BEIERHOLM
VI SKABER BALANCE

The TC Group A/S

Sindalsvej 34, 8240 Risskov

CVR no. 21 37 86 07

Annual report for 2018

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 09.07.19

Martin Hjort
Dirigent

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Group information etc.

The company

The TC Group A/S
Sindalsvej 34
Postboks 2206
8240 Risskov
Registered office: Risskov
CVR no.: 21 37 86 07
Financial year: 01.01 - 31.12

Executive Board

Cheryl Saldaña De Leon

Board Of Directors

Raul Guevara Gerodias
Cheryl Saldaña De Leon
Vanessa Cancio Raymundo

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement of the Board of Directors and Executive Board on the annual report

We have on this day presented the annual report for the financial year 01.01.18 - 31.12.18 for The TC Group A/S.

The annual report is presented in accordance with Danish Financial Statements Act.

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.18 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.18 - 31.12.18.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Risskov, July 9, 2019

Executive Board

Cheryl Saldaña De Leon

Board Of Directors

Raul Guevara Gerodias Chairman	Cheryl Saldaña De Leon	Vanessa Cancio Raymundo

Independent auditor's report

To the Shareholder of The TC Group A/S

Opinion

We have audited the consolidated financial statements and parent company financial statements of The TC Group A/S for the financial year 01.01.18 - 31.12.18, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31.12.18 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.18 - 31.12.18 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing 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 consolidated financial statements and parent company 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.

Management's responsibility for the consolidated financial statements and parent company financial statements

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

In preparing the consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 International Standards on Auditing 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 consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and per-formance of the group audit. We remain solely responsible for our audit opinion.

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.

Statement regarding the management's review

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company 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, we conclude that management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Aarhus, July 9, 2019

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Helle Damsgaard Jensen

State Authorized Public Accountant
MNE-no. mne33690

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2018	2017	2016	01.07.14 31.12.15	2013/14
Profit/loss					
Revenue	282,924	622,638	708,924	1,171,297	723,994
Index	39	86	98	162	100
Operating profit/loss	66,291	158,886	104,773	99,801	58,579
Index	113	271	179	170	100
Profit/loss before net financials	66,291	158,862	101,912	114,222	58,579
Index	113	271	174	195	100
Total net financials	18,901	-15,179	-2,722	-9,428	-7,125
Index	-265	213	38	132	100
Profit/loss for the year	63,549	108,238	79,460	76,876	36,770
Index	173	294	216	209	100
Balance					
Total assets	767,535	729,761	1,369,383	572,688	443,572
Index	173	165	309	129	100
Investments in property, plant and equipment	37,517	17,655	3,132	20,008	11,210
Index	335	157	28	178	100
Equity	500,070	445,647	345,091	269,424	121,030
Index	413	368	285	223	100
Cashflow					
Net cash flow:					
Operating activities	195,185	393,318	103,027	134,619	70,711
Investing activities	-93,979	-79,437	-70,171	-73,918	-68,826
Financing activities	14,708	-1,130,475	815,269	127,033	-15,881
Cash flows for the year	115,914	-816,594	848,125	187,734	-13,996

Ratios

	2018	2017	2016	01.07.14 31.12.15	2013/14
Profitability					
Return on equity	13%	27%	26%	39%	33%
Gross margin	33%	36%	38%	37%	38%
Profit margin	23%	26%	15%	9%	8%
Others					
Number of employees (average)	214	279	414	440	415

The financial year 2014/15 was extended to 18 months due to change of Balance Sheet date to 31 December. The reason was alignment of the Balance Sheet date to the new Parent Company, MUSIC Group Limited.

Other years presented contains a 12 month's period.

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Gross margin: $\frac{\text{Gross result x 100}}{\text{Revenue}}$

Profit margin: $\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$

Primary activities

The company's main activity is retail, production, distribution, development and marketing of audio and related acitivities in both the Company as through subsidiaries.

Uncertainty concerning recognition and measurement

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

Development in activities and financial affairs

The income statement for the period 01.01.18 - 31.12.18 shows a profit/loss of DKK'000 63,549 against DKK'000 108,238 for the period 01.01.17 - 31.12.17. The balance sheet shows equity of DKK'000 500,070.

The earnings expectations from last year have been met.

The Board of Directors has no recommendation for any dividend distribution, and hence the result for the year to be allocated to the retained earnings.

Outlook

Earnings are expected to be stabilized at the current level both next year and in the following years.

Special risks

Currency risks

It is part of the Company's strategy to protect the Group against exchange rate fluctuations by, to the extent possible, matching the Group's sales currencies against its purchase and cost currencies.

The Group has net inflows in EUR and to a minor extent USD.

Interest rate risks

The Group's interest rate risk is related to the interest-bearing debt as interest-bearing assets are immaterial.

The main part of the Group's interest-bearing debt carries floating interest rates. Interest rate level developments are continuously monitored in cooperation with the Company's financial partners.

Credit risks

The most material credit risk relates to the Group's trade receivables.

The Group performs individual customer credit ratings on a current basis. No individual customer constitutes a major part of the Group's total sales.

Liquidity risks

The financial resources are assessed and controlled centrally by the Company's treasury function. This ensures that the committed credit facilities required to meet the budgeted financing requirements ongoing are made available by the Company's financial partners.

Research and development activities

The Group is intellectual capital intensive with material product development acitivities in the individuel companies.

Therefore, the Group works continuously with programs to ensure that this intellectual capital is maintained and embedded in the organization. The Group focuses on both physical and mental working conditions and carries out staff satisfaction measurements on a current basis.

Subsequent events

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

Corporate social responsibility

The Group is a global enterprise and is represented with locations worldwide. The Group's activities are concentrated around sales, development and service and, to a minor extent, production; own production primarily consists of the assembly of semi-manufactures. The primary workplaces are ”office workplaces”. Therefore, the Group's activities are not assessed to have adverse environmental and climate impact as regards noise, smoke, discharge of waste products and massive use of energy and consequently, the Group has no actual environmental and climate policy.

The Group is however seeking on a current basis to optimize energy consumption, primarily for heating, and has in several locations carried out energy measurements. Subsequently, the Group has implemented several of the recommendations listed by the energy reports.

As stated above, the Group's own production primarily consists of assembly activities, and the Group has thus to a great extent outsourced the production of its semi-manufactures and finished products. The Group cooperates mainly with Asian sub-suppliers. The Group focuses on establishing partnership agreements in order to ensure long-term relations with the sub-suppliers.

The Group has prepared a code of conduct for the sub-suppliers which is to support the same responsibility as that prescribed by the Group's internal policies. Among other things, the code of conduct prescribes the following:

-No child labor
-Remuneration and working hours to follow local agreements and standards
-Responsibility towards the environment with focus on limitation of climate and environmental impact

The code of conduct thus intends to ensure that the sub-suppliers comply with the Group's policies concerning child labor, forced labor, human rights, corruption and environmental and climate impact. The code of conduct is part of the Group's basis for the contracts entered into with new sub-suppliers, and the code of conduct is discussed before a contract is entered into. In case of large contracts, a visit is paid to the sub-supplier in order to check whether the Group's code of conduct is complied with. Previous years, the result of such visits has been that the Group has refused cooperating with two sub-suppliers.

Furthermore, the Group pays control visits to existing sub-suppliers on a continuous basis in order to make sure that the code of conduct is complied with. During the financial year, four control visits were made, which did not disclose any issues that are not in accordance with the Group's code of conduct.

In the Group's opinion, the strategy, to ensure partnership agreements and long-term relations, is of great value in relation to securing the Group's policies. The Group's sales are effected in accordance with the Group policy of complying with international guidelines for trade and sanctions as enforced by the UN and the EU.

The Group has no other significant formalized policies.

Target figure for the underrepresented gender

Target figures for the Board of Directors

The Group believes that diversity among the employees, including representative distribution of genders, ethnicity and nationality, contributes positively to the working environment and strengthens the Company's performance and competitive power.

The objective at all management levels is to fill management positions based on the qualifications and competences required for the Company's business and at the same time ensure that diversity is reflected both in management bodies and among other employees.

The Group is represented internationally, and this organization ensures extensive diversity in the Group's management bodies. In order to ensure a representative gender distribution, the Group is seeking to increase the number of female leaders in the Company. At present, 2 out of 3 members of the Board of Directors are women. The company has therefore obtained equal distribution on gender and hence no new target figure has been set. At other management levels (Executive Board, other directors and managers), it is also the Group's objective to ensure a gender distribution that is representative for the sector. At present, the underrepresented gender's share is 20%. The Group's target is to ensure 20% before 31 December 2020.

The Group has established action plans in order to ensure that the targets are met. For example, both male and female employees are offered support both in respect of training and career plans and as regards flexible working hours. Moreover, in connection with employment and recruitment on management positions, it is the objective to have both male and female candidates represented.

Income statement

Note		Group 2018 DKK '000	Group 2017 DKK '000	Parent 2018 DKK '000	Parent 2017 DKK '000
1	**Revenue**	**282,924**	**622,638**	**0**	**0**
	Production costs	-188,194	-401,424	0	0
	Distribution costs	-6,950	-27,218	0	0
	Administrative expenses	-21,496	-35,110	-4,157	-4,058
	Other operating income	7	0	0	0
	Operating profit/loss	**66,291**	**158,886**	**-4,157**	**-4,058**
	Other operating expenses	0	-24	0	0
	Profit/loss before net financials	**66,291**	**158,862**	**-4,157**	**-4,058**
	Income from equity investments in group enterprises	0	0	65,630	116,349
4	Financial income	24,970	14,130	4,837	4,019
5	Financial expenses	-6,069	-29,309	-3,267	-12,275
	Profit/loss before tax	**85,192**	**143,683**	**63,043**	**104,035**
	Tax on profit or loss for the year	-21,643	-35,445	506	4,203
	Profit/loss for the year	**63,549**	**108,238**	**63,549**	**108,238**

6 Distribution of net profit

Balance sheet

ASSETS

Note		Group 31.12.18 DKK '000	Group 31.12.17 DKK '000	Parent 31.12.18 DKK '000	Parent 31.12.17 DKK '000
	Completed development projects	46,985	66,002	0	0
	Acquired rights	522	885	156	370
	Development projects in progress	98,182	71,974	0	0
7	**Total intangible assets**	**145,689**	**138,861**	**156**	**370**
	Leasehold improvements	354	3,218	309	556
	Other fixtures and fittings, tools and equipment	4,545	8,235	11	41
	Property, plant and equipment under construction	53,912	16,636	0	0
8	**Total property, plant and equipment**	**58,811**	**28,089**	**320**	**597**
9	Equity investments in group enterprises	0	0	604,721	548,216
10	Receivables from group enterprises	93,978	91,792	50,632	55,340
10	Deposits	2,020	2,020	2,020	2,020
	Total investments	**95,998**	**93,812**	**657,373**	**605,576**
	Total non-current assets	**300,498**	**260,762**	**657,849**	**606,543**
	Raw materials and consumables	20,703	14,065	0	0
	Work in progress	1,404	515	0	0
	Manufactured goods and goods for resale	8,323	16,530	0	0
	Total inventories	**30,430**	**31,110**	**0**	**0**
	Trade receivables	18,157	15,519	0	0
	Receivables from group enterprises	202,091	288,515	139,686	20,747
13	Deferred tax asset	348	4,612	348	4,461
	Income tax receivable	0	0	9,130	0
	Other receivables	4,325	33,411	1,108	0
11	Prepayments	297	357	5	172
	Total receivables	**225,218**	**342,414**	**150,277**	**25,380**
	Other investments	47	71	24	35
	Total securities and equity investments	**47**	**71**	**24**	**35**
	Cash	**211,342**	**95,404**	**3,143**	**14,595**
	Total current assets	**467,037**	**468,999**	**153,444**	**40,010**
	Total assets	**767,535**	**729,761**	**811,293**	**646,553**

Balance sheet

EQUITY AND LIABILITIES

Note		Group 31.12.18 DKK '000	Group 31.12.17 DKK '000	Parent 31.12.18 DKK '000	Parent 31.12.17 DKK '000
12	Share capital	157,136	157,136	157,136	157,136
	Reserve for net revaluation according to the equity method	0	0	187,288	130,784
	Retained earnings	342,934	288,511	155,646	157,727
	Total equity	**500,070**	**445,647**	**500,070**	**445,647**
13	Provisions for deferred tax	35,723	31,996	0	0
14	Other provisions	15,126	15,592	0	0
	Total provisions	**50,849**	**47,588**	**0**	**0**
15	Payables to group enterprises	154,004	136,961	147,945	151,489
	Total long-term payables	**154,004**	**136,961**	**147,945**	**151,489**
15	Short-term portion of long-term payables	0	149	0	0
	Trade payables	32,323	9,418	198	273
	Payables to group enterprises	0	26,833	162,787	47,204
	Income taxes	6,266	14,451	0	1,714
	Other payables	24,023	48,714	293	226
	Total short-term payables	**62,612**	**99,565**	**163,278**	**49,417**
	Total payables	**216,616**	**236,526**	**311,223**	**200,906**
	Total equity and liabilities	**767,535**	**729,761**	**811,293**	**646,553**

16 Contingent liabilities
17 Charges and security
18 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Total equity
Group:				
Statement of changes in equity for 01.01.18 - 31.12.18				
Balance as at 01.01.18	157,136	0	288,511	445,647
Foreign currency translation adjustment of foreign enterprises	0	0	-9,125	-9,125
Net profit/loss for the year	0	0	63,548	63,548
Balance as at 31.12.18	157,136	0	342,934	500,070
Parent:				
Statement of changes in equity for 01.01.18 - 31.12.18				
Balance as at 01.01.18	157,136	130,784	157,727	445,647
Foreign currency translation adjustment of foreign enterprises	0	0	-9,125	-9,125
Net profit/loss for the year	0	56,504	7,044	63,548
Balance as at 31.12.18	157,136	187,288	155,646	500,070

Consolidated cash flow statement

Note		Group 2018 DKK '000	Group 2017 DKK '000
	Net profit/loss for the year	**63,549**	**108,238**
19	Adjustments	68,846	87,749
	Change in working capital:		
	Inventories	680	168,952
	Receivables	112,932	31,248
	Trade payables	-28,619	-7,828
	Other payables relating to operating activities	-466	3,252
	Cash flows from operating activities before net financials	**216,922**	**391,611**
	Interest income and similar income received	708	7,559
	Interest expenses and similar expenses paid	-608	-2,260
	Income tax paid	-21,837	-3,592
	Cash flows from operating activities	**195,185**	**393,318**
	Purchase of intangible assets	-56,463	-61,782
	Purchase of property, plant and equipment	-37,516	-17,655
	Cash flows from investing activities	**-93,979**	**-79,437**
	Loan from group enterprises	14,708	-1,130,475
	Cash flows from financing activities	**14,708**	**-1,130,475**
	Total cash flows for the year	**115,914**	**-816,594**
	Cash, beginning of year	95,404	561,936
	Securities with no significant price risk, beginning of year	71	352,714
	Short-term payables to credit institutions, beginning of year	0	-2,581
	Cash, end of year	**211,389**	**95,475**
	Cash, end of year, comprises:		
	Cash	211,342	95,404
	Securities with no significant price risk	47	71
	Total	**211,389**	**95,475**

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

1. Revenue

Information about the distribution of revenue by activities and geographical markets is provided below. The segment information is prepared in accordance with the company's accounting policies and follows the company's internal financial management.

Revenue comprises the following activities:

Electronics	281,613	378,974	0	0
Speakers	1,311	243,664	0	0
Total	282,924	622,638	0	0

Revenue comprises the following geographical markets:

Europe	7,757	350,094	0	0
North America	4,609	37,586	0	0
Rest of the world	270,558	234,958	0	0
Total	282,924	622,638	0	0

2. Employee aspects

Wages and salaries	69,621	107,569	-14	-14
Pensions	7,808	9,206	0	0
Other social security costs	5,863	6,208	0	0
Other staff costs	2,482	2,425	0	0
Total	85,774	125,408	-14	-14
Average number of employees during the year	214	279	0	0

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

3. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	712	1,605	408	552
Tax advice	0	374	0	112
Other services	113	669	0	669
Total	825	2,648	408	1,333

4. Financial income

Interest, group enterprises	339	1,567	2,028	3,524
Other interest income	35	392	35	392
Foreign exchange gains	24,262	6,571	2,774	0
Other financial income	334	5,600	0	103
Other financial income	24,631	12,563	2,809	495
Total	24,970	14,130	4,837	4,019

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

5. Financial expenses

Interest, group enterprises	0	0	1,754	2,893
Other interest expenses	26	103	26	103
Foreign exchange losses	5,461	27,049	1,177	8,739
Other financial expenses	582	2,157	310	540
Other financial expenses total	6,069	29,309	1,513	9,382
Total	6,069	29,309	3,267	12,275

6. Distribution of net profit

Reserve for net revaluation according to the equity method	0	0	56,504	108,667
Retained earnings	63,549	108,238	7,045	-429
Total	63,549	108,238	63,549	108,238

7. Intangible assets

Figures in DKK '000	Completed development projects	Acquired rights	Development projects in progress	Total
Group:				
Cost as at 01.01.18	540,928	33,323	71,974	646,225
Foreign currency translation adjustment of foreign enterprises	-7,215	-25	-2,637	-9,877
Additions during the year	25,012	4,775	52,219	82,006
Disposals during the year	-2,169	0	-23,374	-25,543
Cost as at 31.12.18	556,556	38,073	98,182	692,811
Amortisation and impairment losses as at 01.01.18	-474,926	-32,439	0	-507,365
Foreign currency translation adjustment of foreign enterprises	10,076	21	0	10,097
Amortisation during the year	-44,721	-5,133	0	-49,854
Amortisation and impairment losses as at 31.12.18	-509,571	-37,551	0	-547,122
Carrying amount as at 31.12.18	46,985	522	98,182	145,689
Parent				
Cost as at 01.01.18	0	13,445	0	13,445
Cost as at 31.12.18	0	13,445	0	13,445
Amortisation and impairment losses as at 01.01.18	0	-13,075	0	-13,075
Amortisation during the year	0	-214	0	-214
Amortisation and impairment losses as at 31.12.18	0	-13,289	0	-13,289
Carrying amount as at 31.12.18	0	156	0	156

Development projects relate to the development of products within the group's core business. The projects are progressing according to plan through the use of the resources allocated by Management to the development. The products are expected to be sold in the present market to the group's existing customers.

8. Property, plant and equipment

Figures in DKK '000	Leasehold improvements	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Group:			
Cost as at 01.01.18	12,975	98,127	16,636
Foreign currency translation adjustment of foreign enterprises	-41	-480	0
Additions during the year	0	240	37,276
Disposals during the year	-7,296	-46,001	0
Cost as at 31.12.18	5,638	51,886	53,912
Depreciation and impairment losses as at 01.01.18	-9,757	-89,891	0
Foreign currency translation adjustment of foreign enterprises	37	502	0
Depreciation during the year	-250	-2,817	0
Reversal of depreciation of and impairment losses on disposed assets	4,686	44,865	0
Depreciation and impairment losses as at 31.12.18	-5,284	-47,341	0
Carrying amount as at 31.12.18	354	4,545	53,912
Parent:			
Cost as at 01.01.18	1,809	2,575	0
Cost as at 31.12.18	1,809	2,575	0
Depreciation and impairment losses as at 01.01.18	-1,253	-2,533	0
Depreciation during the year	-247	-31	0
Depreciation and impairment losses as at 31.12.18	-1,500	-2,564	0
Carrying amount as at 31.12.18	309	11	0

9. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Parent:	
Cost as at 01.01.18	417,432
Cost as at 31.12.18	417,432
Revaluations as at 01.01.18	130,784
Foreign currency translation adjustment of foreign enterprises	-9,125
Net profit/loss from equity investments	65,630
Revaluations as at 31.12.18	187,289
Carrying amount as at 31.12.18	604,721

9. Equity investments in group enterprises - continued -

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year
Group enterprises:			
Music Tribe Brands A/S, Risskov, Denmark	100%	190,982	30,030
TC Electronic Deutschland GmbH, Germany	100%	0	0
Music Group Commercial A/S, Risskov, Denmark	100%	88,441	4,598
TC Works Soft- & Hardware GmbH, Germany	100%	0	0
Music Tribe Brands SE AB, Kungsbacka, Sweden	100%	81,634	19,619
Music Group Innovation SC Ltd., Havant, United Kingdom	100%	0	0
Music Group Innovation CA Inc., Canada	100%	0	0
Music Group Commercial CA Inc., Canada	100%	0	0
Virtual Designs Ltd., Canada	100%	0	0
TC (Beijing) Trad-ing Company Ltd., Beijing, China	100%	0	0

For the following group enterprises there is no signed annual report, why equity and net profit/loss for the year has not been specified:

- TC Electronic Deutschland GmbH, Germany
- Music Group Innovation SC Ltd., Havant, United Kingdom
- TC Works Soft- & Hardware GmbH, Germany
- Music Group Innovation CA Inc., Canada
- Music Group Commercial CA Inc., Canada
- Virtual Designs Ltd., Canada
- TC (Beijing) Trad-ing Company Ltd., Beijing, China

10. Other fixed asset investments

Figures in DKK '000	Receivables from group enterprises	Deposits
Group:		
Cost as at 01.01.18	91,792	2,020
Additions during the year	6,894	0
Disposals during the year	-4,708	0
Cost as at 31.12.18	93,978	2,020
Parent		
Cost as at 01.01.18	55,340	2,020
Disposals during the year	-4,708	0
Cost as at 31.12.18	50,632	2,020

	Group		Parent	
	31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000
11. Prepayments				
Other prepayments	297	357	5	172
Total	297	357	5	172

12. Share capital

The share capital consists of:

	Shares	Nominel value, DKK
Share capital	7,856,811	20

	Group		Parent	
	31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000

13. Deferred tax

	31.12.18	31.12.17	31.12.18	31.12.17
Additions relating to mergers and acquisition of enterprises as at 01.01.18	27,384	6,906	-4,461	-1,013
Deferred tax recognised in the income statement	7,991	20,478	4,113	-3,448
Additions relating to mergers and acquisition of enterprises as at 31.12.18	35,375	27,384	-348	-4,461
Deffered tax comprises:				
Deferred tax asset	-348	-4,612	-348	-4,461
Deferred tax liability	35,723	31,996	0	0
Total	35,375	27,384	-348	-4,461

14. Other provisions

Figures in DKK '000	Warranty commitments
Group	
Provisions as at 01.01.18	15,592
Applied during the year	-466
Provisions as at 31.12.18	15,126

	31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000
Other provisions are expected to be distributed as follows:				
Non-current liabilities	15,126	15,592	0	0

15. Longterm payables

Figures in DKK '000	Outstanding debt after 5 years	Total payables at 31.12.18	Total payables at 31.12.17
Group:			
Lease commitments	0	0	149
Payables to group enterprises	0	154,004	136,961
Total	0	154,004	137,110
Parent:			
Payables to group enterprises	0	147,945	151,489
Total	0	147,945	151,489

16. Contingent liabilities

Group:

Lease commitments

The enterprise has concluded car lease agreements with terms to maturity of 16 months and average lease payments of DKK 8k, a total of DKK 128k.

The enterprise has concluded rent lease agreements with total future leasepayments within 1 year DKK 5,241k, a total of DKK 10,482k.

Parent:

Lease commitments

The company has concluded lease agreements with terms to maturity of 24 months and average lease payments of DKK 203k, a total of DKK 4.963k.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total known tax liability for the jointly taxed companies is DKK 8.512k at the balance sheet date, of which DKK 0k is recognised in the balance sheet. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

17. Charges and security

Group:

The enterprise has provided a company charge of DKK 307k as security for debt to Jyske Bank. The ceompany charge includes security secured on unsecured claims, inventories, operating equipment and rights with a carrying amount of 4,939k at 31 December 2018. Debt to Jyske Bank is DKK 0 at 31 December 2018.

Parent:

The enterprise has provided a company charge of DKK 100k as security for debt to credit institutions.

18. Related parties

Controlling influence:	Basis of influence
MUSIC Group Limited, Bermuda	Controlling shareholder of The TC Group A/S
DTOS Trustees, Ltd., Mauritius	Controlling shareholder os MUSIC Group Limited

Transaction	Relation	2018 DKK'000
Sales of goods and services	Music Group	266,651
Purchase of goods and services	Music Group	43,578
Interest income	Music Group	339
Interest expenses	Music Group	0

Balances	31.12.18 DKK'000
Receivables from group enterprises	296,070
Payables to group enterprises	-154,005

Receivables from group companies recognised under current assets and short-term payables to group enterprises consist of balances which are settled on an ongoing basis and in accordance with the enterprise's standard terms of agreement and payment. No write-downs have been made on the receivables.

The interest rate on loans between related parties in the TC Group was 4 % during the year while loans to the group's parent company in Bermuda did not carry any interests.

	Group	
	2018 DKK '000	2017 DKK '000

19. Adjustments for the cash flow statement

Depreciation, amortisation, impairment losses and write-downs	52,921	60,044
Financial income	-24,970	-14,130
Financial expenses	6,069	29,308
Tax on profit or loss for the year	21,643	35,445
Other adjustments	13,183	-22,918
Total	68,846	87,749

20. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for large groups and enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds equity investments, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

20. Accounting policies - continued -

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Production costs

Costs incurred, directly or indirectly, to generate the revenue for the year, including raw materials and consumables, wages and salaries and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the production process, are recognised under production costs.

Distribution costs

Costs for the distribution of goods sold during the year and sales campaigns etc., including wages and salaries for sales staff, advertising and exhibition costs etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the distribution and sales activity, are recognised under distribution costs.

20. Accounting policies - continued -

Administrative expenses

Expenses incurred during the year for management and administration, including wages and salaries for administrative staff and management as well as office premise expenses, office expenses, bad debts etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used for administration, are recognised under administrative expenses.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Completed development projects	3-8	0
Acquired rights	1-8	0
Leasehold improvements	3-10	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

20. Accounting policies - continued -

Income from equity investments in group entreprises

For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies, gains and losses on other securities and equity investments etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Intangible assets

Completed development projects and development projects in progress

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

20. Accounting policies - continued -

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

20. Accounting policies - continued -

Gains and losses on the disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are measured in the balance sheet of the parent according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

20. Accounting policies - continued -

The cost of manufactured finished goods and work in progress is determined as the value of direct material and labour costs. Interest on loans arranged to finance production is not included in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Other investments

Other equity investments are measured at fair value in the balance sheet. For equity investments that are traded in an active market, fair value is equivalent to the market value at the balance sheet date. Other equity investments for which fair value cannot be determined reliably are measured at cost.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investments in subsidiaries is recognised in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

20. Accounting policies - continued -

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

20. Accounting policies - continued -

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.