Music Tribe Innovation DK A/S

Ib Spang Olesens Gade 18
DK-8200 Aarhus N

CVR no. 21 37 86 07

Annual report 2021

The annual report was presented and approved at the Company's annual general meeting

on 30 June 2022

Sonny Xavier Abella

Chairman of the annual general meeting

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Music Tribe Innovation DK A/S for the financial year 1 January – 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

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

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Aarhus, 30 June 2022
Executive Board:

Sonny Xavier Sabidorio
Abella

Board of Directors:

Ulrich Bernhard Behringer Chairman	Sonny Xavier Sabidorio Abellaa	David Hunter

Independent auditor's report

To the shareholders of Music Tribe Innovation DK A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Music Tribe Innovation DK A/S for the financial year 1 January – 31 December 2021 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2021 in accordance with 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 consolidated financial statements and the parent company financial statements" section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable 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 to the matter in the financial statements

We draw attention to note 16 to the financial statements regarding subsequent events setting out the material uncertainty related to the outcome of a proposed ruling related to transfer pricing from the Danish Tax Authorities. Our opinion is not modified in respect of this matter.

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

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

Independent auditor's report

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

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

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these consolidated financial statements and parent company 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 consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

Independent auditor's report

- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company 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 review.

Aarhus, 30 June 2022
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Mikkel Trabjerg Knudsen
State Authorised
Public Accountant
mne34459

Management's review

Company details

Music Tribe Innovation DK A/S
Ib Spang Olesens Gade 18
DK-8200 Aarhus N

CVR no.	21 37 86 07
Established:	27 October 1998
Registered office:	Aarhus N
Financial year:	1 January – 31 December

Board of Directors

Ulrich Bernhard Behringer
Sonny Xavier Sabidorio Abella
David Hunter

Executive Board

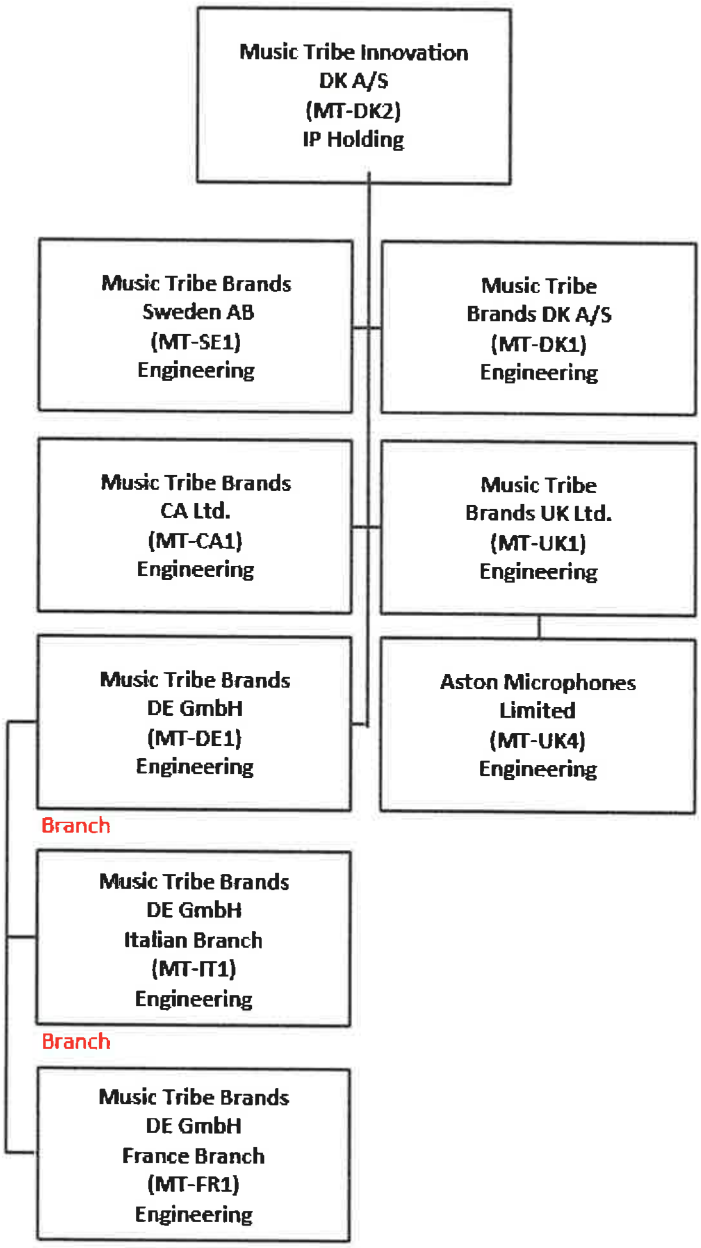
Sonny Xavier Sabidorio Abella

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Frederiks Plads 42,
DK-8000 Aarhus C
CVR no. 25 57 81 98

Management's review

Group chart



Management's review

Financial highlights for the Group

DKK'000	2021	2020	2019	2018	2017
Revenue	349,023	461,566	79,552	282,924	622,638
Operating profit/loss	-58,980	-58,626	-153,722	66,291	158,886
Profit/loss from financial income and expenses	-1,664	34,454	6,318	18,901	-9,179
Profit/loss for the year	-141,056	-21,044	-146,487	63,549	108,238
Total assets	900,761	963,456	935,953	767,535	729,761
Investments in property, plant and equipment	1,990	154,492	40,760	37,517	17,655
Equity	204,449	347,127	362,622	500,070	445,647
Cash flows from operating activities	48,605	686,072	-79,830	195,185	393,318
Cash flows from investing activities	-197,228	-265,691	-178,874	-93,979	-79,437
Cash flows from financing activities	199,033	-96,487	87,044	14,708	-1,130,475
Total cash flows	50,380	323,894	-171,660	115,914	-816,594
Gross margin	-7%	-6%	-63%	33%	38%
Operating margin	-17%	-13%	-72%	23%	26%
Return on equity	-40%	-6%	-34%	13%	27%
Solvency ratio	25%	36%	28%	65%	
Average number of full-time employees	261	311	177	279	414

The financial ratios have been calculated as follows:

Gross margin $\frac{\text{Gross profit x 100}}{\text{Revenue}}$

Operating margin $\frac{\text{Operating profit x 100}}{\text{Revenue}}$

Return on equity $\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$

Solvency ratio $\frac{\text{Equity ex. non-controlling interests at year end x 100}}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

The Group's principal activities

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

The Company is also the IP holder for Music Tribe Group and receives a royalty in exchange for its services as IP Holder; royalty for 2021 was 8% of Music Tribe Group Sales as per Exclusive License Agreement with Music Tribe Commercial MY Sdn. Bhd effective from 1 January 2019 and subsequent amendments.

Events after the balance sheet date

On 24 April 2022, the Company received a proposed ruling from the Danish tax authorities regarding transfer pricing documentation for the income years of 2016 and 2017. The Danish tax authorities have proposed an increase in taxable income amounting to DKK 993 million, representing tax payable of DKK 218 million excluding interest.

Management has engaged their lawyer and does not agree with the ruling from the Danish tax authorities and concluded that no provision is to be recognised. Management is currently preparing a response to the Danish tax authorities.

Development in activities and financial position

The income statement for the period 1 January – 31 December 2021 shows a loss of DKK 141,056 thousand as against a loss of DKK 21,044 thousand for the period 1 January – 31 December 2020. The balance sheet shows equity of DKK 204,449 thousand.

The earnings decline compared to prior year was largely driven by one-time events such as amortization of goodwill on acquisition of Aston Microphone by Music Tribe Brands UK in 2021 and on acquisition of Music Tribe Brands UK in 2020, as well as impairment of existing Research and Development Assets as the group re-assessed its development activities in light of current Market Trends.

Earnings from royalties were not sufficient to cover operating costs of the Company for the financial year 1 January – 31 December 2021.

Management believes that such earnings are incidental to 2021, and that this result is not expected to continue in future years.

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

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

Management's review

Operating review

Investments

In February 2021, The Group acquired, through its subsidiary Music Tribe Brands UK, Aston Microphones, a UK-based manufacturer and distributor of Microphones in order to complement its product offerings.

In June 2022, the Group acquired Music Tribe Innovation PVT Ltd, a Research and Development company based in India from its Parent Company, Music Tribe Commercial MY Sdn. Bhd.

Outlook

Revenue for 2022 is expected to range between DKK 400-450 million with a profit between DKK 4-20 million.

The Group does not expect a significant impact from either inflation of foreign currency conversion.

Research and development activities

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

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

Financial risks

Foreign currency risks

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

The Group has net inflows in USD.

Liquidity risks

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

Management's review

Operating review

Corporate social responsibility (section 99 a of the Danish Financial Statements Act)

CSR policy, business model and risks

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

However, the Group seeks to optimise its energy consumption on a current basis, primarily for heating, and has in several locations carried out energy measurements. Subsequently, the Group has implemented several of the recommendations listed by energy reports.

As stated above, the Group's own production primarily consists of assembly activities, and the Group has thus to a great extent outsourced the production of its semi-manufactures and finished products.

Human rights

The Group cooperates mainly with Asian sub-suppliers. The Group focuses on establishing partnership agreements in order to ensure long-term relations with its sub-suppliers.

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

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

The code of conduct thus intends to ensure that the sub-suppliers comply with the Group's policies concerning child labour, forced labour, human rights, corruption and environmental and climate impact.

The code of conduct is part of the Group's basis for the contracts entered into with new sub-suppliers, and the code of conduct is discussed before a contract is entered into. In case of large contracts, a visit is paid to the sub-supplier in order to check whether the Group's code of conduct is complied with. Previous years, the result of such visits has been that the Group has refused cooperating with two sub-suppliers.

Furthermore, the Group pays control visits to existing sub-suppliers on a continuous basis in order to make sure that the code of conduct is complied with.

Through its digital transformation, the Group rationalised its vendor footprint and put in place strict processes for vendor onboarding and approvals.

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

Management's review

Operating review

The Group has no other significant formalised policies.

During 2021, the Group took an active role in formalizing and promoting worldwide its core values of Trust, Respect, Integrity, Bold, Engage which are consistent with the Code of Conduct released in 2019; the Group undertook extensive workshops and training on those core values across the entire workforce and has embedded them in employees performance review.

The Group plans to continue its journey in 2022 by introducing mandatory compliance training on Ethics, Business Conduct and Anti-corruption.

The Group, through its subsidiaries has also distributed in 2021, free of charge, 1,510 Synthesizers and Headphones to children and schools worldwide, in an effort to increase its Corporate Social Responsibility and its active participation and involvement in the community.

The Group has assessed the risk as insignificant.

Climate and environment

The sixth assessment from the Intergovernmental Panel on Climate Change from August 2021 delivered a stern warning on the impact that climate change has on lives and livelihood.

It is the duty of fast-growing companies like the Group to actively participate and drive the reduction of their carbon footprint and supply products that are environmentally friendly whilst improving its customer experience and product offering.

In 2020, the Group closed two manufacturing facilities in UK and Sweden thereby reducing its carbon footprint; this journey of carbon footprint reduction continued in 2021 by further announcing the closure of a second site in UK in 2022 as well as significant reduction of transportation equipment worldwide.

During 2021, the Group has also started an in-depth review of its packaging material with a long-term objective of re-designing its solutions to be environmentally friendly by end of 2024; this is one of the key objectives for the Group for 2022.

In 2022, the Group has also committed to undertake a Global Environmental Health and Safety Risk Assessment and Risk Mitigation Strategy.

Sustainability is also one of the key drivers of the Group Product Development Strategies.

Social and employee matters

The Group is an equal opportunity employer and actively supports human rights, as well as all equality legislation.

We are therefore opposed to all forms of unlawful or unfair discrimination on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex or sexual orientation.

Every possible step will be taken to ensure that individuals are treated equally and fairly and that decisions on recruitment, training and promotion are based solely on the job criteria, the individuals' abilities, skills, performance and behaviour and on our business requirements.

Discrimination, abuse or harassment will result in disciplinary action being taken including dismissal for serious cases.

Management's review

Operating review

The Group Employee service manual as well as its values clearly define expectations around unacceptable behaviour.

The Group transformed its training platforms in 2021 to give access, and mandate, all employees to undertake training on its Code of Conduct and Values; this also forms part of the employee induction process and is constantly enforced in all business decisions.

In light of COVID-19 and a hybrid working policy, the Group made an extensive effort in 2021 to promote employee well-being as well as mental health support through online workshops and initiatives; the Group has also created an online dedicated channel to employee wellness and is constantly promoting diversity and inclusion.

Anti-corruption

As displayed in the Group Employee Service Manual, the Group adheres to best practices in corruption prevention in all its dealings and corrupt or corruptive practices are not tolerated.

The Group absolutely prohibits giving or receiving gifts, hospitality or other expenses which could influence or be perceived to be capable of influencing a contractual or material transaction.

The provisions include but are not limited to Corporate Hospitality, Facilitation Payments, Political Donations, Charitable Donations and has as strict process of approval for exceptions.

In 2022, the Group has mandated all employees to undertake an Anti-Bribery and Corruption Training and such training will be compulsory every year, to reinforce the Group zero tolerance for such activities.

The Group experienced no breaches of the policy in 2021.

Goals and policies for the underrepresented gender (section 99 b of the Danish Financial statement Act)

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

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

Due to a significant restructuring carried out during 2020 and 2021, which has led also in a change of officers, and its activities undertaken primarily as a matrix structure, the Group was unable to identify during this period suitable candidates for the board of directors.

The current distribution of the Board of Directors is 100% Male, currently consisting of 3.

The current distribution of gender amok other management layers is 5% female and 95% male.

Music Tribe Group as a whole has a distribution of 37% female and 63% male.

Whilst the Group has not achieved an even distribution on the Board of Directors, the focus on diversity has been one of the targets during 2021, in view of improving the current standing, demonstrated by the fact that 37% of the entire Music Tribe group workforce is represented by women.

The Group undertook a significant legal ownership restructuring during 2020 which also led to a change in officers.

Management's review

Operating review

The Group aims to achieve diversity on the Board by 2024, planning to increase the Board of Directors to 4 with a minimum target of an even distribution as follows

2023: 25% of the board represented by women
2024: 50% of the board represented by women.

Reporting on data ethics

The Group has not prepared a policy for data ethics, as it is not an integrated part of the entities business strategy and business model. The Group operates with researching and developing new products, which are to be sold by sister company, thereby the Group will not maintain critical data for end consumers or alike.

However, the Group has put in place a Global Data Privacy Policy in 2022.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

DKK'000	Note	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
Revenue	2	349,023	461,566	174,914	216,520
Production costs	3	-425,417	-489,260	-214,610	-266,639
Gross profit/loss		-76,394	-27,694	-39,696	-50,119
Distribution costs	3	-1,179	-837	-9	-35
Administrative expenses	3	-32,084	-30,095	-5,622	-5,312
Profit/loss before financial income and expenses		-109,657	-58,626	-45,327	-55,466
Income from equity investments in group entities		0	0	-63,041	-974
Other financial income		1,719	60,703	42,670	35,538
Other financial expenses		-3,383	-24,249	-49,483	-9,880
Profit/loss before tax		-111,321	-22,172	-115,181	-30,782
Tax on profit/loss for the year		-29,735	1,128	-25,875	9,738
Profit/loss for the year	4	-141,056	-21,044	-141,056	-21,044

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
ASSETS					
Fixed assets					
Intangible assets	5				
Completed development projects		46,236	50,830	24,981	34,560
Patents, licences and trademarks		2,223	4,263	11,001	24,946
Goodwill		98,451	85,569	0	0
Development projects in progress		95,523	98,306	95,523	71,613
		242,433	238,968	131,505	131,119
Property, plant and equipment	6				
Land and buildings		143,828	168,101	0	0
Leasehold improvements		14,216	1,410	0	0
Fixtures and fittings, tools and equipment		4,838	2,997	0	0
		162,882	172,508	0	0
Investments					
Equity investments in group entities	7	0	0	649,991	555,317
Deposits		50	2,044	50	2,044
		50	2,044	650,041	557,361
Total fixed assets		405,365	413,520	781,546	688,480
Current assets					
Inventories					
Raw materials and consumables		3,245	968	0	0
Work in progress		0	19,066	0	0
Finished goods and goods for resale		28,442	12,458	0	0
		31,687	32,492	0	0
Receivables					
Trade receivables		9,619	856	0	0
Receivables from group entities		5,925	120,429	249,430	132,725
Income tax receivable		0	4,245	0	14,908
Other receivables		34,096	26,618	28,858	18,867
Prepayments		66	1,673	0	0
		49,706	153,821	278,288	166,500
Cash at bank and in hand		414,003	363,623	15,986	978
Total current assets		495,396	549,936	294,274	167,478
TOTAL ASSETS		900,761	963,456	1,075,820	855,958

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
EQUITY AND LIABILITIES					
Equity					
Contributed capital	8	157,619	157,619	157,619	157,619
Reserve for net revaluation according to the equity method		0	0	71,685	136,348
Reserve for development costs		0	0	87,692	102,273
Retained earnings		46,830	189,508	-112,547	-49,113
Total equity		204,449	347,127	204,449	347,127
Provisions					
Provisions for deferred tax	9	13,614	14,354	0	0
Total provisions		13,614	14,354	0	0
Liabilities other than provisions					
Non-current liabilities other than provisions	10				
Payables to group entities		14,620	0	0	0
Other payables		0	2,711	0	0
		14,620	2,711	0	0
Current liabilities other than provisions					
Trade payables		3,208	3,114	324	0
Payables to group entities		644,452	567,262	869,426	506,816
Other payables		20,418	28,888	1,621	2,015
		668,078	599,264	871,371	508,831
Total liabilities other than provisions		682,698	601,975	871,371	508,831
TOTAL EQUITY AND LIABILITIES		900,761	963,456	1,075,820	855,958

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

Group

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2021	157,619	189,508	347,127
Transferred over the distribution of loss	0	-141,056	-141,056
Exchange rate adjustment, foreign subsidiary	0	-1,622	-1,622
Equity at 31 December 2021	157,619	46,830	204,449

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

Parent Company

DKK'000	Contributed capital	Net revaluation according to the equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2021	157,619	136,348	102,273	-49,113	347,127
Transferred over the distribution of loss	0	-63,041	-14,581	-63,434	-141,056
Exchange rate adjustment, foreign subsidiary	0	-1,622	0	0	-1,622
Equity at 31 December 2021	157,619	71,685	87,692	-112,547	204,449

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

		Group	
DKK'000	Note	2021	2020
Loss for the year		-141,056	-21,044
Depreciation, amortisation and impairment losses		199,842	171,277
Interest income		-1,719	-60,703
Interest expense		3,383	24,249
Tax on profit/loss for the year		29,735	-1,128
Other adjustments of non-cash operating items	11	-12,377	-16,583
Cash generated from operations before changes in working capital		77,808	96,068
Changes in working capital	12	-27,539	558,720
Cash generated from operations		50,269	654,788
Interest income		1,719	60,703
Interest expense		-3,383	-24,249
Income tax paid		0	-5,170
Cash flows from operating activities		48,605	686,072
Acquisition of intangible assets	5	-46,647	-43,607
Acquisition of property, plant and equipment	6	-1,990	-92,242
Acquisition of subsidiaries and activities		-148,591	-129,890
Disposal of subsidiaries and activities		0	48
Cash flows from investing activities		-197,228	-265,691
Repayment of long-term debt		-2,711	1,168
Arrangement of payables to group entities		201,714	82,268
Repayment of payables to group entities		0	-179,923
Cash flows from financing activities		199,003	-96,487
Cash flows for the year		50,380	323,894
Cash and cash equivalents at the beginning of the year		363,623	39,681
Unrealised value adjustments for the year		0	48
Cash and cash equivalents at year end		414,003	363,623

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Music Tribe Innovation DK A/S for 2021 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year.

The entity has moved into reporting class C large reporting compared to last year, with no effect on recognition and measurement.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated cash flow statement of the Group.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Music Tribe Innovation DK A/S, and subsidiaries in which Music Tribe Innovation DK A/S directly or indirectly holds more than 50% of the votes or in some other way exercises control over. A group chart is included on page 7.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Equity investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

Business combinations

When acquiring new entities, the acquisition method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquiree at the acquisition date that are not initiated as a part of the acquisition are included in the pre-acquisition balance sheet and thus the calculation of goodwill. Restructuring that is initiated by the acquirer is recognised in the acquirer's income statement. Deferred tax is recognized to the extent that temporary differences arise from the revaluations.

Positive differences (goodwill) between cost and the fair value of identifiable assets and liabilities acquired, including restructuring provisions, are recognised as intangible assets and amortised systematically in the income statement based on an individual assessment of the useful life. Negative goodwill is recognised as income in the income statement at the acquisition date when the usual conditions for recognition of income are met.

Goodwill and negative goodwill from acquired entities may be adjusted until 12 months after the acquisition date.

Newly acquired or newly established entities are recognised in the consolidated financial statements at the date of acquisition or establishment. Divested or wound-up entities are recognised in the consolidated income statement up to the date of divestment or winding-up. Comparative figures are not restated to reflect acquisitions, divestments or windings-up.

With regard to step acquisitions, the acquirer must remeasure its previous equity investment in the acquiree at the fair value at the acquisition date. The difference between the carrying amount of the former equity instrument and fair value is recognised in the income statement.

Consolidated financial statements and parent company financial statements 1 January – 31 December

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1 Accounting policies (continued)

The uniting-of-interests method is applied to business combinations such as the acquisition and disposal of equity investments, mergers, demergers, contribution of assets, share exchanges, etc., between entities controlled by the Parent Company. The uniting of interests is considered to have been completed at the date of the merger without restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity is recognised in equity.

Gains or losses on the divestment of subsidiaries and participating interests (including associates) are calculated as the difference between the sales amount and the carrying amount of net assets at the date of disposal, including non-amortised goodwill and projected costs of divestment or winding-up.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries and participating interests (including associates) which are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity. Similarly, foreign exchange gains and losses on loans and derivative financial instruments taken out for the purpose of hedging investments in foreign subsidiaries are recognised directly in equity.

Upon recognition of foreign subsidiaries which are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a fair value hedge of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a hedge of future transactions are recognised as other receivables or other payables and in equity until the realisation of the hedged transactions. If the future transaction results in the recognition of assets or liabilities, amounts that were previously recognised in equity are transferred to the cost of the assets or liabilities. If the future transaction results in income or costs, amounts that were previously recognised in equity are transferred to the income statement for the period when the hedged item affects the income statement.

For derivative financial instruments not qualifying for treatment as hedging instruments, changes in fair value are recognised in the income statement on an ongoing basis.

Changes in the fair value of derivative financial instruments used for hedging of net investments in separate foreign subsidiaries or participating interests (including associates) are recognised directly in equity.

Income statement

Revenue

Income from sale of services is recognised in the income statement as delivery takes place (delivery method). Revenue is measured at the selling value of the agreed consideration exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries incurred to generate revenue for the year. Commercial entities recognise their cost of sales, whereas production entities recognise production costs incurred to generate revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases and depreciation of production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

In addition, provisions for bad debts on contract work are recognised.

Distribution costs

Distribution costs comprise costs incurred to distribute goods sold during the year and to conduct sales campaigns, etc., including costs relating to sales staff, advertising and exhibitions as well as depreciation.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Group, including expenses for administrative staff, management, office premises, office expenses and depreciation.

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Notes

1 Accounting policies (continued)

Income from equity investments in group entities

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

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

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from equity investments in group entities and participating interests (including associates) measured at cost are recognised as income in the parent company income statement in the financial year when the dividends are declared.

In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividends exceed profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary.

Tax on profit/loss for the year

The Parent Company is comprised by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

Development projects

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well development costs. Other development costs are recognised in the income statement as incurred.

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

Upon completion of development work, development costs are amortised on a straight-line basis over the estimated useful lives. The amortisation period is usually 3-8 years.

Patents, licences and trademarks

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period, however, not exceeding 8 years.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience within the individual business areas. The amortisation period is 3 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Production/administration buildings	20 years
Leasehold improvements	3-10 years
Fixtures and fittings, tools and equipment	3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments

Equity investments in subsidiaries are measured at the proportionate share of the entities' net asset value calculated in accordance with the Parent Company's accounting policies plus or minus unrealised intra-group gains or losses and plus or minus the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

Equity investments in subsidiaries with negative net asset values are measured at DKK 0, and any receivables from these entities are written down to the extent that the receivables are deemed irrecoverable. To the extent that the Parent Company has a legal or constructive obligation to cover a negative balance exceeding the receivable, the residual amount is recognised as provisions.

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Notes

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and participating interests (including associates) is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists. Write-down of goodwill is not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as indirect production costs. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

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

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash

Cash includes bank accounts as well as operating cash.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Net revaluation reserve according to the equity method

Net revaluation reserve according to the equity method comprises net revaluation of participating interests (including associates) in proportion to cost.

Dividends that expected to be received before the balance sheet date are not tied to the reserve.

Reserves may be eliminated in connection with loss, realisation of equity investments or changes in accounting estimates.

Reserves cannot be recognised at a negative amount.

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividends, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established.

The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Corporation tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received regarding income in subsequent years.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's contributed capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividends to owners.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Segment information

Segment information is provided on business segments and geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

Consolidated financial statements and parent company financial statements 1 January – 31 December

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2 Segment information

Activities – primary segment

DKK'000	Group		
	Royalty	Products	Total
2021			
Revenue	309,354	41,510	350,864

Geographical – secondary segment

DKK'000	Group		
	Canada	Asia	Total
2021			
Royalty	0	309,354	309,354
Other	41,510	0	41,510
Total	41,510	309,354	350,864

3 Staff costs

DKK'000	Group		Parent Company	
	2021	2020	2021	2020
Wages and salaries	108,841	133,832	0	0
Pensions	3,992	3,610	0	0
Other social security costs	11,527	14,531	0	0
Other staff costs	497	296	0	0
	124,857	152,269	0	0
Average number of full-time employees	261	311	0	0

In accordance with section 98b(3)(2) of the Danish Financial Statements Act, remuneration of the Executive Board has not been disclosed.

Consolidated financial statements and parent company financial statements 1 January – 31 December

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4 **Proposed distribution of loss**

DKK'000	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
Reserve for net revaluation according to the equity method	0	0	-63,041	-72,482
Reserve for development costs	0	0	-14,581	0
Retained earnings	-141,056	-21,044	-63,434	51,438
	-141,056	-21,044	-141,056	-21,044

5 **Intangible assets**

	Group				
DKK'000	Completed development projects	Patents, licences and trademarks	Goodwill	Development projects in progress	Total
Cost at 1 January 2021	655,186	44,846	128,353	98,306	926,691
Additions	0	0	137,581	46,646	184,227
Transferred	49,429	0	0	-49,429	0
Cost at 31 December 2021	704,615	44,846	265,934	95,523	1,110,918
Amortisation and impairment losses at 1 January 2021	-604,356	-40,583	-42,784	0	-687,723
Impairment losses	-11,099	0	-50,677	0	-61,776
Amortisation	-42,924	-2,040	-74,022	0	-118,986
Amortisation and impairment losses at 31 December 2021	-658,379	-42,623	-167,483	0	-868,485
Carrying amount at 31 December 2021	46,236	2,223	98,451	95,523	242,433

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5 Intangible assets (continued)

	Parent Company			
DKK'000	Completed development projects	Patents, licences and trademarks	Development projects in progress	Total
Cost at 1 January 2021	92,795	53,390	71,613	217,798
Additions	0	0	46,646	46,646
Transferred	22,736	0	-22,736	0
Cost at 31 December 2021	115,531	53,390	95,523	264,444
Amortisation and impairment losses at 1 January 2021	-58,235	-28,444	0	-86,679
Impairment losses	-11,099	0	0	-11,099
Amortisation	-21,216	-13,945	0	-35,161
Amortisation and impairment losses at 31 December 2021	-90,550	-42,389	0	-132,939
Carrying amount at 31 December 2021	24,981	11,001	95,523	131,505

Completed development projects

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

Development projects in progress

Development projects in progress comprise several new projects. The projects is expected to be completed in 2022 and 2023 where considerable economic benefits are expected.

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6 Property, plant and equipment

	Group			
DKK'000	Land and buildings	Leasehold improvements	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2021	196,479	8,005	76,167	280,651
Foreign exchange adjustments in foreign entities	3,891	3,629	2,936	10,456
Additions on acquisition of subsidiary	0	0	2,196	2,196
Additions	0	290	1,700	1,990
Transferred	-10,699	10,699	0	0
Disposals	-10,022	0	-41,111	-51,133
Cost at 31 December 2021	179,649	22,623	41,888	244,160
Depreciation and impairment losses at 1 January 2021	-28,378	-6,595	-73,173	-108,146
Foreign exchange adjustments in foreign entities	-1,053	-1,182	-2,496	-4,731
Depreciation on acquisition of subsidiary	0	0	-866	-866
Transferred	315	-309	-6	0
Depreciation	-16,727	-321	-1,620	-18,668
Depreciation on disposals	10,022	0	41,111	51,133
Depreciation and impairment losses at 31 December 2021	-35,821	-8,407	-37,050	-81,278
Carrying amount at 31 December 2021	143,828	14,216	4,838	162,882

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7 Investments

Equity investments in subsidiaries

DKK'000	Parent Company 2021
Cost at 1 January	418,969
Additions	159,338
Cost at 31 December	578,307
Regulations at 1 January	136,348
Foreign currency	-1,622
Amortisation of goodwill	-42,785
Net profit/loss	-21,278
Elimination of intragroup profit	7,498
Equity adjustment	-6,477
Regulation at 31 December	71,684
Carrying amount at 31 December	649,991

In 2022, the Group acquired equity investments in Aston, which entailed recognition of a positive balance (goodwill) of DKK 55,667 thousand.

Name	Registered office	Voting rights and owner ship interest
Music Tribe Brands DK A/S	Denmark	100%
Music Tribe Brands SE, AB	Sweden	100%
Music Tribe Brands CA, Ltd.	Canada	100%
Music Tribe Brands UK, Ltd.	United Kingdom	100%
Music Tribe Brands DE, GmbH	Germany	100%
Aston	United Kingdom	100%

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

8 Contributed capital

The contributed capital consists of:

A shares, 7,880,967 shares of nom. DKK 20 each

All shares rank equally.

9 Deferred tax

DKK'000	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
Deferred tax at 1 January	14,354	11,327	0	-11,209
Deferred tax adjustment for the year in the income statement	-740	3,027	0	11,209
	13,614	14,354	0	0

Deferred tax asset

Deferred tax asset amounts to DKK 46,723 thousand, which is not recognized as Management does not expect the deferred tax asset to be utilised within a period of 5 years.

10 Non-current liabilities other than provisions

Liabilities other than provisions consist of intragroup loan amounting to DKK 14,619 thousand. The loan is to be repaid within 2-5 years.

Consolidated financial statements and parent company financial statements 1 January – 31 December

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DKK'000	Group 2021
11 Other adjustments	
Exchange rate regulations	-7,301
Other	-5,076
	-12,377
12 Changes in working capital	
Change in inventories	11,161
Change in receivables	-26,247
Change in trade and other payables	-12,453
	-27,539

13 Contractual obligations, contingencies, etc.

Contingent liabilities

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax as well as for the joint registration for VAT. The jointly taxed entities' total net liability to SKAT amounted to DKK 0 thousand at 31 December 2021. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

The Group's Danish entities are jointly and severally liable for the joint registration concerning VAT.

Operating lease obligations

The Company has entered into operating leases with a remaining term of 48-60 months and an average monthly lease payments of DKK 290 thousand, totalling DKK 14,433 thousand.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

14 Related parties

Music Tribe Innovation DK A/S' related parties comprise the following:

Control

Music Tribe Commercial MY Sdn. Bhd. Malaysia

Music Tribe Commercial MY Sdn. Bhd holds the majority of the contributed capital in the Company.

Music Tribe Innovation DK A/S is part of the consolidated financial statements of Music Tribe Commercial MY Sdn. Bhd., Malaysia, and the consolidated financial statements of DTOS Trustees Ltd., Mauritius, which are the smallest and largest groups, respectively, in which the Company is included as a subsidiary.

The consolidated financial statements of Music Tribe Commercial MY Sdn. Bhd. and the consolidated financial statements of DTOS Trustees Ltd. can be obtained by contacting the companies at the above addresses.

Related party transactions

DKK'000	2021	2020
Group		
Sale of goods and services	309,353	382,500
Purchase of goods and services	-3,091	-11,695
	306,262	370,805
Parent Company		
Sale of goods to a subsidiary	331	213,086
Purchase of services from a subsidiary	-170,057	-2,829
	-169,726	210,257
Total	475,988	581,062

Payables to associates and subsidiaries are disclosed in the balance sheet.

15 Fees to auditor appointed at the general meeting

DKK'000	2021	2020
Total fees to KPMG	575	476
Statutory audit	430	390
Tax assistance	60	14
Other assurance engagements	0	0
Non-audit services	85	72
	575	476

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16 Events after the balance sheet date.

On the 24th of April 2022, the Company received proposed ruling from the Danish Tax Authorities regarding Transfer pricing documentation for the income years 2016 and 2017. The Danish Tax Authorities has proposed an increase of the taxable income of DKK 993 million, amounting to a payable tax of DKK 218 million excluding interest.

Management has engaged their lawyer and do not agree with the ruling from the Danish Tax authorities and concluded that no provision is to be recognized. Management is currently preparing a response to the Danish Tax Authorities.