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BDO Statsautoriseret revisionsaktieselskab
Havneholmen 29
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CVR-no. 20 22 26 70

Moodagent A/S

Njalsgade 17A, 5., 2300 København S

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2021

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 12 June 2023

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Steen Mørkøv Kristiansen
Chairman of the
General Meeting

CVR NO. 29 42 17 73

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COMPANY DETAILS

Company	Moodagent A/S Njalsgade 17A, 5. DK-2300 København S CVR no.: 29 42 17 73 Established: 10.03.2006 Municipality: Copenhagen Financial Year: 1 January – 31 December 2021
Executive Board	Steen Mørkøv Kristiansen
Board of Directors	Nick Jensen, Chairman Anders Kunze Bønding Steen Mørkøv Kristiansen
Auditor	BDO Statsautoriseret Revisionsaktieselskab Havneholmen 29 DK-1561 Copenhagen V
General Meeting	The Annual General Meeting is held on 12 June 2023

MANAGEMENT'S STATEMENT

Today the Board of Directors and the Executive Board have reviewed and approved the Annual Report of Moodagent A/S for the year 1 January – 31 December 2021.

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

In our opinion the Financial Statements of the Company give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2021.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Copenhagen, 12 June 2023

Executive Board:

Steen Mørkøv Kristiansen
CEO

Board of Directors:

Nick Jensen Chairman	Anders Kunze Bønding	Steen Mørkøv Kristiansen

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 1 January - 31 December 2021, which comprise the statements of income, comprehensive loss, financial position, changes in equity and cash flow statement as well as notes including summary of significant accounting policies. The Financial Statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of its operations and cash flows for the financial year 1 January - 31 December 2021 in accordance with the International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in 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 our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter relating to Going-Concern

The Company incurred a net loss of DKK 150 million for the year ended 31 December 2021 and equity is negative by DKK (102) million at 31 December 2021. As stated in Note 3, end March 2022, the Company entered into financial reconstruction. End February 2023, the Bankruptcy Court approved a financial reconstruction plan, which among other things are based on a new strategy where revenue is expected to be generated from 2023 and with a lower cost base than have been the case in recent years. Additionally, the Company's debt burden has been reduced considerably since loans from related parties have been converted to equity in 2023 and the unsecured creditors have been subject to a reduction by 43%. Finally, in March 2023 a syndication loan has been obtained to secure funding until the beginning of 2024 where the Company is expected to be cash-flow positive from its operations. On this basis, 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 relating to Matters in the Financial Statements

The Company has recognised development projects with a carrying value of DKK 106 million as at 31 December 2021. Being an entity, which has just been through a financial reconstruction and which in reality has not yet generated revenue and earnings, the valuation is inherently subject to significant uncertainty. We refer to note 3 which include Management's assessment of why Management has assessed and concluded that the recoverable amount exceeds the carrying value. Among other things, this is based on key factors such as the first customer framework agreement has been signed in 2023, which expectedly will be supplemented with specific customer contracts during 2023 where the underlying technology will go live and thereby support revenue generation to start during 2023. It is Management's assessment that these factors – amongst others – support that it is considered realistic and achievable to assume that the recoverable amount is at least equal to the carrying value. Our opinion has not been modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

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

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

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements and 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 the Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statement, 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, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Companys 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, if such disclosures are inadequate, to modify our opinion. Our

INDEPENDENT AUDITOR'S REPORT

- conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Copenhagen, 12 June 2023

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Kim Takata Mücke
State Authorized Public Accountant
MNE no. mne10944

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FINANCIAL HIGHLIGHTS OF THE COMPANY

	2021 DKK '000	2020 DKK '000
Income Statement		
Net revenue	272	960
Gross profit/loss	(49,167)	(24,432)
Operating profit/loss	(112,077)	(56,478)
Financial income and expenses, net	(29,176)	(3,629)
Profit/loss for the year before tax	(141,253)	(60,107)
Profit/loss for the year	(150,533)	(44,869)
Balance Sheet		
Total assets	121,691	136,534
Equity	(102,445)	288
Cash flows		
Cash flows from operating activities	(38,643)	(20,618)
Cash flows from investing activities	(76,666)	(42,462)
Cash flows from financing activities	115,308	63,108
Total cash flows	(1)	28
Investments in property, plant and equipment	(990)	-
Average number of full-time employees	207	146
Key ratios		
Equity ratio	Neg.	0.21

Equity ratio: $\frac{\text{Equity at year-end x 100}}{\text{Total assets, at year-end}}$

With effect from 2021, the Company has been subject to the follow the rules for accounting class C as defined in the Danish Financial Statements Act, which - among other things - require an entity to disclose a 5-year summary of financial highlights. The summary in the 2021 annual report includes the years 2020 and 2021, and the summary will be expanded over time until it covers 5 years.

MANAGEMENT COMMENTARY

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

Development in activities and finances
The financial result for 2021 was a loss of DKK (150) million. For 2021, the Company originally planned to launch its B2C music services on an international scale, which did not take place as planned. The negative result is especially due to considerable staff costs as part of the expected launch of these services, and other costs resulting from the launch not taking place as planned. In addition, the result is impacted by amortization of intangible assets, impairment write-downs of loans provided to subsidiaries, financing costs and write-down of deferred tax asset.

At the end of 2021, equity was negative by DKK 102 million, which is funded by long-term financial loans from third parties and funding provided from related parties.

Profit/loss for the year compared to prior year outlook
2021 is the first year where the Company is required to report expected development, and hence it is not possible to compare the actual result for 2021 with any outlook expressed in the 2020 management commentary.

Events after the balance sheet date
The first quarter of 2022 continued to be non-satisfactory and therefore as per 31 March 2022, Management took the decision to let the Company enter into a financial restructuring. During the restructuring period, Management has implemented a new strategy where the business model has changed from a B2C approach to a B2B offering. As part of the new strategy, Management has implemented a number of cost-saving initiatives including reducing staff by almost 50% to reflect that a much lower cost-base is needed under the new B2B strategy.

End February 2023, the Bankruptcy Court approved the restructuring plan prepared under the supervision of the reconstructors appointed by the Court.

As a result of the reconstruction process, the publication of the 2021 financial statements have been postponed awaiting the successful outcome of the reconstruction period with the Bankruptcy Court's approval of the reconstruction plan, which is the background for the 2021 financial statements not being published until now.

In 2022, the Company has continued its development activities relating to the technology platform which under the new strategy will be made available for business partners. With agreements entered recently, the first business partnership is expected to go live in 2023.

Going-concern
As mentioned above, the financial statements as of 31 Dec. 2021 show a negative equity funded by a combination of financial loans from third parties and loans from related parties. This funding increased throughout 2022.

In 2023, the approved financial reconstruction plan has led to a considerable debt reduction with loans from related parties being converted to equity and with unsecured creditors accepting a debt relief of 43%. In addition, new funding has been secured in March 2023 with the obtaining of a syndication loan to fund the financing need in 2023.

On this basis, Management has concluded that it is appropriate to prepare the financial statements for 2021 on a going concern basis. Reference is made to note 3.

MANAGEMENT COMMENTARY (continued)

Uncertainty in recognition and measurement
Refer to note 3, which among other things describe Management's assessment of the recoverable amount for development projects.

As part of its new strategy, the Company will not be needing the subsidiaries set-up, and the funding provided to subsidiaries have therefore been written-off in the 2021 financial statements.

Further, in the past, the Company was expecting to be able to utilize deferred tax assets in the foreseeable future. However, due to the restructuring, the expectation of becoming profitable has been deferred, and hence the Company has decided that it is not appropriate to have any value of its deferred tax asset on the balance sheet. Management is comfortable, that the Company will be able to benefit from the tax asset in the longer term.

Future expectations
From 31 March 2022, the Company has been under restructuring, but has continued its operations under the supervision of the reconstructors.

The 2022 financial result will be published in June 2023. It will reflect a loss of DKK (60-70) million.

Knowledge resources
The Company's main activity is development and licensing of a music streaming service, including app development and continued development of the Company's AI technology. A strength of the Company is to maintain and recruit employees with strong skills in areas such as development, artificial intelligence, and machine learning.

The Company allocates time and resources for the maintenance and continued development of employee skills.

Research and development activities
Moodagent's ambition is to hold a dominant global position within development of technology for analyzing and understanding moods in music. The Company has developed a music streaming technology which is an AI-driven music platform with unique features, based on advanced back- and front-end technology supported by industry leading patents.

In order to maintain and strengthen this position, the Company invests significant amounts each year in the development of new features and applications.

INCOME STATEMENT

	Note	2021 DKK'000	2020 DKK'000
Revenue	4	272	960
Cost of sales		(32.652)	(3,660)
Other external expenses		(16,787)	(21,732)
GROSS LOSS		**(49,167)**	**(24,432)**
Staff costs	5	(35,838)	(19,966)
Depreciation, amortisation and impairment losses	6	(27.072)	(12,080)
OPERATING LOSS		**(112,077)**	**(56,478)**
Financial income	7	0	1
Impairment of fixed asset investments	14	(18,207)	0
Financial expenses	8	(10,969)	(3,630)
LOSS BEFORE INCOME TAXES		**(141,253)**	**(60,107)**
Tax on profit/loss for the year	9	(9,280)	15,238
LOSS FOR THE YEAR		**(150,533)**	**(44,869)**

STATEMENT OF COMPREHENSIVE LOSS

		2021	2020
Loss for the year		(150.533)	(44,869)
Other comprehensive income/loss		0	0
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(150.533)**	**(44,869)**

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STATEMENT OF FINANCIAL POSITION

ASSETS

	Note	2021 DKK'000	2020 DKK'000
Patents		3,559	2.749
Development projects		106,152	72,833
Intangible assets	10	**109,711**	**75,582**
Operating equipment	11	261	8
Property, plant and equipment		**261**	**8**
Office leaseholds		0	18,409
Right of use assets	12	**0**	**18,409**
Investments in subsidiaries		0	114
Deposits		0	362
Fixed assets investments	13	**0**	**476**
TOTAL NON-CURRENT ASSETS		**109,972**	**94,475**
Trade receivables	14	**0**	411
Deferred tax assets	7	0	14,808
Income tax receivables	7	5,500	5,500
Other receivables		241	6,414
Prepayments	16	451	14,898
Receivables		**6,192**	**42,031**
Cash	17	**27**	**28**
CURRENT ASSETS		**6,219**	**42,059**
ASSETS		**116,191**	**136,534**

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STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES

	Note	2021 DKK'000	2020 DKK'000
Share capital	18	11,750	9,919
Reserve for development projects		82,799	56,810
Accumulated losses		(196,994)	(66,441)
EQUITY		**(102,445)**	**288**
Lease liabilities		0	15,955
Financial loans	19	31,357	20,310
Other payables		4,024	3,211
Non-current liabilities		**35,381**	**39,476**
Lease liabilities		3,900	3,034
Bank loans	20	8,203	8,177
Trade payables		34,657	26,130
Payables to related parties	23	92,033	32,140
Other payables	21	44,462	27,289
Current liabilities		**183,255**	**96,770**
LIABILITIES		**218,636**	**136,246**
EQUITY AND LIABILITIES		**116,191**	**136,534**

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STATEMENT OF CHANGES IN EQUITY

2021 DKK'000	Share capital	Share premium	Reserve for development projects	Acc. losses	Total
Balance at 1 January 2021	**9,919**	**0**	**56,810**	**(66,441)**	**288**
Capital increase	1,831	45,969	0	0	47,800
Capitalized development costs for the year	0	0	44,194	(44,194)	0
Movement in reserve for the year	0	0	(18,205)	18,205	0
Net comprehensive loss for the year	0	0	0	(150,533)	(150,533)
Share premium transfer	0	(45,969)	0	45,969	0
Balance at 31 December 2021	**11,750**	**0**	**82,799**	**(196,994)**	**(102,445)**

2020 DKK'000	Share capital	Share premium	Reserve for development projects	Acc. losses	Total
Balance at 1 January 2020	**9,663**	**0**	**31,370**	**(15,776)**	**25,257**
Capital increase	256	19,644	0	0	19,900
Capitalized development costs for the year	0	0	29.530	(29,530)	0
Movement in reserve for the year	0	0	(4,090)	4,090	0
Net loss for the period	0	0	0	(44,869)	(44,869)
Share premium transfer	0	(19,644)	0	19,644	0
Balance at 31 December 2020	**9,919**	**0**	**56,810**	**(66,441)**	**288**

CASH FLOW STATEMENT

	Note	2021 DKK'000	2020 DKK'000
Loss for the year		(150,533)	(44,869)
Depreciation, amortisation and impairment losses		46,080	9,785
Changes in working capital	15	47,544	20,906
Interest income received		0	1
Interest expenses paid		(1,908)	3,297
Tax on profit/loss, reversed		0	(15,238)
Taxes refunded		5,500	5,500
Other non-cash adjustments		14,674	0
Cash flow from operating activities		**(38,643)**	**(20,618)**
Acquisition of intangible assets		(57,469)	(42,957)
Acquisition etc. of operating equipment		(990)	0
Investments in financial fixed assets		(18,207)	(495)
Cash flow from investing activities		**(76,666)**	**(42,462)**
Financing from third parties		11,073	16,970
Financing from related parties		59,893	26,548
Leasing payments		(3,458)	0
Capital increase	18	47,800	19,900
Cash flow from financing activities		**115,308**	**63,108**
INCREASE IN CASH AND CASH EQUIVALENTS		**(1)**	**28**
Cash and cash equivalents beginning of year		28	0
Cash and cash equivalents end of year		**27**	**28**
Cash and cash equivalents at year-end are composed of:			
Cash		27	28
Cash and cash equivalents end of year		**27**	**28**

Supporting information, financing activities
DKK'000

	1 January 2021	Borrowings	Instalments	Non-cash	31 December 2021
Financial loans	20,310	11,073		187	31,570
Leasing liabilities*	15,955		(3,458)	(12,497)	-
Bank loans	8,177			26	8,203
Payables to related parties	32,140	59,893			92,033
Total changes from financing activities	**76,582**	**70,966**	**(3,458)**	**(12,284)**	**131,806**

* See note 12 for explanation of non-cash amount

NOTES

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NOTES

Note

Accounting policies 1

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and additional Danish disclosure requirements for the financial statements of reporting class C enterprises according to the Danish Executive Order on Adoption of IFRSs ("IFRS-bekendtgørelsen") issued in accordance with the Danish Financial Statements Act ("DFSA").

The accounting policies are consistent with those applied in the preparation of the financial statements for 2020.

The approval and publication of the financial statements for 2021 have been delayed awaiting the completion of the financial reconstruction initiated on 31 March 2022. While the Company was under financial reconstruction, the Company was relieved from its obligations to prepare and file its Annual Report for 2021 until a financial reconstruction plan was approved by the Bankruptcy Court (in Danish "Skifteretten") which took place on 28 February 2023. Reference is made to note 3 relating to Management's conclusions for preparing the financial statements for 2021 on a going-concern basis. Furthermore, reference is made to note 26 for a summary of significant subsequent events taken place after 31 December 2021 and until the date of publication of these financial statements for 2021.

Basis of preparation
The financial statements are presented in Danish Kroner (DKK). All amounts have been rounded to nearest DKK thousand, unless otherwise indicated. The financial statements have been prepared on a going concern basis and in accordance with the historical cost convention, except where IFRS explicitly requires use of other values.

For the purpose of clarity, the financial statements and the notes to the financial statements are prepared using the concepts of materiality and relevance. This means that line items not considered material in terms of quantitative and qualitative measures or relevant to financial statement users are aggregated and presented together with other items in the financial statements. Similarly, information not considered material is not presented in the notes.

The accounting policies, except as described above, have been applied consistently during the financial year and for the comparative figures.

Consolidation
Due to the immaterial size and activity of the Company's subsidiaries, no consolidated financial statements have been prepared for Moodagent A/S for 2021. 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 13.

Foreign currency translation
The financial statements are presented in Danish Kroner being the Company's functional currency.

Transactions denominated in currencies other than the functional currency are considered transactions in foreign currency.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency applying the exchange rates at the transaction date. Foreign exchange rate adjustments arising between the transaction date and the date of payment are recognized in the income statement under financial income or financial expenses.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date and at the date of transaction or the exchange rate in the latest financial statements is recognized in the income statement under financial income or financial expenses.

NOTES

Note

Accounting policies (continued) 1

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 calculated based on profit/loss adjusted for the cash flow effect of non-cash operating items, working capital changes as well as the differences between financial and tax income/expense items accrued and paid.

Cash flows from investing activities comprise payments made as a result of acquiring non-current intangible assets, property, plant and equipment as well as financial assets as well as proceeds received from the sale of non-current assets.

Cash flows from financing activities comprise proceeds from obtaining borrowings and cash impact from making repayments of borrowings as well as payments arising from changes in the size or composition of the Company's share capital.

Cash and cash equivalents comprise cash at bank and in hand.

INCOME STATEMENT

Revenue
Revenue recognition requires an agreement with a customer, which creates enforceable rights and obligations between the parties, has commercial substance, and identifies payment terms. In addition, it must be probable that the consideration determined in the contract will be collected.

Revenue in 2020 and 2021, represents subscription fees from test sales relating to the Company's test app of its planned music streaming services. Revenue is recognized net of VAT, duties and sales discounts and is measured at fair value of the consideration.

Cost of sales
Cost of sales comprise costs incurred to achieve the year's revenue including hosting costs.

Other external costs
Other external costs comprise sales and marketing costs, external consultancy costs, other employee-related costs, IT and software costs, external publisher relations costs, and various corporate and administrative expenses.

Staff costs
Staff cost comprise salaries and wages as well as any share based payments, social security contributions, pension contributions, etc less staff cost capitalized as part of the cost of development project.

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

NOTES

Note

Accounting policies (continued) 1

Financial income and financial expenses
Financial income and expenses include interest income, interest expense, amortization of borrowing costs and exchange gains and losses. Interest income and expenses are recognized in the income statement with the amount that relates to the financial year applying the effective interest rate method.

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

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

Deferred tax is recognized 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 recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets.Net deferred tax assets are only recognized to the extent that it is considered probable that the deferred tax assets will be realized within a foreseeable future. This depends on several factors including whether there will be sufficient taxable profits available in future periods, against which the tax losses carryforwards can be utilized.

Current tax payable and receivable is recognized on the balance sheet as the expected tax on the taxable income for the year, adjusted for tax paid on account. The current tax charge for the year is calculated based on the tax rates and rules enacted at the balance sheet date.

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

NOTES

Note

Accounting policies (continued) 1

BALANCE SHEET

Intangible assets
Development projects cover the development of the 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 sufficient 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 amortized on a straight-line basis over 5 years. Considering the nature of intangible assets, generally no residual value by the end of the useful lives has been determined applicable for the intangible assets.

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 amortization and impairment losses. Patents are amortized over the life of the patents.

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

Right-of-use assets and lease liability
Leases are recognized as right-of-use assets with the corresponding liability at the time the asset is available for use by the Company. Assets and liabilities arising from a lease are measured on a present value basis.

Lease liabilities is comprised of expected fixed payments throughout the expected lease period (including options to extend the lease when exercise is reasonably certain) less any lease incentives and with the addition of expected restoration costs. The lease payments are discounted using the contract's internal discount rate or the Company's incremental borrowing rate.

The cost of right-of-use assets is comprised of the calculated lease liabilities, payments made prior to entering the lease, initial direct costs, and expected refurbishment costs upon redelivery of the leased assets. Right-of-use assets and lease liabilities are remeasured when a factual or contractual change is executed or if a significant event or change affects the expected use of the assets. The impact is discounted to a present value basis.

Right-of-use assets are measured at cost less accumulated depreciation and impairment losses. When changing the value of right-of-use assets through remeasurement or when changing the depreciation period, the effect on the depreciation is recognized prospectively as a change in accounting estimates. Right-of-use assets are generally depreciated on a straight-line basis over the expected length of the lease contracts or the expected useful lives of the assets, whichever is the shorter.

Lease costs for low value assets and short-term leases are included as operational costs throughout the period based on a straight-line basis.

NOTES

Note

Accounting policies (continued) 1

Property, plant and equipment
Property, plant and equipment comprises operating equipment and leasehold improvements and are measured at cost less accumulated depreciation and accumulated impairment. Operating equipment and leasehold improvements are depreciated on a straight-line basis over the expected useful lives of the finite-lived assets, which generally are as follows:

	Useful life
Operating equipment	3-5 years
Leasehold improvements..	10 years

Considering the nature of property, plant and equipment owned by Company and recognized on the statement of financial position, generally no residual value by the end of the useful lives has been determined applicable in connection with the calculation of the annual depreciation charge.

Property, plant and equipment is tested for impairment if indications of impairment exist. Property, plant and equipment is written down to its recoverable amount if the carrying amount exceeds the higher of the fair value less costs to sell and the value in use. Depreciation and impairment charges are recognized in the income statement.

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

Deposits
On initial recognition, deposits, which relate to the Company's leasehold contracts, are measured at fair value and subsequently at amortized cost less impairment losses, if any.

Receivables
Receivables are measured at amortized cost, usually equaling nominal value less allowance for expected credit losses.

Cash and cash equivalents
Cash comprises bank deposits and cash in hand.

Prepayments
Prepayments comprise prepaid costs including prepaid royalty payments provided that a future benefit from the prepaid costs can be expected.

Financial liabilities
Financial liabilities in the form of borrowings and other interest-bearing liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs.

Trade payables and other payables
Payables are measured at amortized cost, which generally are identical with the nominal value for such short-term liabilities.

NOTES

Note

New accounting standards 2

The IASB has not issued any new standards or interpretations of significant importance for Moodagent A/S' financial statements for 2021 or for financial years beginning on or after 1 January 2022.

Note

Significant accounting estimates, assumptions and uncertainties 3

As part of the preparation of the financial statements, Management makes a number of accounting estimates, judgements and assumptions as a basis for recognizing 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 25 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

In 2021, the Company continued developing its music streaming services and the supporting technology, including having marketing and event activities carried-out to increase awareness of the upcoming release of the streaming service. Revenue generating activities were at a minimal level in 2021, and hence the Company has had a funding need throughout 2021.

During 2021, the cash needs were to a large extent funded by the current shareholders, bridge financing from current shareholders and partly by funding from third-party lenders.

During the first quarter of 2022 it was clear to Management and the key shareholders of the Company that the Company needed time to agree on a long-term viable financial plan with its creditors and key shareholders, and on 31 March 2022 the Company was given protection under the Danish system for financial reconstructions to review its strategi and business model and on this basis prepare a long-term viable financial plan under the supervision and administration of two independent reconstructors appointed by the Bankruptcy Court.

On 28 February 2023, the Bankruptcy Court approved the financial reconstruction plan prepared by the Company under the supervision of the financial constructors.

The Company has been working on a strategic shift from being a B2C company aiming at selling own streaming services directly to consumers on an international scale to be a B2B supplier of its technology to third parties who wishes to use the Company' streaming platform against payment of license and service fees.

During the restructuring period, the Company implemented comprehensive costs savings including laying-off approx. 70 employees and thereby adjusting the organisation to the new strategic plan and business model as a B2B provider with a much lower cost base than under the previous strategic plan and business model. The impact from these efforts will be reflected in the 2022 and 2023 financial statements.

The new strategy still builds on and utilizes the IP and unique technology developed and owned by the Company.

During the restructuring period, operations were financed with bridge financing provided by current and new shareholders investors and related parties to the shareholders. In March 2023, all shareholder loans and loans from related parties have been converted to equity.

As part of the financial reconstruction plan, all unsecured creditors have been reduced by 43%, unless the creditor has accepted to convert the debt to share capital. In addition, the remaining debt of 57% will be settled according to a payment plan with the last instalment taking place end June 2025.

The debt conversion of shareholder loans and the debt reduction for unsecured creditors have reduced the Company's debt burden considerably.

As part of the reconstruction plan and following the new B2B strategy, the Company has prepared a three-year cash-flow forecast, which shows that the Company has a financing need for the first 12 months (March 2023-March 2024), which will be financed with a syndicated loan, which was obtained in March 2023, and which is to be repaid in March 2024.

Following exit of restructuring, the Company has signed its first customer contract to deliver a white label streaming service.

With 1) the Company being able to proceed with its development activities throughout 2022 with financing provided by shareholders and third-party lenders, 2) with the financial reconstruction plan approved by the Bankruptcy Court end February 2023, 3) with the debt reduction for unsecured creditors and the debt conversion for shareholder loans and other related parties, 4) combined with the new syndication loan and 5) the expected positive cash-flow generation from operations beginning from 2024, Management has determined that it is appropriate to consider the Company a going-concern and to prepare the financial statements for 2021 on a going-concern basis.

Development projects

Development projects relates to the development of technology for music and film recognition and recommendation of songs and films. The technology is incorporated into the Company's music streaming app using its unique IP and technology to recommend, find and discover music. The service is expected to ready for use from mid-2023 where it will be offered to third parties as a B2B white label customized streaming service.

The Company has as a main rule capitalised development costs incurred in 2021 as well as in the past based on the assessment that the development activity will provide a full-service streaming technology which will be offered to third parties against the payment of licence and service fees and where the expected net cash-in-flow from the future revenue stream and the related earnings will exceed the capitalised costs.

The development is considered completed on an ongoing basis and hence all capitalised development costs are amortised from the time where the development costs have been capitalised.

At 31 December 2021, Management has determined that the recoverable amount exceeds the carrying value of capitalized development costs and where the recoverable amount is based on the financial forecasts prepared as part of obtaining the Bankruptcy Court's approval of the reconstruction plan that show that the Company is expected to become cash-flow positive from 2024, and with the expectation that the positive trend in earnings will continue also after 2024.

At this stage where the Company has not yet been profitable, the assessment of when (and whether) the Company becomes profitable, and the speed of the expected earnings trend, is an estimation subject to significant uncertainty. However, considering the uniqueness of the technology platform, which is planned to go live from Q3-2023 and considering that the first customer contract has been signed and the Company has positive dialogue with many new potential customers, Management assesses that it is realistic and achievable to become profitable from 2024 and onwards and to expect that value in use exceeds the carrying value. Alternatively, Management is confident that the net selling price for the IP rights, etc. also realistically exceeds the carrying value.

Deferred tax
IFRS allows companies to recognised deferred tax assets for the part which is expected to be utilised in the forthcoming periods, typically up to 4-5 years and provided that the Company' earnings history support the expectation that the Company can benefit from tax deferred tax asset.

In the past, the Company capitalised part of the value of tax losses carried forward under the expectation that revenue and earnings were expected to be materialised in the near future. Considering the extended time frame where the Company is expected to become tax profitable in 2024 and despite the Company has a very positive assessment of the Company's future financial performance, the Company has decided not to recognise any value of its tax losses carried forward at 31 December 2021, and as a result the Company has recorded an additional tax allowance of DKK 14.8 million whereby the recognised deferred tax asset is DKK 0 (nil).

This should also be seen in conjunction with the Company being able to benefit from the Danish tax credit system, where the Company will receive cash of up to DKK 5.5 million annually as long as the Company is incurring tax losses and has development activities, which qualify for tax credit. The Company has applied for a tax credit of DK 5.5 million for 2021 and recognised this amount as a tax receivable as of 31 December 2021. If the tax credit amount is approved by the Danish tax authorities, the Company's tax losses forward will be reduced by DKK 25 million representing a tax value of DKK 5.5 million.

After utilizing tax credits up to and including 2021 with the resulting reduction in tax losses, the Company has tax loss carry forwards of DKK 292 million by the end of 2021 representing a tax value of DKK 64 million. The Company expects that the tax losses will be even further increased by the expected loss in 2022, whereas, subject to analysis, part of the debt relief in 2023 from debt conversion of shareholder loans and the debt reduction from unsecured creditors will reduce the tax losses carried forward.

Royalty costs
In the past, the Company has entered royalty agreements with music labels. In 2020, the Company made minimum non-refundable royalty prepayments for the period up to 31 December 2021 for an amount of totally DKK 15.7 million, of which DKK 14.7 million was reported as prepaid costs in the 2020 financial statements, as it was planned and expected that the Company would go live with its B2C streaming service in 2021 and thereby starting to generate revenue also in 2021.

As described elsewhere in these financial statements, the Company did not launch its streaming service in 2021 and hence the Company has expensed the royalty payments of DKK 14.7 million in 2021 as part of cost of sales.

NOTES

Segment information of revenue

Note 4

DKK'000	Denmark	Europe	Rest of the world	Total
31 December 2021				
Revenue	222	50	0	**272**
31 December 2020				
Revenue	200	81	679	**960**

Revenue represents primarily subscription fees from test sales of the Company's music streaming services.

	2021 DKK'000	2020 DKK'000	Note
Staff costs			5
Wages and salaries	82,258	52,690	
Pension costs	1,076	1,775	
Other social security costs	864	558	
Other staff costs	283	455	
Share based expenses	0	0	
Capitalised as development projects	(48,643)	(35,512)	
Total	**35,838**	**19,966**	
Average number of employees during the year	207	146	
Remuneration to management			
Executive Board	3,600	2,790	
Board of Directors	0	0	

Warrants program

Certain executive officers in the Company have been granted warrants with the right to subscribe shares in the Company by cash payment. The warrants vest over a three-year period and can be exercised 70 months from granting of the warrants or earlier conditional upon certain events taking place in the future. The fair value of the warrants at grant date were estimated to be close to DKK 0 since strike prices were equal to or close to the prices per share applied when the Company obtained equity capital from current and new shareholders in the periods where warrants also were granted.

Warrants outstanding at 31 December 2021

	Number of warrants DKK	Strike price per warrant DKK
Granted at 17.11.2018	540,000	3,00
Granted at 17.11.2018	31,890	3,33
Granted at 17.11.2018	213,750	5,56
Granted at 29.03.2019	6,000	7,41
Granted at 26.06.2019	47,500	7,41
Granted at 01.01.2020	100,000	7,41
Total	**939,140**	

NOTES

Note

Staff costs (continued)

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	2021 Number of warrants DKK	2021 Hereof vested DKK	2021 Weighted Average strike price DKK	2020 Number of warrant DKK	2020 Hereof vested DKK	2020 Weighted Average strike price DKK
Outstanding beginning of year	939,140	824,308	4,31	849,140	735,236	3,82
Granted during the year				100,000	95,738	0
Exercised during the year				-	-	-
Expired during the year				(10,000)	(6,666)	5,56
Outstanding at end of year				**939,140**	**824,308**	**4,31**

Outstanding warrants include warrants granted to the executive board with a total of 491,390 warrants as of 31 December 2021 (2020: 491.390). No warrants have been granted to the board of directors.

	2021 DKK'000	**2020** DKK'000	
Depreciation, amortisation and impairment			6
Amortisation of intangible assets	23,340	9,767	
Depreciation of property, plant and equipment	150	4	
Depreciation of right-of-use assets	3,320	2,294	
Depreciation of leasehold improvements	262	15	
Total	**27,072**	**12,080**	
Financial income			7
Other financial income	0	1	
Total	**0**	**1**	
Financial expenses			8
Interest expenses	1,452	1,589	
Interest expenses shareholder loans and related parties	9,061	1,250	
Exchange losses	456	158	
Interest on lease liabilities	0	633	
Total	**10,969**	**3,630**	

NOTES

	2021 DKK'000	2020 DKK'000	Note
Tax for the year			9
Tax credit for the year	5,500	5,500	
Changes in net deferred tax assets	(14,808)	9,738	
Adjustment concerning previous year	28	0	
Total	**(9,280)**	**15,238**	
Loss before tax	(141,253)	(60,107)	
Tax at a rate of 22%	(31,075)	(13,224)	
Allowance for not recognising deferred tax asset	21,823	(2,014)	
Adjustment concerning previous years	(28)	0	
Total	(9,280)	**15,238**	
Effective tax rate	**7%**	**(25)%**	

Effective tax rate
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 2020 of DKK 5.5 million was approved by the Danish tax authorities during 2020 and refund was received in 2021. Based on the development costs and the tax losses incurred for 2021, the Company is eligible for maximum refund of DKK 5.5 million, which amount has been recognized as tax income and as a tax receivable on the balance sheet as of 31 December 2021.

Deferred tax
Due to the Company's earnings history, and the extended period until the Company is now expected to begin to become profitable from 2024, the Company has determined that it is inappropriate to recognize any deferred tax asset on the balance sheet as of 31 Dec. 2021, and therefore, the deferred tax asset from 2020 has been written-down in 2021 with DKK 14.8 million.

After utilizing tax credits up to and including 2021 with the resulting reduction in tax losses, the Company has tax loss carry forwards of DKK 292 million by the end of 2021 representing a tax value of DKK 64 million. The Company expects that the tax losses will be even further increased by the expected loss in 2022, whereas, subject to analysis, part of the debt relief in 2023 from debt conversion of shareholder loans and the debt reduction from unsecured creditors will reduce the tax losses carried forward.

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Note

Intangible assets 10

	Development projects 2021 DKK'000	Patents 2021 DKK'000
Cost at 1 January	117,300	2,749
Additions	56,659	810
Cost at 31 December	**173,959**	**3,559**
Amortization at 1 January	(44,467)	0
Amortization for the year	(23,340)	0*
Amortization at 31 December	**(67,807)**	**0**
Carrying amount 31 December	**106,152**	**3,559**

* Patents have not yet been taken into use, which is background for no amortization has been recognized.

	Development project 2020 DKK'000	Patents 2020 DKK'000
Cost at 1 January	75,392	1,700
Additions	41,908	1,049
Cost at 31 December	**117,300**	**2,749**
Amortization at 1 January	(34,700)	0
Amortization for the year	(9,767)	0
Amortization at 31 December	**(44,467)**	**0**
Carrying amount 31 December	**72,833**	**2,749**

Please refer to note 3 for a description of Management's assessment of recoverable amount for intangible assets.

NOTES

Note

Property, plant and equipment 11

2021 DKK'000	Operating equipment	Leasehold improvements
Cost at 1 January	99	36
Additions	990	0
Disposals	0	0
Cost at 31 December	**1,089**	**36**
Depreciation and impairment losses at 1 January	(91)	(36)
Depreciation for the year	(474)	0
Impairment loss for the year	(261)	0
Depreciation and impairment losses at 31 December	**(827)**	**0**
Carrying amount at 31 December	**261**	**0**

2020 DKK'000	Operating equipment	Leasehold improvements
Cost at 1 January	99	36
Additions	0	0
Disposals	0	0
Cost at 31 December	**99**	**36**
Depreciation and impairment losses at 1 January	(88)	(21)
Depreciation for the year	(3)	(15)
Reversal regarding disposals		
Depreciation and impairment losses at 31 December	**(91)**	**(36)**
Carrying amount at 31 December	**8**	**0**

NOTES

Note

Right-of-use assets 12

2021 DKK'000	Office leaseholds
Cost at 1 January	21,733
Cost at 31 December	**21,733**
Depreciation at 1 January	**(3,322)**
Depreciation for the year	(3,320)
Remeasurement adjustment	(15,091)
Depreciation at 31 December	**(21,733)**
Carrying amount at 31 December	**0**

2020 DKK'000	
Cost at 1 January	5,483
Additions	16,250
Cost at 31 December	**21,733**
Depreciation at 1 January	(1,028)
Depreciation for the year	(2,294)
Depreciation at 31 December	**(3,322)**
Carrying amount at 31 December	**18,409**

Maturity analysis for lease liabilities:

2021 DKK'000	Less than 1 year	Between 1-5 years	More than 5 years	Total
Office leaseholds	3,900	0	0	3,900
Lease liabilities at 31 December	**3,900**	**0**	**0**	**3,900**

End 2020, the Company reported lease liabilities of DKK 18,989k. In connection with the financial reconstruction process, the Company terminated the lease contract, and an agreement has been entered with the landlord of a settlement amount being DKK 3.9 million, which is considerably lower than the lease commitment at the time when entering into the lease contract in 2020. In addition, as a result of the termination of the lease contract, no future value of the lease is expected and the right-of-use asset is carried at DKK 0 (nil).

Even though the settlement is technically a non-adjusting subsequent event, the Company has considered that it is most meaningful to present the agreed reduction in the lease liability in the 2021 financial statements and at the same time show a remeasurement adjustment of the right-of-use asset, also in the 2021 financial statements, as reflected above, rather than showing an impairment loss of the right-of-use asset in 2021 and a settlement gain relating to the lease liability in 2022.

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	2021	2020
	DKK'000	DKK'000
Investments in subsidiaries		
Cost at 1 January	114	47
Additions.	**0**	67
Cost at 31 December	**114**	**114**
Impairment losses and amortisation at 1 January	**0**	0
Impairment losses for the year	(114)	0
Cost at 31 December	**(114)**	**0**
Carrying amount at 31 December	**0**	**114**

Subsidiaries	**Registered in**	**Corporate form**	**Equity interest %**
Syntonetic ApS	Denmark	ApS	100
Moodagent Australia	Australia	Pty Limited	100
Moodagent India	India	Limited	90
Moodagent Production	Denmark	ApS	100
Moodagent Sverige AB	Sweden	AB	100
Moodagent Poland	Poland	Limited	100
Moodagent Deutschland	Deutschland	Limited	100
Moodagent Malaysia	Malaysia	Sdn Bhd	100

	2021	2020	Note
	DKK'000	DKK'000	
Deposits			13
Cost at 1 January	362	924	
Additions	0	304	
Disposals	0	(866)	
Cost at 31 December	**362**	**362**	
Impairment losses and amortisation at 1 January	**0**	0	
Impairment losses for the year	(362)	0	
Cost at 31 December	**(362)**	**0**	
Carrying amount at 31 December	**0**	**362**	
Trade receivables			14
Trade receivables	0	775	
Receivables from subsidiaries	0	6,028	
Other receivables	0	6,414	
Allowance for expected credit losses	0	(6,392)	
Total	**0**	**6,825**	

NOTES

Allowance for expected credit loss	2021 DKK'000	2020 DKK'000	Note
			14
Balance beginning of the year	6,392	1,342	
Change in allowance during the year	0	5,050	
Realised losses during the year	(6,392)	0	
Total	**0**	**6,392**	

Impairment of fixed asset investments

In 2021, the Company has recognized an allowance for intercompany receivables of DKK 17,731k (2020: 0) since the receivables from subsidiaries are not considered recoverable following the decision to close all subsidiaries. This allowance together with impairment loss from deposits and other fixed asset investments have been reported as an impairment loss of fixed asset investments in the income statement with totally DKK 18,207k (2020: 0).

	2021 DKK'000	2020 DKK'000	
Working capital changes			15
Change in receivables	21,031	(17,280)	
Change in payables.	26,513	83,186	
Total working capital changes	**47,544**	**20,906**	

Prepayments 16

In 2020, prepayments primarily comprised prepaid royalty payments, which covered the period until 31 Dec. 2021. No royalty payments have been made in 2021 covering future years.

Cash	2021 DKK'000	2020 DKK'000	17
Bank deposits	27	28	
Total	**27**	**28**	

Share capital 18

Share capital at 1 January	9,919	9,663
Capital increase	1,831	256
Share capital at 31 December	**11,750**	**9,919**

The share capital is fully paid-up and equals DKK 11,750k divided into shares of DKK 1 each. No shares carry any special rights.

In cash flow statement both capital increases in cash and from conversion of debt have been presented as capital increase in cash as the legal debt conversion are a result of the majority shareholder providing bridge financing on an ongoing basis with the aim of converting the bridge financing to equity capital in intervals.

Warrants program – not related to employees
In 2019, certain business partners were granted a total of 518,727 warrants with the right to subscribe shares of nominally DKK 1.00 each in the Company by cash payment at a subscription price of DKK 7,41 per share. The warrants vest over a two-year period starting from September 2019 and can be exercised within the next 10 years. Further, the warrants holders are entitled to require that the number of warrants shall be increased in case of capital increases subsequent to the granting of the original warrants so that the warrants holdings are not diluted after such capital increases against cash considerations in an amount of up to 35 million US$. The subscription price for such new warrants remain the same as for the original warrants. The fair value of the warrants at grant date were estimated to be close to DKK 0, hence no expense has been recognized in the past and in 2021 related to any costs incurred by the Company to the business partners for the supply of services or use of rights.

Warrants outstanding at 31 December 2021 – not related to employees

	Number of Warrants DKK	Strike price per warrant DKK
Granted at 26.06.2019	100,000	7,41
Granted at 29.08.2019.	507,527	7,41
Granted at 08.09.2019	11,200	7,41
Total	**618,727**	

	2021 Number of warrants DKK	2021 Hereof vested DKK	2021 Weighted Average strike price DKK	2020 Number of warrant DKK	2020 Hereof vested DKK	2020 Weighted Average strike price DKK
Outstanding beginning of year	617,727	518,727	7,41	618,727	259,364	7,41
Granted during the year				0	259,364	7,41
Exercised during the year				-	-	-
Expired during the year				-	-	-
Outstanding at end of year				**618,727**	**518,727**	**7,41**

NOTES

Other loans	2021 DKK'000	2020 DKK'000	Note 19
COVID-19 syndicated loan, Vækstfonden (including accrued interest)	21,345	20,310	
Flex Funding A/S	10,012	0	
Total	**31,357**	**20,310**	

In 2020, the Company has obtained two COVID-19 syndication loans from Vækstfonden of DKK 9.9 million and 10.1 million respectively. Interest rate is determined based on CIBOR 3 months plus of a fixed premium of 5% p.a. Interest is added until first payment. For the loan with a principal of DKK 9.9 million, first payment was agreed to fall due on 1 October 2023 based on an annuity of the principal and added interest until the loan would mature on 1 October 2026. For the loan with a principal of DKK 10.1 million, first payment was agreed to fall due on 1 January 2024 and the loan would mature on 1 January 2027. The loans are unsecured and have therefore been subject to debt reduction of 43% as part of the financial reconstruction plan for the Company and where the settlement of the remaining loan balance will follow the amortization plan for all unsecured creditors.

In 2021, the Company has obtained loan from Flex Funding A/S of DKK 10 million split into secured loan of DKK 3 million and unsecured loan of DKK 7 million. The loan carries interest of 6,65% p.a. Originally it was agreed that first instalment would fall due on 1 February 2022 and that the loan would matures on 1 January 2023. As part of the financial reconstruction, the secured part of the loan has been settled in 2023, whereas the unsecured part is subject to 43% debt relief and the 57% remaining part of the unsecured loan will follow the amortization plan for the unsecured creditors.

NOTES

Note

Bank loans 20

	2021 DKK'000	2020 DKK'000
Bank loans	8,203	8,177
Total	**8,203**	**8,177**

Bank loans of DKK 2 million has been secured through a business mortgage. As part of the financial reconstruction, the unsecured part of the bank loan has been subject to 43% debt relief and the 57% remaining part of the loan will follow the amortization plan for the unsecured creditors.

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Other payables

	2021 DKK'000	2020 DKK'000
Wages and salaries, payroll taxes etc	29,245	23,935
Other liabilities	6,297	524
Holiday obligation	8,920	6,041
Total	**44,462**	**30,500**

Presented as follows:

	2021 DKK'000	2020 DKK'000
Non-current	0	3,211
Current	44,462	27,289
Total	**44,462**	**30,500**

The carrying amounts of other payables are assumed to equal their fair values. Holiday pay obligations for payment of wages and salaries during holiday periods correspond to the employees' rights vested at the balance sheet date to be used in subsequent financial years.

NOTES

Note

Financial risks

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Capital structure

The Company manages its capital structure with a primary view to ensure that the Company at any time has sufficient cash and cash resources available to carry-out its planned activities and to provide comfort to financial lenders, trade creditors and the shareholders of the Company that the Company at any time can be viewed as a going-concern. As described in Note 3, the Company went into financial restructuring in 2022, to get time to agree on a long-term viable financial plan with its creditors and key shareholders. End February 2023, the Bankruptcy Court approved the financial reconstruction plan prepared by the Company under the supervision of the independent reconstructors. The key results of the reconstruction plan represent a considerable debt reduction, partly by related parties converting debt to equity and partly by unsecured creditors accepting a debt relief of 43%. Furthermore, a syndication loan has been obtained in March 2023 to finance the funding need in 2023. On this basis, Management has concluded that the financial statements for 2021 can be presented on a going-concern basis.

Policy for management of financial risks

The Company's objective at any time is to limit the Company's financial risks. Together with its key shareholders, 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 key shareholders. Reference is made to note 3 and the above description of the key terms of the financial reconstruction plan approved by the Bankruptcy Court end February 2023.

Credit risk

In 2021 and previous years, the Company has only had very limited revenue generation and hence the Company has not been subject to credit risk from customers.

In 2021 and previous years, the Company has set-up subsidiaries in other countries, and these subsidiaries have been funded with intercompany loans. Considering that the Company has changed its strategy to be a B2B provider, the Company will close down its foreign subsidiaries and hence the Company has recognized allowances fully equal to the receivables from subsidiaries of DKK 17,031k since it is not expected that the subsidiaries will be able to repay the loans in connection with the close-down of the subsidiaries.

Foreign exchange risk

Foreign exchange rate risk arises due to imbalances between revenue and expenses in each individual currency. Up to end of 2021, the foreign exchange exposure has been limited, though with a slight increase in exposure in 2021 compared to 2020 from the establishment of foreign subsidiaries in 2020 and the related funding of the subsidiaries. The exchange rate exposure has not been hedged as the risk is considered limited.

Liquidity risks

In cooperation with its key shareholders, 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 3, the Company went into protection under the Danish rules for financial reconstructions on 31 March 2022, and a financial reconstruction plan was approved by the Bankruptcy Court on 28 February 2023, which among other things were based on shareholder loans and loans from parties related to the shareholders be converted to equity and that unsecured creditors were reduced by 43% and that the remaining amount be settled in instalments until June 2025.

The Company has secured funding for the period until February 2024 through a syndication loan. See note 3. From 2024, the Company is expecting that its B2B strategy will generate revenue that will ensure that the Company's operations will be cash positive.

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Financial risks (continued) 22

Interest rate risk

The Company's bank loans, COVID-19 syndication loans and loan from Greystone Capital Partners A/S are all on floating 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.

Financial instruments	**2021** DKK'000	**2020** DKK'000
Financial assets measured at amortised cost		
Trade receivables	0	411
Receivables from group enterprises	0	0
Other receivables	241	6,414
Cash	27	28
Total	**268**	**6,853**
Financial liabilities measured at amortised cost		
Bank loans	8,203	8,177
Trade payables	34,657	26,130
Payables to related parties	92,033	32,140
Other payables	44,462	27,289
Other loans	35,381	20,310
Total	**214,736**	**114,046**

The carrying amounts of the above amounts are assumed to equal their fair values though without taking the Company's own credit risk into consideration as reflected in the debt reduction approved by the Bankruptcy Court on 28 February 2023 for unsecured creditors (which primarily include bank loans, other loans, trade payables and the non-payroll part of other payables).

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Related parties 23

Shareholders	Registered office	Basis of influence
Songco ApS	Copenhagen, Denmark	80,15%
SMS HoldCo Aps	Vedbæk, Denmark	19,18%
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 Board of Directors and the Executive Board 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 length terms.

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

Greystone Capital Partners A/S has during the year changes professional services to the Company with an amount of DKK 900k (2020: DKK 900k). In 2021, the Company has obtained loans from Greystone Capital Partners A/S of DKK 8.3 million.

During 2021, Songco ApS has provided loans to the Company of totally DKK 125,673k, of which part subsequently during the year has been converted to equity. As of the balance sheet state, the Company owes DKK 78,173k to Songco Aps including added interest (2020: 31,295k), which falls due on demand.

In 2021, the Company has obtained loans from Greystone Capital Partners A/S (a company related to the owners of Songco ApS) of DKK 8.3 million. The loans carry interest of 10% p.a. Interest expensed in 2021 equals DKK 79k. Following the financial reconstruction approved in 2023, the loans are part of those shareholder related loans which been converted to share capital in 2023

Interest recognized for 2021 for the loans provided by Songco ApS and other related parties amounts to totally DKK 9,061k (2020: 1,250k).

Following the approval of the reconstruction plan in 2023, the loans due to Greystone Capital Partners A/S and Songco ApS have been converted to equity.

The Company funds the establishment of subsidiaries through bridge financing. Receivables from group enterprise are related to funding of the subsidiaries' ordinary business activities amount to DKK 17,731k (2020: 6,028k) before impairment write-down of DKK 17,031k (2020: 6,028k). Payables to subsidiaries amount to DKK 0k (2020: 0k). Interest received during the year from subsidiaries amounts to DKK 0k (2020: 0k).

Information of assets charged and collateral provided 24

The Company has provided business mortgages as security for bank debt and other loans with an amount of up to DKK 5 million.

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Contingent liabilities **25**

The Company participates in a joint taxation arrangement in which Songco ApS serves as the administration company. 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 2021 (2020: DKK 0k).

Events after the reporting period **26**

The first quarter of 2022 continued to be non-satisfactory and therefore as per 31 March 2022, Management took the decision to let the Company enter into restructuring. During the restructuring period management has implemented a new strategy whereby the business model has changed from a B2C approach to a B2B customer offering.

End February 2023, the Bankruptcy Court approved the restructuring plan prepared under the supervision of the independent reconstructors appointed by the Court.

As a result of the reconstruction process, the publication of the 2021 financial statements have been postponed until the reconstruction plan was approved, which is the background for the 2021 financial statements not being published until now.

As part of the reconstruction plan, loans from shareholders and parties related to the shareholders reflected on the balance as of 31 Dec. 2021 together with additional loans obtained in 2022/23 have been converted to equity, and unsecured creditors at 31 Dec. 2021, which had not been settled at 31 March 2022, have had to accept a debt relief of 43%.

In 2022, the Company has continued its development activities relating to the technology platform which under the new strategy will be made available for cooperation partners. The first customer contracts under the new business model has been entered recently, and the first cooperation is expected to go live 2023.

The 2022 financial result will be published in June 2023. It will reflect a loss based on no revenue being earned in 2022 and will reflect that the Company initiated a number of cost-saving initiatives in 2022 including reducing staff by almost 50% to reflect that a much lower cost-base is needed under the new B2B strategy.