

---

# ***Soundboks ApS***

Esromgade 15,1., DK-2200 København N

## **Annual Report for 1 January - 31 December 2020**

---

CVR No 36 45 75 97

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
23/4 2021

Michael Winther  
Chairman of the General  
Meeting



# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Cash Flow Statement 1 January - 31 December	13
Notes to the Financial Statements	14

# 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 2020.

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 2020 of the Company and of the results of the Company operations and cash flows for 2020.

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.

København, 23 April 2021

## Executive Board

Jesper Theil Thomsen

## Board of Directors

Jacob Christian Nielsen Thygesen  
Chairman

Tue Mantonì  
Deputy Chairman

Christoffer Nyvold

Jesper Theil Thomsen

Christian Lindegaard Jepsen

# Independent Auditor's Report

To the Shareholders 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 2020 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 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 2020, 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

# Independent Auditor's Report

## Management's responsibilities for the Financial Statements

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

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

## Auditor's responsibilities for the audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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.

## Independent Auditor's Report

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

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

Hellerup, 23 April 2021

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Ulrik Ræbild  
statsautoriseret revisor  
mne33262

Nikolaj Erik Johnsen  
statsautoriseret revisor  
mne35806

## Company Information

### The Company

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

CVR No: 36 45 75 97  
Financial period: 1 January - 31 December  
Incorporated: 5 December 2014  
Financial year: 6th financial year  
Municipality of reg. office: København

### Board of Directors

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

### Executive Board

Jesper Theil Thomsen

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

# Financial Highlights

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

	<u>2020</u> TDKK	<u>2019</u> TDKK
<b>Key figures</b>		
<b>Profit/loss</b>		
EBITDA	2.270	-5.676
Operating profit/loss	-2.116	-8.142
Profit/loss before financial income and expenses	-2.141	-7.710
Net financials	-1.891	-4.474
Net profit/loss for the year	-2.737	-9.087
<b>Balance sheet</b>		
Balance sheet total	83.001	51.002
Equity	14.276	2.013
<b>Cash flows</b>		
Cash flows from:		
- operating activities	-2.873	4.468
- investing activities	-6.717	-6.505
including investment in property, plant and equipment	-489	-82
- financing activities	34.940	2.468
Change in cash and cash equivalents for the year	25.350	430
Number of employees	50	46
<b>Ratios</b>		
Return on assets	-2,6%	-15,1%
Solvency ratio	17,2%	3,9%
Return on equity	-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 2020 shows a loss of DKK 2,737,187, and at 31 December 2020 the balance sheet of the Company shows equity of DKK 14,276,142.

The results 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**

The result is impacted by one-off costs of DKK 2,115,836 related primarily to resizing of the organization in response to COVID-19 and completion of a 15M DKK capital increase in Soundboks ApS.

The COVID-19 pandemic has had a slightly negative impact on the company's financial results in 2020. Our retail partners have experienced prolonged periods of store closures which have reduced demand and delayed planned opening of new channels.

## ***Foreign exchange risks***

Activities abroad cause that net profit, cash flow and equity are influenced by exchange rate developments and interest rate trends for a number of currencies. The company does not cover these risks.

## **Targets and expectations for the year ahead**

The company expects a continued strong revenue growth in 2021. EBITDA is expected at the level of 0M DKK for the year due to continued investments to scale the business.

Due to the global shortage of IC components and general pressure on global supply chains, there is a risk that the Company will not be able to produce and receive the currently planned and expected units on time, which may lead to periods of stock outs. This will have a negative effect on the 2021 result.

## **Research and development**

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.

## **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.

### **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	2020 DKK	2019 DKK
<b>Gross profit/loss</b>		<b>29.566.875</b>	<b>14.744.687</b>
Staff expenses	1	-27.297.064	-20.421.192
<b>EBITDA</b>		<b>2.269.811</b>	<b>-5.676.505</b>
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-4.386.145	-2.033.672
Other operating expenses		-24.175	0
<b>Profit/loss before financial income and expenses</b>		<b>-2.140.509</b>	<b>-7.710.177</b>
Financial income	3	2.240.104	389.269
Financial expenses	4	-4.130.746	-4.863.603
<b>Profit/loss before tax</b>		<b>-4.031.151</b>	<b>-12.184.511</b>
Tax on profit/loss for the year	5	1.293.964	3.097.510
<b>Net profit/loss for the year</b>		<b>-2.737.187</b>	<b>-9.087.001</b>

# Balance Sheet 31 December

## Assets

	Note	2020 DKK	2019 DKK
Completed development projects		8.005.669	5.227.714
Acquired licenses		7.455	19.383
Software		688.620	1.474.712
<b>Intangible assets</b>	<b>6</b>	<b>8.701.744</b>	<b>6.721.809</b>
Other fixtures and fittings, tools and equipment		676.866	370.421
Leasehold improvements		218.102	302.489
<b>Property, plant and equipment</b>	<b>7</b>	<b>894.968</b>	<b>672.910</b>
Deposits		583.163	478.492
<b>Fixed asset investments</b>	<b>8</b>	<b>583.163</b>	<b>478.492</b>
<b>Fixed assets</b>		<b>10.179.875</b>	<b>7.873.211</b>
<b>Inventories</b>		<b>18.760.976</b>	<b>11.720.604</b>
Trade receivables		7.381.202	7.566.065
Receivables from group enterprises		8.338.510	11.086.803
Other receivables		0	20.185
Deferred tax asset	11	6.097.776	6.153.942
Corporation tax		1.347.170	949.221
Prepayments	9	175.594	261.683
<b>Receivables</b>		<b>23.340.252</b>	<b>26.037.899</b>
<b>Cash at bank and in hand</b>		<b>30.720.045</b>	<b>5.370.192</b>
<b>Currents assets</b>		<b>72.821.273</b>	<b>43.128.695</b>
<b>Assets</b>		<b>83.001.148</b>	<b>51.001.906</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		105.000	90.000
Share premium account		14.985.000	0
Reserve for development costs		6.244.422	4.077.617
Retained earnings		-7.058.280	-2.154.288
<b>Equity</b>		<b>14.276.142</b>	<b>2.013.329</b>
Other payables long term		42.257.772	21.074.009
<b>Long-term debt</b>	12	<b>42.257.772</b>	<b>21.074.009</b>
Trade payables		12.811.294	14.677.307
Other payables short term	12	13.655.940	13.237.261
<b>Short-term debt</b>		<b>26.467.234</b>	<b>27.914.568</b>
<b>Debt</b>		<b>68.725.006</b>	<b>48.988.577</b>
<b>Liabilities and equity</b>		<b>83.001.148</b>	<b>51.001.906</b>
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Accounting Policies	17		

## Statement of Changes in Equity

	Share capital	Share premium account	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	90.000	0	4.077.617	-2.154.288	2.013.329
Cash capital increase	15.000	14.985.000	0	0	15.000.000
Development costs for the year	0	0	2.166.805	-2.166.805	0
Net profit/loss for the year	0	0	0	-2.737.187	-2.737.187
<b>Equity at 31 December</b>	<b>105.000</b>	<b>14.985.000</b>	<b>6.244.422</b>	<b>-7.058.280</b>	<b>14.276.142</b>

## Cash Flow Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Net profit/loss for the year		-2.737.187	-9.087.001
Adjustments	13	5.006.994	3.410.498
Change in working capital	14	-4.304.041	13.911.746
<b>Cash flows from operating activities before financial income and expenses</b>		<b>-2.034.234</b>	<b>8.235.243</b>
Financial income		2.240.105	389.269
Financial expenses		-4.030.747	-4.559.633
<b>Cash flows from ordinary activities</b>		<b>-3.824.876</b>	<b>4.064.879</b>
Corporation tax paid		952.181	402.680
<b>Cash flows from operating activities</b>		<b>-2.872.695</b>	<b>4.467.559</b>
Purchase of intangible assets		-6.123.497	-5.944.270
Purchase of property, plant and equipment		-488.817	-82.403
Fixed asset investments made etc		-104.671	-478.492
<b>Cash flows from investing activities</b>		<b>-6.716.985</b>	<b>-6.505.165</b>
Repayment of mortgage loans		-100.000	-328.320
Repayment of other long-term debt		0	-27.810.076
Contribution from group		0	30.606.332
Raising of loans from credit institutions		20.039.533	0
Cash capital increase		15.000.000	0
<b>Cash flows from financing activities</b>		<b>34.939.533</b>	<b>2.467.936</b>
<b>Change in cash and cash equivalents</b>		<b>25.349.853</b>	<b>430.330</b>
Cash and cash equivalents at 1 January		5.370.192	4.939.862
<b>Cash and cash equivalents at 31 December</b>		<b>30.720.045</b>	<b>5.370.192</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		30.720.045	5.370.192
<b>Cash and cash equivalents at 31 December</b>		<b>30.720.045</b>	<b>5.370.192</b>

# Notes to the Financial Statements

	2020	2019
	DKK	DKK
<b>1 Staff expenses</b>		
Wages and salaries	24.424.363	17.977.723
Pensions	831.302	626.282
Other social security expenses	431.524	355.767
Other staff expenses	1.609.875	1.461.420
	<b>27.297.064</b>	<b>20.421.192</b>
<b>Average number of employees</b>	<b>50</b>	<b>46</b>
<b>2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	4.143.561	1.844.319
Depreciation of property, plant and equipment	242.584	189.353
	<b>4.386.145</b>	<b>2.033.672</b>
<b>3 Financial income</b>		
Interest received from group enterprises	512.863	0
Other financial income	1.727.241	389.269
	<b>2.240.104</b>	<b>389.269</b>
<b>4 Financial expenses</b>		
Interest expense, Group enterprises	0	1.340.349
Other financial expenses	4.130.746	3.523.254
	<b>4.130.746</b>	<b>4.863.603</b>



## Notes to the Financial Statements

	2020 DKK	2019 DKK
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	-1.347.170	-949.221
Deferred tax for the year	56.166	-1.745.608
Adjustment of tax concerning previous years	-2.960	-11.704
Adjustment of deferred tax concerning previous years	0	-390.977
	<b>-1.293.964</b>	<b>-3.097.510</b>

### 6 Intangible assets

	Completed development projects DKK	Acquired licenses DKK	Software DKK	Total DKK
Cost at 1 January	11.638.566	59.650	1.629.627	13.327.843
Additions for the year	6.123.503	0	0	6.123.503
Cost at 31 December	17.762.069	59.650	1.629.627	19.451.346
Impairment losses and amortisation at 1 January	6.410.852	40.267	154.915	6.606.034
Amortisation for the year	3.345.548	11.928	786.092	4.143.568
Impairment losses and amortisation at 31 December	9.756.400	52.195	941.007	10.749.602
<b>Carrying amount at 31 December</b>	<b>8.005.669</b>	<b>7.455</b>	<b>688.620</b>	<b>8.701.744</b>
Amortised over	2 years	5 years	2 years	

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

### 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 January	533.858	421.936
Additions for the year	507.877	0
Disposals for the year	-46.525	0
Cost at 31 December	<u>995.210</u>	<u>421.936</u>
Impairment losses and depreciation at 1 January	163.437	119.447
Depreciation for the year	158.784	84.387
Reversal of impairment and depreciation of sold assets	-3.877	0
Impairment losses and depreciation at 31 December	<u>318.344</u>	<u>203.834</u>
<b>Carrying amount at 31 December</b>	<b><u>676.866</u></b>	<b><u>218.102</u></b>
Depreciated over	<u>5 years</u>	<u>5 years</u>

### 8 Fixed asset investments

	Deposits DKK
Cost at 1 January	478.492
Additions for the year	104.671
Cost at 31 December	<u>583.163</u>
<b>Carrying amount at 31 December</b>	<b><u>583.163</u></b>

### 9 Prepayments

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

## Notes to the Financial Statements

	2020 <u>DKK</u>	2019 <u>DKK</u>
<b>10 Distribution of profit</b>		
Retained earnings	-2.737.187	-9.087.001
	<u>-2.737.187</u>	<u>-9.087.001</u>
<b>11 Deferred tax asset</b>		
Deferred tax asset at 1 January	6.153.942	4.017.356
Amounts recognised in the income statement for the year	-56.166	1.745.608
Amounts recognised in equity for the year	0	390.978
<b>Deferred tax asset at 31 December</b>	<u><b>6.097.776</b></u>	<u><b>6.153.942</b></u>
<b>12 Long-term debt</b>		
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:		
<b>Other payables long term</b>		
Between 1 and 5 years	42.257.772	21.074.009
Long-term part	42.257.772	21.074.009
Other short-term payables	13.655.940	13.237.261
	<u><b>55.913.712</b></u>	<u><b>34.311.270</b></u>
<b>13 Cash flow statement - adjustments</b>		
Financial income	-2.240.104	-389.269
Financial expenses	4.130.746	4.863.603
Depreciation, amortisation and impairment losses, including losses and gains on sales	4.410.320	2.033.671
Tax on profit/loss for the year	-1.293.964	-3.097.510
Other adjustments	-4	3
	<u><b>5.006.994</b></u>	<u><b>3.410.498</b></u>

## Notes to the Financial Statements

	2020	2019
	DKK	DKK
<b>14 Cash flow statement - change in working capital</b>		
Change in inventories	-7.040.373	-5.073.150
Change in receivables	3.039.435	-8.216.424
Change in trade payables, etc	-303.103	27.201.320
	<b>-4.304.041</b>	<b>13.911.746</b>

### 15 Contingent assets, liabilities and other financial obligations

#### Charges and security

As security for Vækstfonden the Company has pledged a floating charge amounting to DKK 20.000.000 secured in intangible- and tangible assets, inventory and receivables.

As security for Danske Bank the Company has pledged a floating charge amounting to DKK 6.700.000 secured in intangible- and tangible assets, inventory and receivables.

#### Rental and lease obligations

Rent obligations. Total future rent payments:

Within 1 year	450.579	964.596
Between 1 and 5 years	450.579	964.596
	<b>901.158</b>	<b>1.929.192</b>

# Notes to the Financial Statements

## 16 Related parties

### Basis

#### 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. No transactions to be disclosed.

#### Consolidated Financial Statements

The company is included in the group report for the parent company

Name

Place of registered office

Soundboks Inc.

Los Angeles, USA

# Notes to the Financial Statements

## 17 Accounting Policies

The Annual Report of Soundboks ApS for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

Taking into account the true and fair view of the annual report, certain reclassifications have been made to the balance sheet and notes. Comparative figures have been adjusted accordingly.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in DKK.

### 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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### 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.

#### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

#### 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 and Grants.

#### Financial income and expenses

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

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### Tax on profit/loss for the year

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

## Balance Sheet

### Intangible assets

#### *Development projects, licences and software*

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.

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 2 years.

Licences and software are measured at the lower of cost less accumulated amortisation and recoverable amount. Licences are amortised over the licence period, however not exceeding 5 years. Software is amortised over the expected lifetime, however not exceeding 5 years.



# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment	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 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.

### Fixed asset investments

Fixed asset investments consist of deposits.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### **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. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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

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

### **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 concerning rent, insurance premiums, subscriptions and interest.

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

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

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

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

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

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

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

### **Financial debts**

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

## **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".

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

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### Financial Highlights

#### Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$