



SDI MEDIA A/S

Dortheavej 4
2400 København NV
CVR No. 65125218

Annual report 2021

The Annual General Meeting adopted the
annual report on 14.07.2022

Lars Birk

Chairman of the General Meeting

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Entity details

Entity

SDI MEDIA A/S

Dortheavej 4

2400 København NV

Business Registration No.: 65125218

Registered office: Copenhagen

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Alberto Abisso, Chairman

Lars Birk

Markus Böcker

Executive Board

Lars Birk, CEO

Auditors

PricewaterhouseCoopers

Strandvejen 44

2900 Hellerup

CVR No.: 33771231

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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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, 14.07.2022

Executive Board

Lars Birk
CEO

Board of Directors

Alberto Abisso
Chairman

Lars Birk

Markus Böcker

Independent auditor's report

To the shareholders of SDI MEDIA A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January 2021 - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of SDI MEDIA A/S for the financial year 1 December 2021 - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company 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. 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, 14.07.2022

PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab

CVR No. 33 77 12 31

Leif Ulbæk Jensen

State Authorised Public Accountant

Identification No (MNE) mne23327

Management commentary

Financial highlights

	2021 EUR'000	2020 EUR'000	2019 EUR'000	2018 EUR'000	2017 EUR'000
Key figures					
Revenue	71,429	54,873	50,285	56,840	53,379
Gross profit/loss	10,215	6,755	6,996	8,613	7,890
Operating profit/loss	1,179	(1,919)	(1,908)	(503)	(89)
Net financials	(1,529)	(74)	(875)	(1,091)	436
Profit/loss for the year	(573)	(2,196)	(3,063)	(1,902)	139
Total assets	26,967	24,080	21,334	23,943	25,073
Investments in property, plant and equipment	808	1,915	430	1,164	1,473
Equity	(13,475)	(12,933)	(10,357)	(7,365)	(5,514)
Average number of employees	303	324	299	288	296
Ratios					
Gross margin (%)	14.30	12.31	13.91	15.15	14.78
Net margin (%)	(0.80)	(4.00)	(6.09)	(3.35)	0.26
Equity ratio (%)	(49.97)	(53.71)	(48.55)	(30.76)	(21.99)

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

Gross margin (%):

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

Revenue

Net margin (%):

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

Revenue

Equity ratio (%):

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

Total assets

Primary activities

The company's primary activities are sound studio activities, primarily the dubbing, recording 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 71.428.670 against EUR 54.873.186 last year. The results from ordinary activities after tax are EUR -572.988 against EUR -2.196.195 last year. The management consider the results requiring further improvement.

Capital resources

The company has received a letter of support from its parent SDI Media Group, Inc. covering the period up and until 31 December 2022.

Profit/loss for the year in relation to expected developments

As planned company is consistently expanding increasing revenues and profitability. Business integration process will further accelerate this process.

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. The company does not construct fixed assets internally.

Outlook

The company management positively looks on both the planned revenue increase and profitability. On 26.03.2021, Lyuno Media Group has announced that it has completed its acquisition of 100% of SDI Media Group, Inc., parent company of SDI MEDIA A/S and announced a new company as Lyuno-SDI Group. Company is currently in the business integration and transition. It is expected that due to increasing scale company will generate positive net results in 2022 in range 0 - 500k EUR.

Knowledge resources

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

Environmental performance

The company is not liable to prepare green accounts and has no significant environmental approvals.

Foreign branches

The company is operating via SDI Media A/S – Danish headquarters and six branches. Branches are located in Sweden, Norway, Finland, Poland, the Netherlands and Belgium. The company plans further revenue increase which also positively impact on company profitability.

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. SDI Media A/S considers its employees as its main asset and the group has

establish a Code-of-conduct, which also applies to SDI Media A/S employees.

SDI Media A/S has not identified any business risks that influence social conditions or human rights as there is a close collaboration with all employees and a group Code-of-Conduct. No risks relate to environmental matters due to the nature of the business. As goes for anticorruption and bribery, the company has a zero-tolerance tone at the top combined with a thorough process for onboarding vendors. Hence, management does not identify any risks related to this area as well.

For this reason, the management commentary does not include a separate and formal description of CSR matters.

Given the limited exposure to risks outlined above for the four areas as well as the limited resources and as SDI Media A/S is part of a group where such matters are handled at a more aggregated level, the company has not established separate CSR policies for the areas environment and climate, social and employees conditions, human rights and anti-corruption and bribery.

Statutory report on the underrepresented gender

SDI Media A/S' Board of Directors currently consist of three male board members, which have all been elected with reference to their roles within the Group.

It is the goal to seek to replace one male board member with a female candidate by 2024 at the latest.

However, as the Board of Directors is elected by the Group and Board members are chosen on the basis of their individual functions in the Group without a specific focus on gender and as no changes in the Board of Directors have occurred during 2021, the target has not yet been met. As for Executive Management and second management level, there is currently equal gender composition.

Due to above matters, the company does not have a defined policy in order to increase the proportion of the underrepresented gender at the company's Management.

Statutory report on data ethics policy

SDI Media A/S has limited data processing and does not use algorithms for data analysis and none of this is an integral part of the SDI Media A/S' business strategy or business activities. Due to these factors, the company does not have a specific policy on data ethics.

Events after the balance sheet date

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Income statement for 2021

	Notes	2021 EUR	2020 EUR
Revenue	2	71,428,670	54,873,186
Production costs		(61,213,661)	(48,118,578)
Gross profit/loss		10,215,009	6,754,608
Administrative expenses	3	(9,025,194)	(8,677,132)
Other operating income		4,534	11,025
Other operating expenses		(15,248)	(7,499)
Operating profit/loss		1,179,101	(1,918,998)
Other financial income	6	551	348,001
Other financial expenses	7	(1,529,921)	(421,868)
Profit/loss before tax		(350,269)	(1,992,865)
Tax on profit/loss for the year	8	(222,719)	(203,330)
Profit/loss for the year	9	(572,988)	(2,196,195)

Balance sheet at 31.12.2021

Assets

	Notes	2021 EUR	2020 EUR
Acquired licences		62,966	73,445
Goodwill		46,134	62,636
Prepayments for intangible assets		15,336	0
Intangible assets	10	124,436	136,081
Other fixtures and fittings, tools and equipment		1,005,159	575,817
Leasehold improvements		769,750	991,345
Property, plant and equipment in progress		604,427	714,801
Property, plant and equipment	11	2,379,336	2,281,963
Deposits		97,936	97,893
Financial assets	12	97,936	97,893
Fixed assets		2,601,708	2,515,937
Trade receivables		13,661,754	10,938,347
Contract work in progress		3,798,407	2,561,563
Receivables from group enterprises		6,029,185	7,010,720
Other receivables		180,623	402,520
Tax receivable		171,032	131,564
Prepayments	13	201,664	224,250
Receivables		24,042,665	21,268,964
Cash		322,327	295,328
Current assets		24,364,992	21,564,292
Assets		26,966,700	24,080,229

Equity and liabilities

	Notes	2021 EUR	2020 EUR
Contributed capital	14	134,444	134,444
Retained earnings		(13,609,240)	(13,067,907)
Equity		(13,474,796)	(12,933,463)
Prepayments received from customers		1,658,716	1,470,743
Trade payables		8,421,268	5,646,687
Payables to group enterprises		27,724,776	27,145,306
Tax payable		218,572	137,919
Other payables		2,418,164	2,613,037
Current liabilities other than provisions		40,441,496	37,013,692
Liabilities other than provisions		40,441,496	37,013,692
Equity and liabilities		26,966,700	24,080,229
Uncertainty relating to recognition and measurement	1		
Staff costs	4		
Amortisation, depreciation and impairment losses	5		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Assets charged and collateral	17		
Related parties with controlling interest	18		
Non-arm's length related party transactions	19		
Group relations	20		

Statement of changes in equity for 2021

	Contributed capital EUR	Retained earnings EUR	Total EUR
Equity beginning of year	134,444	(13,067,907)	(12,933,463)
Exchange rate adjustments	0	31,655	31,655
Profit/loss for the year	0	(572,988)	(572,988)
Equity end of year	134,444	(13,609,240)	(13,474,796)

Notes

1 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 2021, are still not finalized as of July 2022. It is management's assessment that amount included in 2021 reflect the best estimate, however Management wants to emphasize the inherent uncertainty connected with making such estimates.

Capital resources

The company has lost more than 50% of the share capital. The company is therefore covered by the rules of the Danish Companies Act on capital loss. It is Management's assessment that the equity in the future will be reestablished by capital contributions, earnings or a combination hereof.

As basis for going concern Letter of Financial support has been received from parent.

2 Revenue

	2021 EUR	2020 EUR
Denmark	46,683,851	32,826,401
Rest of Scandinavia	9,636,745	8,849,766
Poland	9,722,094	8,720,500
Belgium	2,916,264	2,309,333
Netherlands	2,469,716	2,167,186
Total revenue by geographical market	71,428,670	54,873,186
Dubbing	55,464,602	44,555,506
Subtitling	11,894,328	6,958,010
Other	4,069,740	3,359,670
Total revenue by activity	71,428,670	54,873,186

3 Fees to the auditor appointed by the Annual General Meeting

	2021 EUR	2020 EUR
Statutory audit services	46,900	33,900
Tax services	17,000	0
Other services	0	4,263
	63,900	38,163

Statutory audit fee for 2021 relates to PwC and 2020 relates to Deloitte

4 Staff costs

	2021	2020
	EUR	EUR
Wages and salaries	9,195,400	7,764,163
Pension costs	248,643	452,828
Other social security costs	1,341,231	877,170
	10,785,274	9,094,161
Average number of full-time employees	294	303

Under the exemption rule section 98b of the Danish Financial Statements act, remuneration to Management is not disclosed.

5 Depreciation, amortisation and impairment losses

	2021	2020
	EUR	EUR
Amortisation of intangible assets	48,270	59,012
Depreciation of property, plant and equipment	597,466	785,518
	645,736	844,530

6 Other financial income

	2021	2020
	EUR	EUR
Financial income from group enterprises	360	7,306
Other interest income	191	10
Exchange rate adjustments	0	340,685
	551	348,001

7 Other financial expenses

	2021	2020
	EUR	EUR
Financial expenses from group enterprises	388,511	413,591
Other interest expenses	22,693	8,277
Exchange rate adjustments	1,118,717	0
	1,529,921	421,868

8 Tax on profit/loss for the year

	2021	2020
	EUR	EUR
Current tax	222,719	203,330
	222,719	203,330

9 Proposed distribution of profit and loss

	2021 EUR	2020 EUR
Retained earnings	(572,988)	(2,196,195)
	(572,988)	(2,196,195)

10 Intangible assets

	Acquired licences EUR	Goodwill EUR	Prepayments for intangible assets EUR
Cost beginning of year	1,241,119	122,626	0
Additions	21,931	0	15,336
Disposals	(2,105)	0	0
Cost end of year	1,260,945	122,626	15,336
Amortisation and impairment losses beginning of year	(1,167,674)	(59,990)	0
Exchange rate adjustments	(642)	0	0
Amortisation for the year	(31,768)	(16,502)	0
Reversal regarding disposals	2,105	0	0
Amortisation and impairment losses end of year	(1,197,979)	(76,492)	0
Carrying amount end of year	62,966	46,134	15,336

11 Property, plant and equipment

	Other fixtures and fittings, tools and equipment EUR	Leasehold improvements EUR	Property, plant and equipment in progress EUR
Cost beginning of year	6,767,676	4,030,219	714,801
Exchange rate adjustments	(2,494)	581	(110,374)
Additions	802,897	5,012	0
Disposals	(73,568)	0	0
Cost end of year	7,494,511	4,035,812	604,427
Depreciation and impairment losses beginning of year	(6,191,859)	(3,038,874)	0
Depreciation for the year	(370,278)	(227,188)	0
Reversal regarding disposals	72,785	0	0
Depreciation and impairment losses end of year	(6,489,352)	(3,266,062)	0
Carrying amount end of year	1,005,159	769,750	604,427

12 Financial assets

	Deposits EUR
Cost beginning of year	97,893
Additions	43
Cost end of year	97,936
Carrying amount end of year	97,936

13 Prepayments

Prepayments consists of paid expenses regarding the coming periods.

14 Share capital

	Number	Nominal value EUR
Share capital	1,344,436	134,444
	1,344,436	134,444

15 Unrecognised rental and lease commitments

	2021 EUR	2020 EUR
Liabilities under rental or lease agreements until maturity in total	10,087,076	2,735,536

16 Contingent liabilities

	2021 EUR	2020 EUR
Recourse and non-recourse guarantee commitments	432,629	364,590
Contingent liabilities	432,629	364,590

17 Assets charged and collateral

The company has issued company mortgage of EUR'000 1,344 to the company's bank. The mortgage covers receivables and property, plant and equipment with a combined book value of EUR'000 22,070.

18 Related parties with controlling interest

Creato Holdings Ltd., 2-7-18 Higashigotanda, Shinagwa-ku, Tokyo was the ultimate shareholder and held controlling interests up to 26.03.2021.

As of 26.03.2021, Iyuno Sweden Holding I AB, Kungsbros Strand 15A, 112 26 Stockholm, Sweden is the shareholder with controlling interest in SDI MEDIA A/S.

19 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.

20 Group relations

Name and registered office of the Parent preparing consolidated financial statements 2021 for the largest group:
lyuno Sweden Holding I AB, Kungsbro Strand 15A, Stockholm SE-AB SE 112 26

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 acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

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.

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.