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# ***CinemaxX Danmark A/S***

Kalvebod Brygge 57, DK-1560 København V

## **Annual Report for 1 December 2019 - 30 November 2020**

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CVR No 21 25 24 92

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
28/4 2021

Torben Schön  
Chairman of the General  
Meeting



**pwc**

# Contents

|  | <u>Page</u> |
|--|-------------|
| <b>Management's Statement and Auditor's Report</b> |             |
| Management's Statement                             | 1           |
| Independent Auditor's Report                       | 2           |
| <b>Management's Review</b>                         |             |
| Company Information                                | 5           |
| Financial Highlights                               | 6           |
| Management's Review                                | 7           |
| <b>Financial Statements</b>                        |             |
| Income Statement 1 December - 30 November          | 8           |
| Balance Sheet 30 November                          | 9           |
| Statement of Changes in Equity                     | 11          |
| Cash Flow Statement 1 December - 30 November       | 12          |
| Notes to the Financial Statements                  | 13          |

# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of CinemaxX Danmark A/S for the financial year 1 December 2019 - 30 November 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 30 November 2020 of the Company and of the results of the Company operations and cash flows for 2019/20.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 28 April 2021

## Executive Board

Helle Delfs Thomassen

## Board of Directors

Toby William Bradon  
Chairman

Ann Marie O'Sullivan

Torben Schøn

# Independent Auditor's Report

To the Shareholder of CinemaxX Danmark A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 November 2020 and of the results of the Company's operations and cash flows for the financial year 1 December 2019 - 30 November 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of CinemaxX Danmark A/S for the financial year 1 December 2019 - 30 November 2020, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

## 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement 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 Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

## Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management deter-

# Independent Auditor's Report

mines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the

## **Independent Auditor's Report**

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.

Hellerup, 28 April 2021

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Flemming Eghoff

State Authorised Public Accountant

mne30221

## **Company Information**

### **The Company**

CinemaxX Danmark A/S  
Kalvebod Brygge 57  
DK-1560 København V

Telephone: + 45 70 26 01 99  
E-mail: [Cinemaxx@cinemaxx.dk](mailto:Cinemaxx@cinemaxx.dk)  
Website: [www.Cinemaxx.dk](http://www.Cinemaxx.dk)

CVR No: 21 25 24 92  
Financial period: 1 December - 30 November  
Incorporated: 1 October 1998  
Municipality of reg. office: Copenhagen

### **Board of Directors**

Toby William Bradon, Chairman  
Ann Marie O'Sullivan  
Torben Schön

### **Executive Board**

Helle Delfs Thomassen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

# Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

|   | 2019/20  | 2018/19  | 2017/18  | 2016/17  | 2015/16  |
|---|----------|----------|----------|----------|----------|
|   | Mio. DKK | Mio. DKK | Mio. DKK | Mio. DKK | Mio. DKK |
| <b>Key figures</b>                                    |          |          |          |          |          |
| <b>Profit/loss</b>                                    |          |          |          |          |          |
| Gross profit/loss                                     | 37       | 71       | 65       | 66       | 72       |
| Operating profit/loss                                 | 1        | 33       | 28       | 27       | 35       |
| Profit/loss before financial income and expenses      | 1        | 33       | 28       | 27       | 35       |
| Net financials  | 0        | 0        | 0        | 0        | 1        |
| Net profit/loss for the year                          | 1        | 25       | 21       | 21       | 29       |
| <b>Balance sheet</b>                                  |          |          |          |          |          |
| Balance sheet total                                   | 75       | 79       | 79       | 78       | 84       |
| Equity  | 25       | 43       | 36       | 35       | 36       |
| <b>Cash flows</b>                                     |          |          |          |          |          |
| Cash flows from:                                      |          |          |          |          |          |
| - operating activities                                | 25       | 27       | 31       | 24       | 30       |
| - investing activities                                | -1       | -2       | -2       | -6       | -14      |
| including investment in property, plant and equipment | -1       | -2       | -2       | -6       | -16      |
| - financing activities                                | -19      | -18      | -22      | -21      | -22      |
| Change in cash and cash equivalents for the year      | 5        | 7        | 7        | -3       | -6       |
| Number of employees                                   | 82       | 92       | 91       | 96       | 98       |
| <b>Ratios</b>   |          |          |          |          |          |
| Return on assets                                      | 1,3 %    | 41,8 %   | 35,4 %   | 34,6 %   | 41,7 %   |
| Solvency ratio  | 33,3 %   | 54,4 %   | 45,6 %   | 44,9 %   | 42,9 %   |
| Return on equity                                      | 2,9 %    | 63,3 %   | 59,2 %   | 59,2 %   | 87,9 %   |



# Management's Review

## Key activities

The purpose of the company is to operate and manage movie theater business with all the associated operating facilities and apparatus and to carry out all business operations and produce all related services. The company may also conduct business in other business areas that are related to movie theater business, including restaurant business and alcoholic beverage business, and enter into legal transactions that are suitable for furthering the company's purposes. The company may establish branches, including ownership / capital interests in other domestic companies, as well as acquire or establish such companies.

## Development in the year

The income statement of the Company for 2019/20 shows a profit of TDKK 790, and at 30 November 2020 the balance sheet of the Company shows equity of TDKK 24,556.

## The past year and follow-up on development expectations from last year

In 2019/20, the company was very much affected by the Covid 19 pandemic, which led to a forced closure of cinemas from 12 March to 29 May, followed by a limited international film line up during the rest of the financial year. Against this background, the result achieved for the year is considered satisfactory.

## Use of financial instruments

## Operating risks and financial risks

## Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

## Unusual events

The financial position at 30 November 2020 of the Company and the results of the activities and cash flows of the Company for the financial year for 2019/20 have not been affected by any unusual events.

## Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income Statement 1 December - 30 November

|  | Note | 2019/20<br>TDKK | 2018/19<br>TDKK |
|--|------|-----------------|-----------------|
| <b>Gross profit/loss</b>   |      | <b>37.468</b>   | <b>71.263</b>   |
| Staff expenses   | 2    | -27.800         | -30.349         |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment |      | -8.306          | -8.378          |
| <b>Profit/loss before financial income and expenses</b>  |      | <b>1.362</b>    | <b>32.536</b>   |
| Financial income   |      | 73              | 101             |
| Financial expenses   |      | -422            | -307            |
| <b>Profit/loss before tax</b>  |      | <b>1.013</b>    | <b>32.330</b>   |
| Tax on profit/loss for the year  | 3    | -223            | -7.096          |
| <b>Net profit/loss for the year</b>  |      | <b>790</b>      | <b>25.234</b>   |

# Balance Sheet 30 November

## Assets

|  | Note | 2020<br>TDKK  | 2019<br>TDKK  |
|--|------|---------------|---------------|
| Other fixtures and fittings, tools and equipment |      | 30.475        | 38.579        |
| Property, plant and equipment in progress        |      | 709           | 0             |
| <b>Property, plant and equipment</b>             | 4    | <b>31.184</b> | <b>38.579</b> |
| Investments in associates                        | 5    | 655           | 655           |
| <b>Fixed asset investments</b>                   |      | <b>655</b>    | <b>655</b>    |
| <b>Fixed assets</b>                              |      | <b>31.839</b> | <b>39.234</b> |
| Finished goods and goods for resale              |      | 959           | 1.365         |
| <b>Inventories</b>                               |      | <b>959</b>    | <b>1.365</b>  |
| Trade receivables                                |      | 3.575         | 4.208         |
| Other receivables                                |      | 2.400         | 2.597         |
| Prepayments                                      | 6    | 2.661         | 2.707         |
| <b>Receivables</b>                               |      | <b>8.636</b>  | <b>9.512</b>  |
| <b>Cash at bank and in hand</b>                  |      | <b>33.796</b> | <b>28.818</b> |
| <b>Currents assets</b>                           |      | <b>43.391</b> | <b>39.695</b> |
| <b>Assets</b>                                    |      | <b>75.230</b> | <b>78.929</b> |

# Balance Sheet 30 November

## Liabilities and equity

|  | Note | 2020<br>TDKK  | 2019<br>TDKK  |
|--|------|---------------|---------------|
| Share capital  |      | 562           | 562           |
| Retained earnings  |      | 23.994        | 23.204        |
| Proposed dividend for the year                                 |      | 0             | 19.500        |
| <b>Equity</b>  |      | <b>24.556</b> | <b>43.266</b> |
| Provision for deferred tax                                     | 8    | 3.132         | 3.768         |
| <b>Provisions</b>  |      | <b>3.132</b>  | <b>3.768</b>  |
| Other payables   |      | 1.233         | 261           |
| <b>Long-term debt</b>  | 9    | <b>1.233</b>  | <b>261</b>    |
| Trade payables   |      | 6.833         | 2.755         |
| Payables to group enterprises                                  |      | 824           | 0             |
| Corporation tax  |      | 899           | 441           |
| Other payables   | 9    | 12.224        | 7.907         |
| Deferred income  | 10   | 25.529        | 20.531        |
| <b>Short-term debt</b>   |      | <b>46.309</b> | <b>31.634</b> |
| <b>Debt</b>  |      | <b>47.542</b> | <b>31.895</b> |
| <b>Liabilities and equity</b>                                  |      | <b>75.230</b> | <b>78.929</b> |
| Distribution of profit   | 7    |               |               |
| Contingent assets, liabilities and other financial obligations | 13   |               |               |
| Related parties  | 14   |               |               |
| Accounting Policies  | 15   |               |               |

## Statement of Changes in Equity

|                              | Share capital | Retained      | Proposed         | Total         |
|------------------------------|---------------|---------------|------------------|---------------|
|                              | TDKK          | earnings      | dividend for the | TDKK          |
|                              | TDKK          | TDKK          | year             | TDKK          |
|                              | TDKK          | TDKK          | TDKK             | TDKK          |
| Equity at 1 December         | 562           | 23.204        | 19.500           | 43.266        |
| Ordinary dividend paid       | 0             | 0             | -19.500          | -19.500       |
| Net profit/loss for the year | 0             | 790           | 0                | 790           |
| <b>Equity at 30 November</b> | <b>562</b>    | <b>23.994</b> | <b>0</b>         | <b>24.556</b> |

## Cash Flow Statement 1 December - 30 November

|  | Note | 2019/20<br>TDKK | 2018/19<br>TDKK |
|--|------|-----------------|-----------------|
| Net profit/loss for the year   |      | 790             | 25.234          |
| Adjustments  | 11   | 8.878           | 15.680          |
| Change in working capital  | 12   | 15.647          | -4.817          |
| <b>Cash flows from operating activities before financial income and expenses</b> |      | <b>25.315</b>   | <b>36.097</b>   |
| Financial income   |      | 74              | 101             |
| Financial expenses   |      | -423            | -299            |
| <b>Cash flows from ordinary activities</b>                                       |      | <b>24.966</b>   | <b>35.899</b>   |
| Corporation tax paid   |      | -400            | -8.444          |
| <b>Cash flows from operating activities</b>                                      |      | <b>24.566</b>   | <b>27.455</b>   |
| Purchase of property, plant and equipment  |      | -912            | -1.682          |
| <b>Cash flows from investing activities</b>                                      |      | <b>-912</b>     | <b>-1.682</b>   |
| Repayment of payables to group enterprises                                       |      | 824             | -581            |
| Dividend paid  |      | -19.500         | -17.755         |
| <b>Cash flows from financing activities</b>                                      |      | <b>-18.676</b>  | <b>-18.336</b>  |
| <b>Change in cash and cash equivalents</b>                                       |      | <b>4.978</b>    | <b>7.437</b>    |
| Cash and cash equivalents at 1 December  |      | 28.818          | 21.381          |
| <b>Cash and cash equivalents at 30 November</b>                                  |      | <b>33.796</b>   | <b>28.818</b>   |
| Cash and cash equivalents are specified as follows:                              |      |                 |                 |
| Cash at bank and in hand   |      | 33.796          | 28.818          |
| <b>Cash and cash equivalents at 30 November</b>                                  |      | <b>33.796</b>   | <b>28.818</b>   |

## Notes to the Financial Statements

|   | 2020<br>TDKK  | 2019<br>TDKK  |
|---|---------------|---------------|
| <b>1 Other operating income</b>   |               |               |
| Income from government aid  | 19.214        | 0             |
|   | <b>19.214</b> | <b>0</b>      |
| <b>2 Staff expenses</b>   |               |               |
| Wages and salaries  | 25.699        | 29.212        |
| Pensions  | 402           | 387           |
| Other staff expenses  | 1.699         | 750           |
|   | <b>27.800</b> | <b>30.349</b> |
| <b>Average number of employees</b>  | <b>82</b>     | <b>92</b>     |
| Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act. |               |               |
| <b>3 Tax on profit/loss for the year</b>  |               |               |
| Current tax for the year  | 859           | 7.319         |
| Deferred tax for the year   | -636          | -216          |
| Adjustment of tax concerning previous years   | 0             | -7            |
|   | <b>223</b>    | <b>7.096</b>  |

# Notes to the Financial Statements

## 4 Property, plant and equipment

|  | Other fixtures<br>and fittings,<br>tools and<br>equipment<br>TDKK | Property, plant<br>and equipment<br>in progress<br>TDKK |
|--|---|---|
| Cost at 1 December                                 | 95.161  | 0   |
| Additions for the year                             | 202   | 709   |
| Cost at 30 November                                | 95.363  | 709   |
| Impairment losses and depreciation at 1 December   | 56.582  | 0   |
| Depreciation for the year                          | 8.306   | 0   |
| Impairment losses and depreciation at 30 November  | 64.888  | 0   |
| <b>Carrying amount at 30 November</b>              | <b>30.475</b>   | <b>709</b>  |
| Including assets under finance leases amounting to | 271   | 0   |

## 5 Investments in associates

|                                       | 2020<br>TDKK | 2019<br>TDKK |
|---------------------------------------|--------------|--------------|
| Cost at 1 December                    | 655          | 655          |
| <b>Carrying amount at 30 November</b> | <b>655</b>   | <b>655</b>   |

Investments in associates are specified as follows:

| Name        | Place of registered<br>office | Share capital | Votes and<br>ownership | Equity | Net profit/loss<br>for the year |
|-------------|-------------------------------|---------------|------------------------|--------|---------------------------------|
| Kino.dk A/S | Copenhagen                    | 540,000       | 26 %                   | 7.793  | 253                             |

## 6 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums etc.



## Notes to the Financial Statements

|                                 | 2019/20<br>TDKK | 2018/19<br>TDKK |
|---------------------------------|-----------------|-----------------|
| <b>7 Distribution of profit</b> |                 |                 |
| Proposed dividend for the year  | 0               | 19.500          |
| Retained earnings               | 790             | 5.734           |
|                                 | <u>790</u>      | <u>25.234</u>   |

### 8 Provision for deferred tax

|   |              |              |
|---|--------------|--------------|
| Provision for deferred tax at 1 December                | 3.768        | 3.984        |
| Amounts recognised in the income statement for the year | (636)        | (216)        |
| <b>Provision for deferred tax at 30 November</b>        | <u>3.132</u> | <u>3.768</u> |

### 9 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

#### Other payables

|                           |               |              |
|---------------------------|---------------|--------------|
| Between 1 and 5 years     | 1.233         | 261          |
| Long-term part            | 1.233         | 261          |
| Other short-term payables | 12.224        | 7.907        |
|                           | <u>13.457</u> | <u>8.168</u> |

### 10 Deferred income

Deferred income consists of payments relating to vouchers received in respect of income in subsequent years.

## Notes to the Financial Statements

|  | 2019/20        | 2018/19        |
|--|----------------|----------------|
|  | TDKK           | TDKK           |
| <b>11 Cash flow statement - adjustments</b>  |                |                |
| Financial income   | -73            | -101           |
| Financial expenses   | 422            | 307            |
| Depreciation, amortisation and impairment losses, including losses and gains on sales                        | 8.306          | 8.378          |
| Tax on profit/loss for the year  | 223            | 7.096          |
|  | <b>8.878</b>   | <b>15.680</b>  |
| <b>12 Cash flow statement - change in working capital</b>  |                |                |
| Change in inventories  | 406            | (170)          |
| Change in receivables  | 874            | (809)          |
| Change in trade payables, etc  | 14.367         | (3.838)        |
|  | <b>15.647</b>  | <b>(4.817)</b> |
| <b>13 Contingent assets, liabilities and other financial obligations</b>                                     |                |                |
| <b>Rental and lease obligations</b>  |                |                |
| Lease obligations under operating leases. Total future lease payments:                                       |                |                |
| Within 1 year  | 34.671         | 37.498         |
| Between 1 and 5 years  | 109.094        | 63.036         |
| After 5 years  | 325.276        | 0              |
|  | <b>469.041</b> | <b>100.534</b> |
| <b>Guarantee obligations</b>   |                |                |
| CinemaxX Danmark A/S has granted a bank guarantee to Sydbank as security for the Company's rental contracts. | 6.250          | 0              |

# Notes to the Financial Statements

## 14 Related parties

|                                     | <u>Basis</u>          |
|-------------------------------------|-----------------------|
| <b>Controlling interest</b>         |                       |
| CinemaxX Entertainment GmbH & Co.KG | Principle Shareholder |

### Consolidated Financial Statements

The Company is included in the consolidated financial statements of:

| <u>Name</u>                      | <u>Place of registered office</u>              |
|----------------------------------|--|
| Vue International Holdco Limited | 44 Esplanade St Helier Jersey, JE4 9WG, Jersey |
| CinemaxX Holdings GmbH & Co. KG  | Valentinskamp 18-20, 20354 Hamburg, Germany    |

# Notes to the Financial Statements

## 15 Accounting Policies

The Annual Report of CinemaxX Danmark A/S for 2019/20 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019/20 are presented in TDKK.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

## Income Statement

### Revenue

Revenue from sales of tickets and concession is recognised in the income statement if the sales to this years movie performances.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

discounts relating to sales.

### **Movierental, charges and consumables**

Movierental, charges and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### **Other external expenses**

Other external expenses comprise rental of cinema equipment, commercials, rent and other related expenses.

### **Gross profit/loss**

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, movierental, charges and consumables and other external expenses.

### **Staff expenses**

Staff expenses comprise wages and salaries as well as payroll expenses.

### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of plant and equipment.

### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of property, plant and equipment and government aid etc.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### **Tax on profit/loss for the year**

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### Balance Sheet

#### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures, tools and equipment 3- 20 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

#### Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

#### Investments in associates

Investments in associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

#### Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, etc.

### Equity

#### *Dividend*

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

### Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### Cash Flow Statement

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

#### Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

#### Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

#### Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

#### Cash and cash equivalents

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

The cash flow statement cannot be immediately derived from the published financial records.

### Financial Highlights

#### Explanation of financial ratios

|                  |  |
|------------------|--|
| Return on assets | $\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$       |
| Solvency ratio   | $\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$ |
| Return on equity | $\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$      |