# Scanbox Entertainment Group ApS

Magstræde 10A, st. th.

1204 København K,

CVR no. 25692977

## Annual report 2020

Approved at the Company's annual general meeting on 21 July 2021

Chair of the meeting:

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Þórir Snær Sigurjónsson



Building a better working world

## Contents

## Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Scanbox Entertainment Group ApS for the financial year 1 January – 31 December 2020.

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 financial position of the Group and the Parent Company at 31 December 2020 and of the results of their operations and consolidated cash flows for the financial year 1 January – 31 December 2020.

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

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

Copenhagen, 21 July 2021
Executive Board:

Þórir Snær Sigurjónsson
CEO

Board of Directors:

Lars Pries Stoltze
Chairman

Christopher Dylan Briggs

Torben Thorup Jørgensen

Þórir Snær Sigurjónsson

Kim William Beich

## Independent auditor's report

**To the shareholders of Scanbox Entertainment Group ApS**

**Qualified Opinion**

We have audited the financial statements of Scanbox Entertainment Group ApS, for the financial year 1 January – 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity, and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, except for the potential effect(s) of the matter(s) described in the "Basis for qualified opinion" section on the comparative figures, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

**Basis for qualified opinion**

We have been elected as auditors of the Company on the general meeting on the 9 December 2020. We were not able to obtain sufficient and appropriate audit evidence regarding the opening balance as at 1 January 2020. As opening balances affect the income statement for 2020, we were not able to determine whether adjustments to the Company's income statement for 2020 might have been necessary. Consequently, our opinion on the financial statement for the current period has been modified. Our opinion on the financial statements for the current period has also been modified due to the potential effect of the matter on the comparability between the current period's figures and the comparative figures.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

***Independence***

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

**Management's responsibilities for the 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 as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 financial statements unless Management either intends to liquidate the Group or the Parent 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 as to 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 additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 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 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 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 Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the 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 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 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 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.

## Independent auditor's report

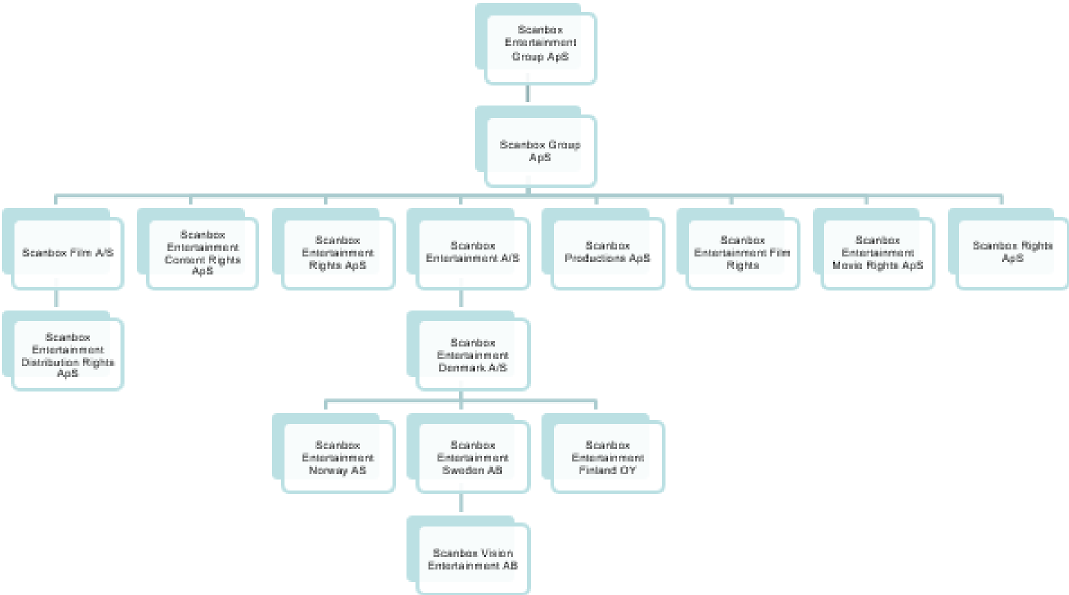
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 21 July 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Ole Becker
State Authorised
Public Accountant
mne33732

# Management's review

## Group chart




## Financial highlights for the Group

| DKK'000 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Gross profit | 75,997 | 66,015 | 85,687 | 67,745 | 81,028 |
| Depreciation, amortisation and impairment losses | -58,990 | -47,295 | -58,003 | -37,751 | -39,969 |
| Operating profit | 5,167 | 5,362 | 2,930 | 14,571 | 24,702 |
| Net financials | -1,653 | -1,901 | 474 | -903 | -93 |
| Profit/loss for the year | 3,506 | 3,465 | 3,366 | 8,652 | 30,280 |
| | | | | | |
| Total assets | 230,679 | 230,022 | 238,388 | 252,013 | 246,707 |
| Investments in property, plant and equipment | - | - | - | - | 152 |
| Investments in intangible assets | 45,006 | 35,484 | 53,628 | 63,560 | 57,635 |
| Equity | 84,371 | 99,295 | 95,914 | 96,653 | 88,323 |
| | | | | | |
| Cash flows from operating activities | 70,614 | 38,607 | 40,001 | 65,361 | 77,065 |
| Cash flows from investing activities | -44,911 | -35,485 | -53,257 | -63,412 | -57,787 |
| Cash flows from financing activities | -9,146 | -2,423 | -3,720 | - | -4,100 |
| Total cash flows | 16,447 | 699 | -16,976 | -1,949 | 15,178 |
| **Financial ratios** | | | | | |
| Equity ratio | 36.6 % | 43,2 % | 40,2 % | 38,4 % | 35,8 % |
| Return on equity | 3.8 % | 3,6 % | 3,5 % | 9,5 % | 42,2 % |
| | | | | | |
| Average number of full-time employees | **16** | **17** | **23** | **27** | **28** |

The financial ratios stated under "Financial highlights" have been calculated as follows:

Equity ratio: Equity at year-end*100/Total assets

Return on equity: Profit/loss for the year*100/Average equity

## Management commentary

### Principal 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 markets.

The parent company is only holding shares.

### Development in activities and financial matters

The profit after tax amounts to DKK 3,506, which is not satisfied.

Our expected decrease of 5 %in the level of activities was furthermore affected by planned content being moved to 2021 and a decrease in available content due to production-restrictions under Corona pandemic.

### Risks

#### *General business risks*

The market for distributing films is ever changing with the market for physical DVDs and Blu-rays (sale and rental) is still declining, whereas the market for various digital electronic distribution channels is growing.

Scanbox Entertainment Group ApS seeks to exercise its distribution rights in these emerging markets.

#### *Staff*

The staff's qualifications and motivation constitute a key asset to Scanbox Entertainment Group 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 amortized 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. Considering that there can be 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 amortization period determined reflects the average useful lives of the rights to distribution of films.

### Liquidity and capital resources

As in previous years, the Group's credit facilities in 2020 consist of a factoring agreement with Svea subject to a credit limit of DKK 20 million which could be used only in return for invoice discounting relating to the sale of physical DVDs, cinema films and TV contracts We have during early 2020 outphased and resigned the Svea factoring agreement and replaced it with an increased credit line with Sydbank, as part of our increasing relationship and cooperation with Sydbank. Overall, the Group have an overdraft facility for DKK 50 million through Sydbank. At 31 December 2020 the overdraft amounts to net DKK 17.2 million.

Management believes that the 2021 budget is realistic, despite the aftermath of the Corona pandemic, 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 2021, and that the possibility of postponing payment for the distribution rights provides liquidity-wise

## Management commentary

flexibility allowing for reduction of even major budgetary deviations to the effect that the Group can continue as a going concern.

### Outlook

We expect that the physical DVD and Blu-ray market will once again decrease in value. Scanbox sales fell with 10% Scanbox has discontinued it's partnership with Universal International Home Entertainment and teamed up with SMD, a Danish sub-distributor with lower costs and a more pro-active distribution strategy. Thus we will minimize our release costs and risks in a declining market and optimize the fees in general.

Scanbox will also intensify investment and partnerships 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 local titles a year, divided between the Nordic countries. This must be ensured through close collaboration with selected manufacturers and a reinforcement of local skills.

Overall, the outbreak and spread of COVID-19 at the beginning of 2020 have had an impact on the company, and has led to increased uncertainty regarding future sales, particular in the cinema-segment.

Due to the Corona situation, we expect a decrease in the level of overall activities of 5-10%for the next financial year. The COVID-19 pandemic therefore means that management has reassessed its expectations and is expecting slightly lower revenue for Theatrical than originally budgeted for 2021. Numerous titles have been postponed in production and the Theatrical market has been shut down, but income from digital ancillary platforms and new svod players have secured a healthy inflow, while we at the same time have postponed costs in relation to the theatrical releases. This will show a topline decrease, but should keep us at a healthy bottom line, regardless. However, it is not possible to make a reliable final estimate of the overall impact of the pandemic on the company and its result for 2021.

### Particular risks

### Currency risks

A significant part of the company's acquisition of distribution rights is in USD and EUR. Revenues on Pay-TV and SVOD are mainly in USD. The company's currency risks are largely hedged.

### Other risks

Scanbox Entertainment Group ApS' companies face ordinary industry-specific risks, but also the consequences from the aftermath of the Corona crisis, and the increased content vacuuming from the streamers, which can push the consumer behavior on the Theatrical market until further into 2022. 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.

### Research and development activities

There are no actual research and development activities in the Group, however, we will intensify the sourcing of material to produce, starting late 2021.

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

## Income statement

| | | Group | | Parent Company | |
|---|---|---|---|---|---|
| Note | DKK'000 | 2020 | 2019 | 2020 | 2019 |
| | **Gross profit/loss** | 75,997 | 66,015 | -735 | -126 |
| 3 | Staff costs | -11,840 | -13,358 | - | - |
| 9 | Income from investments in group enterprises | - | - | 4,232 | 3,999 |
| 7,8 | Depreciation, amortisation and impairment losses | -58,990 | -47,295 | - | - |
| | **Operating profit/loss** | 5,167 | 5,362 | 3,497 | 3,873 |
| 4 | Financial income | 756 | 234 | 426 | 0 |
| 5 | Financial expenses | -2,409 | -2,135 | -445 | -412 |
| | **Profit/loss before tax** | 3,514 | 3,461 | 3,478 | 3,461 |
| 6 | Tax on profit/loss for the year | -8 | 4 | 28 | 4 |
| | **Profit/loss for the year** | 3,506 | 3,465 | 3,506 | 3,465 |

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

## Balance sheet

| | | Group | | Parent Company | |
|---|---|---|---|---|---|
| Note | DKK'000 | 2020 | 2019 | 2020 | 2019 |
| | **ASSETS** | | | | |
| | **Fixed assets** | | | | |
| 7 | **Intangible assets** | | | | |
| | Acquired intangible assets | 180,673 | 190,917 | - | - |
| | Prepayments for intangible assets | 8,976 | 12,850 | - | - |
| | | 189,649 | 203,767 | - | - |
| 8 | **Property, plant and equipment** | | | | |
| | Fixtures and fittings, tools and equipment | 0 | 0 | - | - |
| | | 0 | 0 | - | - |
| | **Investments** | | | | |
| 9 | Equity investments in subsidiaries | - | - | 96,775 | 117,488 |
| | Deposits | 405 | 501 | - | - |
| | Other receivables | 133 | 130 | - | - |
| | | 538 | 631 | 96,775 | 117,488 |
| | **Total fixed assets** | 190,187 | 204,398 | 96,775 | 117,488 |
| | **Non-fixed assets** | | | | |
| | **Receivables** | | | | |
| | Trade receivables | 16,057 | 15,913 | - | - |
| | Receivables from subsidiaries | - | - | 10,170 | 3,212 |
| | Income tax receivables | 394 | 392 | 116 | 87 |
| | Other receivables | 434 | 1,215 | 62 | - |
| 10 | Prepayments | 2,387 | 3,331 | - | - |
| | | 19,272 | 20,851 | 10,348 | 3,299 |
| | **Cash** | 21,220 | 4,773 | 110 | - |
| | **Total non-fixed assets** | 40,492 | 25,624 | 10,458 | 3,299 |
| | **TOTAL ASSETS** | 230,679 | 230,022 | 107,233 | 120,787 |

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

## Balance sheet

| Note | DKK'000 | Group 2020 | Group 2019 | Parent Company 2020 | Parent Company 2019 |
|---|---|---|---|---|---|
| | **EQUITY AND LIABILITIES** | | | | |
| | **Equity** | | | | |
| 11 | Share capital | 141 | 123 | 141 | 123 |
| | Net revaluation according to the equity method | - | - | 65,027 | 85,740 |
| | Retained earnings | 84,230 | 99,172 | 19,202 | 13,432 |
| | **Total equity** | 84,371 | 99,295 | 84,371 | 99,295 |
| | **Provisions** | | | | |
| 12 | Deferred tax | 0 | 0 | 0 | 0 |
| 13 | Other provisions | 1,000 | 1,350 | - | - |
| | **Total provisions** | 1,000 | 1,350 | 0 | 0 |
| | **Liabilities other than provisions** | | | | |
| 14 | **Non-current liabilities other than provisions** | | | | |
| | Bank loans | 10,125 | - | 10,125 | - |
| | Deferred income | 0 | 8,036 | - | - |
| | Other payables | 0 | 356 | - | - |
| | | 10,125 | 8,392 | 10,125 | 0 |
| | **Current liabilities other than provisions** | | | | |
| 14 | Current portion of non-current liabilities other than provisions | 11,411 | 8,036 | 3,375 | - |
| | Bank loans | 38,452 | 42,723 | - | - |
| | Trade payables | 46,799 | 55,178 | - | 25 |
| | Payables to subsidiaries | - | - | - | 21,467 |
| | Corporation tax | - | - | - | - |
| | Other payables | 17,443 | 2,960 | 9,362 | - |
| | Deferred income | 21,078 | 12,088 | - | - |
| | | 135,183 | 120,985 | 12,737 | 21,492 |
| | **Total liabilities other than provisions** | 145,308 | 129,377 | 22,862 | 21,492 |
| | **TOTAL EQUITY AND LIABILITIES** | 230,679 | 230,022 | 107,233 | 120,787 |

1 Accounting policies
2 Material uncertainty related to recognition and measurement
15 Contractual obligations and contingencies, etc.
16 Assets charged and collateral
17 Leases
18 Related parties
19 Distribution of profit/loss

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

## Statement of changes in equity

| Note | DKK'000 | Share capital | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|---|
| | Equity at 1 January 2019 | 123 | 95,791 | 0 | 95,914 |
| | Distributed dividend | 0 | 0 | 0 | 0 |
| | Transferred; see distribution of profit/loss | 0 | 3,465 | 0 | 3,465 |
| | Foreign exchange adjustments, foreign subsidiary | | -84 | 0 | -84 |
| | **Equity at 1 January 2020** | 123 | 99,172 | 0 | 99,295 |
| | Distributed dividend | 0 | 0 | 0 | 0 |
| | Transferred; see distribution of profit/loss | 0 | 3,506 | 0 | 3,506 |
| | Foreign exchange adjustments, foreign subsidiary | 0 | 55 | | 55 |
| | Own shares | 0 | -21,735 | 0 | -21,735 |
| | Capital increase | 19 | 3,231 | 0 | 3,250 |
| | **Equity at 31 December 2020** | 142 | 84,229 | 0 | 84,371 |

## Statement of changes in equity

| Note | DKK'000 | Share capital | Net revaluation reserve according to the equity method | Retained earnings | Total |
|---|---|---|---|---|---|
| | Equity at 1 January 2019 | 123 | 81,825 | 13,966 | 95,914 |
| | Transferred; see distribution of profit/loss | | 3,999 | -534 | 3,465 |
| | Foreign exchange adjustments, foreign subsidiaries | | -84 | 0 | -84 |
| | **Equity at 1 January 2020** | 123 | 85,740 | 13,432 | 99,295 |
| 19 | Transferred; see distribution of profit/loss | - | 4,232 | -726 | 3,506 |
| | Foreign exchange adjustments, foreign subsidiaries | - | 55 | 0 | 55 |
| | Divided | | -25.000 | 25.000 | 0 |
| | Own shares | 0 | 0 | -21,735 | -21,735 |
| | Capital increase | 19 | 0 | 3,231 | 3,250 |
| | **Equity at 31 December 2020** | 142 | 65,027 | 19,202 | 84,371 |

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

## Cash flow statement

| | | Group | |
|---|---|---|---|
| **Note** | **DKK'000** | **2020** | **2019** |
| | **Operating profit/loss** | 5,167 | 5,362 |
| | Depreciation, amortisation and write-downs | 58,990 | 47,296 |
| | Other adjustments of non-cash operating items | -8,808 | -13,601 |
| | Cash generated from operations before changes in working capital | 55,349 | 39,057 |
| | Changes in working capital | | |
| | Changes in trade receivables and other receivables | 1,579 | -1,924 |
| | Changes in trade payables and other debt | 14,738 | 3,498 |
| | Cash generated from operations | 71,666 | 40,631 |
| | Interest received | 756 | 234 |
| | Interest paid | -1,808 | -2,135 |
| | Corporation tax paid | 0 | - 123 |
| | **Cash flows from operating activities** | 70,614 | 38,607 |
| | Acquisition of intangible assets | -45,006 | -35,484 |
| | Disposal of intangible assets | 0 | 65 |
| | Change in deposit | 95 | -66 |
| | **Cash flows from investing activities** | -44,911 | -35,485 |
| | Bank loan | 13,500 | - |
| | Changes in credit facilities | -4,161 | -2,423 |
| | *Shareholders:* | | |
| | Capital injection | 3,250 | - |
| | Own shares | -21,735 | - |
| | **Cash flows from financing activities** | -9,146 | -2,423 |
| | **Cash flows for the year** | 16,447 | 699 |
| | Cash and cash equivalents, beginning of year | 4,773 | 4,074 |
| | **Cash and cash equivalents, year end** | 21,330 | 4,773 |

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

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

## Notes

1 **Accounting policies**

The annual report of Scanbox Entertainment Group ApS for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium reporting class C entities.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed new and amended presentation and disclosure requirements.

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

### 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

***Control***

The consolidated financial statements comprise the Parent Company Scanbox Entertainment Group ApS and subsidiaries controlled by Scanbox Entertainment Group ApS.

Control means the power to exercise decisive influence over a subsidiary's financial and operating decisions. Moreover, the possibility of yielding a return from the investment is required.

In assessing whether the Parent Company controls an entity, de facto control is also taken into consideration.

The existence of potential voting rights that may currently be exercised or converted into additional voting rights is considered when assessing whether an entity may become empowered to exercise decisive influence over another entity's financial and operating decisions.

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

## Notes

1 **Accounting policies (continued)**

***Preparation of consolidated financial statements***

The consolidated financial statements are prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

The subsidiaries' financial statement items are included 100%in the consolidated financial statements. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries that are not wholly-owned are included in the Group's profit/loss and equity, respectively, but are presented separately.

**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.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign entities at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

## Income statement

**Revenue**

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Revenue sale of distribution rights is recognised in the income statement when delivery is made and risk has passed to the buyer.

Risk transition associated with sales to Cinema and Video On Demand takes place in line with the end user's utilization of provided distribution rights. Revenue associated with sales to TV stations is recognized by the delivery of master tapes / files based on contracts concluded.

Sales of DVD related sales are recognized when delivery to the buyer has taken place.

Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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

### Notes

### 1 Accounting policies (continued)

**Other operating income**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including film grants at movie launch.

**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 writedown 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

**Profit/loss from equity investments in subsidiaries**

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries. Only proportionate elimination of intra-group gains/losses is made for equity investments in associates.

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the Parent Company after full elimination of intra-group profits/losses.

**Financial income and expenses**

Financial income and expenses comprise interest income and expenses, 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.

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

## Notes

### 1 Accounting policies (continued)

#### Tax for the year

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

Thor Film ApS acts as administration company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporation tax charge 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 been able to use the tax losses to reduce their own taxable income.

Tax for the year comprises current income tax, joint taxation contribution and changes in deferred tax for the year due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts recognised directly in equity is recognised directly in equity.

## Balance sheet

#### Intangible assets

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.

Licensing rights for the distribution are amortised on a straight-line basis over a period of 8 years based on an assessment of the rights' estimated economic lives. The amortisation period cannot be longer than the remaining life of the rights concerned.

Film catalogues are amortised on a straight-line basis over a period of 7 years based on an assessment of the rights' estimated economic lives.

Prepayments for intangible assets are measured at cost.

Intellectual property rights acquired and prepayments for intangible assets 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.

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

### Notes

1 **Accounting policies (continued)**

**Property, plant and equipment**

Other 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 when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets, which are as follows:

| | |
|---|---|
| Fixtures and fittings, tools and equipment | 5 years |

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

**Equity investments in subsidiaries in the parent company financial statements**

Equity investments in subsidiaries are measured according to the equity method in the parent company financial statements. The Parent Company has chosen to consider the equity method a measurement method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding the consolidated financial statements above.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies in the consolidated financial statements. Negative goodwill is recognised in the income statement.

Dividend received is deducted from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

**Receivables**

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

**Prepayments**

Prepayments comprise costs incurred concerning subsequent financial years.

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

### Notes

1 **Accounting policies (continued)**

**Cash and cash equivalents**

Cash and cash equivalents comprise cash and short-term marketable securities with a remaining term of three months or less that are subject to only minor risks of changes in value.

**Equity**

***Net revaluation reserve according to the equity method***

Net revaluation of equity investments in subsidiaries is recognised at cost in the net revaluation reserve according to the equity method.

The reserve can be eliminated in case of losses, realisation of equity investments or changes in accounting estimates.

The reserve cannot be recognised at a negative amount.

***Dividend***

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

**Corporation tax and deferred tax**

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on taxable income in previous years and 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 base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to non-deductible goodwill and on office premises and other items where temporary differences – apart from acquisitions – arise at the acquisition date without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; 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 and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

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

### Notes

1 **Accounting policies (continued)**

**Provisions**

Other provisions comprise royalty, returned goods and cost for dismissal of employees.

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.

**Liabilities other than provisions**

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

Other liabilities are measured at net realisable value.

**Deferred income**

Deferred income relates to income to be recognised in the income statement in the coming periods.

### 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 disposals of entities is shown separately in cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

**Cash flows from operating activities**

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital, interest received and paid as well as corporation tax paid.

**Cash flows from investing activities**

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and investments. Dividends received regarding securities are also considered investing activities.

**Cash flows from financing activities**

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividend to shareholders.

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

## Notes

### 2 Material uncertainty related 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 can be 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.

| | | Group | | Parent Company | |
|---|---|---|---|---|---|
| | DKK'000 | 2020 | 2019 | 2020 | 2019 |
| **3** | **Staff costs** | | | | |
| | Wages and salaries | 10,175 | 10,240 | - | - |
| | Pension costs | 1,044 | 2,132 | - | - |
| | Other social security costs | 609 | 882 | - | - |
| | Other staff costs | 12 | 104 | - | - |
| | | 11,840 | 13,358 | - | - |
| | Average number of full-time employees | 16 | 17 | - | - |

Compensations received related to salaries under Covid-19 has been recognised under other income with DKK 434 thousand.

Pursuant to section 98b(3), (ii), of Danish Financial Statement Act, remuneration to Management is not disclosed.

| | | Group 2020 | Group 2019 | Parent 2020 | Parent 2019 |
|---|---|---|---|---|---|
| **4** | **Financial income** | | | | |
| | Foreign exchange gains, net | - | - | 426 | - |
| | Other financial income | 756 | 234 | - | - |
| | | 756 | 234 | 426 | - |
| **5** | **Financial expenses** | | | | |
| | Interest expenses to subsidiaries | - | - | 413 | 412 |
| | Foreign exchange gains, net | 601 | - | - | - |
| | Other financial expenses | 1,808 | 2,135 | 32 | - |
| | | 2,409 | 2,135 | 445 | 412 |
| **6** | **Tax for the year** | | | | |
| | Current tax for the year | 86 | 0 | 28 | - |
| | Adjustment concerning previous years | | - | - | -4 |
| | Deferred tax adjustment for the year | -94 | -4 | - | - |
| | | -8 | -4 | 28 | -4 |

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

## Notes

### 7 Intangible assets

| DKK'000 | Acquired intangible assets | Prepayments for intangible assets | Total |
|---|---|---|---|
| Cost at 1 January 2020 | 465,995 | 15,374 | 481,369 |
| Additions | 48,746 | 1,813 | 50,559 |
| Disposal | 0 | -6,410 | -6,410 |
| Cost at 31 December 2020 | 514.741 | 10,777 | 525,518 |
| Amortisation and impairment losses at 1 January 2020 | -275,078 | -2,524 | -277,602 |
| Amortisation | -45,990 | 0 | -45,990 |
| Impairment losses | -13.000 | 0 | -13.000 |
| Disposal | 0 | 726 | 726 |
| Amortisation and impairment losses at 31 December 2020 | -334,068 | -1,798 | -335,866 |
| **Carrying amount at 31 December 2020** | 180,673 | 8,976 | 189,649 |
| Amortised over | 8 years | | |

### 8 Property, plant and equipment

| DKK'000 | Fixtures and fittings, tools and equipment |
|---|---|
| Cost at 1 January 2020 | 2,507 |
| Cost at 31 December 2020 | 2,507 |
| Depreciation and impairment losses at 1 January 2020 | -2,507 |
| Depreciation and impairment losses at 31 December 2020 | -2,507 |
| **Carrying amount at 31 December 2020** | 0 |

### 9 Equity investments in subsidiaries

| | Parent Company | |
|---|---|---|
| DKK'000 | 2020 | 2019 |
| Cost at 1 January | 31,748 | 31,748 |
| Cost at 31 December | 31,748 | 31,748 |
| Value adjustments at 1 January | 85,740 | 81,825 |
| Foreign exchange adjustment | 55 | -84 |
| Badwill reversal | 8,036 | 8,036 |
| Distributed dividend | -25,000 | - |
| Profit/loss for the year | -3,804 | -4,037 |
| Value adjustments at 31 December | 65,027 | 85,740 |
| **Carrying amount at 31 December** | 96,775 | 117,488 |

Carrying amount of investments in group enterprises includes group negative goodwill of DKK 8,036 thousand.

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

## Notes

### 9 Equity investments in subsidiaries

| Name and registered office | Country | Registered in | Voting rights and ownership |
|---|---|---|---|
| Scanbox Group ApS | Denmark | Copenhagen | 100% |
| Scanbox Entertainment A/S | Denmark | Copenhagen | 100% |
| Scanbox Entertainment Denmark A/S | Denmark | Copenhagen | 100% |
| Scanbox Entertainment Finland OY | Finland | Helsinki | 100% |
| Scanbox Entertainment Norway AS | Norway | Oslo | 100% |
| Scanbox Entertainment Sweden AB | Sweden | Göteborg | 100% |
| Scanbox Entertainment Vision AB | Sweden | Göteborg | 100% |
| Scanbox Film A/S | Denmark | Copenhagen | 100% |
| SBE Distribution Rights ApS | Denmark | Copenhagen | 100% |
| Scanbox Productions ApS | Denmark | Copenhagen | 100% |
| Scanbox Entertainment Content Rights ApS | Denmark | Copenhagen | 100% |
| Scanbox Entertainment Film Rights ApS | Denmark | Copenhagen | 100% |
| Scanbox Entertainment Movie Rights ApS | Denmark | Copenhagen | 100% |
| Scanbox Entertainment Rights ApS | Denmark | Copenhagen | 100% |
| Scanbox Rights ApS | Denmark | Copenhagen | 100% |

All subsidiaries are considered separate entities.

### 10 Prepayments

Prepayments comprise prepaid expenses at the balance sheet date.

### 11 Share capital

The share capital comprises:

14,153,900 shares of DKK 0.01 each. There are no different share classes.

The share capital has been increased since the establish of the company as following:

- 23 December 2013 Established with DKK 80,000
- 13 January 2014 Increased with DKK 43,077
- 25 November 2020 Increased with DKK 18,462

Share capital is at 31 December 2020, DKK 141,509.

The company has in 2020 acquired own shares of DKK 101,539, equal to 10,153,900 shares.

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

## Notes

| DKK'000 | Group 2020 | Group 2019 | Parent Company 2020 | Parent Company 2019 |
|---|---|---|---|---|
| **12 Deferred tax** | | | | |
| Deferred tax relates to: | | | | |
| Intangible assets | -39,630 | -41,891 | - | - |
| Provisions | 220 | 297 | - | - |
| Tax loss carry forwards | 47,710 | 48,924 | 412 | 253 |
| Write-down of deferred tax assets | -8,300 | -7,330 | -412 | -253 |
| | 0 | 0 | 0 | 0 |
| Deferred tax is recognised in the balance sheet as follows: | | | | |
| Deferred tax assets | 0 | 0 | 0 | 0 |
| Deferred tax liabilities | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |

### 13 Other provisions

Other provisions include sold goods with a return obligation.

### 14 Non-current liabilities

The liabilities can be specified as follows:

| DKK'000 | Group 2020 | Group 2019 | Parent Company 2020 | Parent Company 2019 |
|---|---|---|---|---|
| **Banks** | | | | |
| Long-term | 10.125 | - | 10.125 | - |
| Short-term | 3.375 | - | 3.375 | - |
| | 13.500 | 0 | 13.500 | 0 |
| Non-current liabilities other than provisions falling due more than five years after the balance sheet date (carrying amount) | 0 | 0 | 0 | 0 |

| **Other liabilities** DKK'000 | Group 2020 | Group 2019 | Parent Company 2020 | Parent Company 2019 |
|---|---|---|---|---|
| Holiday obligation | 0 | 356 | - | - |
| Deferred income | 8,036 | 16,072 | - | - |
| | 8,036 | 16,428 | 0 | 0 |
| Long-term | 0 | 8,392 | - | - |
| Short-term | 8,036 | 8,036 | - | - |
| | 8,036 | 16,428 | 0 | 0 |
| Non-current liabilities other than provisions falling due more than five years after the balance sheet date (carrying amount) | 0 | 0 | 0 | 0 |

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

### Notes

**15 Contractual obligations and contingencies, etc.**

**Contingent assets**

The Group has a deferred tax asset of net DKK 8.3 million (2019: DKK 7.3 million) impacted by tax losses which, taking into consideration the uncertainty of the utilisation thereof within a period of 3-5 years, has not been capitalised.

**Contingent liabilities**

The Company participates in joint taxation in Denmark with Thor Film ApS as the administration company and, consequently, is jointly and severally liable with the other jointly taxed companies for the total corporation tax and for any obligation to withhold tax at source on interest, royalties and dividends for the jointly taxed companies.

**16 Assets charged and collateral**

As security for the bank debt, floating charges are issued at DKK 5.0 million on trade receivables. The carrying amount of pledged assets is DKK 2.7 million at 31 December 2020.

As security for the bank debt, floating charges are issued at DKK 45.0 million 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 26.3 million 31 December 2020.

The Group has a residual liability of DKK 47 million in relation to films not yet delivered.

**17 Leases**

**Operating lease commitments**

The Company has guaranteed group enterprises' bank debts. The guarantees are unlimited.

As security for the enterprises' bank debts, security has been given in the company ownership interests in enterprises.

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

**Operating lease commitments**

The Group's entities have entered into operating leases with an average annual lease payment of DKK 67 thousand and a remaining term of 6-12 months. The remaining nominal lease commitment totals DKK 417 thousand.

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

## Notes

### 18 Related parties

Scanbox Entertainment Group ApS' related parties comprise the following:

#### Control

Thor Film ApS
Vesterbrogade 83, 2. th.
1620 Coenhagen V,
Reg no. 40195718

Consolidated financial statements for Thor Film ApS can be obtained at Scanbox Entertainment Group ApS.

#### Related party transactions

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.

Please refer to note 9 for list of group enterprises.

Remuneration of the Parent Company's Executive Board and the Board of Directors is disclosed in note 3.

| | | Parent Company | |
|---|---|---|---|
| | DKK'000 | 2020 | 2019 |
| 19 | **Distribution of profit/loss** | | |
| | **Proposed distribution of profit/loss** | | |
| | Transferred to reserve for net revaluation accordance with equity method | 4,232 | 3,999 |
| | Transferred to equity reserves | -726 | -534 |
| | | 3,506 | 3,465 |

**Torben Thorup Jørgensen**
**Bestyrelse**
På vegne af: Selskabet
*Serienummer: PID:9208-2002-2-014466278300*
*IP: 77.241.xxx.xxx*
*2021-07-21 08:37:45Z*
NEM ID

**Þórir Snær Sigurjónsson**
**Direktion**
På vegne af: Selskabet
*Serienummer: PID:9208-2002-2-941829021539*
*IP: 149.3.xxx.xxx*
*2021-07-21 08:59:37Z*
NEM ID

**Þórir Snær Sigurjónsson**
**Dirigent**
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*Serienummer: PID:9208-2002-2-941829021539*
*IP: 149.3.xxx.xxx*
*2021-07-21 08:59:37Z*
NEM ID

**Þórir Snær Sigurjónsson**
**Bestyrelse**
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*2021-07-21 08:59:37Z*
NEM ID

**Kim William Beich**
**Bestyrelse**
På vegne af: Selskabet
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*IP: 2.104.xxx.xxx*
*2021-07-21 09:06:33Z*
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**Lars Pries Stoltze**
**Bestyrelsesformand**
På vegne af: Selskabet
*Serienummer: PID:9208-2002-2-735356783575*
*IP: 185.170.xxx.xxx*
*2021-07-21 09:09:48Z*
NEM ID

**Ole Becker**
**Statsautoriseret revisor**
På vegne af: EY Godkendt Revisionspartnerselskab
*Serienummer: CVR:30700228-RID:65669285*
*IP: 87.72.xxx.xxx*
*2021-07-21 09:23:07Z*
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