

MUSIC Tribe Innovation DK A/S

Ib Spang Olsens Gade 17, 8200 Aarhus N

CVR no. 21 37 86 07

Annual report for 2019

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 25.12.20

Ulrich Bernhard Behringer
Dirigent



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The company

MUSIC Tribe Innovation DK A/S
Ib Spang Olsens Gade 17
8200 Aarhus N
Registered office: Aarhus N
CVR no.: 21 37 86 07
Financial year: 01.01 - 31.12

Executive Board

Sonny Xavier Sabidorio Abella

Board of Directors

Ulrich Bernhard Behringer
Sonny Xavier Sabidorio Abella
David Hunter

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 01.01.19 - 31.12.19 for MUSIC Tribe Innovation DK A/S.

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

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 31.12.19 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.19 - 31.12.19.

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.

Aarhus N, December 25, 2020

Executive Board

Sonny Xavier Sabidorio Abella

Board Of Directors

Ulrich Bernhard Behringer
Chairman

Sonny Xavier Sabidorio
Abella

David Hunter

To the Shareholder of MUSIC Tribe Innovation DK A/S

AUDITORS'S REPORT ON THE FINANCIAL STATEMENTS

Qualified opinion

We have audited the consolidated financial statements and parent company financial statements of MUSIC Tribe Innovation DK A/S for the financial year 01.01.19 - 31.12.19, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant 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 (Årsregnskabsloven).

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, 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 31.12.19 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.19 - 31.12.19 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for qualified opinion

In a Swedish subsidiary there is lack of documentation for the transition to a new financial system and there is lack of documentation for the accrual of income and expenses. We therefore issue a modified opinion due to this limitation of the scope of our audit of the financial statements of the parent company and the consolidated financial statements. The subsidiary is included in the parent company's financial statements with a profit after tax of DKK'000 29,546 and in the balance sheet with a value of DKK'000 178,311.

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 group and 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 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.

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 group's and the parent 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 group and 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 group's and the parent 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 group's and the parent 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 group and 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 performance 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.

VIOLATION OF THE DANISH FINANCIAL STATEMENTS ACT

The company's annual report was not submitted to the Danish Business Authority within the time limit stipulated in the Danish Financial Statements Act, and the management may therefore incur liability.

Aarhus, December 25, 2020

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	2019	2018	2017	2016	01.07.14 31.12.15
<i>Profit/loss</i>					
Operating profit/loss	-153,720	66,291	158,886	104,773	99,801
Index	-154	66	159	105	100
Profit/loss before net financials	-153,720	66,291	158,862	101,912	114,222
Index	-135	58	139	89	100
Total net financials	6,316	18,901	-15,179	-2,722	-9,428
Index	-67	-200	161	29	100
Profit/loss for the year	-146,487	63,549	108,238	79,460	76,876
Index	-191	83	141	103	100
<i>Balance</i>					
Total assets	935,953	767,535	729,761	1,369,383	572,688
Index	163	134	127	239	100
Investments in property, plant and equipment	50,760	37,517	17,655	3,132	20,008
Index	254	188	88	16	100
Equity	362,622	500,070	445,647	345,091	269,424
Index	135	186	165	128	100
<i>Cashflow</i>					
Net cash flow:					
Operating activities	-79,830	195,185	393,318	103,027	134,619
Investing activities	-178,874	-93,979	-79,437	-70,171	-73,918
Financing activities	87,044	14,708	-1,130,475	815,269	127,033
Cash flows for the year	-171,660	115,914	-816,594	848,125	187,734

Ratios

	2019	2018	2017	2016	01.07.14 31.12.15
<i>Profitability</i>					
Return on equity	-34%	13%	27%	26%	39%
Gross margin	-63%	33%	38%	37%	38%
Profit margin	-72%	23%	26%	15%	9%
<i>Others</i>					
Number of employees (average)	177	214	279	414	440

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:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Gross margin:	$\frac{\text{Gross result} \times 100}{\text{Revenue}}$
Profit margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$

Primary activities

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

The company is also the IP holder for Music Tribe Group and receives a royalty in exchange for its services as IP holder. Royalty for 2019 was calculated based on the sales of Music Tribe Group as per Exclusive License Agreement with Music Tribe Commercial MY Sdn Mhd effective from 1 January 2019.

Development in activities and financial affairs

The income statement for the period 01.01.19 - 31.12.19 shows a profit/loss of DKK'000 -146,487 against DKK'000 63,549 for the period 01.01.18 - 31.12.18. The balance sheet shows equity of DKK'000 362,622.

The earning deterioration with regards to prior year are largely driven by the first year of operation under the royalty model; earning from royalties resulted not sufficient to cover the operating costs of the company for the financial year 01.01.2019 – 31.12.2019.

Management believe that such earning are incidental to the first year of operation under a royalty model and that this result is not expected to continue in future years.

Management have taken steps and active action to review the existing royalty agreement to ensure future financial stability of the Company and the Group.

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

Outlook

Earnings are expected to improve to a profit for both next year and the following years.

Special risks*Currency risks*

It is part of the company 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 USD.

Liquidity Risk

The financial resources are assessed and controlled by the parent company's treasury functions. This

ensures that the committed credit facilities required to meet the budgeted financing requirements are ongoing are made available by the Company's financial partners.

Research and development activities

The Group is intellectual capital intensive with material product development activities in the individual 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

Music Tribe announced that Lab Gruppen will close its Swedish Manufacturing Facility in Faktorvagen in light of consolidation of manufacturing operations and significant investment in a new hi-tech facility in Asia.

During 2020, the Company increased its share capital by nominal DKK 483,120 through a non cash contribution of shares in Music Tribe Brands CA Ltd and Music Tribe Brands DE GmbH.

The shares of the Company were subsequently acquired in their entirety by Music Tribe Commercial Sdn Bhd.

Income statement

Note	Group		Parent	
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000
	-135,453	94,737	-158,097	0
	Distribution costs	-2,299	-6,950	0
	Administration costs	-15,968	-21,496	-6,013
	Profit/loss before net financials	-153,720	66,291	-164,110
	Income from equity investments in group enterprises	0	0	12,503
2	Financial income	30,979	24,970	88
3	Financial expenses	-24,663	-6,069	-5,359
	Profit/loss before tax	-147,404	85,192	-156,878
	Tax on profit or loss for the year	917	-21,643	10,391
	Profit/loss for the year	-146,487	63,549	-146,487

4 Distribution of net profit

ASSETS		Group		Parent	
		31.12.19 DKK '000	31.12.18 DKK '000	31.12.19 DKK '000	31.12.18 DKK '000
Note					
	Completed development projects	91,715	46,985	45,162	0
	Acquired rights	6,060	523	37,762	156
	Development projects in progress	127,825	98,183	68,272	0
5	Total intangible assets	225,600	145,691	151,196	156
	Land and buildings	99,408	0	0	0
	Leasehold improvements	0	354	0	309
	Other fixtures and fittings, tools and equipment	3,919	4,544	0	11
	Property, plant and equipment under construction	0	53,912	0	0
6	Total property, plant and equipment	103,327	58,810	0	320
7	Equity investments in group enterprises	0	0	626,262	604,720
8	Receivables from group enterprises	82,268	93,978	82,268	50,632
8	Deposits	2,020	2,020	2,020	2,020
	Total investments	84,288	95,998	710,550	657,372
	Total non-current assets	413,215	300,499	861,746	657,848
	Raw materials and consumables	12,887	20,703	0	0
	Work in progress	2,140	1,404	0	0
	Manufactured goods and goods for resale	11,104	8,323	0	0
	Total inventories	26,131	30,430	0	0
	Trade receivables	919	18,157	0	0
	Receivables from group enterprises	443,712	202,091	42,624	139,686
11	Deferred tax asset	11,029	348	11,029	348
	Income tax receivable	0	0	0	9,130
	Other receivables	1,170	4,325	252	1,108
9	Prepayments	48	296	25	6
	Total receivables	456,878	225,217	53,930	150,278
	Other investments	48	47	24	24
	Total securities and equity investments	48	47	24	24
	Cash	39,681	211,342	1,143	3,143
	Total current assets	522,738	467,036	55,097	153,445
	Total assets	935,953	767,535	916,843	811,293

EQUITY AND LIABILITIES		Group		Parent	
		31.12.19 DKK '000	31.12.18 DKK '000	31.12.19 DKK '000	31.12.18 DKK '000
Note					
10	Share capital	157,136	157,136	157,136	157,136
	Reserve for net revaluation according to the equity method	0	0	208,830	187,288
	Retained earnings	205,486	342,934	-3,344	155,646
	Total equity	362,622	500,070	362,622	500,070
11	Provisions for deferred tax	22,355	35,723	0	0
12	Other provisions	16,583	15,126	0	0
	Total provisions	38,938	50,849	0	0
13	Payables to group enterprises	179,924	154,004	193,660	147,945
13	Other payables	1,543	0	0	0
	Total long-term payables	181,467	154,004	193,660	147,945
	Trade payables	14,561	32,323	137	198
	Payables to group enterprises	291,035	0	349,571	162,787
	Income taxes	22,470	6,266	7,462	0
	Other payables	24,852	24,023	3,391	293
	Deferred income	8	0	0	0
	Total short-term payables	352,926	62,612	360,561	163,278
	Total payables	534,393	216,616	554,221	311,223
	Total equity and liabilities	935,953	767,535	916,843	811,293
14	Contingent liabilities				
15	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 01.01.19 - 31.12.19				
Balance as at 01.01.19	157,136	0	342,934	500,070
Foreign currency translation adjustment of foreign enterprises	0	0	9,039	9,039
Net profit/loss for the year	0	0	-146,487	-146,487
Balance as at 31.12.19	157,136	0	205,486	362,622
Parent:				
Statement of changes in equity for 01.01.19 - 31.12.19				
Balance as at 01.01.19	157,136	187,288	155,646	500,070
Foreign currency translation adjustment of foreign enterprises	0	0	9,039	9,039
Net profit/loss for the year	0	21,542	-168,029	-146,487
Balance as at 31.12.19	157,136	208,830	-3,344	362,622

Consolidated cash flow statement

Note	Group	
	2019 DKK '000	2018 DKK '000
	-146,487	63,549
16	56,261	68,846
Change in working capital:		
Inventories	4,299	680
Receivables	20,642	112,932
Trade payables	-15,390	-28,619
Other payables relating to operating activities	1,457	-466
	-79,218	216,922
Interest income and similar income received	30,979	708
Interest expenses and similar expenses paid	-24,663	-608
Income tax paid	-6,928	-21,837
	-79,830	195,185
Purchase of intangible assets	-128,114	-56,463
Purchase of property, plant and equipment	-50,760	-37,516
	-178,874	-93,979
Loan from group enterprises	87,044	14,708
	87,044	14,708
	-171,660	115,914
Cash, beginning of year	211,342	95,404
Securities with no significant price risk, beginning of year	47	71
	39,729	211,389
Cash, end of year, comprises:		
Cash	39,681	211,342
Securities with no significant price risk	48	47
Total	39,729	211,389

	Group		Parent	
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000
1. Employee aspects				
Wages and salaries	76,123	69,621	0	-14
Pensions	4,212	7,808	0	0
Other social security costs	11,383	5,863	0	0
Other staff costs	771	2,482	0	0
Total	92,489	85,774	0	-14
Average number of employees during the year				
	177	214	0	0

2. Financial income

Interest, group enterprises	2,073	339	0	2,028
Other interest income	88	35	88	35
Foreign exchange gains	23,345	24,262	0	2,774
Other financial income	5,473	334	0	0
Other financial income	28,906	24,631	88	2,809
Total	30,979	24,970	88	4,837

	Group		Parent	
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000
3. Financial expenses				
Interest, group enterprises	2,485	0	744	1,754
Other interest expenses	272	26	272	26
Foreign exchange losses	21,731	5,461	4,343	1,177
Other financial expenses	175	582	0	310
Other financial expenses total	22,178	6,069	4,615	1,513
Total	24,663	6,069	5,359	3,267

4. Distribution of net profit

Reserve for net revaluation according to the equity method	0	0	21,542	56,504
Retained earnings	-146,487	63,549	-168,029	7,045
Total	-146,487	63,549	-146,487	63,549

5. Intangible assets

Figures in DKK '000	Completed development projects	Acquired rights	Development projects in progress
Group:			
Cost as at 01.01.19	556,556	38,073	98,182
Foreign currency translation adjustment of foreign enterprises	1,582	0	548
Additions during the year	93,015	6,004	122,110
Disposals during the year	-68,338	0	-93,015
Cost as at 31.12.19	582,815	44,077	127,825
Amortisation and impairment losses as at 01.01.19	-509,571	-37,551	0
Foreign currency translation adjustment of foreign enterprises	-1,732	0	0
Amortisation during the year	-48,135	-466	0
Reversal of amortisation of and impairment losses on disposed assets	68,338	0	0
Amortisation and impairment losses as at 31.12.19	-491,100	-38,017	0
Carrying amount as at 31.12.19	91,715	6,060	127,825
Parent:			
Cost as at 01.01.19	0	13,445	0
Additions during the year	53,838	39,944	122,110
Disposals during the year	0	0	-53,838
Cost as at 31.12.19	53,838	53,389	68,272
Amortisation and impairment losses as at 01.01.19	0	-13,289	0
Amortisation during the year	-8,676	-2,338	0
Amortisation and impairment losses as at 31.12.19	-8,676	-15,627	0
Carrying amount as at 31.12.19	45,162	37,762	68,272

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.

6. Property, plant and equipment

Figures in DKK '000	Land and buildings	Leasehold improvements	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Group:				
Cost as at 01.01.19	0	5,638	51,886	53,912
Foreign currency translation adjustment of foreign enterprises	0	-59	-228	0
Additions during the year	46,980	0	3,780	0
Disposals during the year	0	-4,687	-31,018	0
Transfers during the year to/from other items	53,912	0	0	-53,912
Cost as at 31.12.19	100,892	892	24,420	0
Depreciation and impairment losses as at 01.01.19	0	-5,284	-47,341	0
Foreign currency translation adjustment of foreign enterprises	0	14	156	0
Depreciation during the year	-1,484	-309	-4,443	0
Reversal of depreciation of and impairment losses on disposed assets	0	4,687	31,127	0
Depreciation and impairment losses as at 31.12.19	-1,484	-892	-20,501	0
Carrying amount as at 31.12.19	99,408	0	3,919	0
Parent:				
Cost as at 01.01.19	0	1,809	2,575	0
Disposals during the year	0	-1,809	-2,575	0
Cost as at 31.12.19	0	0	0	0
Depreciation and impairment losses as at 01.01.19	0	-1,500	-2,564	0
Depreciation during the year	0	-309	-11	0
Reversal of depreciation of and impairment losses on disposed assets	0	1,809	2,575	0
Depreciation and impairment losses as at 31.12.19	0	0	0	0
Carrying amount as at 31.12.19	0	0	0	0

7. Equity investments in group enterprises

Figures in DKK '000	Equity invest- ments in group enterprises
Parent:	
Cost as at 01.01.19	417,432
Cost as at 31.12.19	417,432
Revaluations as at 01.01.19	187,288
Foreign currency translation adjustment of foreign enterprises	9,817
Net profit/loss from equity investments	11,725
Revaluations as at 31.12.19	208,830
Carrying amount as at 31.12.19	626,262

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year
Group enterprises:			
Music Tribe Brands A/S, Risskov, Denmark	100%	278,448	-974
TC Electronic Deutschland GmbH, Germany	100%	0	0
TC Works Soft- & Hardware GmbH, Germany	100%	0	0
Music Tribe Brands SE AB, Kungsbacka, Sweden	100%	109,945	29,558
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

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
- TC Works Soft- & Hardware GmbH, Germany
- Music Group Innovation SC Ltd., Havant, United Kingdom
- Music Group Innovation CA Inc., Canada
- Music Group Commercial CA Inc., Canada
- Virtual Designs Ltd., Canada

8. Other non-current financial assets

Figures in DKK '000	Receivables from group enterprises	Deposits
Group:		
Cost as at 01.01.19	93,978	2,020
Additions during the year	31,636	0
Disposals during the year	-43,346	0
Cost as at 31.12.19	82,268	2,020
Carrying amount as at 31.12.19	82,268	2,020
Parent:		
Cost as at 01.01.19	50,632	2,020
Additions during the year	31,636	0
Cost as at 31.12.19	82,268	2,020
Carrying amount as at 31.12.19	82,268	2,020

	Group		Parent	
	31.12.19 DKK '000	31.12.18 DKK '000	31.12.19 DKK '000	31.12.18 DKK '000
9. Prepayments				
Other prepayments	48	296	25	6
Total	48	296	25	6

10. Share capital

The share capital consists of:

	Quantity	Total nominal value
Share capital	7,856,811	157,136,220
Total		157,136,220

	Group		Parent	
	31.12.19 DKK '000	31.12.18 DKK '000	31.12.19 DKK '000	31.12.18 DKK '000

11. Deferred tax

Deferred tax as at 01.01.19	35,376	27,384	-348	-4,461
Deferred tax recognised in the income statement	-24,049	7,991	-10,681	4,113
Deferred tax as at 31.12.19	11,327	35,375	-11,029	-348

Deferred tax is recognized in the balance sheet as:

Deferred tax asset	-11,029	-348	-11,029	-348
Deferred tax liability	22,355	35,723	0	0
Total	11,326	35,375	-11,029	-348

As at 31.12.2019, the company has recognised a deferred tax asset of DKK 11,327, which can primarily be attributed to tax losses carried forward. The deferred tax asset is recognised on the basis of expectations of positive operating results for the coming years.

12. Other provisions

Figures in DKK '000	Warranty commitments
Group	
Provisions as at 01.01.19	15,126
Provisions during the year	1,457
Provisions as at 31.12.19	16,583

	31.12.19 DKK '000	31.12.18 DKK '000	31.12.19 DKK '000	31.12.18 DKK '000
Other provisions are expected to be distributed as follows:				
Non-current liabilities	16,583	15,126	0	0
Total	16,583	15,126	0	0

13. Longterm payables

Figures in DKK '000	Outstanding debt after 5 years	Total payables at 31.12.19	Total payables at 31.12.18
Group:			
Payables to group enterprises	0	179,924	154,004
Other payables	0	1,543	0
Total	0	181,467	154,004
Parent:			
Payables to group enterprises	0	193,660	147,945
Total	0	193,660	147,945

14. Contingent liabilities

Group:

Lease commitments

The enterprise has concluded rent lease agreements with total future leasepayments within 1 year DKK 2,837k, a total of DKK 5,674k.

15. Related parties

Controlling influence Basis of influence

Music Tribe Commercial MY Sdn. Bhd., Malaysia DTOS Trustees, Ltd., Mauritius	Controlling shareholder Controlling shareholder of Music Tribe Commercial MY Sdn. Bhd.
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		Group	Parent
Transactions	Relation	2019 DKK '000	2019 DKK '000
Sales of goods and services	Music Group	173,961	42,624
Purchase of goods and services	Music Group	-178,254	-335,005
Loans	Music Group	-33,445	-13,204
Interest income	Music Group	2,073	0
Interes expenses	Music Group	-2,485	-744
		Group	Parent
Balances		31.12.19 DKK '000	31.12.19 DKK '000
Receivables from group enterprises		525,980	124,892
Payables to group enterprises		-470,958	-543,232

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 company's standard terms of agreement and payment. No write-downs have been made on the receivables.

The receivables and payables to group companies did not carry any interests.

	Group	
	2019 DKK '000	2018 DKK '000
16. Adjustments for the cash flow statement		
Depreciation, amortisation, impairment losses and write-downs	54,836	52,921
Financial income	-30,979	-24,970
Financial expenses	24,663	6,069
Tax on profit or loss for the year	-917	21,643
Other adjustments	8,658	13,183
Total	56,261	68,846

17. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for medium-sized 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.

17. 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**Gross profit**

Gross profit comprises revenue and production costs as well as other operating income.

Revenue

Income from the sale of services is recognised as delivery takes place. Revenue is measured at the selling value of the agreed consideration 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

17. Accounting policies - continued -

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.

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
Buildings	20	0
Leasehold improvements	3-10	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

Land is not depreciated.

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.

17. Accounting policies - continued -**Income from equity investments in group enterprises**

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.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

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

17. Accounting policies - continued -

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.

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

Acquired 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 land and buildings, 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.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

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.

17. Accounting policies - continued -*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.

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 enterprises

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.

17. Accounting policies - continued -**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.

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.

17. Accounting policies - continued -**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.

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.

17. Accounting policies - continued -**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.

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

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

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.