Deloitte.

Moodagent A/S
Vognmagergade 7, 5.
1120 København K
Business Registration No 29421773

Annual report 2018

(13th financial year)

The Annual General Meeting adopted the annual report on 26.06.2019

Chairman of the General Meeting

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Name: Mickey Lund

Contents

Company details

Company

Moodagent A/S
Vognmagergade 7, 5.
DK-1120 København K

Business Registration No.: 29 42 17 73
Registered in: Copenhagen

Date of incorporation: 10.03.2006
Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Nick Jensen, Chairman
Anders Kunze Bønding
Tommy Andersen
Michael Ritto

Executive Board

Mickey Lund
Peter Berg Steffensen
Mikael Altschul Henderson

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and Executive Board have today considered and approved the annual report for the financial year 01.01.2018 – 31.12.2018.

The annual report is presented in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company´s assets, liabilities and financial position as at 31.12.2018 and of the results of the the Company´s activities and cash flows for the financial year 01.01.2018 – 31.12.2018.

We believe that the management´s commentary contains a fair review of the affairs and conditions referred to therein.

The annual report is submitted for adoption at the Annual General Meeting.

Copenhagen, 26 June 2019

Executive Board

Mickey Lund	Peter Berg Steffensen	Mikael Altschul Henderson

Board of Directors

Nick Jensen Chairman	Anders Kunze Bønding	Tommy Andersen
Michael Ritto		

Independent auditor's report

To the shareholders of Moodagent A/S

Opinion

We have audited the financial statements of Moodagent A/S ("The Company") for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company´s financial position at 31.12.2018, and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements section* of this auditor's report. We are independent of the Company in accordance with the International Ethics Standards Board of 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.

Material uncertainty related to going concern

The Company incurred a net loss of DKK 4,289k for the year ended 31 December 2018. As stated in note 1, the Company has received additional equity capital from its current shareholders as well as obtained additional short term credit facilities from the majority shareholder and external sources. Management expects to obtain sufficient funding for the Company to continue its planned activities for 2019 and to secure the Company to meet its financial obligations during 2019. As a result, Management has assessed and concluded that the Company is a going-concern. Our opinion has not been modified with respect to this matter.

Emphasis of matter

At 31 December 2018, the Company has recognized development projects with a carrying value of DKK 19,475k and deferred tax assets with a carrying value of DKK 4,869k. The recognition and measurement of these two assets are dependent on the Company obtaining sufficient funding to be able to launch its music services from 2019, and which is a crucial prerequisite for the Company to be able to generate sustainable profits from its operations within a foreseeable future, and since both the funding prerequisite and the expectations about future profits are based on assumptions about future events, the recognition and measurement of development projects and deferred tax asset must be considered to be subject to significant uncertainty at 31 December 2018. We refer to note 1 in the financial statements which discusses the estimates and assumptions applied by Management in determining that the financial statements are prepared assuming that the Company is a going-concern and the background for Management determining that it is appropriate to recognize the development projects and the deferred tax asset on the balance sheet at 31 December 2018. Our opinion has not been modified with respect to this matter.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companys internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management's commentary.

Our opinion on the financial statements does not cover the management's commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management's commentary and, in doing so, consider whether the management's commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the management's commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management's commentary.

Copenhagen, 26 June 2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33 96 35 56

Kim Takata Mücke
State Authorised Public Accountant
Identification No (MNE) mne10944

Morten Dandanell Kiærskou
State Authorised Public Accountant
Identification No (MNE) mne33749

Management's commentary

Primary activities

The Company's primary activity is to develop and sell music services.

Development in activities and finances

The financial result of the Company's fiscal year is a loss of DKK 4,289k. The result is in line with expectations and considered satisfactory.

In 2017, a new majority shareholder joined the owners, which resulted in capital increases in 2018 of DKK 10,488k. The capital increases comprise cash and debt conversions.

Outlook

The Company expects to launch a generation 2.0 music streaming service in 2019. The financing of the launch activities and constant development of the service will be made through future capital increases from both existing shareholders and new external investors.

Event after the balance sheet date

In February 2019, the Company has received an additional capital increase of DKK 6,500k. No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Uncertainty in recognition and measurement

Refer to note 1.

Income statement

	Notes	2018 DKK`000	2017 DKK`000
Revenue	2	2,288	2,125
Cost of sales		(1,400)	(1,097)
Other external expenses		(2,884)	(1,338)
Gross loss		**(1,996)**	**(310)**
Staff costs	3	(216)	(47)
Depreciation, amortisation and impairment losses	4	(2,863)	(2,521)
Operating loss (EBIT)		**(5,075)**	**(2,878)**
Other financial income	5	12	13
Other financial expenses	6	(406)	(1,050)
Loss before tax		**(5,469)**	**(3,915)**
Tax on loss for the year	7	1,180	820
Loss for the year		**(4,289)**	**(3,095)**

Statement of comprehensive income

	Notes	2018 DKK`000	2017 DKK`000
Loss for the year		**(4,289)**	**(3,095)**
Other comprehensive income			
Other comprehensive income for the year		0	0
Other comprehensive income for the year, net of tax		**(4,289)**	**(3,095)**
Total comprehensive income for the year		**(4,289)**	**(3,095)**
Attributable to shareholders of the Company		**(4,289)**	**(3,095)**

Balance sheet

	Notes	31.12.18 DKK`000	31.12.17 DKK`000	01.01.17 DKK`000
Development projects		19,475	9,481	8,179
Patents		193	0	0
Intangible assets	8	**19,668**	**9,481**	**8,179**
Other fixtures and fittings, tools and equipment		73	32	0
Leasehold improvements		35	0	0
Property, plant and equipment	9	**108**	**32**	**0**
Investments in subsidiaries	10	38	28	28
Deposits		912	65	0
Fixed assets investments		**950**	**93**	**28**
Fixed assets		**20,726**	**9,606**	**8,207**
Trade receivables	11	934	185	552
Receivables from group enterprises	18	731	269	92
Deferred tax	12	4,869	6,495	6,516
Other receivables		388	180	110
Income tax receivables		2,826	840	652
Receivables		**9,748**	**7,969**	**7,822**
Cash	13	**58**	**113**	**83**
Current assets		**9,806**	**8,082**	**8,005**
Assets		**30,532**	**17,688**	**16,212**

Balance sheet

	Notes	31.12.18 DKK`000	31.12.17 DKK`000	01.01.17 DKK`000
Share capital	14	6,748	4,500	1,119
Reserve for development projects		14,456	5,215	2,794
Retained earnings		(611)	4,679	(834)
Equity		**20,593**	**14,394**	**3,079**
Bank loans	15	5,191	2,087	5,919
Trade payables		563	633	1,080
Payables to group enterprises	18	2,000	0	0
Payables to shareholders and management	18	0	164	5,694
Other payables	16	2,185	410	328
Deferred income		0	0	112
Current liabilities		**9,939**	**3,294**	**13,133**
Liabilities		**9,939**	**3,294**	**13,133**
Equity and liabilities		**30,532**	**17,688**	**16,212**

Statement of changes in equity

2017

	Share capital DKK`000	Share premium DKK`000	Reserve for development projects DKK`000	Retained earnings DKK`000	Total DKK`000
Balance at 1 January	**1,119**	**0**	**2,794**	**(834)**	**3,079**
Capital increase	3,381	11,029	0	0	14,410
Capitalized development costs for the year	0	0	2,980	(2,980)	0
Amortisation for the year	0	0	(559)	559	0
Net loss for the year	0	0	0	(3,095)	(3,095)
Share premium transfer	0	(11,029)	0	11,029	0
Balance at 31 December	**4,500**	**0**	**5,215**	**4,679**	**14,394**

2018

	Share capital DKK`000	Share premium DKK`000	Reserve for development projects DKK`000	Retained earnings DKK`000	Total DKK`000
Balance at 1 January	**4,500**	**0**	**5,215**	**4,679**	**14,394**
Capital increase	2,248	8,240	0	0	10,488
Capitalized development costs for the year	0	0	10,019	(10,019)	0
Amortisation for the year	0	0	(778)	778	0
Net loss for the year	0	0	0	(4,289)	(4,289)
Share premium transfer	0	(8,240)	0	8,240	0
Balance at 31 December	**6,748**	**0**	**14,456**	**(611)**	**20,593**

Cash flow statement

	Notes	2018 DKK`000	2017 DKK`000
Operating loss		(5,075)	(2,878)
Depreciation, amortisation and impairment		2,863	2,521
Other financial income		12	13
Other financial expenses		(406)	(1,050)
Income taxes refunded		840	652
Change in working capital	17	1,115	(477)
Cash flow from operating activities		**(651)**	**(1,219)**
Investments in intangible assets, net		(13,038)	(3,820)
Investments in tangible assets, net		(88)	(34)
Investments in long-term financial assets, net		(857)	(65)
Cash flow from investing actitivies		**(13,983)**	**(3,919)**
Short-term bank loans		3,104	(3,832)
Capital increases		9,475	9,000
Financing from related parties		2,000	0
Cash flow from financing activities		**14,579**	**5,168**
Cash flows for the year		(55)	30
Cash at 1 January		113	83
Cash at 31 December		**58**	**113**

Overview of notes

Notes

1. Significant accounting estimates, assumptions and uncertainties

As part of the preparation of the financial statements, Management makes a number of accounting estimates, judgements and assumptions as a basis for recognising and measuring the Company's assets as well as judgements made in applying the Company's accounting policies. The estimates, judgements and assumptions made are based on historical experience and other relevant factors. The actual results may deviate from such estimates.

The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur for which reason the actual results may differ from the estimates and judgements made. The accounting policies are described in detail in note 24 to the financial statements to which we refer.

Management considers the following accounting estimates and judgements to be significant in the preparation of the financial statements.

Going concern

The Company is in its final development phase and pre-launch phase before expected launching is planned to take place in the 2nd half of 2019 in multiple countries. Both the final development phase and the planning of the expected launch during 2019 results in the Company will have a high cash burn and funding need throughout 2019.

During 2018, the cash needs was partly funded by the current shareholders through contribution of additional equity capital and through credit facilities provided from external sources. Additionally, subsequent to the balance sheet date, the Company has received additional equity capital from its current shareholders as well as obtained additional short term credit facilities from the majority shareholder and external sources. The planned activities for the remainder of 2019 requires further funding. The Company is in continuous dialogue with both the current shareholders and potential new investors about additional funding. It is Management's clear expectation that sufficient funding will be obtained for the Company to continue its planned activities for 2019 and to secure that the Company realistically will be able to meet its financial obligations as they fall due during 2019, and that such expectation is realistic and achievable. Accordingly, the Company continues to adopt the going-concern basis in preparing its financial statements.

Deferred tax

Deferred tax assets are recognised for unutilised tax loss carry-forwards to the extent it is considered likely that the losses can be offset against taxable income in the foreseeable future. The assessment is based on an expectation that the launch of the Company's music services in 2019 soon will result in the Company being profitable within a few years which supports that the Company's tax loss carry-forwards will be utilized against taxable income within the next 4-5 years. The tax losses can be carried forward indefinitely and have no expiry date.

Notes

1. Significant accounting estimates, assumptions and uncertainties (continued)

Development projects

Development projects mainly relate to the development of software for music recognition and recommendation of songs. The software called "Moodagent" recommends and finds music. The software is aimed at music providers and consumers who want to discover new but related music. The software is ready for operation but is continuously being further refined and developed on the basis of customer needs.

Completed development projects are measured at cost price less amortisation at the balance sheet date, whereas development projects in progress are measured at cost. Both completed and in progress development projects are tested for impairment on an annual basis.

It is Management's assessment, that the the value of the development project at least corresponds to the book value. The value of the software depends on the Company's ability to complete and launch its music services, which is planned to take place in the near future.

Since the Company's software and system platform have not yet been rolled-out, any assessment of market potential, number of users, revenue stream, future staff costs, marketing costs and system/software maintenance costs will inherently be subject to significant uncertainty. At 31 December 2018, Management has determined the fairness of the carrying value of development projects based on the market capitalisation of the Company applied both when SongCo ApS took-over the majority shareholding of the Company and the market capitalisation being applied in discussions with potential new investors.

Notes

	2018 DKK`000	2017 DKK`000
2. Revenue		
Denmark	155	155
Europe	742	526
Rest of the world	1,391	1,444
	2,288	**2,125**
3. Staff costs		
Wages and salaries	11,111	3,164
Pensions	268	129
Other social security costs	90	45
Other staff costs	231	48
	11,700	**3,386**
Capitalized as development projects	(11,484)	(3,339)
	216	**47**
Average number of employees	**25**	**9**
Remuneration to management		
Executive Board	2,496	296
Board of Directors	0	0
	2,496	**296**

Warrant program

In 2018, certain executive officers in the Company were granted warrants with the right to subscribe shares in the Company by cash payment at a fixed price of nominally DKK 1.00. The warrants vest over a three year period with 467,566 warrants in 2018, 255,672 warrants in 2019 and 75,652 warrants in 2020, respectively with possible exercise until 2024, and the exercise of the warrants is conditional upon certain conditions are satisfied and certain events taking place in the future. The fair value of the warrants issued is measured at calculated market price at the grant date based on the Black & Scholes option pricing model. The fair value of the warrants at grant date have been estimated to be close to DKK 0, hence no expense has been recognized in these financial statements. The total warrants program cover 798,890 warrants of which 467,566 warrants have been granted and is outstanding at 31 December 2018.

Notes

3. Staff costs (continued)

Warrants outstanding at 31 December 2018

	Number of warrants DKK	Strike price per warrant DKK
Granted at 17.11.2018	360,000	3,00
Granted at 17.11.2018	31,890	3,33
Granted at 17.11.2018	75,676	5,56
	467,566	

	2018 DKK`000	2017 DKK`000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2,851	2,518
Depreciation of other fixtures and fittings, tools and equipment	11	3
Depreciation of leasehold improvements	1	0
	2,863	**2,521**
5. Other financial income		
Interest income from group enterprises	12	13
	12	**13**
6. Other financial expenses		
Interest expenses	373	778
Interest expenses to group enterprises	13	237
Exchange losses	20	35
	406	**1,050**

Notes

	2018 DKK`000	2017 DKK`000
7. Tax for the year		
Current tax	2,826	840
Changes in deferred tax	(1,626)	(20)
Adjustments concerning previous years	(20)	0
	1,180	**820**
Loss before tax	(5,469)	(3,915)
Tax at a rate of 22%	(1,203)	(861)
Tax-based value of non-deductible expenses	3	41
Adjustments concerning previous years	20	0
	1,180	**820**
Effective tax rate	**22%**	**21%**

Current tax is related to reimbursement of the tax value of tax losses from development costs according to the Danish tax credit system, subject to approval from the Danish tax authorities. Reimbursement related to 2017 was approved by the Danish tax authorities during 2018 and refund received in autumn 2018.

Notes

8. Intangible assets

	Development projects 2018 DKK`000	Patents 2018 DKK`000
Cost at 1 January	36,330	0
Additions	12,845	193
Cost at 31 December	**49,175**	**193**
Amortisation at 1 January	(26,849)	0
Amortisation for the year	(2,851)	0
Cost at 31 December	**(29,700)**	**0**
Carrying amount at 31 December	**19,475**	**193**

	2017 DKK`000	2017 DKK`000
Cost at 1 January	32,510	0
Additions	3,820	0
Cost at 31 December	**36,330**	**0**
Amortisation at 1 January	(24,331)	0
Amortisation for the year	(2,518)	0
Cost at 31 December	**(26,849)**	**0**
Carrying amount at 31 December	**9,481**	**0**

Please refer to note 1 for a description of Management’s assessment of impairment.

Notes

9. Property, plant and equipment

	Other fixtures and fittings, tools, and equipment 2018 DKK`000	Leasehold improve-ments 2018 DKK`000
Cost at 1 January	47	0
Additions	52	36
Cost at 31 December	**99**	**36**
Amortisation at 1 January	(15)	0
Amortisation for the year	(11)	(1)
Cost at 31 December	**(26)**	**(1)**
Carrying amount at 31 December	**73**	**35**

	2017 DKK`000	2017 DKK`000
Cost at 1 January	12	0
Additions	35	0
Cost at 31 December	**47**	**0**
Amortisation at 1 January	(12)	0
Amortisation for the year	(3)	0
Cost at 31 December	**(15)**	**0**
Carrying amount at 31 December	**32**	**0**

Notes

	31.12.18 DKK`000	31.12.17 DKK`000	01.01.17 DKK`000
10. Investments in subsidiaries			
Cost at 1 January	28	28	28
Additions	10	0	0
	38	**28**	**28**

	Registered in	Corporate form	Equity interest %	Equity DKK`000	Profit/loss DKK`000
Subsidiaries					
Syntonetic ApS	Denmark	ApS	100	174	47
Moodagent India	India	Limited	90	80	71

Notes

11. Trade receivables

	31.12.18 DKK`000	31.12.17 DKK`000	01.01.17 DKK`000
Trade receivables	1,224	476	727
Loss allowance	(291)	(291)	(174)
	933	**185**	**553**

	2018 DKK`000	2017 DKK`000
Loss allowance:		
Balance beginning of year	291	174
Change in allowances during the year	0	254
Realised losses during the year	0	(137)
Balance end of year	**291**	**291**

Loss allowance for doubtful debts is based on an individual assessment of the receivables.

	Days past due					
	Not due	**<180 days**	**180-360**	**>360 days**	**2018**	**2017**
Expected credit loss rate*	0%	7%	22%	70%		
Trade receivables (gross)	30	664	260	270	**1,224**	**476**
Loss allowance	0	44	57	190	**291**	**291**
Trade receivables (net)	30	620	203	80	**933**	**185**

*The expected credit loss rate is the average expected credit loss rate.

Notes

12. Deferred tax

	31.12.18 DKK`000	31.12.17 DKK`000	01.01.17 DKK`000
Intangible assets	4,284	2,086	1,799
Tangible assets	(4)	(8)	(12)
Tax loss carryforwards	(9,149)	(8,573)	(8,303)
Transferred to deferred tax assets	4,869	6,495	6,516
	0	**0**	**0**
Deferred tax assets	4,869	6,495	6,516
	4,869	**6,495**	**6,516**

Please refer to note 1 for a description of Management's assessment of the appropriateness of capitalizing the deferred tax asset.

13. Cash

	31.12.18 DKK`000	31.12.17 DKK`000	01.01.17 DKK`000
Bank deposits	58	113	83
	58	**113**	**83**

The carrying amount for cash is assumed to equal the fair value. The Company's cash consist of deposits in well-reputed banks. Therefore, cash are not considered to be subject to credit risk.

14. Share capital

The share capital equals DKK 6,748k divided into shares of DKK 1 each or multiples herof. No shares carry any special rights.

	2018 DKK`000	2017 DKK`000
1 January	4,500	1,119
Capital increase from cash	2,066	3,000
Capital increase from debt conversion	182	381
31 December	**6,748**	**4,500**

Notes

15. Bank loans

	31.12.18 DKK`000	31.12.17 DKK`000	01.01.17 DKK`000
Bank loans	5,191	2,087	5,919
	5,191	**2,087**	**5,919**

The Company's bank loans consist of short-term credit facilities.

16. Other payables

	31.12.18 DKK`000	31.12.17 DKK`000	01.01.17 DKK`000
Wages and salaries, payroll taxes etc.	424	125	79
Other liabilities	504	2	0
Holiday obligation	1,257	283	249
	2,185	**410**	**328**

The carrying amount of the above mentioned other payables are assumed to equal their fair values. Holiday pay obligations for payment of wages and salaries during holiday periods corresponds to the employees right vested at the balance sheet date to be used in subsequent financial years. The liability is presented under current liabilities.

	2018 DKK`000	2017 DKK`000
17. Change in working capital		
Change in receivables	(1,419)	121
Change in payables	2,534	(598)
Total working capital changes	**1,115**	**(477)**

Notes

18. Related parties

Name	Registered office	Basis of control
Songco ApS	Copenhagen, Denmark	75 %
SMS HoldCo ApS	Vedbæk, Denmark	25 %
Greystone Special Situations Fund K/S (parent company of Songco ApS)	Copenhagen, Denmark	Ultimate parent

Other related parties with significant influence comprise the Company's Executive Board, Board of Directors and their related parties. Furthermore, related parties are companies in which the above persons have significant interest. All transactions with related parties are made on arm's lenth terms.

There were no transactions with members of Executive Board, other than remuneration, which is diclosed in note 3.

Greystone Special Situations Fund K/S has during the year charged professional services to the Company with an amount of DKK 900k (2017: DKK 180k).

Greystone Special Situations Fund K/S has provided a loan to the Company amounting to DKK 2,000k as of the balance sheet date (2017: DKK 0k), which falls due on demand. The loan was received on 21 December 2018, and no interest has been recognized for 2018.

The Company has had very limited transactions with subsidiaries. Receivables from group enterprises consists of a loan with an amount of DKK 248k (2017: 269k) to Syntonetic ApS and a balance of DKK 483k (2017: 0k) from Moodagent India, which is related to the ordinary business activities. Interest received amounts to DKK 12k (2017: DKK 13k).

Payables to shareholders and management as of 31 December 2017 consist of loans with an amount of DKK 95k from M.A. Holding ApS and DKK 69k from Insulting ApS (both shareholders of SMS HoldCo ApS), which both were settled during 2018. Interest paid amounts to DKK 13k (2017: DKK 237k).

Notes

19. Contingent liabilities

At the reporting date, the Company had outstanding commitments for future minimum lease payments under noncancellable operating leases and rental commitments, which fall due as follows:

	31.12.18 DKK`000	31.12.17 DKK`000	01.01.17 DKK`000
Within one year	1,112	54	46
In the second to fifth year inclusive	5,740	0	0
After five years	497	0	0
	7,349	**54**	**46**

Joint taxation

From 1 January 2018, the Company participates in a joint taxation arrangement in which Songco ApS serves as the administration company (Moodagent A/S until 31 December 2017). According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc. for the jointly taxed entities, and obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. Corporate income tax payable for the Danish jointly taxed companies amounted to DKK 0k at 31 December 2018 (2017: DKK 0k).

20. Assets charged and collateral

The Company has pledged the development projects, property, plant and equipment etc as security for bank debt with an amount of up to DKK 2,000k.

Notes

21. Financial risks

	31.12.18 DKK`000	31.12.17 DKK`000	01.01.17 DKK`000
Trade receivables	934	185	552
Receivables from group enterprises	731	269	92
Other receivables	388	180	110
Cash	58	113	83
Loans and Receivables	**2,111**	**747**	**837**
Bank loans	5,191	2,087	5,919
Trade payables	563	633	1,080
Payables to group enterprises	2,000	0	0
Payables to shareholders and management	0	164	5,694
Other payables	2,185	410	328
Financial liabilities measured at amortised costs	**9,939**	**3,294**	**13,021**

Policy for management of financial risks

The Company’s objective at all times is to limit the Company's financial risks.

Together with SongCo ApS the Company manages the financial risks and coordinates funding activities, capital resources, cash management and management of interest rate and currency risks based on financial risk policies agreed with the Board of Directors and its majority shareholder.

Interest rate risks

The Company’s bank loans and loan from Greystone Special Situations Fund K/S are all on floting interest rate terms. The Company does not hedge the interest rate exposure, as this is not considered to be financially viable.

A likely increase/decrease in the interest rate on net interest bearing liabilities would not significantly affect the net profit/loss or equity.

Notes

21. Financial risks (continued)

Liquidity risks

In cooperation with its majority shareholder, Management is continuously involved in funding activities and closely monitors its cash resources and drawing facilities against its expected short-term needs. As explained in note 1, the majority shareholder and Management is in continuous dialogue with both the current shareholders and potential new shareholders to obtain further funding both in the form of borrowings or equity.

The Company attempts to maximise flexibility and minimise risks. At 31 December 2018, the Company has unutilised credit facilities of totally DKK 808k.

Capital structure

The Company manages its capital structure with a primary view to ensure that the Company at anytime has sufficient cash and cash resources available to carry-out its planned activities and to provide comfort to lenders and the shareholders of the Company, that the Company at anytime during 2019 can be viewed as a going-concern.

Credit risk

The Company is exposed to credit risk from trading partners and customers. The exposure is limited to the Company's total outstanding receivables and is not considered significant due to Company in 2018 still being in the development phase with limited sales activity.

In 2018 as well as 2017, the Company did not incure any bad debt losses. At 31 December 2018, the credit risk is assessed to be limited, and at 31 December 2018, the Company has made a loss allowance of DKK 291k for potential bad debts.

Foreign exchange rate risk

Foreign exchange rate risk arises due to imbalances between revenue and expenses in each individual currency. Up to end of 2018, the foreign exchange exposure has been limited. The exchange rate exposure relating to net investments in foreign subsidiaries is not hedged as the risk is considered limited.

Notes

22. Events after the balance sheet date

In February 2019, the Company has received an additional capital increase of DKK 6,500k. No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

23. First-time adoption of IFRS

The financial statements for the year ended 31 December 2018 with comparative figures are the first set of financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act (IFRS).

For periods up to and including the year ended 31 December 2017, Moodagent A/S prepared its financial statements in accordance with the Danish Financial Statements Act.

Accordingly, Moodagent A/S has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2018, together with the comparative period for the year ended 31 December 2017 as described in the accounting policies.

In preparation of these financial statements, Moodagent A/S' opening balance sheet was prepared as at 1 January 2017, at the date of the Company's transition to IFRS.

Due to the Company's limited activity in the previous years, the transition to IFRS has no effect on the recognition and measurement in the previous financial statements. As a result hereof, there is not included a reconciliation as at the date of IFRS transition on 1 January 2017.

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. Due to the fact that no differences in recognition and measurement are identified, Moodagent has not applied any of the exemptions.

Notes

24. Accounting policies

The financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class B enterprises according to the Danish Financial Statements Act.

Basis of accounting

Moodagent A/S presents the financial statements in DKK, which is considered the functional currency of the Company's actitivies.

The accounting policies described below have been applied consistently throughout the financial year.

Due to the immaterial size and activity of the Company's two subsidiaries, no consolidated financial statements have been prepared for Moodagent A/S for 2018. Impact on the result before tax and equity, had consolidated financial statements been prepared would be less than 1%. Reference is made to disclosures regarding the Company's subsidiaries in note 10.

Foreing currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Cash flow statement

The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities for the year as well as Moodagent's cash and cash equivalents at the beginning and end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes as well as financial income received, financial expenses paid and income taxes refunded/paid.

Cash flows from investing activities comprise payments in connection with the acquisition or disposals of intangible assets, property, plant and equipment as well as financial assets.

Cash flows from financing activities comprise payments arising from changes in the size or composition of the Company's share capital as well as the raising of loans.

Notes

24. Accounting policies (continued)

Income statement

Revenue

License income is recognised in the income statement, when license is delivered to and is ready for use by the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration.

Cost of sales

Cost of sales comprises direct costs to achieve the revenue for the year.

Other external expenses

Other external expenses include expenses relating to the Company's ordinary activities, including premises, marketing and corporate costs, etc. This item also includes allowances for bad debts recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for the Company's staff, less staff costs capitalized as part of the cost of development projects.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relate to intangible assets and property, plant and equipment.

Other financial income and expenses

Other financial income and expenses are recognised in the income statement with the amount that relates to the financial year. Other financial income and expenses comprise interest income and expenses and exchange gains and losses, as well as tax lief/surcharge under the Danish Tax Prepayment Scheme etc.

Tax for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised in other comprehensive income or equity by the portion attributable to items recognized in other comprehensive income or equity.

Notes

24. Accounting policies (continued)

The Company participates in a joint taxation arrangement. Income taxes are allocated between the jointly taxed companies in accordance with the full allocation method.

Balance

Intangible assets

Development projects cover the development of software and system platform to support the Company's future operating business model. Development projects shown on the balance sheet is measured at cost less amortization and any impairment losses. Development costs are capitalized when the costs can be reliably determined and there is adequate certainty that the future earnings or the net selling price exceeds the carrying value of capitalized development costs. Capitalizable development costs include direct staff costs and other directs costs relating to the development projects. Completed development projects are generally amortised on a straight-line basis over 5 years.

Development costs that do not meet the criteria for capitalization are expensed in the income statement as incurred.

Acquired patents are measured at cost less accumulated amortisation and impairment losses. Patents are amotised over the life of the patents.

Intangible assets is written down to the lower of recoverable amount and carrying amount based on an annual impairment assessment.

Property, plant and equipment

Other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and any impairment losses.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

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

For leasehold improvements, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Notes

24. Accounting policies (continued)

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in subsidiaries

Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Income tax

Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash

Cash comprises cash in bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Notes

25. New accounting standards issued, but not yet effective

The most significant standard and interpretations that are issued, but not yet effective, up to the date of issuance of Moodagent A/S' financial statements is IFRS 16, as disclosed below.

All other new or amended standards and interpretations not yet effective are not expected to have a material impact on Moodagent A/S' annual report.

IFRS 16 'Leases'

IFRS 16 was issued in January 2016 with effective date on 1 January 2019. The standard results in almost all leases being recognised in the balance sheet, as the distinction between operating and finance leases is no longer applicable. Under the new standard, a lease asset (the 'right of use' asset) and a financial liability covering the net present value of future lease payments are recognized on the balance sheet. There are only few exceptions, which are related to short-term and low-value leases.

Moodagent will as lessee be required to separately recognise interest expenses on the finance lease liability and a depreciation expense on the right of use asset. Furthermore, Moodagent will also be required to account for lease modifications such as changes to the lease term as well as changes in the future lease payments resulting from a change in an index or rate used to determine those payments. The amount of the remeasurement will be recognised as an adjustment to the right of use asset and the lease liability.

At the reporting date, Moodagent had limited non-cancellable operating lease commitments (see note 19). Based on the current non-cancellable operating lease commitments, Moodagent expects a limited effect from the implemtation of IFRS 16 in 2019.