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Newco Scanbox Denmark ApS

Magstræde 10 A, st. th.
1204 København K
Central Business Registration
No 25692977

Annual report 2017

The Annual General Meeting adopted the annual report on 06.06.2018

Chairman of the General Meeting

Name: Þórir Snær Sigurjónsson

Contents

Entity details

Entity
Newco Scanbox Denmark ApS
Magstræde 10 A, st. th.
1204 København K

Central Business Registration No (CVR): 25692977
Registered in: København
Financial year: 01.01.2017 - 31.12.2017

Board of Directors
Sigurjón Sighvatsson, formand
Þórir Snær Sigurjónsson
Christian Solomon
Nicolas Chartier
Christopher Dylan Briggs

Executive Board
Sigurjón Sighvatsson

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Newco Scanbox Denmark ApS for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

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

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 06.06.2018

Executive Board

Sigurjón Sighvatsson

Board of Directors

Sigurjón Sighvatsson formand	Þórir Snær Sigurjónsson	Christian Solomon
Nicolas Chartier	Christopher Dylan Briggs	

Independent auditor's report

To the shareholders of Newco Scanbox Denmark ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Newco Scanbox Denmark ApS for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 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 financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent 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 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 Entity'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 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 Entity'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 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

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

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Copenhagen, 06.06.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

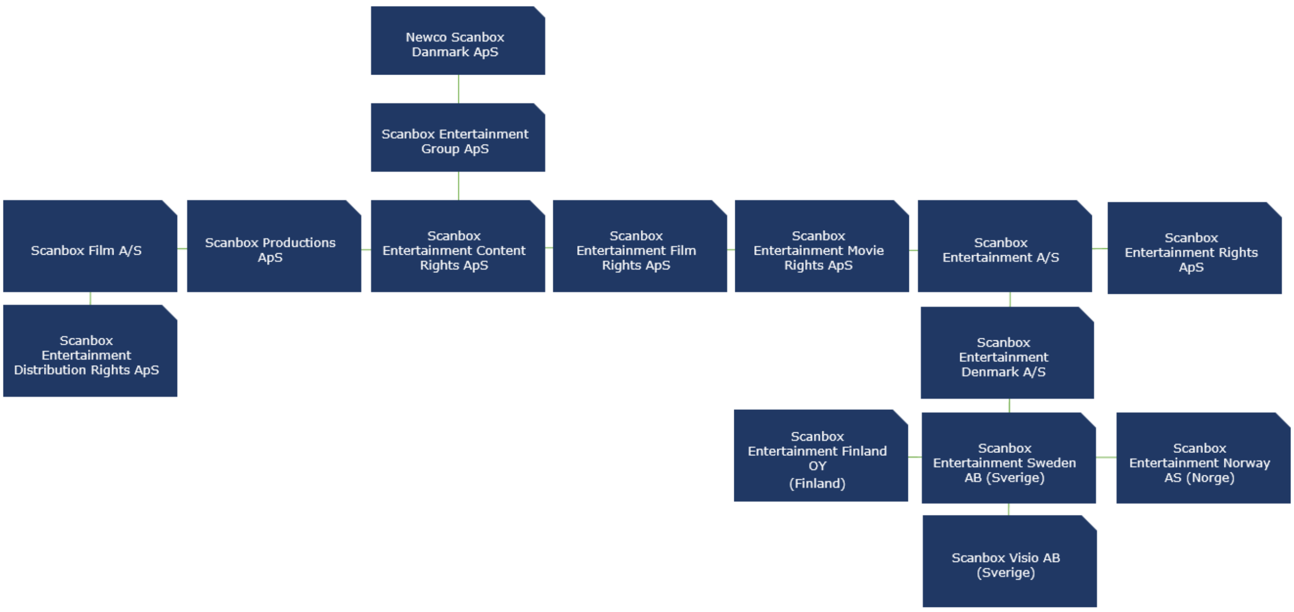
Kenneth Biirsdahl
State Authorised Public Accountant
Identification No (MNE) mne32123

Ove Nielsen
State Authorised Public Accountant
Identification No (MNE) mne16614

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2013/14 DKK'000
Financial highlights				
Key figures				
Gross profit	67.745	81.028	75.354	80.714
EBITDA	52.322	64.671	58.208	57.741
Operating profit/loss	14.571	24.702	25.400	33.243
Net financials	(903)	(93)	(3.304)	(4.323)
Profit/loss for the year	8.652	30.280	21.006	30.839
Total assets	252.013	246.707	233.185	215.164
Investments in property, plant and equipment	0	152	1.884	53
Investments in intangible assets	63.560	57.635	80.241	54.713
Equity	96.653	88.323	62.444	41.242
Cash flows from (used in) operating activities	65.361	77.065	63.114	43.450
Cash flows from (used in) investing activities	(63.412)	(57.787)	(82.125)	(76.662)
Cash flows from (used in) financing activities	0	(4.100)	0	(11.000)
Ratios				
Return on equity (%)	9,4	40,2	40,5	74,8
Equity ratio (%)	38,4	35,8	26,8	19,2

Group structure



Management commentary

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Group’s key business activity is to acquire licensing rights to feature films and similar rights related to the entertainment business for distribution in the Nordic and European markets.

Development in activities and finances

The profit after tax amounts to DKK 8.652k. Profit for the year is essentially attributable to the following circumstances:

- Amortisation of negative goodwill, DKK 8m
- Adjustment of the cost structure in order to align it with the Group’s activity level.

The adverse development in the performance from 2016 to 2017 is mainly caused by income in 2016 from isolated blockbuster releases and the general development in the Home Entertainment segment.

Competition and market conditions

The market for distributing films is ever changing with the market for physical DVDs and Blu-rays (sale and rental) is declining whereas the market for various digital electronic distribution channels is growing. Newco Scanbox Denmark ApS currently seeks to exercise its distribution rights in these emerging markets.

Staff

The staff’s qualifications and motivation constitute a key asset to Newco Scanbox Denmark ApS’s business, for which reason the companies seek to recruit and retain the best qualified professionals from the entertainment industry. At this moment we feel we have a strong and competent team in all countries.

Uncertainty relating to recognition and measurement

Rights to distribution of film are amortised on a straight-line basis over a period of 8 years from the date of entry into service, which is standard practice for the industry. Taking into account that there is great difference between the individual film’s performance on the individual types of revenue, the as-sessment of the average useful life is thus also subject to estimates.

It is Management’s assessment that the amortisation period determined reflects the average useful lives of the rights to distribution of films.

Risks

Newco Scanbox Denmark ApS’ companies face ordinary industry-specific risks. Besides those risks, no special risks are considered to exist for the Group's activities. Management regularly seeks to hedge the risks to which the Group is exposed.

Liqudity and capital resources

As in previous years, the Group’s credit facilities consist of a factoring agreement with Svea subject to a credit limit of DKK 21.370k, which at present can be used only in return for invoice discounting relating to the sale of physical DVDs, cinema films and TV contracts. In addition, the Group has an overdraft facility for DKK 25,000k through Swedbank.

Management commentary

Management believes that the 2018 budget is realizable, and takes into account the changes in market conditions and that the Group, given the existing factoring agreement and overdraft facility, holds the credit facilities necessary to realize the budget drawn up for 2018, and that the possibility of postponing payment for the distribution rights provides liquidity-wise flexibility allowing for reduction of even major budgetary deviations to the effect that the Group can continue as a going concern.

Outlook

The physical DVD and Blu-ray market has once again fallen . Scanbox sales fell with 43%. Scanbox is now partnering with Universal International Home Entertainment to minimize risks in a declining market and to minimize overhead.

Scanbox will also intensify investment and partnership in local titles - both to reinforce the overall profile of distribution, but also to ensure the strength of a market where competition for the larger independent titles are more significant. The goal is six to eight titles a year divided between the Nordic countries. This must be ensured through close collaboration with selected manufacturers and a reinforcement of local skills.

An increase in the level of activity of 3-5% is expected for the next financial year, and likewise a positive development in the results before tax.

Particular risks

Newco Scanbox Denmark ApS' companies face ordinary industry-specific risks. Besides those risks, no special risks are considered to exist for the Group's activities. Management regularly seeks to hedge the risks to which the Group is exposed.

Environmental performance

Referring to section 99a of the Danish Financial Statements Act, the Group has no politics regarding social responsibility

Research and development activities

There is no actual research and development activities in the Group.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Gross profit		**67.745**	**81.028**
Staff costs	2	(15.423)	(16.357)
Depreciation, amortisation and impairment losses		(37.751)	(39.969)
Operating profit/loss		**14.571**	**24.702**
Other financial income		1.193	3.352
Other financial expenses		(2.096)	(3.445)
Profit/loss before tax		**13.668**	**24.609**
Tax on profit/loss for the year	3	(5.016)	5.671
Profit/loss for the year	4	**8.652**	**30.280**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Acquired intangible assets		223.012	205.261
Prepayments for intangible assets		5.329	4.762
Intangible assets	5	**228.341**	**210.023**
Other fixtures and fittings, tools and equipment		522	1.217
Property, plant and equipment	6	**522**	**1.217**
Other receivables		128	126
Fixed asset investments	7	**128**	**126**
Fixed assets		**228.991**	**211.366**
Trade receivables		11.148	17.504
Deferred tax	8	0	4.925
Other receivables		2.703	2.431
Income tax receivable		177	0
Prepayments	9	4.047	6.827
Receivables		**18.075**	**31.687**
Cash		**4.947**	**3.654**
Current assets		**23.022**	**35.341**
Assets		**252.013**	**246.707**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital		123	123
Retained earnings		92.810	88.200
Proposed dividend		3.720	0
Equity		**96.653**	**88.323**
Other provisions		14.219	17.542
Provisions		**14.219**	**17.542**
Deferred income		24.108	32.144
Non-current liabilities other than provisions	10	**24.108**	**32.144**
Current portion of long-term liabilities other than provisions	10, 11	8.036	8.036
Bank loans		29.043	29.699
Trade payables		59.378	50.804
Income tax payable		0	133
Other payables		4.147	4.983
Deferred income		16.429	15.043
Current liabilities other than provisions		**117.033**	**108.698**
Liabilities other than provisions		**141.141**	**140.842**
Equity and liabilities		**252.013**	**246.707**

Uncertainty relating to recognition and measurement	1
Unrecognised rental and lease commitments	13
Contingent assets	14
Assets charged and collateral	15
Transactions with related parties	16
Subsidiaries	17

Consolidated statement of changes in equity for 2017

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	123	88.200	0	88.323
Exchange rate adjustments	0	(322)	0	(322)
Profit/loss for the year	0	4.932	3.720	8.652
Equity end of year	**123**	**92.810**	**3.720**	**96.653**

Consolidated cash flow statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Operating profit/loss		14.571	24.703
Amortisation, depreciation and impairment losses		37.751	39.969
Other provisions		(3.323)	4.171
Working capital changes	12	17.665	8.282
Cash flow from ordinary operating activities		**66.664**	**77.125**
Financial income received		1.193	3.352
Financial income paid		(2.096)	(3.412)
Income taxes refunded/(paid)		(400)	0
Cash flows from operating activities		**65.361**	**77.065**
Acquisition etc of intangible assets		(63.410)	(57.635)
Acquisition etc of property, plant and equipment		0	(152)
Acquisition of fixed asset investments		(2)	0
Cash flows from investing activities		**(63.412)**	**(57.787)**
Dividend paid		0	(4.100)
Cash flows from financing activities		**0**	**(4.100)**
Increase/decrease in cash and cash equivalents		**1.949**	**15.178**
Cash and cash equivalents beginning of year		(26.045)	(41.223)
Cash and cash equivalents end of year		**(24.096)**	**(26.045)**
Cash and cash equivalents at year-end are composed of:			
Cash		4.947	3.654
Short-term debt to banks		(29.043)	(29.699)
Cash and cash equivalents end of year		**(24.096)**	**(26.045)**

Notes to consolidated financial statements

1. Uncertainty relating to recognition and measurement

Rights to distribution of film are amortised on a straight-line basis over a period of 8 years from the date of entry into service, which is standard practice for the industry. Taking into account that there is great difference between the individual film's performance on the individual types of revenue, the assessment of the average useful life is thus also subject to estimates.

It is Management's assessment that the amortisation period determined reflects the average useful lives of the rights to distribution of films.

	2017 DKK'000	2016 DKK'000
2. Staff costs		
Wages and salaries	11.860	12.628
Pension costs	2.121	2.322
Other social security costs	1.304	1.229
Other staff costs	138	178
	15.423	**16.357**
Average number of employees	**27**	**28**

	Remuneration of management 2017 DKK'000	Remuneration of management 2016 DKK'000
Total amount for management categories	4.975	4.884
	4.975	**4.884**

	2017 DKK'000	2016 DKK'000
3. Tax on profit/loss for the year		
Current tax	38	85
Change in deferred tax	4.925	(5.756)
Adjustment concerning previous years	53	0
	5.016	**(5.671)**

	2017 DKK'000	2016 DKK'000
4. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	3.720	0
Retained earnings	4.932	30.280
	8.652	**30.280**

Notes to consolidated financial statements

	Acquired intangible assets DKK'000	Prepay-ments for intangible assets DKK'000
5. Intangible assets		
Cost beginning of year	324.959	4.762
Additions	62.432	1.128
Disposals	0	(150)
Cost end of year	**387.391**	**5.740**
Amortisation and impairment losses beginning of year	(119.698)	0
Impairment losses for the year	(2.300)	(411)
Amortisation for the year	(42.381)	0
Amortisation and impairment losses end of year	**(164.379)**	**(411)**
Carrying amount end of year	**223.012**	**5.329**

Of international licensing rights to films, DKK 10.6 mio. concerns prepayments on movies not yet delivered.

	Other fixtures and fittings, tools and equipment DKK'000
6. Property, plant and equipment	
Cost beginning of year	2.507
Cost end of year	**2.507**
Revaluations beginning of year	(225)
Revaluations end of year	**(225)**
Depreciation and impairment losses beginning of year	(1.065)
Depreciation for the year	(695)
Depreciation and impairment losses end of year	**(1.760)**
Carrying amount end of year	**522**

Notes to consolidated financial statements

	Other receivables DKK'000
7. Fixed asset investments	
Cost beginning of year	126
Additions	2
Cost end of year	**128**
Carrying amount end of year	**128**

8. Deferred tax

All change in deferred tax is recognised in the income statement.

9. Prepayments

Prepayments comprise prepaid expenses at the balance sheet date.

	Due within 12 months 2017 DKK'000	Due within 12 months 2016 DKK'000	Due after more than 12 months 2017 DKK'000
10. Liabilities other than provisions			
Deferred income	8.036	8.036	24.108
	8.036	**8.036**	**24.108**

11. Current portion of long-term liabilities other than provisions

Negative goodwill on aquisition of investments

	2017 DKK'000	2016 DKK'000
12. Change in working capital		
Increase/decrease in inventories	0	3.480
Increase/decrease in receivables	8.864	(1.358)
Increase/decrease in trade payables etc	8.801	6.160
	17.665	**8.282**

	2017 DKK'000	2016 DKK'000
13. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**1.547.066**	**1.854.560**

Notes to consolidated financial statements

14. Contingent assets
The Group has a deferred tax asset of DKK 4,9m relating to tax losses which, taking into consideration the uncertainty of the utilisation thereof within a period of 3-5 years, has not been capitalised.

15. Assets charged and collateral
For all assets not charged, a prohibition of pledging exists.

Security has been provided to the banks on cash of DKK 147k at 31.12.2017 (2016: 147k).

A floating charge on unsecured claims, trade receivables and international film distribution rights has been provided as security for bank loans. The carrying amount of assets charged is DKK 89.541k at 31.12.2017 (2016: 115.883k).

The trade receivables are pledged as a result of factoring. Pledged trade receivables are DKK 11.148k (2016: 17.504k).

As security for the bank debt floating charges is issued at DKK 5.000k on trade receivables.

Book value of pledged assets amounts DKK 3.066k at 31.12.2017 (2016: 31.445k).

The Group has a residual liability of DKK 41.7m in relation to films not yet delivered.

16. Transactions with related parties
Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

Notes to consolidated financial statements

17. Subsidiaries	Registered in	Corporate form	Equity interest %
Scanbox Entertainment Group ApS	Copenhagen	ApS	100,0
- Scanbox Entertainment A/S	Copenhagen	A/S	100,0
- Scanbox Entertainment Denmark A/S	Copenhagen	A/S	100,0
- Scanbox Entertainment Finland OY	Finland	OY	100,0
- Scanbox Entertainment Norway AS	Norway	AS	100,0
- Scanbox Entertainment Sweden AB	Sweden	AB	100,0
- Scanbox Entertainment Vision AB	Sweden	AB	100,0
- Scanbox Film A/S	Copenhagen	A/S	100,0
- SBE Distribution Rights ApS	Copenhagen	ApS	100,0
- Scanbox Productions ApS	Copenhagen	ApS	100,0
- Scanbox Entertainment Content Rights ApS	Copenhagen	ApS	100,0
- Scanbox Entertainment Film Rights ApS	Copenhagen	ApS	100,0
- Scanbox Entertainment Movie Rights ApS	Copenhagen	ApS	100,0
- Scanbox Entertainment Rights ApS	Copenhagen	ApS	100,0

Parent income statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Gross loss		**(26)**	**(1.020)**
Income from investments in group enterprises		9.062	29.004
Other financial income from group enterprises		0	76
Other financial income		0	3.009
Other financial expenses	2	(326)	(421)
Profit/loss before tax		**8.710**	**30.648**
Tax on profit/loss for the year	3	(58)	(368)
Profit/loss for the year	4	**8.652**	**30.280**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Investments in group enterprises		142.358	141.654
Fixed asset investments	5	**142.358**	**141.654**
Fixed assets		**142.358**	**141.654**
Receivables from group enterprises		2.859	5.635
Receivables		**2.859**	**5.635**
Current assets		**2.859**	**5.635**
Assets		**145.217**	**147.289**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital	6	123	123
Reserve for net revaluation according to the equity method		46.322	45.618
Retained earnings		46.488	42.582
Proposed dividend		3.720	0
Equity		**96.653**	**88.323**
Deferred income	7	24.108	32.144
Non-current liabilities other than provisions	8	**24.108**	**32.144**
Current portion of long-term liabilities other than provisions	8	8.036	8.036
Trade payables		23	22
Payables to group enterprises		16.397	18.409
Joint taxation contribution payable		0	355
Current liabilities other than provisions		**24.456**	**26.822**
Liabilities other than provisions		**48.564**	**58.966**
Equity and liabilities		**145.217**	**147.289**
Staff costs	1		
Contingent liabilities	9		
Related parties with controlling interest	10		
Transactions with related parties	11		

Parent statement of changes in equity for 2017

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	123	45.618	42.582	0
Exchange rate adjustments	0	(322)	0	0
Profit/loss for the year	0	1.026	3.906	3.720
Equity end of year	**123**	**46.322**	**46.488**	**3.720**

	Total DKK'000
Equity beginning of year	88.323
Exchange rate adjustments	(322)
Profit/loss for the year	8.652
Equity end of year	**96.653**

Notes to parent financial statements

	2017	2016
1. Staff costs		
Average number of employees	**0**	**0**

	2017 DKK'000	2016 DKK'000
2. Other financial expenses		
Financial expenses from group enterprises	314	421
Other interest expenses	12	0
	326	**421**

	2017 DKK'000	2016 DKK'000
3. Tax on profit/loss for the year		
Change in deferred tax	0	180
Adjustment concerning previous years	58	0
Refund in joint taxation arrangement	0	188
	58	**368**

	2017 DKK'000	2016 DKK'000
4. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	3.720	0
Transferred to reserve for net revaluation according to the equity method	1.026	19.505
Retained earnings	3.906	10.775
	8.652	**30.280**

	Invest-ments in group enterprises DKK'000
5. Fixed asset investments	
Cost beginning of year	96.036
Cost end of year	**96.036**
Revaluations beginning of year	45.618
Exchange rate adjustments	(322)
Share of profit/loss for the year	1.026
Revaluations end of year	**46.322**
Carrying amount end of year	**142.358**

Notes to parent financial statements

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	Number	Par value DKK'000	Nominal value DKK'000
6. Contributed capital			
A-shares	80.000	1	80.000
B-shares	43.077	1	43.077
	123.077		**123.077**

7. Long-term deferred income
Negative goodwill on acquisition of investments.

	Due within 12 months 2017 DKK'000	Due within 12 months 2016 DKK'000	Due after more than 12 months 2017 DKK'000
8. Liabilities other than provisions			
Deferred income	8.036	8.036	24.108
	8.036	**8.036**	**24.108**

9. Contingent liabilities
The Company serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013/14 for income taxes etc. for the jointly taxed companies and from 2013/14 also for obligations, if any, relating to the withholding of tax on interes, royalties and dividends for these companies.

The Entity is jointly and severally liable with the jointly registered group enterprises for total VAT payables.

10. Related parties with controlling interest
The Entity is not subject to controlling influence from related parties.

11. Transactions with related parties
Only related party transactions not conducted on an arm’s length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year, however, with minor restatements of the comparative figures to ensure comparability between the two financial years.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

Accounting policies

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life, however, no more than 20 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet under deferred income, and they are recognised in the income statement when such adverse development is realised.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items

Accounting policies

of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including

Accounting policies

interest income on receivables from group enterprises, net capital gains on payables transactions in foreign-currencies as well as tax relief under the Danish Tax Prepayment Scheme etc

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income is allovated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet
Intellectual property rights etc
Intellectual property rights acquired comprise licensing rights for the distribution of films and film catalogues.

Intellectual property rights acquired are measured at cost less accumulated amortisation and impairment losses. The basis of amortisation is cost. Straight-line amortisation is made over a period ranging from 7 to 8 years based on an assessment of the rights' estimated economic lives. As for licensing rights, the amortisation period cannot be longer than the remaining life of the rights concerned.

Intellectual property rights acquired etc are written down to the lower of recoverable amount and carrying amount.

Intellectual property rights acquired have been calculated in DKK translated from contract currency (primarily USD and EUR) according to the exchange rate at the payment date.

Property, plant and equipment
Other fixtures and fittings, tools and equipment and leashold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-7 years

Accounting policies

Leasehold improvements	5 years

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

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

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

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

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

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

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Accounting policies

Other provisions
Other provisions comprise anticipated costs of returns and loss on contracts relating to subsequent financial years. etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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

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

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

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

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and less short-term bank loans.