31 December	<u>200,000</u>	<u>200,000</u>
Carrying amount at 31 December	<u>200,000</u>	<u>200,000</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Owner- ship	Equity	Net profit/loss for the year
Direkt Streaming ApS	Copenhagen N	40,000	100%	332,970	32,948
				<u>332,970</u>	<u>32,948</u>

Notes to the Financial Statements

10. Other fixed asset investments

	Deposits
	DKK
Cost at 1 January	938,745
Additions for the year	230,793
Disposals for the year	-37,250
Cost at 31 December	<u>1,132,288</u>
Carrying amount at 31 December	<u>1,132,288</u>

11. Deferred tax asset

	2023	2022
	DKK	DKK
Deferred tax asset at 1 January	11,697,450	2,893,391
Amounts recognised in the income statement for the year	4,915,572	8,804,059
Deferred tax asset at 31 December	<u>16,613,022</u>	<u>11,697,450</u>

The recognised tax asset primarily comprises timing differences relating to intangible assets, property, plant and equipment and tax losses carried forward. In the years ahead, the Company expect to realise the recognised deferred tax asset; on that basis, the asset has been recognised at 31 December 2023.

12. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

13. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Payables to group enterprises

After 5 years	0	0
Between 1 and 5 years	0	18,891,927
Long-term part	0	18,891,927
Other short-term debt to group enterprises	407,537	317,101
	<u>407,537</u>	<u>19,209,028</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
13. Long-term debt		
Other payables		
After 5 years	5,045,951	0
Between 1 and 5 years	49,031,398	60,338,591
Long-term part	54,077,349	60,338,591
Other short-term payables	33,504,033	23,149,085
	<u>87,581,382</u>	<u>83,487,676</u>

	<u>2023</u>	<u>2022</u>
	DKK	DKK
14. Derivative financial instruments		

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

Liabilities	970,766	0
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Forward exchange contracts have been concluded to hedge future inventory in USD. At the balance sheet date, the fair value of the forward exchange contracts amounts to DKK -970.766. The forward exchange contracts have a term of 1 year.

	<u>Value adjustment, equity</u>	<u>Fair value at 31. December</u>
	DKK	DKK
Forward exchange contracts	-970,766	-970,766

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
15. Cash flow statement - Adjustments		
Financial income	-78,145	-1,110,497
Financial expenses	9,869,125	11,224,185
Depreciation, amortisation and impairment losses, including losses and gains on sales	13,261,663	8,600,395
Tax on profit/loss for the year	-5,213,927	-10,725,370
Other adjustments	5,681	37,226
	<u>17,844,397</u>	<u>8,025,939</u>

	<u>2023</u>	<u>2022</u>
	DKK	DKK
16. Cash flow statement - Change in working capital		
Change in inventories	23,057,254	-62,563,579
Change in receivables	-5,763,750	9,648,488
Change in trade payables, etc	-5,874,826	22,771,546
Fair value adjustments of hedging instruments	-970,766	0
	<u>10,447,912</u>	<u>-30,143,545</u>

	<u>2023</u>	<u>2022</u>
	DKK	DKK
17. Contingent assets, liabilities and other financial obligations		

Charges and security

The following assets have been placed as security with bankers:

As security for Danmark Eksport- og Investeringsfond the Company has pledged a floating charge amounting to DKK 45.600.000 secured in intangible- and tangible assets, inventory and receivables.

As security for Danske Bank the Company has pledged a floating charge amounting to DKK 39.200.000 secured in intangible- and tangible assets, inventory and receivables.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	<u>1,147,012</u>	<u>1,046,699</u>
	<u>1,147,012</u>	<u>1,046,699</u>

Notes to the Financial Statements

2023	2022
DKK	DKK

17. Contingent assets, liabilities and other financial obligations

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to DKK 0. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Group's liability.

18. Related parties

	<u>Basis</u>
Controlling interest Soundboks Inc.	Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

19. Subsequent events

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

Notes to the Financial Statements

20. Accounting policies

The Annual Report of Soundboks ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in DKK.

With regard to the true and fair view of The Annual Report, certain reclassifications have been made in the balance sheet and notes. Comparative figures have been adjusted accordingly.

Recognition and measurement

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

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

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

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

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Derivative financial instruments

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

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

Notes to the Financial Statements

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in the fair value reserve under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Income statement

Revenue

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

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, work on own account recognised in assets, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

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

Notes to the Financial Statements

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with danish group enterprises. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

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

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3 year.

Other intangible fixed assets

Licences and software are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use. Licenses are amortised over the licence period, however not exceeding 5 years. Software is amortised over the expected lifetime, however not exceeding 5 years.

Property, plant and equipment

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

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

Notes to the Financial Statements

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

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

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

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

The cost of goods for resale equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses regarding subsequent financial reporting years.

Deferred tax assets and liabilities

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

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

Notes to the Financial Statements

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

Current tax receivables and liabilities

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

Financial liabilities

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

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$