



## SDI MEDIA A/S

Dortheavej 4  
2400 København NV  
CVR No. 65125218

## Annual report 2019

The Annual General Meeting adopted the  
annual report on 14.09.2020

A handwritten signature in blue ink, appearing to read 'Lars Birk', written over a horizontal line.

**Lars Birk**  
Chairman of the General Meeting

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# Entity details

## Entity

SDI MEDIA A/S

Dortheavej 4

2400 København NV

CVR No.: 65125218

Registered office: Copenhagen

Financial year: 01.01.2019 - 31.12.2019

## Board of Directors

Alberto Abisso, chairman

Markus Böcker

Lars Birk

## Executive Board

Lars Birk

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P. O. Box 1600

0900 Copenhagen C

# Statement by Management

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 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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, 14.09.2020

## Executive Board



**Lars Birk**

## Board of Directors



**Alberto Abisso**  
chairman



**Markus Böcker**



**Lars Birk**

# Independent auditor's report

## To the shareholder of SDI MEDIA A/S

### Opinion

We have audited the financial statements of SDI MEDIA A/S for the financial year 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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:

- 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.

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, 14.09.2020

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556



**Henrik Wolff Mikkelsen**

State Authorised Public Accountant  
Identification No (MNE) mne33747

# Management commentary

## Financial highlights

	2019 EUR'000	2018 EUR'000	2017 EUR'000	2016 EUR'000	2015 EUR'000
<b>Key figures</b>					
Revenue	50,285	56,840	53,379	46,340	36,107
Gross profit/loss	6,996	8,613	7,890	8,978	(775)
Operating profit/loss	(1,908)	(503)	(89)	(1,911)	(656)
Net financials	(875)	(1,091)	436	(352)	(1,713)
Profit/loss for the year	(3,063)	(1,902)	139	(2,522)	(2,673)
Total assets	21,334	24,099	25,441	22,912	29,470
Investments in property, plant and equipment	430	1,164	1,473	355	858
Equity	(10,357)	(7,365)	(5,514)	(5,695)	(3,222)
Average number of employees	324	299	288	296	274
<b>Ratios</b>					
Gross margin (%)	13.91	15.15	14.78	19.37	(2.15)
Net margin (%)	(6.09)	(3.35)	0.26	(5.44)	(7.40)
Equity ratio (%)	(48.55)	(30.56)	(21.67)	(24.86)	(10.93)

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

### Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

### Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

### Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$



### 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 50.285.167 against EUR 56.839.863 last year. The results from ordinary activities after tax are EUR -3.062.676 against EUR -1.902.130 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 2020.

### 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 2020.

### 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.

### 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 BoD level as well as in other Management levels. For the BoD level, the company aims at reaching this target within 2023. The BoD of SDI Media A/S consists of senior management individuals of SDI Media Group. As there is no independent and/or external BoD members and further, that the BoD currently only consists of 3 members, the Company foresees some difficulties in actively affecting the representation of the underrepresented gender. Currently, all 3 members of the BoD are male.

#### **Events after the balance sheet date**

The global Coronavirus pandemic and the social distancing measures put in place to contain it are having a significant impact on business worldwide in 2020. The SDI group has acted to protect our staff and business globally - measures include enabling our staff to work from home wherever possible and taking appropriate cost-saving measures while tightly managing our cash flow and liquidity through this difficult time. The operations of SDI Media A/S were impacted, and production levels did not increase as it would be expected comparing to prior year. Utilization measured with the recording hours for the period January – August 2020 increase by 7% comparing to the same period of 2019. Employees number did no change significantly. Management does not observe any deterioration in trade receivables as well as any major changes in Company liquidity. The management does not perceive any issues for going concern for Company operations in next 12 months period.

# Income statement for 2019

	Notes	2019 EUR	2018 EUR
Revenue	3	50,285,166	56,839,863
Production costs		(43,289,411)	(48,226,953)
<b>Gross profit/loss</b>		<b>6,995,755</b>	<b>8,612,910</b>
Administrative expenses	4	(8,900,513)	(9,249,531)
Other operating income		228	133,476
Other operating expenses		(3,451)	(206)
<b>Operating profit/loss</b>		<b>(1,907,981)</b>	<b>(503,351)</b>
Other financial income	7	14,975	40,000
Other financial expenses	8	(889,485)	(1,131,132)
<b>Profit/loss before tax</b>		<b>(2,782,491)</b>	<b>(1,594,483)</b>
Tax on profit/loss for the year	9	(280,187)	(307,947)
<b>Profit/loss for the year</b>	10	<b>(3,062,678)</b>	<b>(1,902,430)</b>

# Balance sheet at 31.12.2019

## Assets

	Notes	2019 EUR	2018 EUR
Acquired licences		83,620	137,874
Goodwill		79,138	95,640
Prepayments for intangible assets		33,789	2,207
<b>Intangible assets</b>	11	<b>196,547</b>	<b>235,721</b>
Other fixtures and fittings, tools and equipment		758,259	1,222,100
Leasehold improvements		395,417	620,948
Property, plant and equipment in progress		50,322	41,416
<b>Property, plant and equipment</b>	12	<b>1,203,998</b>	<b>1,884,464</b>
Deposits		108,747	108,798
<b>Other financial assets</b>	13	<b>108,747</b>	<b>108,798</b>
<b>Fixed assets</b>		<b>1,509,292</b>	<b>2,228,983</b>
Trade receivables		9,190,800	9,756,718
Contract work in progress		2,609,708	2,344,609
Receivables from group enterprises		7,118,761	8,797,313
Deferred tax	14	0	72,290
Other receivables		235,234	319,515
Income tax receivable		250,889	165,230
Prepayments	15	208,551	235,517
<b>Receivables</b>		<b>19,613,943</b>	<b>21,691,192</b>
<b>Cash</b>		<b>210,340</b>	<b>178,480</b>
<b>Current assets</b>		<b>19,824,283</b>	<b>21,869,672</b>
<b>Assets</b>		<b>21,333,575</b>	<b>24,098,655</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2019</b> <b>EUR</b>	<b>2018</b> <b>EUR</b>
Contributed capital		134,444	134,444
Retained earnings		(10,491,757)	(7,499,050)
<b>Equity</b>		<b>(10,357,313)</b>	<b>(7,364,606)</b>
Prepayments received from customers		1,219,107	1,366,079
Trade payables		4,364,378	7,133,922
Payables to group enterprises		24,304,704	20,898,324
Income tax payable		224,131	194,480
Other payables		1,578,568	1,870,456
<b>Current liabilities other than provisions</b>		<b>31,690,888</b>	<b>31,463,261</b>
<b>Liabilities other than provisions</b>		<b>31,690,888</b>	<b>31,463,261</b>
<b>Equity and liabilities</b>		<b>21,333,575</b>	<b>24,098,655</b>
Events after the balance sheet date	1		
Uncertainty relating to recognition and measurement	2		
Staff costs	5		
Amortisation, depreciation and impairment losses	6		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Related parties with controlling interest	19		
Non-arm's length related party transactions	20		
Group relations	21		

# Statement of changes in equity for 2019

	<b>Contributed capital EUR</b>	<b>Retained earnings EUR</b>	<b>Total EUR</b>
Equity beginning of year	134,444	(7,499,050)	(7,364,606)
Exchange rate adjustments	0	69,971	69,971
Profit/loss for the year	0	(3,062,678)	(3,062,678)
<b>Equity end of year</b>	<b>134,444</b>	<b>(10,491,757)</b>	<b>(10,357,313)</b>

# 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 2019, are still not finalized as of June 2019. It is management's assessment that amount included in 2019 reflect the best estimate, however Management want to emphasize the inherent uncertainty connected with making such estimates.

## 3 Revenue

	2019 EUR	2018 EUR
Denmark	26,172,020	31,510,303
Rest of Scandinavia	8,707,809	8,527,898
Poland	9,738,461	9,750,898
Belgium	2,923,667	4,145,372
Netherlands	2,743,209	2,905,392
<b>Total revenue by geographical market</b>	<b>50,285,166</b>	<b>56,839,863</b>
Dubbing	42,174,870	46,202,735
Subtitling	5,659,393	7,852,688
Other	2,450,903	2,784,440
<b>Total revenue by activity</b>	<b>50,285,166</b>	<b>56,839,863</b>

## 4 Fees to the auditor appointed by the Annual General Meeting

	2019 EUR	2018 EUR
Statutory audit services	33,900	19,151
Other services	4,263	4,263
	<b>38,163</b>	<b>23,414</b>

**5 Staff costs**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Wages and salaries	8,148,892	8,328,399
Pension costs	497,500	471,199
Other social security costs	1,309,166	853,382
	<b>9,955,558</b>	<b>9,652,980</b>

Average number of full-time employees	<b>324</b>	<b>299</b>
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	<b>Remuneration of management 2019 EUR</b>
Total amount for management categories	216,160
	<b>216,160</b>

**6 Depreciation, amortisation and impairment losses**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Amortisation of intangible assets	73,057	104,661
Depreciation of property, plant and equipment	1,065,444	1,025,579
	<b>1,138,501</b>	<b>1,130,240</b>

**7 Other financial income**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Financial income from group enterprises	14,962	39,858
Other interest income	13	142
	<b>14,975</b>	<b>40,000</b>

**8 Other financial expenses**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Financial expenses from group enterprises	398,390	458,338
Other interest expenses	5,466	6,631
Exchange rate adjustments	485,629	666,163
	<b>889,485</b>	<b>1,131,132</b>



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

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Current tax	207,264	307,947
Change in deferred tax	72,923	0
	<b>280,187</b>	<b>307,947</b>

**10 Proposed distribution of profit and loss**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Retained earnings	(3,062,678)	(1,902,430)
	<b>(3,062,678)</b>	<b>(1,902,430)</b>

**11 Intangible assets**

	<b>Acquired licences EUR</b>	<b>Goodwill EUR</b>	<b>Prepayments for intangible assets EUR</b>
Cost beginning of year	1,269,333	122,626	2,207
Additions	0	0	31,582
<b>Cost end of year</b>	<b>1,269,333</b>	<b>122,626</b>	<b>33,789</b>
Amortisation and impairment losses beginning of year	(1,131,459)	(26,986)	0
Exchange rate adjustments	2,301	0	0
Amortisation for the year	(56,555)	(16,502)	0
<b>Amortisation and impairment losses end of year</b>	<b>(1,185,713)</b>	<b>(43,488)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>83,620</b>	<b>79,138</b>	<b>33,789</b>

**12 Property, plant and equipment**

	<b>Other fixtures and fittings, tools and equipment EUR</b>	<b>Leasehold improvements EUR</b>	<b>Property, plant and equipment in progress EUR</b>
Cost beginning of year	6,260,049	3,190,331	41,416
Exchange rate adjustments	(23,728)	2,183	0
Additions	354,926	42,690	32,431
Disposals	(17,936)	0	(23,525)
<b>Cost end of year</b>	<b>6,573,311</b>	<b>3,235,204</b>	<b>50,322</b>
Depreciation and impairment losses beginning of year	(5,037,948)	(2,569,384)	0
Depreciation for the year	(795,041)	(270,403)	0
Reversal regarding disposals	17,936	0	0
<b>Depreciation and impairment losses end of year</b>	<b>(5,815,053)</b>	<b>(2,839,787)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>758,258</b>	<b>395,417</b>	<b>50,322</b>

**13 Financial assets**

	<b>Deposits</b>
	<b>EUR</b>
Cost beginning of year	108,798
Disposals	(51)
<b>Cost end of year</b>	<b>108,747</b>
<b>Carrying amount end of year</b>	<b>108,747</b>

**14 Deferred tax**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Receivables	0	78,313
Liabilities other than provisions	0	(6,023)
<b>Deferred tax</b>	<b>0</b>	<b>72,290</b>
	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
<b>Changes during the year</b>		
Beginning of year	72,290	74,390
Recognised in the income statement	(72,923)	0
Currency adjustments	633	(2,100)
<b>End of year</b>	<b>0</b>	<b>72,290</b>

**15 Prepayments**

Prepayments consists of paid expenses regarding the coming periods.

**16 Unrecognised rental and lease commitments**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Liabilities under rental or lease agreements until maturity in total	<b>3,642,522</b>	<b>1,711,000</b>

**17 Contingent liabilities**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Recourse and non-recourse guarantee commitments	402,104	344,000
<b>Contingent liabilities</b>	<b>402,104</b>	<b>344,000</b>

**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 combined book value of EUR'000 17,514.

**19 Related parties with controlling interest**

Creato Holdings Ltd., 2-7-18 Higashigotanda, Shinagwa-ku, Tokyo 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.

**21 Group relations**

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
Imagica Group 11th floor, Uchisaiwaicho Tokyu Building, 1-3-2 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, Japan

# 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 nonmonetary assets that have been purchased in foreign currencies are translated using historical rates.

## Public grants

Public grants are recognised when a 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 expenses

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

### 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, and 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, and 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, subsuppliers and labour costs.

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, and 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.

#### **Income tax payable or receivable**

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

#### **Prepayments**

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

**Cash**

Cash comprises cash in hand and bank deposits.

**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.

**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.