Scanbox Entertainment Group ApS

Boyesgade 6, 1822 Frederiksberg C

CVR no. 25692977

Annual report 2021

Approved at the Company's annual general meeting on 22 July 2022

Chair of the meeting:

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Þórir Snær Sigurjónsson

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 2021.

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

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

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's 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, 22 June 2022

Executive Board:

Þórir Snær Sigurjónsson	Kim William Beich
CEO	Director

Board of Directors:

Lars Pries Stoltze	Christopher Dylan Briggs	Torben Thorup Jørgensen
Chair		
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 2021, which comprise income statement, balance sheet, statement of changes in equity, and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for qualified opinion

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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 opinion.

Independence

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

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. Moreover, Management is responsible 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.

Independent auditor's report

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.

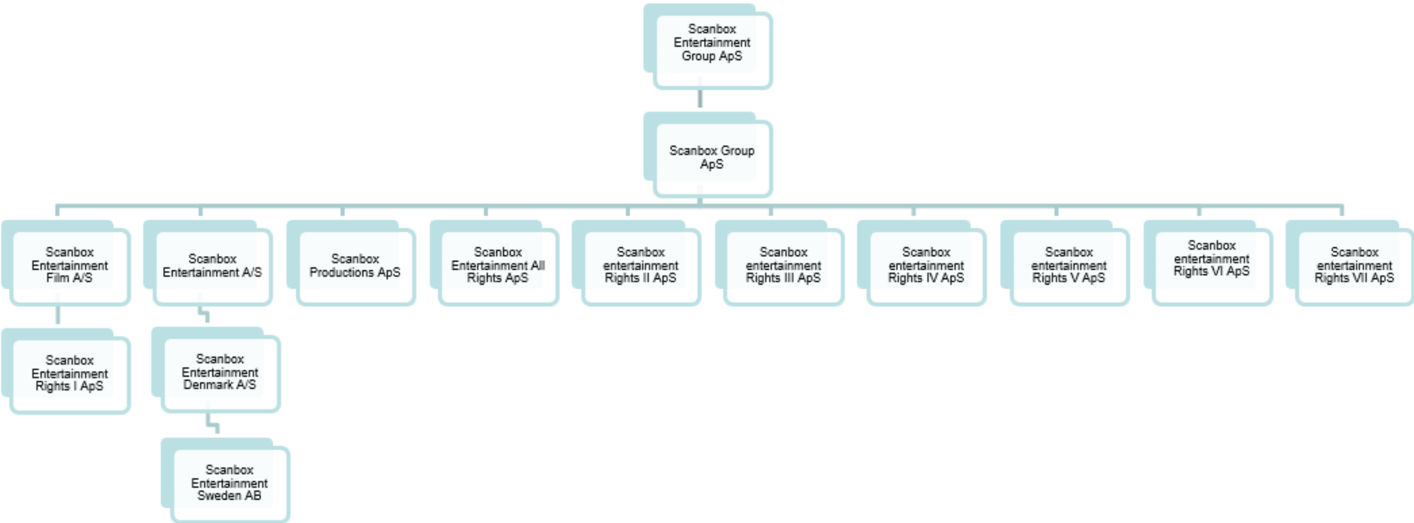
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 22 June 2022
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	2021	2020	2018	2017	2016
Key figures					
Gross profit	70,926	75,997	66,015	85,687	67,745
Depreciation, amortisation and impairment losses	-48,425	-58,990	-47,295	-58,003	-37,751
Operating profit	8,822	5,167	5,362	2,930	14,571
Net financials	-1,237	-1,653	-1,901	474	-903
Profit/loss for the year	7,579	3,506	3,465	3,366	8,652
Total assets	234,637	230,679	230,022	238,388	252,013
Investments in intangible assets	43,012	45,006	35,484	53,628	63,560
Equity	91,973	84,371	99,295	95,914	96,653
Cash flows from operating activities	44,506	70,504	38,607	40,001	65,361
Cash flows from investing activities	-42,915	-44,911	-35,485	-53,257	-63,412
Cash flows from financing activities	10,101	-9,146	-2,423	-3,720	-
Total cash flows	11,692	16,447	699	-16,976	-1,949
Financial ratios					
Equity ratio	39.2 %	36.6 %	43,2 %	40,2 %	38,4 %
Return on equity	8.6 %	3.8 %	3,6 %	3,5 %	9,5 %
Average number of full-time employees	17	16	17	23	27

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

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

Return on equity $$\frac{\text{Profit/loss for the year after tax ex. non-controlling interests x 100}}{\text{Average equity ex non-controlling interests}}$$

Management commentary

Principal activities

The Group's key business activity is to produce and 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 7,579 thousand, which is satisfied.

Our expected decrease of 5 % in the level of activities was furthermore affected by planned content being moved to 2022 (and some further) and a decrease in available content due to production-restrictions and delayed releases due to Theatrical lockdown.

Risks

General business risks

The market for distributing films is ever changing, with the market for physical DVDs and Blu-rays (sell thru and rental) still declining, whereas the market for digital distribution channels continues growing together with a healthy pay-tv market.

Scanbox Entertainment Group ApS seeks to exercise its distribution rights in these emerging markets while also create content for its distribution channels.

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.

Management commentary

Liquidity and capital resources

After phasing out the factoring agreement with SVEA in 2020, the Group's credit facilities now only consist of a credit line with Sydbank. Overall, the Group have an overdraft facility for DKK 50.000 thousand through Sydbank and at 31.12.2021 the overdraft amounts to DKK 18.362 thousand.

Management believes that the 2022 budget is realistic, despite the final aftermath of the pandemic, and takes into account the changes in market conditions and that the Group, given the existing overdraft facility, holds the credit facilities necessary to realize the budget drawn up for 2022, and that the possibility of postponing payment for certain 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 Theatrical market has struggled to gain its momentum back after two significant lockdowns. This has disrupted the release planning and pushed content to later release-dates than initially expected. This will have a phasing effect on the inflow, and estimates have been adjusted to meet the market fluctuation. We expect that the physical DVD and Blu-ray market will once again decrease in value. Scanbox sales fell with 20%, however, Scanbox' partnership with SMD, a Danish sub-distributor with lower costs and a more proactive distribution strategy, has met expectations. Regardless there is nothing stopping the general physical market decline and thus, we will continue minimize our release costs and risks and optimize the fees in general.

Scanbox will also further intensify investment and partnerships in local content - both to reinforce the overall distribution profile, but also to ensure the strength of a market where competition for the larger independent titles is more significant. The goal is eight to ten local titles a year across the Nordic territory. This must be ensured through close collaboration with selected producers and a reinforcement of local skills, including continuing investing in our own production unit.

Overall, the outbreak and pandemic starting in 2020 have had a somewhat restrained impact on the company but has led to increased uncertainty regarding future acquisitions in international rights, particular for the theatrical segment. Due to this uncertainty, we expect a decrease in the level of overall activities of 10% for the next financial year. The aftermath of the pandemic therefore means that management has reassessed its expectations and is expecting 25% lower revenue for Theatrical than originally budgeted for 2022. Numerous titles have been postponed in production and the Theatrical market is struggling to re-attract the mature, discerning audience, but income from digital ancillary platforms and new svod players have secured a healthy inflow with better margins, while we at the same time have postponed costs in relation to certain theatrical releases. This will show a topline decrease, but should keep us at a healthy bottom line. However, it is not possible to, at this stage, to make a reliable final estimate of the overall impact of the pandemic on the company.

Looking ahead we expect a topline from our distribution business on a similar level as the previous two-three years. New distribution channels will become available and certain service providers will invest further in licensing rights which will benefit our library. However, we expect to grow our top- and bottom-line from further investing in content development and production and combined with our post-production business we expect double digit growth percentages for the next two to three years, which then will level out with a smaller growth rate.

Management commentary

Particular risks

A part of the Groups' acquisitions of distribution rights and revenue are in USD and EUR.

Scanbox Entertainment Group ApS' companies face ordinary industry-specific risks, but also the consequences from the increased content-vacuuming from the streamers, which can push the disrupted consumer behavior on the Theatrical market further into 2023. However, it's premature to jump to negative conclusions and we are already seeing certain improvement in the theatrical consumer behavior. Management also regularly seeks to hedge the risks to which the Group is exposed.
Besides those risks, no special risks are considered to exist for the Group's activities.

Research and development activities

There are no actual research and development activities in the Group, however, we will further intensify the development of in-house productions and the sourcing of feature- and series-IP's to produce, which was initialized in 2021.

Events after the balance sheet date

The second covid wave and the third lockdown during the last month of 2021, did not have a significant negative impact on the company's profitability, but has created uncertainty about the market performance for the rest of 2022 and 2023. This applies primarily to whether the audience successfully returns to the cinemas and continues to use streaming services to the same extent, combined with a more congested international content environment with less product to invest in. We will see a theatrical market that will struggle (short-term) to get back to the 2019 levels, and that will affect our topline to some extent. It is the management's opinion that the company's capital resources are sufficient to cope with this extraordinary situation, which is not assessed either to have a long-term negative effect on the company.

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

Income statement

		Group		Parent Company	
Note	DKK'000	2021	2020	2021	2020
3	Gross profit/loss	70,926	75,997	-172	-735
4	Staff costs	-13,679	-11,840	-	-
10	Income from investments in group enterprises	-	-	9,195	4,232
8,9	Depreciation, amortisation and impairment losses	-48,425	-58,990	-	-
	Operating profit/loss	8,822	5,167	9,023	3,497
5	Financial income	816	756	98	426
6	Financial expenses	-2,053	-2,409	-1.616	-445
	Profit/loss before tax	7,585	3,514	7,505	3,478
7	Tax on profit/loss for the year	-6	-8	74	28
	Profit/loss for the year	7,579	3,506	7,579	3,506

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

Balance sheet

		Group		Parent Company	
Note	DKK'000	2021	2020	2021	2020
	ASSETS				
	Fixed assets				
8	Intangible assets				
	Acquired intangible assets	171,281	180,673	-	-
	Prepayments for intangible assets	11,082	8,976	-	-
		182,363	189,649	-	-
9	Property, plant and equipment				
	Fixtures and fittings, tools and equipment	-	-	-	-
		-	-	-	-
	Investments				
10	Equity investments in subsidiaries	-	-	106,092	96,775
	Deposits	498	405	-	-
	Other receivables	0	133	-	-
		498	538	106,092	96,775
	Total fixed assets	182,861	190,187	106,092	96,775
	Non-fixed assets				
	Receivables				
	Trade receivables	13,194	16,057	-	-
	Receivables from subsidiaries	-	-	5,005	10,170
	Income tax receivables	285	394	144	116
12	Other receivables	3,022	434	-	62
13	Prepayments	2,363	2,387	-	-
		18,864	19,272	5,149	10,348
	Cash	32,912	21,220	0	110
	Total non-fixed assets	51,776	40,492	5,149	10,458
	TOTAL ASSETS	234,637	230,679	111,241	107,233

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

Balance sheet

		Group		Parent Company	
Note	DKK'000	2021	2020	2021	2020
	EQUITY AND LIABILITIES				
	Equity				
14	Share capital	53	142	53	142
	Net revaluation according to the equity method	-	-	74,434	65,027
	Retained earnings	91,920	84,229	17,486	19,202
	Total equity	91,973	84,371	91,973	84,371
	Provisions				
15	Deferred tax	0	0	0	0
16	Other provisions	1.000	1,000	-	-
	Total provisions	1,000	1,000	0	0
	Liabilities other than provisions				
17	Non-current liabilities other than provisions				
	Bank loans	6,750	10,125	6,750	10,125
	Other payables	822	1,541	-	-
		7,572	11,666	6,750	10,125
	Current liabilities other than provisions				
17	Current portion of non-current liabilities other than provisions	3,375	11,411	3,375	3,375
	Bank loans	48,662	38,452	-	-
	Trade payables	46,741	46,799	16	-
	Corporation tax	20	-	-	-
	Other payables	10,795	15,902	9,127	9,362
	Deferred income	24,499	21,078	-	-
		134,092	133,642	12,518	12,737
	Total liabilities other than provisions	142,664	146,308	19,268	22,862
	TOTAL EQUITY AND LIABILITIES	234,637	230,679	111,241	107,233

1 Accounting policies
2 Material uncertainty related to recognition and measurement
18 Contractual obligations and contingencies, etc.
19 Assets charged and collateral
20 Leases
21 Related parties
22 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 2020	123	99,172	0	99,295
	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 1 January 2021	142	84,229	0	84,371
	Transferred; see distribution of profit/loss	0	7,579	0	7,579
	Foreign exchange adjustments, foreign subsidiary	0	212	0	212
	Capital decrease	-89	-100	0	-189
	Equity at 31 December 2021	53	91,920	0	91,973

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 2021	123	85,740	13,432	99,295
	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 1 January 2021	142	65,027	19,202	84,371
22	Transferred; see distribution of profit/loss	-	9,195	-1,616	7,579
	Foreign exchange adjustments, foreign subsidiaries	-	212	0	212
	Capital decrease	-89	0	-100	-189
	Equity at 31 December 2021	53	74,434	17,486	91,973

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

Cash flow statement

Note	DKK'000	Group 2021	Group 2020
	Operating profit/loss	8,822	5,167
	Depreciation, amortisation and write-downs	48,425	58,990
	Other adjustments of non-cash operating items	-7,297	-8,918
	Cash generated from operations before changes in working capital	49,950	55,239
	Changes in working capital		
	Changes in trade receivables and other receivables	258	1,579
	Changes in trade payables and other debt	-5,832	14,738
	Cash generated from operations	44,376	71,556
	Interest received	816	756
	Interest paid	-686	-1,808
	Corporation tax paid	0	0
	Cash flows from operating activities	44,506	70,504
	Acquisition of intangible assets	-43,012	-45,006
	Disposal of intangible assets	0	0
	Change in deposit	97	95
	Cash flows from investing activities	-42,915	-44,911
	Bank loan	0	13,500
	Changes in credit facilities	10,101	-4,161
	Shareholders:		
	Capital injection	0	3,250
	Own shares	0	-21,735
	Cash flows from financing activities	10,101	-9,146
	Cash flows for the year	11,692	16,447
	Cash and cash equivalents, beginning of year	21,220	4,773
	Cash and cash equivalents, year end	32,912	21,220

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 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium reporting class C entities.

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 until 29 December 2021. The liability includes known as well as unknown obligations as a result of any corrections within the joint taxation circle until 29 December 2021. As of 30 December 2021 Scanbox Entertainment Group ApS act as a administration company and is taking the liability includes known as well as unknown obligations as a result of any corrections within the joint taxation circle.

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 8 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.

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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.

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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 and related cost.

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.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustments of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of future assets or liabilities are recognised as separate items in the balance sheet and in the hedging reserve under equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on an ongoing basis.

Fair value adjustments of derivative financial instruments held to hedge net investments in independent foreign group entities, associates or equity interests are recognised directly in the translation reserve under equity.

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.

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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	2021	2020	2021	2020
3	**Other operating income**				
	Compensation of cost due to COVID-19	6,939	590	-	-
	Film support	2,321	2,378	-	-
		9,260	2,968	-	-
4	**Staff costs**				
	Wages and salaries	12,047	10,175	-	-
	Pension costs	1,012	1,044	-	-
	Other social security costs	522	609	-	-
	Other staff costs	98	12	-	-
		13,679	11,840	-	-
	Average number of full-time employees	17	16	-	-

Compensations received related to salaries under Covid-19 has been recognised under other income with DKK 716 DKK thousand (2020: DKK 434 thousand).

Staff costs include remuneration of the Parent Company's Executive Board and Board of Directors totalling DKK 1.406 thousand (2020: DKK 956 thousand).

		Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
5	**Financial income**				
	Foreign exchange gains, net	-	-	98	426
	Other financial income	816	756	-	-
		816	756	98	426
6	**Financial expenses**				
	Interest expenses to subsidiaries	-	-	-	413
	Foreign exchange gains, net	1,367	601	1,194	-
	Other financial expenses	686	1,808	422	32
		2,053	2,409	1.616	445
7	**Tax for the year**				
	Current tax for the year	-6	86	74	28
	Adjustment concerning previous years	-	-	-	-
	Deferred tax adjustment for the year	-	-94	-	-
		-6	-8	74	28

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8 Intangible assets

DKK'000	Acquired intangible assets	Prepayments for intangible assets	Total
Cost at 1 January 2021	514,741	10,777	525,518
Additions	38,183	2,953	43,012
Disposal	0	0	0
Transfer	850	-850	0
Cost at 31 December 2021	553.774	12,884	566,657
Amortisation and impairment losses at 1 January 2021	-334,068	-1,798	-335,866
Amortisation	-48,425	0	-48,425
Disposal	0	0	0
Amortisation and impairment losses at 31 December 2021	-382,493	-1,798	-384,291
Carrying amount at 31 December 2021	171,281	11,082	182,363
Amortised over	8 years		

9 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment
Cost at 1 January 2021	2,507
Cost at 31 December 2021	2,507
Depreciation and impairment losses at 1 January 2021	-2,507
Depreciation and impairment losses at 31 December 2021	-2,507
Carrying amount at 31 December 2021	0

10 Equity investments in subsidiaries

	Parent Company	
DKK'000	2021	2020
Cost at 1 January	31,748	31,748
Cost at 31 December	31,748	31,748
Value adjustments at 1 January	65,027	85,740
Foreign exchange adjustment, etc.	122	55
Badwill reversal	8,036	8,036
Distributed dividend	-	-25,000
Profit/loss for the year	1,159	-3,804
Value adjustments at 31 December	74,344	65,027
Carrying amount at 31 December	106,092	96,775

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11 Equity investments in subsidiaries

Name and registered office	Country	Registered in	Voting rights and ownership
Scanbox Group ApS	Denmark	Copenhagen	100%
Scanbox Entertainment Film A/S	Denmark	Copenhagen	100%
Scanbox Entertainment A/S	Denmark	Copenhagen	100%
Scanbox Entertainment Denmark A/S	Denmark	Copenhagen	100%
Scanbox Entertainment Sweden AB	Sweden	Göteborg	100%
Scanbox Productions ApS	Denmark	Copenhagen	100%
Scanbox Entertainment All Rights ApS	Denmark	Copenhagen	100%
Scanbox Entertainment Rights I ApS	Denmark	Copenhagen	100%
Scanbox Entertainment Rights II ApS	Denmark	Copenhagen	100%
Scanbox Entertainment Rights III ApS	Denmark	Copenhagen	100%
Scanbox Entertainment Rights IV ApS	Denmark	Copenhagen	100%
Scanbox Entertainment Rights V Aps	Denmark	Copenhagen	100%
Scanbox Entertainment Rights VI ApS	Denmark	Copenhagen	100%
Scanbox Entertainment Rights VII ApS	Denmark	Copenhagen	100%

All subsidiaries are considered separate entities.

12 Other receivables

Other receivables comprise a receivable by DKK 1.200 thousand fall due later than 1 year form balance sheet date.

13 Prepayments

Prepayments comprise prepaid expenses at the balance sheet date.

14 Share capital

The share capital of total DKK 53.333 comprises:

53,333,000 shares of DKK 0.01 each. There are no different share classes.

Changes in share capital since the establishment can be specified as follows:

DKK'000	2021	2020	2019	2018	2017
Balance at 1 January	141	123	123	123	123
Capital increase	0	18	0	0	0
Capital decrease	-88	0	0	0	0
	53	141	123	123	123

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DKK'000	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
15 Deferred tax				
Deferred tax relates to:				
Tangible assets	43	-	-	-
Intangible assets	-38,527	-39,630	-	-
Provisions	220	220	-	-
Tax loss carry forwards	45,183	47,710	580	412
Write-down of deferred tax assets	-6,919	-8,300	-580	-412
	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

16 Other provisions

Other provisions comprise provisions for estimated royalties.

17 Non-current liabilities

The liabilities can be specified as follows:

DKK'000	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
Banks				
Long-term	6.750	10.125	6.750	10.125
Short-term	3.375	3.375	3.375	3.375
	10.125	13.500	10.125	13.500
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 2021	Group 2020	Parent Company 2021	Parent Company 2020
Holiday obligation	822	1,541	-	-
Deferred income	0	0	-	-
	822	1,541	0	0
Long-term	822	1,541	-	-
Short-term	0	0	-	-
	822	1,541	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

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18 Contractual obligations and contingencies, etc.

Contingent assets

The Group has a deferred tax asset of net DKK 6.9 million (2020: DKK 8.3 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 group was jointly taxed with Thor Film ApS as an administration company until 29 December 2021, to which the group is liable unlimitedly and jointly and severally for Danish corporation taxes within the joint taxation group. The liability includes known as well as unknown obligations as a result of any corrections within the joint taxation group until 29 December 2021.

The Group is jointly taxed with Scanbox Entertainment Group ApS as an administration company from 30 December 2021, to which the group is liable unlimitedly and jointly and severally for Danish corporation taxes within the joint taxation group. The liability includes known as well as unknown obligations as a result of any corrections within the joint taxation group.

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

19 Assets charged and collateral

As security for the bank debt, floating charges are issued at DKK 50.0 million on unsecured claims, trade receivables and international film distribution rights has been provided. The carrying amount of assets charged is DKK 21.8 million 31 December 2021 (2020: DKK 29.0 million).

The Group has a residual liability of DKK 56 million in relation to film rights, that have not yet been delivered.

The Group guarantees and is jointly and severally liable for a joint credit facility of up to DKK 50 million.

20 Leases

Operating lease commitments

The Group's entities have entered operating leases with an average annual lease payment of DKK 926 thousand and a remaining term of 3-45 months. The remaining nominal lease commitment totals DKK 3,474 thousand.

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21 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.

Please refer to note 11 for list of group enterprises.

Remuneration of the Parent Company's Executive Board and the Board of Directors is disclosed in note 4.

	Parent Company	
DKK'000	2021	2020
22 Distribution of profit/loss		
Proposed distribution of profit/loss		
Transferred to reserve for net revaluation accordance with equity method	9,195	4,232
Transferred to equity reserves	-1,616	-726
	7,579	3,506