

SDI MEDIA A/S
Dortheavej 4
2400 København NV
Business Registration No
65125218

Annual report 2018

The Annual General Meeting adopted the annual report on 21.06.2019

Chairman of the General Meeting

Name: Lars Birk

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Entity details

Entity

SDI MEDIA A/S
Dortheavej 4
2400 København NV

Central Business Registration No (CVR): 65125218

Registered in: Copenhagen

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Alberto Abisso
Markus Böcker
Mads Eggert Bjørlie

Executive Board

Lars Birk

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C
Lead Client Service Partner: Torben Skov

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of SDI MEDIA A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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

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

Copenhagen, 21.06.2019

Executive Board

Lars Birk

Board of Directors

Alberto Abisso

Markus Böcker

Mads Eggert Bjørлие

Independent auditor's report

To the shareholders of SDI MEDIA A/S

Opinion

We have audited the financial statements of SDI MEDIA A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for 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 financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

- 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 21.06.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Henrik Wolff Mikkelsen
State Authorised Public Accountant
Identification No (MNE) mne33747

Management commentary

	2018	2017	2016	2015	2014
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial highlights					
Key figures					
Revenue	56.840	53.379	46.340	36.107	31.874
Gross profit/loss	8.613	7.890	8.978	(775)	(39)
Operating profit/loss	(503)	(89)	(1.911)	(656)	605
Net financials	(1.091)	436	(352)	(1.713)	(1.670)
Profit/loss for the year	(1.902)	139	(2.522)	(2.673)	(1.388)
Total assets	24.099	25.441	22.912	29.470	24.081
Investments in property, plant and equipment	1.164	1.473	355	858	749
Equity	(7.365)	(5.514)	(5.695)	(3.222)	(457)
Average numbers of employees	299	288	296	274	248
Ratios					
Gross margin (%)	15,2	14,8	19,4	(2,1)	(0,1)
Net margin (%)	(3,3)	0,3	(5,4)	(7,4)	(4,4)
Equity ratio (%)	(30,6)	(21,7)	(24,9)	(10,9)	(1,9)

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

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The company's primary activities are sound studio activities, primarily the dubbing, recoding and mixing of films and TV episodes in Denmark and 6 other countries (Sweden, Norway, Finland, Poland, the Netherlands and Belgium) where the company has branch offices.

Development in activities and finances

The net turnover for the year is EUR 56.839.863 against EUR 53.379.487 last year. The results from ordinary activities after tax are EUR (1.902.430) against EUR 138.912 last year. The management consider the results requiring further improvement.

The company has received a letter of support from its parent SDI Media Inc. covering the period up and until 31 December 2019.

Uncertainty relating to recognition and measurement

The company recognizes work in progress for the projects for which costs were incurred, for which no revenues are recognized based on work delivery. Work in progress is strictly reviewed in terms of accuracy and recoverability.

Outlook

The company management positively looks on the both planned revenue increase and profitability. It is expected that company will generate positive net results in 2019.

Particular risks

Price risks

The company is facing price risk for the services it offers to their clients. This risk is coming from both clients and competitors side. This risk is considered to be at a moderate level as company is already providing localization and other services at competitive range and high quality.

Exchange rate risks

The company has moderate exposure to the currency risk. The company apart from Denmark is operating via six branches which result with transactions in DKK, EUR, NOK, SEK and PLN. The majority of transactions are denominated in EUR. The company does not hedge transactions in foreign currency and is accepting this risk.

Interest risks

The company has no exposure to the interest rate risk. Company uses group financing and any loans are based on fixed foreign exchange rates.

Intellectual capital resources

The company in creating and accumulating know-how via systems and processes. In addition, we are continuously increasing the pool of talents and translators cooperating with the SDI Media-group.

Foreign branches

The company is operating via SDI Media A/S – Danish headquarters and six branches. Branches are located in Norway, Sweden, Netherlands, Belgium, Finland and Poland.

Management commentary

Statutory report on corporate social responsibility

The SDI Media A/S business model is as described under primary activities and is designed to meet high demands related to social conditions and to risks within environmental and other relevant CSR matters.

SDI Media A/S complies with all requirements in relation to social conditions, environmental matters, human rights, anticorruption and bribery. Due to the limited size of the organization and the limited resources, the company has not established separate CSR policies. For this reason, the management commentary does not include a separate and formal description of CSR matters.

SDI Media A/S has not identified any business risks that influence the areas social conditions, environmental matters, human rights, anticorruption and bribery).

Statutory report on the underrepresented gender

SDI Media A/S has a policy for gender equality at all levels in the organisation. The policy is stated in the employee manual and, among other matters, it stipulates the possibilities for flexible career opportunities, working hours, etc.

The Company has a target figure of 20-25% for the underrepresented gender at the Board of Directors level as well as in other management levels. For the Board of Directors level, the Company expects to reach this target figure within 2020. Currently, the company has no representation by the underrepresented gender at the Board of Directors level, which is due to no changes of the members during the year.

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.

Income statement for 2018

	<u>Notes</u>	<u>2018 EUR</u>	<u>2017 EUR</u>
Revenue	3	56.839.863	53.379.487
Production costs	5, 6	<u>(48.226.953)</u>	<u>(45.489.683)</u>
Gross profit/loss		8.612.910	7.889.804
Administrative expenses	4, 5	(9.249.531)	(8.154.741)
Other operating income		133.476	179.825
Other operating expenses		<u>(206)</u>	<u>(4.105)</u>
Operating profit/loss		(503.351)	(89.217)
Other financial income	7	40.000	924.043
Other financial expenses	8	<u>(1.131.132)</u>	<u>(487.779)</u>
Profit/loss before tax		(1.594.483)	347.047
Tax on profit/loss for the year	9	<u>(307.947)</u>	<u>(208.135)</u>
Profit/loss for the year	10	<u>(1.902.430)</u>	<u>138.912</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 EUR</u>	<u>2017 EUR</u>
Acquired licences		137.874	164.054
Goodwill		95.640	112.142
Prepayments for intangible assets		2.207	0
Intangible assets	11	<u>235.721</u>	<u>276.196</u>
Other fixtures and fittings, tools and equipment		1.222.101	1.336.623
Leasehold improvements		620.947	402.322
Property, plant and equipment in progress		41.416	234.683
Property, plant and equipment	12	<u>1.884.464</u>	<u>1.973.628</u>
Deposits		108.798	109.075
Fixed asset investments	13	<u>108.798</u>	<u>109.075</u>
Fixed assets		<u>2.228.983</u>	<u>2.358.899</u>
Trade receivables		9.756.718	6.967.673
Contract work in progress		2.344.609	4.979.609
Receivables from group enterprises		8.797.313	8.928.585
Deferred tax	14	72.290	74.390
Other receivables		319.515	363.828
Income tax receivable		165.230	0
Prepayments	15	235.517	250.046
Receivables		<u>21.691.192</u>	<u>21.564.131</u>
Cash		<u>178.479</u>	<u>1.517.837</u>
Current assets		<u>21.869.671</u>	<u>23.081.968</u>
Assets		<u>24.098.654</u>	<u>25.440.867</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 EUR</u>	<u>2017 EUR</u>
Contributed capital		134.444	134.834
Retained earnings		<u>(7.499.051)</u>	<u>(5.648.356)</u>
Equity		<u>(7.364.607)</u>	<u>(5.513.522)</u>
Prepayments received from customers		1.366.079	1.663.319
Trade payables		7.133.922	682.403
Payables to group enterprises		20.898.324	20.937.750
Income tax payable		194.480	110.215
Other payables		<u>1.870.456</u>	<u>7.560.702</u>
Current liabilities other than provisions		<u>31.463.261</u>	<u>30.954.389</u>
Liabilities other than provisions		<u>31.463.261</u>	<u>30.954.389</u>
Equity and liabilities		<u>24.098.654</u>	<u>25.440.867</u>
Events after the balance sheet date	1		
Uncertainty relating to recognition and measurement	2		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Related parties with controlling interest	19		
Transactions with related parties	20		
Group relations	21		

Statement of changes in equity for 2018

	Contributed capital EUR	Retained earnings EUR	Total EUR
Equity beginning of year	134.834	(5.648.356)	(5.513.522)
Exchange rate adjustments	(390)	51.735	51.345
Profit/loss for the year	0	(1.902.430)	(1.902.430)
Equity end of year	134.444	(7.499.051)	(7.364.607)

Notes

1. 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.

2. Uncertainty relating to recognition and measurement

The measurement of work in progress is based on management's best estimate. The estimate is based on expected direct margins per contract considering both the nature of the contract, the individual customer and geography. The finalization of the cost side related to work in progress is connected with some delays, thus a big portion of active contracts as per 31 December 2018, are still not finalized as of June 2019. It is management's assessment that amount included in 2018 reflect the best estimate, however Management want to emphasize the inherent uncertainty connected with making such estimates.

	2018	2017
	EUR	EUR
3. Revenue		
Revenue by geographical market		
Denmark	31.510.303	29.973.160
Rest of Scandinavia	8.527.898	7.182.248
Poland	9.750.898	9.325.562
Belgium	4.145.372	4.452.028
Netherlands	2.905.392	2.446.489
	56.839.863	53.379.487
Revenue by activity		
Dubbing	46.202.735	42.885.842
Subtitling	7.852.688	2.979.644
Other	2.784.440	7.514.001
	56.839.863	53.379.487
4. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	19.151	43.720
Other services	4.263	14.573
	23.414	58.293

Notes

	2018	2017
	EUR	EUR
5. Staff costs		
Wages and salaries	8.328.399	7.916.512
Pension costs	471.199	489.511
Other social security costs	853.382	881.307
	9.652.980	9.287.330
Average number of employees	299	288
	Remunera-	Remunera-
	tion of	tion of
	manage-	manage-
	ment	ment
	2018	2017
	EUR	EUR
Total amount for management categories	211.246	219.517
	211.246	219.517
	2018	2017
	EUR	EUR
6. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	104.661	139.374
Depreciation on property, plant and equipment	1.025.579	781.354
	1.130.240	920.728
	2018	2017
	EUR	EUR
7. Other financial income		
Financial income arising from group enterprises	39.858	110.061
Other interest income	142	813.982
	40.000	924.043

Notes

	2018	2017
	EUR	EUR
8. Other financial expenses		
Financial expenses from group enterprises	458.338	477.281
Other interest expenses	6.631	10.498
Exchange rate adjustments	666.163	0
	1.131.132	487.779

	2018	2017
	EUR	EUR
9. Tax on profit/loss for the year		
Current tax	307.947	208.135
	307.947	208.135

	2018	2017
	EUR	EUR
10. Proposed distribution of profit/loss		
Retained earnings	(1.902.430)	138.912
	(1.902.430)	138.912

	Acquired licences EUR	Goodwill EUR	Prepay- ments for intangible assets EUR
11. Intangible assets			
Cost beginning of year	1.207.354	122.626	0
Exchange rate adjustments	381	0	0
Additions	61.598	0	2.207
Cost end of year	1.269.333	122.626	2.207
Amortisation and impairment losses beginning of year	(1.043.300)	(10.484)	0
Amortisation for the year	(88.159)	(16.502)	0
Amortisation and impairment losses end of year	(1.131.459)	(26.986)	0
Carrying amount end of year	137.874	95.640	2.207

Notes

	Other fixtures and fittings, tools and equipment EUR	Leasehold improve- ments EUR	Property, plant and equipment in progress EUR
12. Property, plant and equipment			
Cost beginning of year	5.657.746	2.662.952	234.683
Exchange rate adjustments	6.376	430	0
Additions	595.927	526.949	41.416
Disposals	0	0	(234.683)
Cost end of year	6.260.049	3.190.331	41.416
Depreciation and impairment losses beginning of year	(4.321.123)	(2.260.630)	0
Depreciation for the year	(716.825)	(308.754)	0
Depreciation and impairment losses end of year	(5.037.948)	(2.569.384)	0
Carrying amount end of year	1.222.101	620.947	41.416
			Deposits EUR
13. Fixed asset investments			
Cost beginning of year			109.075
Disposals			(277)
Cost end of year			108.798
Carrying amount end of year			108.798

Notes

	2018	2017
	EUR	EUR
14. Deferred tax		
Receivables	78.313	80.588
Liabilities other than provisions	<u>(6.023)</u>	<u>(6.198)</u>
	<u>72.290</u>	<u>74.390</u>
Changes during the year		
Beginning of year	74.390	
Currency adjustments	<u>(2.100)</u>	
End of year	<u>72.290</u>	

15. Prepayments

Prepayments consists of paid expensese regarding the coming periods.

	2018	2017
	EUR	EUR
16. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>1.711.000</u>	<u>2.776.000</u>

	2018	2017
	EUR	EUR
17. Contingent liabilities		
Recourse and non-recourse guarantee commitments	<u>344.000</u>	<u>344.000</u>
Contingent liabilities in total	<u>344.000</u>	<u>344.000</u>

18. Assets charged and collateral

The company has issued company mortgage of EUR'000 1,342 to the company's bank. The mortgage covers receivables and property, plant and equipment with a combind book value of EUR'000 XX.

19. Related parties with controlling interest

SDI Media Group Inc. 6060 Center Drive, Suite 100, CA 90045 Los Angeles, USA is the ultimate shareholder and hold controlling interests.

20. Non-arm's length 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.

Notes

21. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
SDI Media Group Inc. 6060 Center Drive, Suite 100, CA 90045 Los Angeles, USA

Accounting policies

Reporting class

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

The accounting policies applied to these financial statements are consistent with those applied last year.

Foreign currency translation

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

Public grants

Public grants are recognised when final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised as income in the income statement as earned. Grants awarded for acquisition of assets are recognised as deferred income in the balance sheet, which is taken to income on a straight-line basis over the useful life of the asset.

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Administrative costs

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Accounting policies

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

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

Tax on profit/loss for the year

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

Balance sheet

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation periods used are 7 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

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

Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, suppliers and labour costs.

Accounting policies

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	10 years

Estimated useful lives and residual values are reassessed annually.

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

Receivables

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

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as finance costs are recognised in the income statement as incurred.

Deferred tax

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

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

Accounting policies

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Operating leases

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

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income tax receivable or payable

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

Cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement for the enterprise has been prepared, as the relevant information is included in the consolidated annual accounts of SDI Media Group Inc.