

MUSIC Tribe Innovation DK A/S

Ib Spang Olsens Gade 17, 8200 Aarhus N
CVR no. 21 37 86 07

Annual report for 2020

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 28.06.21

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

We have on this day presented the annual report for the financial year 01.01.20 - 31.12.20 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 31.12.20 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.20 - 31.12.20.

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, June 28, 2021

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**Opinion**

We have audited the consolidated financial statements and parent company financial statements of MUSIC Tribe Innovation DK A/S for the financial year 01.01.20 - 31.12.20, 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 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 31.12.20 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.20 - 31.12.20 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for conclusion

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.

Aarhus, June 28, 2021

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	2020	2019	2018	2017	2016
<i>Profit/loss</i>					
Operating loss	-58,626	-153,722	66,291	158,886	104,773
Index	-56	-147	63	152	100
Total net financials	36,454	6,318	18,901	-15,179	-2,722
Index	-1,339	-232	-694	558	100
Loss for the year	-21,044	-146,487	63,549	108,238	79,460
Index	-26	-184	80	136	100
<i>Balance</i>					
Total assets	963,456	935,953	767,535	729,761	1,369,383
Index	70	68	56	53	100
Investments in property, plant and equipment	154,492	50,760	37,517	17,655	3,132
Index	4,933	1,621	1,198	564	100
Equity	347,127	362,622	500,070	445,647	345,091
Index	101	105	145	129	100
<i>Cashflow</i>					
Net cash flow:					
Operating activities	686,072	-79,830	195,185	393,318	103,027
Investing activities	-265,691	-178,874	-93,979	-79,437	-70,171
Financing activities	-96,487	87,044	14,708	-1,130,475	815,269
Cash flows for the year	323,894	-171,660	115,914	-816,594	848,125

Ratios

	2020	2019	2018	2017	2016
<i>Profitability</i>					
Return on equity	-6%	-34%	13%	27%	26%
Gross margin	-6%	-63%	33%	38%	37%
Profit margin	-16%	-72%	23%	26%	15%

Others

Number of employees (average)	311	177	279	414	440
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Ratios definitions

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 2020 was 9.5% of Music Tribe Group Sales as per Exclusive License Agreement with Music Tribe Commercial MY Sdn Bhd effective from 1 January 2019.

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 01.01.20 - 31.12.20 shows a profit/loss of DKK'000 -21,044 against DKK'000 -146,487 for the period 01.01.19 - 31.12.19. The balance sheet shows equity of DKK'000 347,127.

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 01.01.2020 – 31.12.2020.

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.

Music Tribe announced that Lab Gruppen will close its Swedish Manufacturing Facility in Faktorigen 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.

Outlook

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

Financial risks*Foreign 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 risks

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

No important events have occurred after the end of the financial year.

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 recommendation listed by 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. Amongst 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.

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 EU.

The Group has no other significant formalized policies.

Gender diversity

The Group believes that the diversity amongst employees, including representative distribution of gender, 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 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.

Income statement

Note	Group		Parent		
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000	
	-27,694	-135,455	-50,119	-158,097	
	-837	-2,299	-35	0	
	-30,095	-15,968	-5,312	-6,013	
	-58,626	-153,722	-55,466	-164,110	
2	Income from equity investments in group enterprises	0	0	-974	12,503
3	Financial income	60,703	30,979	35,538	88
4	Financial expenses	-24,249	-24,661	-9,880	-5,359
	-22,172	-147,404	-30,782	-156,878	
	Tax on loss for the year	1,128	917	9,738	10,391
	-21,044	-146,487	-21,044	-146,487	
5	Distribution of net profit				

Note	ASSETS				
	Group		Parent		
	31.12.20 DKK '000	31.12.19 DKK '000	31.12.20 DKK '000	31.12.19 DKK '000	
	Completed development projects	50,830	91,715	34,560	45,162
	Acquired rights	4,263	6,060	24,946	37,762
	Goodwill	85,569	0	0	0
	Development projects in progress	98,306	127,825	71,613	68,272
6	Total intangible assets	238,968	225,600	131,119	151,196
	Land and buildings	168,101	99,408	0	0
	Leasehold improvements	1,410	0	0	0
	Other fixtures and fittings, tools and equipment	2,997	3,919	0	0
7	Total property, plant and equipment	172,508	103,327	0	0
8	Equity investments in group enterprises	0	0	555,317	626,262
9	Receivables from group enterprises	0	82,268	0	82,268
9	Deposits	2,044	2,020	2,044	2,020
	Total investments	2,044	84,288	557,361	710,550
	Total non-current assets	413,520	413,215	688,480	861,746
	Raw materials and consumables	968	12,887	0	0
	Work in progress	19,066	2,140	0	0
	Manufactured goods and goods for resale	12,458	11,104	0	0
	Total inventories	32,492	26,131	0	0
	Trade receivables	856	919	0	0
	Receivables from group enterprises	120,429	443,712	132,725	42,624
	Deferred tax asset	0	11,029	0	11,029
	Income tax receivable	4,245	0	14,908	0
	Other receivables	26,618	1,170	18,867	252
	Prepayments	1,673	48	0	25
	Total receivables	153,821	456,878	166,500	53,930
	Other investments	0	48	0	24
	Total securities and equity investments	0	48	0	24
	Cash	363,623	39,681	978	1,143
	Total current assets	549,936	522,738	167,478	55,097
	Total assets	963,456	935,953	855,958	916,843

EQUITY AND LIABILITIES		Group		Parent	
		31.12.20 DKK '000	31.12.19 DKK '000	31.12.20 DKK '000	31.12.19 DKK '000
Note					
10	Share capital	157,619	157,136	157,619	157,136
	Reserve for net revaluation according to the equity method	0	0	136,348	208,830
	Reserve for development costs	0	0	102,273	117,933
	Retained earnings	189,508	205,486	-49,113	-121,277
	Total equity	347,127	362,622	347,127	362,622
11	Provisions for deferred tax	14,354	22,355	0	0
12	Other provisions	0	16,583	0	0
	Total provisions	14,354	38,938	0	0
	Payables to group enterprises	0	179,924	0	193,660
	Other payables	2,711	1,543	0	0
	Total long-term payables	2,711	181,467	0	193,660
	Trade payables	3,114	14,561	0	137
	Payables to group enterprises	567,262	291,035	506,816	349,571
	Income taxes	0	22,470	0	7,462
	Other payables	28,888	24,852	2,015	3,391
	Deferred income	0	8	0	0
	Total short-term payables	599,264	352,926	508,831	360,561
	Total payables	601,975	534,393	508,831	554,221
	Total equity and liabilities	963,456	935,953	855,958	916,843
13	Contingent liabilities				
14	Related parties				

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Retained earnings
Group:				
Statement of changes in equity for 01.01.20 - 31.12.20				
Balance as at 01.01.20	157,136	0	0	205,486
Foreign currency translation adjustment of foreign enterprises	0	0	0	4,012
Capital increase	483	0	0	1,054
Other changes in equity	0	0	-15,660	0
Transfers to/from other reserves	0	0	15,660	0
Net profit/loss for the year	0	0	0	-21,044
Balance as at 31.12.20	157,619	0	0	189,508

Parent:

Statement of changes in equity for 01.01.20 - 31.12.20				
Balance as at 01.01.20	157,136	208,830	117,933	-121,277
Foreign currency translation adjustment of foreign enterprises	0	0	0	4,012
Capital increase	483	0	0	1,054
Other changes in equity	0	0	-15,660	0
Transfers to/from other reserves	0	0	0	15,660
Net profit/loss for the year	0	-72,482	0	51,438
Balance as at 31.12.20	157,619	136,348	102,273	-49,113

Consolidated cash flow statement

Note	Group	
	2020 DKK '000	2019 DKK '000
	-21,044	-146,487
15	117,112	56,261
Change in working capital:		
Inventories	-6,361	4,299
Receivables	296,273	20,642
Trade payables	-11,447	-15,390
Other payables relating to operating activities	280,255	1,457
Cash flows from operating activities before net financials	654,788	-79,218
Interest income and similar income received	60,703	30,979
Interest expenses and similar expenses paid	-24,249	-24,663
Income tax paid	-5,170	-6,928
Cash flows from operating activities	686,072	-79,830
Purchase of intangible assets	-43,607	-128,114
Purchase of property, plant and equipment	-92,242	-50,760
Purchase of investments	-1,537	0
Disposal of investments	48	0
Acquisition of enterprise	-128,353	0
Cash flows from investing activities	-265,691	-178,874
Arrangement of payables to group enterprises	82,268	87,044
Repayment of payables to group enterprises	-179,923	0
Arrangement of other long-term payables	1,168	0
Cash flows from financing activities	-96,487	87,044
Total cash flows for the year	323,894	-171,660
Cash, beginning of year	39,681	211,342
Securities with no significant price risk, beginning of year	48	47
Cash, end of year	363,623	39,729
Cash, end of year, comprises:		
Cash	363,623	39,681
Securities with no significant price risk	0	48
Total	363,623	39,729

	Group		Parent	
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
1. Employee aspects				
Wages and salaries	133,832	76,123	0	0
Pensions	3,610	4,212	0	0
Other social security costs	14,531	11,383	0	0
Other staff costs	296	771	0	0
Total	152,269	92,489	0	0
Average number of employees during the year				
	311	177	0	0

2. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	0	40,273	12,503
Elimination of internal gains and losses	0	0	8,044	0
Amortisation of goodwill	0	0	-42,784	0
Loss on the divestment of group enterprises	0	0	-6,507	0
Total	0	0	-974	12,503

3. Financial income

Interest, group enterprises	0	2,073	0	0
Other financial income	60,703	28,906	35,538	88
Total	60,703	30,979	35,538	88

	Group		Parent	
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
4. Financial expenses				
Interest, group enterprises	262	2,483	5	744
Other financial expenses total	23,987	22,178	9,875	4,615
Total	24,249	24,661	9,880	5,359

5. Distribution of net profit

Reserve for net revaluation according to the equity method	0	0	-72,482	21,542
Retained earnings	-21,044	-146,487	51,438	-168,029
Total	-21,044	-146,487	-21,044	-146,487

6. Intangible assets

Figures in DKK '000	Completed development projects	Acquired rights	Goodwill	Development projects in progress
Group:				
Cost as at 01.01.20	582,815	44,077	0	127,825
Additions relating to mergers and acquisition of enterprises	0	0	128,353	0
Foreign currency translation adjustment of foreign enterprises	-319	0	0	873
Additions during the year	72,690	769	0	42,298
Disposals during the year	0	0	0	-72,690
Cost as at 31.12.20	655,186	44,846	128,353	98,306
Amortisation and impairment losses				
as at 01.01.20	-491,100	-38,017	0	0
Foreign currency translation adjustment of foreign enterprises	591	0	0	0
Impairment losses during the year	-29,152	0	0	0
Amortisation during the year	-84,695	-2,566	-42,784	0
Amortisation and impairment losses as at 31.12.20	-604,356	-40,583	-42,784	0
Carrying amount as at 31.12.20	50,830	4,263	85,569	98,306
Parent:				
Cost as at 01.01.20	53,838	53,389	0	68,272
Additions during the year	38,957	0	0	42,298
Disposals during the year	0	0	0	-38,957
Cost as at 31.12.20	92,795	53,389	0	71,613
Amortisation and impairment losses				
as at 01.01.20	-8,676	-15,627	0	0
Amortisation during the year	-49,559	-12,816	0	0
Amortisation and impairment losses as at 31.12.20	-58,235	-28,443	0	0
Carrying amount as at 31.12.20	34,560	24,946	0	71,613

Development projects relate to the development of products within the group's core business. The projects are progressing according to the 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.

7. Property, plant and equipment

Figures in DKK '000	Land and buildings	Leasehold and improvements	Other fixtures and fittings, tools and equipment
Group:			
Cost as at 01.01.20	100,893	892	24,420
Foreign currency translation adjustment of foreign enterprises	0	45	0
Additions during the year	95,586	7,068	51,838
Disposals during the year	0	0	-91
Cost as at 31.12.20	196,479	8,005	76,167
Depreciation and impairment losses as at 01.01.20	-1,484	-892	-20,501
Foreign currency translation adjustment of foreign enterprises	0	45	0
Depreciation during the year	-26,894	-5,748	-52,760
Reversal of depreciation of and impairment losses on disposed assets	0	0	91
Depreciation and impairment losses as at 31.12.20	-28,378	-6,595	-73,170
Carrying amount as at 31.12.20	168,101	1,410	2,997

8. Equity investments in group enterprises

Figures in DKK '000	Equity invest- ments in group enterprises
Cost as at 01.01.20	417,432
Additions during the year	1,537
Cost as at 31.12.20	418,969
Revaluations as at 01.01.20	208,830
Foreign currency translation adjustment of foreign enterprises	4,012
Impairment losses during the year	-6,507
Amortisation of goodwill	-42,784
Net profit/loss from equity investments	40,273
Dividend relating to equity investments	-75,520
Elimination of intra-group profit from property, plant and equipment	8,044
Revaluations as at 31.12.20	136,348
Carrying amount as at 31.12.20	555,317
Positive balances ascertainable on initial recognition of equity investments measured at equity value	579,528
Name and registered office:	Ownership interest
Subsidiaries:	
Music Tribe Brands A/S, Risskov, Denmark	100%
Music Tribe Brands DE GmbH, Germany	100%
Music Tribe Brands SE AB, Kungsbacka, Sweden	100%
Music Tribe Brands UK Ltd., United Kingdom	100%
Music Tribe Brands CA Ltd., Canada	100%

9. Other non-current financial assets

Figures in DKK '000 Deposits

Group:

Cost as at 01.01.20	2,044
Cost as at 31.12.20	2,044
Carrying amount as at 31.12.20	2,044

Parent:

Cost as at 01.01.20	2,044
Cost as at 31.12.20	2,044
Carrying amount as at 31.12.20	2,044

10. Share capital

The share capital consists of:

	Quantity	Total nominal value
Share capital	7,880,967	157,619,340
Capital increase during the financial year	24,156	483,120

	Group		Parent	
	31.12.20 DKK '000	31.12.19 DKK '000	31.12.20 DKK '000	31.12.19 DKK '000
11. Deferred tax				
Deferred tax as at 01.01.20	11,327	35,376	-11,029	-348
Deferred tax recognised in the income statement	3,027	-24,049	11,029	-10,681
Deferred tax as at 31.12.20	14,354	11,327	0	-11,029
Deferred tax is recognized in the balance sheet as:				
Deferred tax asset	0	-11,029	0	-11,029
Provisions for deferred tax	14,354	22,355	0	0
Total	14,354	11,326	0	-11,029

12. Other provisions

Figures in DKK '000	Warranty commitments			
Group:				
Provisions as at 01.01.20				16,583
Applied during the year				-16,583
Provisions as at 31.12.20				0
	31.12.20 DKK '000	31.12.19 DKK '000	31.12.20 DKK '000	31.12.19 DKK '000

Other provisions are expected to be distributed as follows:

Non-current liabilities	0	16,583	0	0
Total	0	16,583	0	0

13. Contingent liabilities

Group:

Lease commitments

The group has concluded lease agreements with terms to pay within one year a total of DKK 2.742. .

14. Related parties

Controlling influence Basis of influence

Music Tribe Commercial MY Sdn. Bhd., Malaysia	Controlling shareholder
DTOS Trustees, Ltd., Mauritius	Controlling shareholder of Music Tribe Commercial MY Sdn. Bhd.
Sonny Xavier Sabidorio Abella	

		Group	Parent
Transactions	Relation	2020 DKK '000	2020 DKK '000
Sales of goods and services	Music Group	382,500	213,086
Purchase of goods and services	Music Group	-11,695	-2,829
		Group	Parent
Balances		31.12.20 DKK '000	31.12.20 DKK '000
Receivables from group enterprises		120,429	132,725
Payables to group enterprises		-567,262	-506,816

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	
	2020 DKK '000	2019 DKK '000
15. Adjustments for the cash flow statement		
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	171,277	54,836
Financial income	-60,703	-30,980
Financial expenses	24,249	24,663
Tax on profit or loss for the year	-1,128	-917
Other adjustments	-16,583	8,659
Total	117,112	56,261

16. 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.

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.

BUSINESS COMBINATIONS

Newly acquired or newly founded enterprises are recognised as from the date of acquisition and the date of foundation, respectively. The date of acquisition is the date at which control of the enterprise

16. Accounting policies - continued -

is obtained. Divested or discontinued enterprises are recognised until the date of divestment or discontinuation. The date of discontinuation is the date at which control of the enterprise passes to a third party.

Acquired enterprises are recognised in accordance with the acquisition method, according to which the identifiable assets and liabilities of the newly acquired enterprises are measured at fair value at the date of acquisition.

The cost of the equity investments in the acquired enterprises is offset against the proportionate share of the fair value of the enterprises' net assets at the acquisition date.

On acquisition of subsidiaries, goodwill is recognised on a proportionate basis based on the actual ownership interest in the acquired equity investments.

The goodwill (positive difference) determined at the date of acquisition is recognised under intangible assets in the consolidated financial statements and under equity investments in subsidiaries in the parent's balance sheet. Goodwill from acquired enterprises is adjusted until 12 months after the acquisition date.

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.

On recognition of independent foreign entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are

16. Accounting policies - continued -

recognised directly in equity under the foreign currency translation reserve.

Translation adjustments of intercompany balances with independent foreign entities, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity under the foreign currency translation reserve. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

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 in the income statement as delivery takes place (delivery method). 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 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

16. Accounting policies - continued -

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

Goodwill is amortised over 3 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

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.

Income from equity investments in group enterprises

For equity investments in subsidiaries that in the parent are measured using the equity method, the

16. Accounting policies - continued -

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 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 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.

16. 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

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.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is 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.

16. Accounting policies - continued -

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.

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 recognised and measured according to the equity method in the balance sheet of the parent. For equity investments in subsidiaries, the equity method is considered a measurement method.

Accounting policies for the acquisition of subsidiaries are stated in the 'Business combinations' section.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments. However, transaction costs on the acquisition of subsidiaries are recognised in the income statement in the consolidated financial statements at the date incurred.

On subsequent recognition and measurement of equity investments according to the equity method, 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 goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Equity investments with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised to the extent that the parent has a legal or constructive obligation to cover the liabilities of the enterprise in question.

16. Accounting policies - continued -

Goodwill recognised under equity investments is amortised according to the straight-line method based on an individual assessment of the useful life of the asset. The useful life of goodwill has been determined at years for equity investments in subsidiaries. The useful life has been determined in consideration of the expected future net earnings of the enterprise to which the goodwill relates.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

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. Impairment losses on goodwill are not reversed, unless goodwill is included in the carrying amount of equity investments.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. 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 net realisable value of inventories is determined as the selling price less costs of completion and

16. Accounting policies - continued -

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

Securities that the company intends to hold to maturity are classified as fixed assets and measured at amortised cost.

Cash

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

Equity

The net revaluation of equity investments measured according to the equity method is recognized 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 company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the

16. Accounting policies - continued -

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 within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries 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.

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

16. Accounting policies - continued -**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.

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared for the parent as the parent is included in the consolidated cash flow statement.