

Audit Report on Annual accounts  
issued by an Independent Auditor

PALMA PICTURES THE MEDITERRANEAN  
PRODUCTION CENTER, S.L.  
Annual accounts and Management Report  
for the year ended December 31, 2021

## **AUDIT REPORT ON ANNUAL ACCOUNTS ISSUED BY AN INDEPENDENT AUDITOR**

Translation of a report and annual accounts originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 18)

To the shareholders of PALMA PICTURES THE MEDITERRANEAN PRODUCTION CENTER, S.L.:

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### **Opinion**

We have audited the annual accounts of PALMA PICTURES THE MEDITERRANEAN PRODUCTION CENTER, S.L. (the Company), which comprise the balance sheet as at December 31, 2021, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying annual accounts) and, specifically, the accounting principles and criteria contained therein.

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### **Basis for opinion**

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those regulations are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the annual accounts in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the annual accounts of the current period. These risks were addressed in the context of our audit of the annual accounts as a whole and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

#### *Revenue recognition at year-end*

|             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Description | Income is recognised once the risks and benefits related to the services rendered have been transferred to the clients and the amount, together with the related costs incurred can be reliably assessed. Given their significant effect on the income statement and considering that the generally accepted Audit Standards presume that revenue recognition is a potential risk of material misstatement, we have considered this matter to be one of the most relevant aspects of our audit. |
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|              |                                                |
|--------------|------------------------------------------------|
| Our response | Our audit procedures have mainly consisted in: |
|--------------|------------------------------------------------|

- ▶ the understanding of the Company's revenue recognition process.
- ▶ the performance of substantive analytical procedures consisting of the review of the income evolution, comparing the income with that recognised in the prior year.
- ▶ the performance of cut-off substantive procedures of operations for a sample of income transactions at closing in order to conclude whether they were accounted for based on the actual flow of services rendered.
- ▶ the performance of analytical procedures on the review of journal entries related to revenue.
- ▶ the review of the balances pending collection through client confirmations and/or alternative procedures based on the available supporting documentation.

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### Other information: management report

Other information refers exclusively to the 2021 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the management report is to assess and report on the consistency of the management report with the annual accounts based on the knowledge of the entity obtained during the audit, and to assess and report on whether the content and presentation of the management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the management report is consistent with that provided in the 2021 annual accounts and their content and presentation are in conformity with applicable regulations.

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### **Directors' responsibilities for the annual accounts**

The directors are responsible for the preparation of the accompanying annual accounts so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2 to the accompanying annual accounts, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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### **Auditor's responsibilities for the audit of the annual accounts**

Our objectives are to obtain reasonable assurance about whether the annual accounts 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 prevailing audit regulations in Spain 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 annual accounts.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the annual accounts, 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts 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 Company to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the Company 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.

From the significant risks communicated with the Company's directors, we determine those that were of most significance in the audit of the annual accounts of the current period and are therefore the most significant assessed risks.

We describe those risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

ERNST & YOUNG, S.L.

Original signed by

Juan Manuel Martín de Viales Bennásar

April 27, 2022

PALMA PICTURES  
THE MEDITERRANEAN PRODUCTION CENTER, S.L.

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Annual Accounts and Management Report  
at December 31, 2021

Translation of reports and accounts originally issued in Spanish and prepared in  
accordance with generally accepted accounting principles in Spain (See Note 18).  
In the event of a discrepancy, the Spanish-language version prevails

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**PALMA PICTURES T.M.P.C., S.L.**  
**Balance sheet at December 31, 2021 and 2020**  
(In euros rounded to the nearest unit)

| <b>BALANCE SHEET</b>                                                | <b>Notes</b> | <b>2021</b>       | <b>2020</b>       |
|---------------------------------------------------------------------|--------------|-------------------|-------------------|
| <b>A) NON-CURRENT ASSETS</b>                                        |              | <b>8,371,705</b>  | <b>8,943,007</b>  |
| <b>I. Intangible assets</b>                                         | <b>5</b>     | <b>946,077</b>    | <b>1,147,064</b>  |
| 1. Patents, licenses, trademarks and similar                        |              | 946,077           | 1,144,087         |
| 2. Software                                                         |              | -                 | 2,977             |
| <b>II. Property, plant and equipment</b>                            | <b>6</b>     | <b>7,353,442</b>  | <b>7,594,085</b>  |
| 1. Land and buildings                                               |              | 6,760,016         | 6,928,877         |
| 2. Plant and other PP&E items                                       |              | 593,426           | 665,207           |
| <b>III. Long-term investments in Group companies and associates</b> | <b>7</b>     | <b>50,000</b>     | <b>33,000</b>     |
| 1. Equity instruments                                               |              | 45,000            | 33,000            |
| 2. Loans to companies                                               |              | 5,000             | -                 |
| <b>IV. Long-term financial investments</b>                          | <b>7</b>     | <b>12,402</b>     | <b>12,402</b>     |
| 2. Other financial assets                                           |              | 12,402            | 12,402            |
| <b>V. Deferred tax assets</b>                                       | <b>11</b>    | <b>9,784</b>      | <b>156,456</b>    |
| <b>B) CURRENT ASSETS</b>                                            |              | <b>4,375,238</b>  | <b>3,187,764</b>  |
| <b>I. Inventories</b>                                               |              | <b>120,823</b>    | <b>-</b>          |
| 1. Prepayments to suppliers                                         |              | 120,823           | -                 |
| <b>II. Trade and other receivables</b>                              |              | <b>1,343,654</b>  | <b>903,031</b>    |
| 1. Clients for sales and services rendered                          | 7            | 634,095           | 539,919           |
| 2. Clients - Group companies                                        |              | 259,440           | 38,616            |
| 3. Current tax assets                                               | 11           | 28,308            | -                 |
| 4. Other receivables from Public Administrations                    | 11           | 421,810           | 324,496           |
| <b>III. Short-term financial investments</b>                        | <b>7</b>     | <b>117,022</b>    | <b>81,876</b>     |
| 1. Equity instruments                                               |              | 117,022           | 81,876            |
| <b>IV. Cash and cash equivalents</b>                                | <b>8</b>     | <b>2,793,739</b>  | <b>2,202,857</b>  |
| 1. Cash                                                             |              | 2,793,739         | 2,202,857         |
| <b>TOTAL ASSETS (A+B)</b>                                           |              | <b>12,746,943</b> | <b>12,130,771</b> |

**PALMA PICTURES T.M.P.C., S.L.**  
**Balance sheet at December 31, 2021 and 2020**  
(In euros rounded to the nearest unit)

| <b>BALANCE SHEET</b>                                  | <b>Notes</b> | <b>2021</b>       | <b>2020</b>       |
|-------------------------------------------------------|--------------|-------------------|-------------------|
| <b>A) EQUITY</b>                                      |              | <b>5,544,348</b>  | <b>5,023,223</b>  |
| <b>A.1) Equity</b>                                    |              | <b>5,493,330</b>  | <b>4,968,313</b>  |
| <b>I. Share capital</b>                               | <b>9</b>     | <b>3,400,000</b>  | <b>3,400,000</b>  |
| 1. Issued capital                                     |              | 3,400,000         | 3,400,000         |
| <b>II. Reserves</b>                                   | <b>9</b>     | <b>2,308,850</b>  | <b>2,308,728</b>  |
| 1. Legal and statutory                                |              | 370,704           | 370,704           |
| 2. Other reserves                                     |              | 1,938,146         | 1,938,024         |
| <b>III. Result for previous years</b>                 |              | <b>(740,537)</b>  | <b>-</b>          |
| <b>IV. Result for the year</b>                        | <b>3</b>     | <b>525,017</b>    | <b>(740,415)</b>  |
| <b>A.2) Grants, donations and legacies</b>            | <b>9</b>     | <b>51,018</b>     | <b>54,909</b>     |
| <b>B) NON-CURRENT LIABILITIES</b>                     |              | <b>3,752,509</b>  | <b>4,795,192</b>  |
| <b>I. Long-term liabilities</b>                       | <b>10</b>    | <b>2,244,057</b>  | <b>3,198,018</b>  |
| 1. Bank borrowings                                    |              | 2,225,399         | 3,198,018         |
| 2. Finance leases                                     |              | 18,658            | -                 |
| <b>II. Deferred tax liabilities</b>                   | <b>11</b>    | <b>1,508,452</b>  | <b>1,597,174</b>  |
| <b>C) CURRENT LIABILITIES</b>                         |              | <b>3,450,086</b>  | <b>2,312,357</b>  |
| <b>I. Short-term provisions</b>                       | <b>12.3</b>  | <b>27,366</b>     | <b>27,366</b>     |
| <b>II. Short-term borrowings</b>                      | <b>10</b>    | <b>797,787</b>    | <b>717,240</b>    |
| 1. Bank borrowings                                    |              | 713,480           | 638,631           |
| 2. Finance leases                                     |              | 5,698             | -                 |
| 3. Other financial liabilities                        |              | 78,609            | 78,609            |
| <b>IV. Trade creditors and other accounts payable</b> | <b>10</b>    | <b>2,624,933</b>  | <b>1,567,751</b>  |
| 1. Suppliers                                          |              | 578,285           | 465,881           |
| 2. Suppliers, Group companies and associates          |              | 8,978             |                   |
| 3. Personnel (remunerations pending payment)          |              | 113,441           | 25,781            |
| 4. Current tax liabilities                            | <b>11</b>    | <b>128,309</b>    | <b>-</b>          |
| 5. Other payables to Public Administrations           | <b>11</b>    | <b>175,779</b>    | <b>528,817</b>    |
| 6. Prepayments from clients                           | <b>11</b>    | <b>1,620,143</b>  | <b>547,271</b>    |
| <b>TOTAL EQUITY AND LIABILITIES (A+B+C)</b>           |              | <b>12,746,943</b> | <b>12,130,771</b> |

**PALMA PICTURES T.M.P.C., S.L.**  
**Income statement at December 31, 2021 and 2020**  
**(In euros rounded to the nearest unit)**

| <b>INCOME STATEMENT</b>                                                       | <b>Notes</b>     | <b>2021</b>         | <b>2020</b>        |
|-------------------------------------------------------------------------------|------------------|---------------------|--------------------|
| <b>A) CONTINUING OPERATIONS</b>                                               |                  |                     |                    |
| <b>1. Revenue</b>                                                             | <b>12.1</b>      | <b>17,378,200</b>   | <b>7,309,367</b>   |
| a) Sales                                                                      |                  | 24,273              | -                  |
| b) Services rendered                                                          |                  | 17,353,927          | 7,309,367          |
| <b>3. Supplies</b>                                                            | <b>12.2</b>      | <b>-</b>            | <b>(393)</b>       |
| a) Consumption of goods for resale                                            |                  | -                   | (393)              |
| <b>4. Other operating income</b>                                              |                  | <b>603,564</b>      | <b>12,921</b>      |
| <b>5. Personnel expenses</b>                                                  | <b>12.3</b>      | <b>(5,747,629)</b>  | <b>(3,565,382)</b> |
| a) Wages, salaries, et al                                                     |                  | (4,348,386)         | (2,677,904)        |
| b) Social security costs                                                      |                  | (1,399,243)         | (887,478)          |
| <b>6. Other operating expenses</b>                                            |                  | <b>(11,011,042)</b> | <b>(4,244,679)</b> |
| a) External services                                                          |                  | (10,900,418)        | (4,193,440)        |
| b) Taxes                                                                      |                  | (107,871)           | (46,622)           |
| c) Losses, impairment and variation of provisions for commercial transactions |                  | (2,753)             | (4,616)            |
| d) Other extraordinary revenue                                                |                  | -                   | -                  |
| <b>7. Depreciation and amortisation</b>                                       | <b>5 &amp; 6</b> | <b>(499,890)</b>    | <b>(504,500)</b>   |
| <b>8. Grants released to non-financial assets and other grants</b>            |                  | <b>3,891</b>        | <b>4,594</b>       |
| <b>9. Impairment losses and gains on disposal of assets (loss)</b>            |                  | <b>817</b>          | <b>-</b>           |
| <b>10. Other results</b>                                                      |                  | <b>70,421</b>       | <b>88,870</b>      |
| <b>A.1) OPERATING PROFIT (1+2+3+4+5+6+7+8+9)</b>                              |                  | <b>798,332</b>      | <b>(899,201)</b>   |
| <b>11. Finance income</b>                                                     |                  | <b>281</b>          | <b>72</b>          |
| a) From marketable securities and other financial instruments                 |                  | 281                 | 72                 |
| a 2) In third parties                                                         |                  | 281                 | 72                 |
| <b>12. Finance costs</b>                                                      |                  | <b>(59,200)</b>     | <b>(62,618)</b>    |
| a) Third-party borrowings                                                     |                  | (59,200)            | (62,618)           |
| <b>13. Translation differences</b>                                            |                  | <b>246</b>          | <b>(1,209)</b>     |
| <b>A.2) FINANCE RESULT (10+11+12)</b>                                         |                  | <b>(58,673)</b>     | <b>(63,755)</b>    |
| <b>A.3) RESULT BEFORE TAX (A.1+A.2)</b>                                       | <b>7.2</b>       | <b>739,659</b>      | <b>(962,956)</b>   |
| <b>14 Income tax</b>                                                          |                  | <b>(214,642)</b>    | <b>222,541</b>     |
| <b>A.4) RESULT FOR THE YEAR (A.3+13)</b>                                      | <b>3</b>         | <b>525,017</b>      | <b>(740,415)</b>   |

**PALMA PICTURES T.M.P.C., S.L.**  
**Statement of changes in equity corresponding to the year ending**  
**December 31, 2021 and 2020 (In euros rounded to the nearest unit)**

**A) Statement of changes in equity for the year ended December 31, 2021 and 2020**

|                                                                | Note | 2021           | 2020             |
|----------------------------------------------------------------|------|----------------|------------------|
| <b>A) Result of the Profit and Loss account</b>                |      | <b>525,017</b> | <b>(740.415)</b> |
| Income and expenses carried directly to equity                 |      |                |                  |
| Grants, donations and legacies                                 |      | -              | -                |
| Tax effect arising from change of tax rate                     |      | -              | -                |
| <b>B) Total income and expenses carried directly to equity</b> |      | <b>-</b>       | <b>-</b>         |
| Transfers to profit and loss account                           |      |                |                  |
| Grants, donations and legacies                                 | 9.4  | (5,188)        | (6,126)          |
| Tax effect                                                     | 8.4  | 1,296          | 1,531            |
| <b>C) Total transfers to profit and loss account</b>           |      | <b>(3,891)</b> | <b>(4,594)</b>   |
| <b>TOTAL RECOGNISED INCOME AND EXPENSES (A+B+C)</b>            |      | <b>521,126</b> | <b>(745,009)</b> |

**PALMA PICTURES T.M.P.C., S.L.**  
**Statement of changes in equity corresponding to the year ending**  
**December 31, 2021 and 2020 (In euros rounded to the nearest unit)**

**B) Statement of total changes in equity for the year ended December 31, 2021 and 2020**

| 2020                                              | Subscribed capital<br>(Note 9) | Legal reserve<br>(Note 9) | Available reserves<br>(Note 9) | Results from previous years | Results for the year<br>(Note 3) | Grants received<br>(Note 9) | TOTAL            |
|---------------------------------------------------|--------------------------------|---------------------------|--------------------------------|-----------------------------|----------------------------------|-----------------------------|------------------|
| <b>BALANCE AT JANUARY 1, 2020</b>                 | <b>3,400,000</b>               | <b>272,678</b>            | <b>1,143,509</b>               | <b>-</b>                    | <b>980,264</b>                   | <b>59,503</b>               | <b>5,855,955</b> |
| Adjustments for errors in 2019 and previous years | -                              | -                         | (87,723)                       | -                           | -                                | -                           | (87,723)         |
| Total recognised income and expenses              | -                              | -                         | -                              | -                           | (740,415)                        | (4,594)                     | (745,009)        |
| Other equity variations                           | -                              | 98,026                    | 882,238                        | -                           | (980,264)                        | -                           | -                |
| <b>BALANCE AT DECEMBER 31, 2020</b>               | <b>3,400,000</b>               | <b>370,704</b>            | <b>1,938,024</b>               | <b>-</b>                    | <b>(740,415)</b>                 | <b>54,909</b>               | <b>5,023,223</b> |
| 2021                                              | Subscribed capital<br>(Note 9) | Legal reserve<br>(Note 9) | Available reserves<br>(Note 9) | Results from previous years | Results for the year<br>(Note 3) | Grants received<br>(Note 9) | TOTAL            |
| <b>BALANCE AT JANUARY 1, 2021</b>                 | <b>3,400,000</b>               | <b>370,704</b>            | <b>1,938,024</b>               | <b>-</b>                    | <b>(740,415)</b>                 | <b>54,909</b>               | <b>5,023,223</b> |
| Total recognised income and expenses              | -                              | -                         | -                              | -                           | 525,017                          | (3,891)                     | 521,126          |
| Other equity variations                           | -                              | -                         | 122                            | (740,537)                   | 740,415                          | -                           | -                |
| <b>BALANCE AT DECEMBER 31, 2021</b>               | <b>3,400,000</b>               | <b>370,704</b>            | <b>1,938,146</b>               | <b>(740,537)</b>            | <b>525,017</b>                   | <b>51,018</b>               | <b>5,544,347</b> |

**PALMA PICTURES T.M.P.C., S.L.**  
**Cash flow statement for the years ended**  
**December 31, 2021 and 2020 (In euros rounded to the nearest unit)**

|                                                                            | Notes  | 2021             | 2020               |
|----------------------------------------------------------------------------|--------|------------------|--------------------|
| <b>CASH FLOWS OF OPERATING ACTIVITIES</b>                                  |        |                  |                    |
| <b>Result for the year before tax</b>                                      |        | <b>739,658</b>   | <b>(962,956)</b>   |
| <b>Adjustments to results</b>                                              |        | <b>484,497</b>   | <b>478,197</b>     |
| Amortisation/Depreciation (+)                                              | 5, 6   | 499,890          | 504,500            |
| Variation of provisions (+/-)                                              |        | -                | 4,616              |
| Grants (-)                                                                 |        | (3,891)          | (4,594)            |
| Results for withdrawal and disposal of assets (+/-)                        |        | -                | -                  |
| Finance income (-)                                                         |        | (281)            | (72)               |
| Finance expenses (+)                                                       |        | 59,200           | 62,618             |
| Other results (+/-)                                                        |        | (70,421)         | (88,870)           |
| <b>Changes in current capital</b>                                          |        | <b>409,748</b>   | <b>(1,145,091)</b> |
| (Increase)/Decrease in Inventories                                         |        | (120,823)        |                    |
| (Increase)/Decrease in Debtors and other accounts receivable               |        | (440,623)        | 137,800            |
| Increase/(Decrease) in Other current assets                                |        | (28,101)         | (42,075)           |
| Increase/(Decrease) in Creditors and other accounts payable                |        | 928,874          | (467,898)          |
| Other non-current assets and liabilities (+/-)                             |        | 70,421           | (772,918)          |
| <b>Other cash flows from operating activities</b>                          |        | <b>(59,200)</b>  | <b>(309,193)</b>   |
| Interest payments (-)                                                      |        | (59,200)         | (62,618)           |
| Proceeds from interest (+)                                                 |        | -                | 72                 |
| Collections (payments) for income tax (+/-)                                | 11     | -                | (246,647)          |
| <b>Cash flows from operating activities</b>                                |        | <b>1,574,703</b> | <b>(1,939,043)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                |        |                  |                    |
| <b>Payments for investments (-)</b>                                        |        | <b>(194,607)</b> | <b>(188,885)</b>   |
| Group companies and associates                                             |        | (17,000)         |                    |
| Property, plant and equipment                                              | 6, 9.4 | (60,335)         | (175,395)          |
| Intangible assets                                                          | 5      | (250)            | (7,490)            |
| Other financial assets                                                     |        | (117,022)        |                    |
| Investments in Group companies                                             | 7      | -                | (6,000)            |
| <b>Proceeds from disinvestments (+)</b>                                    |        | <b>84,201</b>    | <b>-</b>           |
| Property, plant and equipment                                              |        | 2,325            | -                  |
| Other financial assets                                                     |        | 81,876           |                    |
| <b>Cash flows from investing activities</b>                                |        | <b>(110,406)</b> | <b>(188,885)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                |        |                  |                    |
| <b>Proceeds and payments from financial liability instruments</b>          | 10     | <b>(873,415)</b> | <b>641,544</b>     |
| Issue of bank borrowings                                                   |        | <b>797,787</b>   | 1,200,000          |
| Bank borrowings (+)                                                        |        | 797,787          | -                  |
| Return and amortisation of                                                 |        | (1,671,202)      | (558,456)          |
| Bank borrowings (-)                                                        |        | (1,671,202)      | (558,456)          |
| <b>Payments for dividends and remuneration from other fin. instruments</b> |        | <b>-</b>         | <b>-</b>           |
| Payments for dividends (-)                                                 |        | -                | -                  |
| <b>Cash flows from financing activities</b>                                |        | <b>(873,415)</b> | <b>641,544</b>     |
| <b>NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS</b>                   |        | <b>590,882</b>   | <b>(1,486,384)</b> |
| <b>Cash and cash equivalents at January 1</b>                              | 8      | <b>2,202,857</b> | <b>3,689,241</b>   |
| <b>Cash and cash equivalents at December 31</b>                            | 8      | <b>2,793,739</b> | <b>2,202,857</b>   |

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**1. THE COMPANY'S ACTIVITY**

PALMA PICTURES HOLDING, S.L., which was formed in Spain for an indefinite period on November 29, 2005, changed its name in 2007 to PALMA PICTURES THE MEDITERRANEAN PRODUCTION CENTER, S.L.U. (hereinafter the Company), which is the name of its subsidiary acquired by merger, effective as of January 1, 2007. The 2007 annual accounts contain all the legally required information regarding said merger.

According to the Register of Companies, the Company's business activities are, among others, film and video production services and the direction, organisation and human and material resources for the filming of said films and videos.

The registered office of the Company is C/Siurells, N° 4, 07141 Marratxí, Mallorca, Balearic Islands.

**2. BASIS OF PRESENTATION**

The annual accounts have been prepared in accordance with the General Chart of Accounts approved by Royal Decree 1514/2007 and its sectoral adaptations, as well as Royal Decree 1159/2010, dated September 17 and Royal Decree 602/2016, dated December 2, that introduce several modifications, most recently through Royal Decree 1/2021, dated January 12, and their development standards, as well as prevailing mercantile law.

The figures shown in these annual accounts are presented in euros, rounded off to the nearest unit, unless otherwise indicated.

**2.1 True and fair view**

The accompanying annual accounts have been prepared from the Company's auxiliary accounting records in accordance with prevailing accounting legislation to give a true and fair view of its equity, financial position and results. The cash flow statement has been prepared to reliably present the origin and use of monetary assets such as cash and cash equivalents.

These annual accounts have been prepared by the Directors of the Company and will be submitted for approval by the shareholders in their General Meeting. It is expected that they will be approved without modification. The 2020 annual accounts were approved by the Shareholders at their General Meeting on April 16, 2021.

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## **2.2 Comparison of information**

In accordance with mercantile legislation, for comparative purposes, the 2020 balance sheet, profit and loss account, statement of changes in equity and cash flow statement, include, in addition to the 2021 figures, those of 2020. The Notes to the Accounts also include quantitative information from 2020, except in those cases where an accounting standard specifically states that it is unnecessary.

Royal Decree 1/2021, dated January 12, modifying the General Chart of Accounts approved by Royal Decree 1514/2007, dated November 16 and Royal Decree 602/2016, dated December 2, came into force for those financial years as of January 1, 2021, updating the General Chart of Accounts to the new accounting criteria adopted by the European Union relating to financial instruments and revenue arising from contracts with clients. In the case of the Company, the new valuation criteria have not resulted in significant changes in recognition, valuation, presentation or disclosures.

## **2.3 Effects of the COVID-19 pandemic on the Company's activity**

The international pandemic declared by the World Health Organisation (WHO) on March 11, 2020, has been an unprecedented health crisis, impacting the macroeconomic environment and the evolution of business.

The evolution of the pandemic is having repercussions on both the economy in general and on the Group's operations. The effect of these repercussions in the forthcoming months are still uncertain and will, to a large extent, depend on the evolution and spread of the pandemic.

Following the decrease in the Company's activity in 2020 due to the pandemic, sales in 2021 have started to recover, although they have still not reached the pre-pandemic levels of 2019. Moreover, in 2020, there was a significant decrease in sales in comparison to 2019, due to the drop in demand for film production services and advertising arising from lockdowns and travel restrictions. The Company's directors adopted various measures in order to mitigate the effects of the reduced activity on the Company's liquidity situation and to strengthen the Company's financial situation including, among others:

- Reduction of personnel expenses through the adoption of various measures, the most significant being the Temporary Redundancy Plan (ERTE) affecting 95% of the workforce in Spain during the period between April 2, 2020 and May 31, 2021 (Note 12.3).

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- Evaluation of the Company's financing situation and measures to maintain an adequate financial equilibrium through obtaining new bank financing (ICO loan of 1 million euros) (Note 10.1).
- Negotiations with the banks used by the Company. It is worth mentioning that they have expressed their intentions to continue giving financial support to the Company. Among other cases, evidence of this support is the renovation, in January 2021, of the credit line of 700,000 euros with Caixabank and the renovation, in April 2021, of the credit facility of 250,000 euros with Banca March (Note 10.1).

In 2021, due to the improvement in the Company's conditions in general and the increase in activity, it has not been necessary to implement measures to mitigate the effects of the pandemic. Moreover, following the adoption of the measures implemented in 2020, in accordance with the information available at the preparation date of these annual account, the Company's management has prepared the budget approved for the following year, depending on the evolution and spread of the pandemic. This budget is based on the cash flow estimates expected to be generated in accordance with the expected evolution of the Company's activity and has been taken into account by the Directors when evaluating the Company's going concern (Note 2.4).

#### **2.4 Going concern principle**

At December 31, 2021, the Company has positive working capital amounting to 925,152 euros (positive for an amount of 875,407 euros at December 31, 2020). Since its future business prospects will allow the necessary results and cash flows to be obtained to fulfil the Company's commitments and payment obligations for the next twelve months, the Company Directors have prepared the annual accounts based on the going concern principle. Moreover, the Directors have stated that, if necessary, the Company has the financial support of its shareholders.

#### **2.5 Critical issues concerning the assessment of uncertainty**

The Directors have prepared the Company's annual accounts using estimates to determine the carrying amount of certain assets, liabilities, income and expenses and the breakdown of contingent liabilities. These estimates have been made based on the best information available at year-end. Nonetheless, given the uncertainty inherent to them, future events may occur which oblige their modification in the following years. Where necessary said modifications would be undertaken prospectively. The key assumptions regarding the future, in addition to other relevant information regarding the uncertainty estimation at the reporting date, which represent a considerable risk that the carrying amounts of assets and liabilities may require significant adjustments in the following financial year, are as follows:

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Impairment of non-current assets

The valuation of non-current assets, different from financial assets, requires estimates to be made in order to determine their fair value, to assess possible impairment. In order to determine the fair value, the Company's Directors estimate future cash flows expected from the assets or cash-generating units in which they are included and use an appropriate discount rate to calculate the present value of these cash flows. Future cash flows depend on the budgets for the following five years being met and the discount rates depend on the interest rate and the risk premium related to each cash-generating unit.

Deferred tax assets

Deferred tax assets are recognised for all taxable temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that the Company will have taxable profit available which will allow the application of these assets. The Directors make significant estimates to determine the amount of deferred tax assets that can be recognised, taking into account the amounts and dates on which the future taxable profit will be obtained and the reversion period of the taxable temporary differences.

### **3. DISTRIBUTION OF RESULTS**

The appropriation of results proposed by the Directors, pending approval by the shareholders in their general meeting, is as follows, in euros:

| <b>Euros</b>                  | <b>2021</b>    | <b>2020</b>      |
|-------------------------------|----------------|------------------|
| Basis of distribution         |                |                  |
| Income statement balance      | 525,017        | (740,415)        |
|                               | <b>525,017</b> | <b>(740,415)</b> |
| Distribution                  |                |                  |
| To legal reserve              | 52,502         | -                |
| To losses from previous years | 472,516        | (740,415)        |
|                               | <b>525,017</b> | <b>(740,415)</b> |

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#### **4. VALUATION CRITERIA**

The main recognition and measurement accounting policies applied in the preparation of these annual accounts are the following.

##### **4.1 Intangible assets**

Intangible assets are stated at acquisition or production cost, as applicable, less any accumulated amortisation and any possible impairment losses. An intangible asset is only recognised as such if it is probable that it will generate future profit for the Company and if its cost can be reliably valued.

Acquisition or production cost includes financial expenses related to specific or generic financing accrued before those assets which require more than a year to be ready for use have been put into use.

Intangible assets have a finite useful life and are systematically amortised during their estimated useful life and their recoverability is analysed in the case of events or changes which indicate that the carrying value may not be recoverable. The amortisation methods and periods applied are reviewed at year-end and, where applicable, adjusted on a prospective basis.

The amortisation of intangible assets is performed according to the following criteria:

- The Brand - corresponds to the difference generated in the 2007 merger between the acquisition cost of the absorbed company and its notional book value, less the capital gains relating to the tangible fixed assets and increased by the amount of the deferred taxes arising from the merger operation all based on an appraisal performed by an independent expert. The brand is amortised using the straight-line method over a twenty-year period starting from the merger date, January 1, 2007, as this is the period in which the Directors consider that it will generate profits for the Company (See Note 5).
- The software applications, which are acquired from third parties, are amortised using the straight-line method over the five-year period in which they are expected to be in use. Software maintenance costs are carried to expenses when incurred.

##### **4.2 Property, plant and equipment**

Property, plant and equipment are stated at acquisition or production cost, less accumulated depreciation and possible impairment losses. Costs incurred to renovate, expand or improve property, plant and equipment are attributed to the asset as greater value to the extent that they imply an increase in capacity, productivity or length of useful life and as long as it is possible to reasonably know or estimate the carrying value of the assets, which, due to having been substituted, must be withdrawn from the inventory.

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Acquisition or production cost includes financial expenses related to financing accrued before those assets which require more than a year to be ready for use have been put into use.

The Company depreciates property, plant and equipment on the straight-line method, distributing the cost between the estimated years of useful life.

| <b>Assets</b>               | <b>% Annual amortisation</b> |
|-----------------------------|------------------------------|
| Buildings and constructions | 2-3                          |
| Machinery                   | 12                           |
| Other installations         | 5.5                          |
| Furniture and fittings      | 5-7                          |
| Data processing equipment   | 12.5                         |
| Vehicles                    | 12.5                         |
| Other assets                | 5.5                          |

At each financial year end the Company reviews the residual values, useful lives and depreciation methods of PP&E and if appropriate adjusts them on a prospective basis.

#### **4.3 Impairment of non-financial assets**

The Company assesses at each year end whether there is an indication that a non-current asset or, where applicable, a cash-generating unit may be impaired. If there is any indication of impairment, and in any case, for intangible assets with indefinite useful lives, the Company estimates the asset's recoverable amount.

The recoverable amount is the higher of fair value less cost to sell and value in use. When the carrying amount is higher than the recoverable amount, the asset is considered to be impaired. Value in use, is the present value of the expected future cash flows using risk-free market rates, adjusted by the risks specific to the asset.

Impairment loss and its reversion are recognised in the income statement. Impairment loss is reversed only if the circumstances giving rise to it have ceased to exist, except those relating to goodwill. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset.

#### **4.4 Leases**

Leases are considered to be financial leases when, based on the economic terms of the arrangement, all risks and rewards incidental to ownership of the leased item are substantially transferred to the Company. All other lease arrangements are classified as operating leases.

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*Company as lessee*

Assets acquired under financial lease arrangements are recognised, based on their nature, at the fair value of the leased item or, if lower, the present value at the commencement of the lease of the minimum lease payments, including the purchase option, recognising a financial liability for the same amount. The calculation of the minimum agreed payments does not include contingent instalments, the cost of the services and taxes recoverable by the lessor. Lease payments are apportioned between finance charges and reduction of the lease liability. The total financial charge of the contract is carried to results for the year in which it is accrued, applying the effective interest rate method. These assets are depreciated, impaired, and derecognised using the same criteria applied to assets of a similar nature.

Operating lease payments are recognised as expenses in the income statement when accrued.

#### **4.5 Inventories**

Inventories are valued at acquisition cost, production cost or fair value. In general, for those goods whose acquisition or production cost is not individually identifiable, the weighted average cost will be used. Irreversible losses are withdrawn from inventories.

#### **4.6 Cash and cash equivalents**

This heading includes cash, current accounts, short-term deposits and temporary purchases of assets which fulfil all the following requirements:

- They are readily convertible to cash.
- They mature within less than three months from the acquisition date or they can be cancelled at any time without penalisation.
- The risk of change in value is insignificant.
- They are part of the Company's standard cash management strategy.

In terms of the cash flow statement, occasional bank overdrafts used as part of the Company's cash management strategy are recognised as a decrease in cash and cash equivalents.

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#### **4.7 Financial assets**

##### **4.7.1 Recognition and measurement**

Upon initial recognition, the Company classifies all financial assets under one of the categories listed below, determining the applicable initial and subsequent valuation methods:

- Financial assets at fair value through profit and loss
- Financial assets at amortised cost
- Financial assets at fair value through equity
- Financial assets at cost

##### Financial assets at amortised cost

The Company classifies a financial asset under this category even when it is part of a negotiation in an organised market, if it fulfils the following conditions:

- The Company maintains the investment under a management model which has the objective of receiving cash flows arising from the execution of the contract.

Management of a financial assets portfolio to obtain contractual cash flows does not necessarily imply that all the instruments must be held to maturity; the financial assets can be considered to be managed with this objective even when there have been sales or are expected to be sales in the future. To that effect, the Company considers the frequency, the amount and the timetable of sales in previous years, the reasons for these sales and the expectations regarding the activity of future sales.

- On specific dates, the contractual characteristics of the financial asset give rise to cash flows that are only principal and interest payments, i.e. cash flows are inherent to an ordinary or common loan, agreement, but the loan agreed could be interest-free or at a below-market interest rate.

This condition is presumed to be met in the case of a bond or simple loan with a specified maturity date whereby the Company receives a floating interest rate, which could be subject to a cap. Conversely, this condition is presumed to be met in the case of instruments that are convertible into equity instruments of the issuer, loans that pay an inverse floating rate (i.e. the interest rate has an inverse relationship to market interest rates) or those in which the issuer may defer interest payments if payment would affect its solvency, without the deferred interest accruing additional interest.

In general, this category includes credits from trade operations (“commercial clients”) and credits from non-trade operations (“other debtors”).

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Financial assets classified under this category are initially valued at fair value which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs, i.e. inherent transaction costs are capitalised.

Nonetheless, those credits arising from trade operations which mature in less than a year and do not have a contracted interest rate, as well as credits to personnel, the dividends receivable and called-up payments on equity instruments which are expected to be received in the short-term, are valued at face value when the effect of not updating the cash flows is not significant.

Following initial recognition, these financial liabilities are measured at amortised cost. Accrued interest is recognised in the income statement (financial income) using the effective interest rate method.

Credits maturing in less than one year that, as already mentioned, are initially valued at face value, will still be valued at said amount, unless they have been impaired.

In general, when the contractual cash flows of a financial asset at amortised cost are modified due to the issuers financial difficulties, the Company analyses whether or not an impairment loss should be recognised.

Financial assets at cost

Under this category the Company always includes:

- Equity investment in group companies, multigroup companies and associates (in the individual financial statements).
- Equity loans with contingent interest payments, either because a fixed interest rate or a floating rate contingent on compliance with a milestone by the borrower (e.g. obtaining profits) is agreed or because it is calculated exclusively by reference to the borrower's financial performance.
- Any other financial asset that was initially classified in the fair value through the income statement portfolio when it is not possible to obtain a trustworthy estimate of the fair value.

The investments included in this category are initially valued at cost, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs, i.e. inherent transaction costs are capitalised.

In the case of investments in Group companies, if an investment were to exist before its classification as a group company, a multigroup company or an associate, the accounting value that it would have had immediately before the company being considered as such, would be considered as a cost of said investment.

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The subsequent value is also at cost less, where applicable, the accumulated amount of impairment adjustments.

Contributions made as a result of a joint accounts agreement or similar are valued at cost, increased or decreased by the profit or loss, respectively, corresponding to the company as a non-managerial participant less, where applicable, the accumulated amount of any impairment loss,

This same criteria is applied in the case of equity loans with contingent interest payments, either because a fixed interest rate or a floating rate contingent on compliance with a milestone by the borrower (e.g. obtaining profits) is agreed or because it is calculated exclusively by reference to the borrower's financial performance. If, as well as a contingent interest an irrevocable fixed interest is agreed, the latter is recognised as financial revenue depending on its accrual. Transaction costs are charged, on a straight-line basis to profit and loss for the duration of the equity loan.

#### **4.7.2 Derecognition of financial assets**

The Company derecognises a financial asset when:

- The rights to receive cash flows from the asset have expired. Accordingly, an asset is derecognised when it has matured and the Company has received the corresponding amount.
- The Company has transferred its rights to receive cash flows from the financial asset. In this case, the financial asset is derecognised when all the risks and rewards of the asset are substantially transferred.

Following the analysis of the risks and benefits, the Company derecognises the financial assets when the asset's risks and benefits have been substantially transferred. The transferred asset is derecognised and the Company recognises the result of the transaction: the difference between the consideration received net of the attributable transaction costs (considering any new asset obtained less any assumed liability) and the carrying value of the financial asset, plus any accumulated amount that has been directly recognised in equity.

#### **4.7.3 Impairment of financial assets**

At least at each reporting date, the Company assesses whether there is any objective evidence that a financial asset, or group of financial assets with similar risk characteristics assessed on a collective basis, is impaired as a result of one or more events that occurred after initial recognition that result in a reduction or delay in the estimated future cash flows due to debtor insolvency.

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Where such evidence exists, the impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the future cash flows, including any cash flows from enforcement of collateral and personal guarantees expected to be generated by the asset discounted at the effective interest rate calculated at initial recognition. For floating-rate financial assets, in accordance with the contractual terms, the effective interest rate at the reporting date is used. The Company uses formula-based approaches or statistical methods to determine impairment losses in a group of financial assets.

Impairment losses and reversals thereof where the amount of the impairment loss decreases due to an event occurring after recognition are recognised as expenses and income, respectively, in profit or loss. The reversal is limited to the carrying amount of the asset that would have been recognised at the reversal date had no impairment loss been recognised.

The Company uses the instrument's market value as a substitute for the present value of future cash flows, provided that this value is sufficiently reliable to be considered representative of the amount the Company could recover.

For assets at fair value through equity, where there is objective evidence that the asset is impaired, accumulated losses recognised in equity for a decrease in fair value are recognised in profit or loss.

#### **4.8 Financial liabilities**

##### **4.8.1 Recognition and measurement**

The Company classifies all its financial liabilities, at initial recognition, into one of the categories listed below:

- Financial liabilities at amortised cost
- Financial liabilities at fair value through profit or loss

##### Financial liabilities at amortised cost

The Company classifies all its financial liabilities in this category except those that must be measured at fair value through profit or loss.

In general, this category includes payables from trade transactions ("Trade payables") and payable from non-trade transactions ("Other payables").

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Equity loans that have the characteristics of a basic lending agreement are also included in this category, but the loan agreed could be interest-free or at a below-market interest rate.

Financial liabilities classified in this category are measured initially at fair value. In the absence of evidence to the contrary, this is assumed to be the transaction price, which is equivalent to the fair value of the consideration received adjusted by directly attributable transaction costs. These are costs inherent in the transaction, which are capitalised.

Nonetheless, trade payables falling due within one year for which there is no contractual interest rate, and called-up equity holdings expected to be settled in the short term are measured at their nominal amount, provided that the effect of not discounting the cash flows is immaterial.

They are measured subsequently at amortised cost. Accrued interest is recognised in profit or loss (finance cost) using the effective interest rate method.

Nonetheless, payables falling due within one year measured at the nominal amount, in accordance with the preceding section, continue to be measured at that amount.

Contributions made as a result of joint account contracts or similar are measured at cost plus or minus the gain or loss, respectively, attributable to the non-managerial participants.

The same criteria are applied to equity loans with contingent interest payments, either because a fixed interest rate or a floating rate contingent on compliance with a milestone by the borrower (e.g. obtaining profits) is agreed or because it is calculated exclusively by reference to the borrower's financial performance. Finance costs are recognised in profit or loss on an accrual basis, while transaction costs are recognised in profit or loss based on financial criteria or, if this does not apply, a straight-line basis over the term of the profit participating loan.

#### **4.8.2 Derecognition of financial liabilities**

The Company derecognises a financial liability when one of the following circumstances arises:

- The obligation under the liability is extinguished because the payment to cancel the debt has been made to the creditor (through cash payments or other goods or services), or because the debtor legally exempts the Company from any responsibility for the liability.
- Own financial liabilities are acquired, although it may be to reallocate them in the future.

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- There is an exchange of debt instruments between a lender and a borrower, as long as there are substantially different conditions, recognising the new liability that arises; in the same way a substantial modification of the current conditions of a financial liability is recognised, as indicated for debt restructuring.

Derecognition of financial liabilities is undertaken as follows: the difference between the carrying amount of the financial liability (or the portion of it which has been derecognised) compensation paid, including any attributable transaction costs, which must also include any new asset transferred other than cash or liability assumed, is recognised in the income statement in the year to which it relates.

#### **4.9 Provisions and contingencies**

Provisions with undetermined amounts and cancellation dates are recognised in the balance sheet as provisions when the Company has a present obligation (derived from a contract through its explicit or implicit terms, legislation or other operation of law), as a result of past events and it is probable that a quantifiable outflow of resources will be required to settle the obligation.

Provisions are measured at the present value of the best estimate of the amount that an entity would rationally pay to settle the obligation or to transfer it to a third-party recognising provision discount adjustment as a finance cost as they accrue. No discounts are made on those provisions falling due within twelve months that do not have a significant financial effect. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the liability corresponding to each moment.

#### **4.10 Income tax**

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less any applicable rebates and tax credits, taking into account changes during the year in recognised deferred tax assets and liabilities. The corresponding tax expense is recognised in the income statement, except when it relates to transactions recognised directly in equity, in which case the corresponding tax expense is likewise recognised in equity.

Deferred income tax is recognised for the temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in “Deferred tax assets” or “Deferred tax liabilities” on the balance sheet, as applicable.

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Deferred tax liabilities are recognised for all temporary differences, except where disallowed by prevailing tax legislation.

The Company recognises deferred tax assets for all deductible temporary differences, unused tax credits and unused tax loss carry forwards, to the extent that it is probable that future taxable profit will be available against which these assets may be utilised, except where disallowed by prevailing tax legislation.

At each financial year end, the Company assesses the deferred tax assets recognised and those that have not yet been recognised. Based on this analysis, the Company derecognises the asset recognised previously if it is no longer probable that it will be recovered, or it recognises any deferred tax asset that had not been recognised previously, provided that it is probable that future taxable profit will be available against which these assets may be utilised.

Deferred tax assets and liabilities are measured at the tax rate expected to apply to the period in which they reverse, as required by enacted tax laws and in the manner in which it reasonably expects to recover or settle the deferred tax asset or liability.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities irrespective of the date of their expected realisation or settlement.

#### **4.11 Income and expenses**

In accordance with the accruals principle, income is recognised when control is transferred and expenses are recognised when they occur, regardless of when actual payment or collection occurs.

In order to recognise revenue, the Company follows a process consisting of the following successive stages:

- a) Identify the contract (or contracts) with the client, understood to be an agreement between two or more parties creating rights and enforceable obligations.
- b) Identify the obligation or obligations to be complied with in the contract, representing the commitments of transferring goods or rendering services to a client.
- c) Determine the price of the transaction or consideration of the contract to which the Company expects to have a right in exchange for the transfer of goods or the rendering of services agreed upon with the client.
- d) Allocate the transaction price to the obligations to be fulfilled, depending on the individual sale prices of each item or service other than those included in the contract or, where applicable, following an estimate of the sale price when it cannot be independently observed.

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- e) Recognise income from ordinary activities when the company fulfils a committed obligation through the transfer of an asset or the rendering of a service; compliance that occurs when the client obtains control of said asset or service, in such a way that the amount of the revenue from ordinary activities recognised will be the amount allocated to the satisfied contractual obligation.

*i. Recognition*

The Company recognises revenue arising from a contract when control of the committed goods and services is transferred to the client (i.e. the obligation/s to be fulfilled).

For each identified obligation to be fulfilled, at the beginning of the contract, the Company determines whether the commitment assumed is fulfilled over time or at a specific moment.

Revenue arising from the commitments fulfilled over time are recognised depending on their degree of progress towards the complete fulfilment of the contractual obligations, as long as the Company has reliable information in order to measure the degree of progress.

In the case of contractual obligations that are fulfilled in a specific moment, revenue arising from their execution are recognised on said date. The costs incurred in the production or manufacturing of a product are recognised as inventories.

*ii. Compliance of the obligation over time*

The Company transfers the control of an asset over time when one of the following criterion is fulfilled:

- a) The customer simultaneously receives and consumes the benefits provided by the Company's performance as the entity performs.
- b) The Company creates or enhances an asset that the customer controls as the activity is undertaken.
- c) The entity develops a specific asset for the client without an alternative use and has an enforceable right to payment for performance completed to date.

Indicators of compliance of the obligation at a specific moment in time

In order to identify the specific moment when the client obtains control of the asset, the Company considers the following indicators:

- a) The client assumes the significant risks and rewards inherent to ownership of the asset.
- b) The Company transfers physical possession of the asset.
- c) The client receives the asset in accordance with the contractual specifications.
- d) The Company has a collection right for transferring the asset.
- e) The client owns the asset.

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2021**  
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*iii. Valuation*

Ordinary revenue arising from the sale of goods and the rendering of services is measured at its monetary value or, where applicable, at the fair value of the offsetting entry received or to be received. The offsetting entry is the price agreed for the assets to be transferred to the client, deducting the amount of any discount, price reduction or similar, that the Company may grant, as well as the interest included in the nominal amount of the credits.

**4.12 Transactions in foreign currency**

Transactions in foreign currency are initially translated at the spot rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date. All exchange gains or losses arising from translation as well as those resulting on settlement of balance sheet items are recognised in the income statement of the year in which they occur.

**4.13 Environmental assets and liabilities**

Costs incurred in the acquisition of systems, equipment and installations whose aim is the elimination, limitation or control of the possible impact of the normal development of the Company's activity on the environment, are considered to be investments. Other expenses related to the environment which are not related to the acquisition of assets are considered to be expenses for the year.

**4.14 Transactions with related parties**

Transactions with related parties are recorded in accordance with the abovementioned valuation criteria.

Since the cost of transactions with related parties are adequately borne, the Company Directors consider that there is no risk of significant tax liabilities arising.

**4.15 Indemnities for dismissal**

In accordance with prevailing labour legislation, the Company is obliged to pay indemnities to those employees who terminate their contracts under certain conditions. Indemnities for dismissal subject to reasonable quantification are recognised as an expense for the year in which a valid expectation exists, created by the Company before the affected third parties.

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2021**  
**(In euros rounded to the nearest unit)**

**4.16 Grants**

Grants are recognised as non-repayable when the requirements established for receiving them are met and are recognised directly in equity, net of the corresponding tax effect.

Grants received to finance specific expenses are released to the income statement in the year in which the financed expenses are incurred..

Grants received to acquire property; plant and equipment are released to income in proportion to the depreciation charged for the related assets.

**4.17 Classification of current and non-current assets and liabilities**

Assets and liabilities are classified in the balance sheet as current and non-current.

Accordingly, assets and liabilities are classified as current when they are associated with the Company's normal operating cycle and it is expected that they will be sold, consumed, realised or settled within the normal course of that cycle; if they differ from the aforementioned assets, and are expected to mature, to be sold or settled within one year; if they are held for trading or are cash and cash equivalents the use of which is not restricted. The normal operating cycle for all the activities is of less than a year.

**PALMA PICTURES T.M.P.C., S.L.**  
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**(In euros rounded to the nearest unit)**

**5. INTANGIBLE FIXED ASSETS**

The breakdown and movement of intangible fixed assets are as follows:

**Euros**

| <b>2021</b>                     | <b>Balance at<br/>January 1,</b> | <b>Additions<br/>and charges</b> | <b>Transfers</b> | <b>Balance at<br/>December 31</b> |
|---------------------------------|----------------------------------|----------------------------------|------------------|-----------------------------------|
| <b>Cost</b>                     |                                  |                                  |                  |                                   |
| Software                        | 222,779                          | -                                | -                | 222,779                           |
| Brands                          | 3,827,774                        | 250                              | -                | 3,828,024                         |
|                                 | 4,050,553                        | 250                              | -                | 4,050,803                         |
| <b>Accumulated amortisation</b> |                                  |                                  |                  |                                   |
| Software                        | (219,802)                        | (2,977)                          | -                | (222,779)                         |
| Brands                          | (2,683,686)                      | (198,261)                        | -                | (2,881,947)                       |
|                                 | (2,903,488)                      | (201,238)                        | -                | (3,104,726)                       |
| <b>Carrying value</b>           | <b>1,147,064</b>                 | <b>(200,988)</b>                 |                  | <b>946,077</b>                    |

  

| <b>2020</b>                     | <b>Balance at<br/>January 1,</b> | <b>Additions<br/>and charges</b> | <b>Transfers</b> | <b>Balance at<br/>December 31</b> |
|---------------------------------|----------------------------------|----------------------------------|------------------|-----------------------------------|
| <b>Cost</b>                     |                                  |                                  |                  |                                   |
| Software                        | 222,779                          | -                                | -                | 222,779                           |
| Brands                          | 3,820,284                        | 7,490                            | -                | 3,827,774                         |
|                                 | 4,043,063                        | 7,490                            | -                | 4,050,553                         |
| <b>Accumulated amortisation</b> |                                  |                                  |                  |                                   |
| Software                        | (205,878)                        | (13,924)                         | -                | (219,802)                         |
| Brands                          | (2,492,631)                      | (191,055)                        | -                | (2,683,686)                       |
|                                 | (2,698,509)                      | (204,980)                        | -                | (2,903,489)                       |
| <b>Carrying value</b>           | <b>1,344,554</b>                 |                                  |                  | <b>1,147,064</b>                  |

The Brand relates to the difference between the notional book value of the acquired Company decreased by the capital gains on property, plant & equipment and increased by the amount of deferred taxes deriving from the merger mentioned in Note 1. Said amount, which is not tax deductible, is amortised on the straight-line method over a twenty-year period starting on January 1, 2007, which is the merger date, as the Directors consider that this is the period in which it will generate profits.

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The cost and accumulated amortisation of the brand at January 1, 2008, include a total of 772,753 and 38,638 euros, respectively, relating to deferred taxes which, in accordance to the 2007 General Accounting Plan, must be recognised on the transition date. Said deferred taxes are related to the capital gain following the merger mentioned in Note 1. In accordance with the valuations performed, said deferred tax has been recorded as a greater value of the brand.

Fully amortised intangible assets amount to 350,116 euros (338,756 euros in 2020).

## **6. PROPERTY, PLANT & EQUIPMENT**

The breakdown and movement of the accounts under this heading are as follows:

| <b>Euros</b>                    | <b>Balance at<br/>January 1,<br/>2021</b> | <b>Additions<br/>and<br/>provisions</b> | <b>Disposals</b> | <b>Transfers</b> | <b>Balance at<br/>December<br/>31, 2021</b> |
|---------------------------------|-------------------------------------------|-----------------------------------------|------------------|------------------|---------------------------------------------|
| <b>2021</b>                     |                                           |                                         |                  |                  |                                             |
| <b>Cost</b>                     |                                           |                                         |                  |                  |                                             |
| Land                            | 3,462,307                                 | -                                       | -                | -                | 3,462,307                                   |
| Buildings                       | 7,490,103                                 | -                                       | -                | -                | 7,490,103                                   |
| Technical plant and machinery   | 2,357,431                                 | -                                       | -                | -                | 2,357,431                                   |
| Other PP&E items                | 982,267                                   | 26,850                                  | -                | -                | 1,009,117                                   |
| Vehicles                        | 761,522                                   | 29,500                                  | (30,328)         | -                | 760,694                                     |
| Data processing equipment       | 298,464                                   | 1,420                                   | -                | -                | 299,884                                     |
| Other tangibles                 | 289,021                                   | 2,567                                   | -                | -                | 291,588                                     |
|                                 | <b>15,641,115</b>                         | <b>60,337</b>                           | <b>(30,328)</b>  | <b>-</b>         | <b>15,671,124</b>                           |
| <b>Accumulated amortisation</b> |                                           |                                         |                  |                  |                                             |
| Buildings                       | (4,023,533)                               | (168,861)                               | -                | -                | (4,192,394)                                 |
| Technical plant and machinery   | (2,009,659)                               | (72,111)                                | -                | -                | (2,081,770)                                 |
| Other PP&E items                | (898,372)                                 | (11,102)                                | -                | -                | (909,474)                                   |
| Vehicles                        | (640,244)                                 | (29,286)                                | 28,004           | -                | (641,526)                                   |
| Data processing equipment       | (249,513)                                 | (10,381)                                | -                | -                | (259,894)                                   |
| Other tangibles                 | (225,712)                                 | (6,911)                                 | -                | -                | (232,623)                                   |
|                                 | <b>(8,047,033)</b>                        | <b>(298,653)</b>                        | <b>28,004</b>    | <b>-</b>         | <b>(8,317,682)</b>                          |
| <b>Carrying value</b>           | <b>7,594,083</b>                          | <b>(238,316)</b>                        | <b>(2,324)</b>   | <b>-</b>         | <b>7,353,443</b>                            |

**PALMA PICTURES T.M.P.C., S.L.**  
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| <b>Euros</b>                    | <b>Balance at<br/>January 1,<br/>2020</b> | <b>Additions<br/>and<br/>provisions</b> | <b>Disposals</b> | <b>Transfers</b> | <b>Balance at<br/>December<br/>31, 2020</b> |
|---------------------------------|-------------------------------------------|-----------------------------------------|------------------|------------------|---------------------------------------------|
| <b>2020</b>                     |                                           |                                         |                  |                  |                                             |
| <b>Cost</b>                     |                                           |                                         |                  |                  |                                             |
| Land                            | 3,462,307                                 | -                                       | -                | -                | 3,462,307                                   |
| Buildings                       | 7,490,103                                 | -                                       | -                | -                | 7,490,103                                   |
| Technical plant and machinery   | 2,221,923                                 | 135,508                                 | -                | -                | 2,357,431                                   |
| Other PP&E items                | 982,267                                   | -                                       | -                | -                | 982,267                                     |
| Vehicles                        | 729,814                                   | 31,708                                  | -                | -                | 761,522                                     |
| Data processing equipment       | 291,440                                   | 7,024                                   | -                | -                | 298,464                                     |
| Other tangibles                 | 287,866                                   | 1,155                                   | -                | -                | 289,021                                     |
|                                 | <b>15,465,721</b>                         | <b>175,396</b>                          | -                | -                | <b>15,641,116</b>                           |
| <b>Accumulated amortisation</b> |                                           |                                         |                  |                  |                                             |
| Buildings                       | (3,854,672)                               | (168,861)                               | -                | -                | (4,023,533)                                 |
| Technical plant and machinery   | (1,940,121)                               | (69,538)                                | -                | -                | (2,009,659)                                 |
| Other PP&E items                | (883,058)                                 | (15,314)                                | -                | -                | (898,372)                                   |
| Vehicles                        | (579,990)                                 | (60,254)                                | -                | -                | (640,244)                                   |
| Data processing equipment       | (239,680)                                 | (9,833)                                 | -                | -                | (249,513)                                   |
| Other tangibles                 | (218,285)                                 | (7,427)                                 | -                | -                | (225,712)                                   |
|                                 | <b>(7,715,806)</b>                        | <b>(331,228)</b>                        | -                | -                | <b>(8,047,033)</b>                          |
| <b>Carrying value</b>           | <b>7,749,915</b>                          |                                         |                  |                  | <b>7,594,083</b>                            |

At December 31, 2021, the land and building balances include capital gains amounting to 2,075,813 and 2,960,282 euros, respectively (2,075,813 and 3,129,143 euros in 2020), resulting from the merger mentioned in Note 1, and based on two independent appraisals carried out in 2006. Said capital gains are not tax deductible. For this reason, the corresponding amortisation charge has been increased in the taxable basis for each year.

At December 31, 2021, totally depreciated property, plant and equipment amount to 6,274,541 euros (5,164,653 euros in 2020).

Land and buildings are mortgaged with the guarantee of two similar loans which are detailed in Note 10.1.

The Company has contracted insurance policies which cover the carrying value of the Property, Plant and Equipment.

In previous years grants related to Property, Plant & Equipment were received, as is mentioned in Note 9.4.

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## 7. FINANCIAL ASSETS

The breakdown of financial assets at December 31 is as follows:

| Euros                               | Equity Instruments |                | Credits and others |                | Total            |                |
|-------------------------------------|--------------------|----------------|--------------------|----------------|------------------|----------------|
|                                     | 2021               | 2020           | 2021               | 2020           | 2021             | 2020           |
| <b>Non-current financial assets</b> |                    |                |                    |                |                  |                |
| Investments in Group companies      | 45,000             | 33,000         | 5,000              | -              | 50,000           | 33,000         |
| Long-term financial investments     | -                  | -              | 12,402             | 12,402         | 12,402           | 12,402         |
|                                     | 45,000             | 33,000         | 17,402             | 12,402         | 62,402           | 45,402         |
| <b>Current financial assets</b>     |                    |                |                    |                |                  |                |
| Trade and other receivables (*)     | -                  | -              | 893,535            | 578,535        | 893,535          | 578,535        |
| Short-term financial investments    | 117,022            | 81,876         | -                  | -              | 117,022          | 81,876         |
|                                     | 117,022            | 81,876         | 893,535            | 578,535        | 1,010,558        | 660,411        |
| <b>TOTAL</b>                        | <b>162,022</b>     | <b>114,876</b> | <b>910,937</b>     | <b>590,937</b> | <b>1,072,960</b> | <b>705,813</b> |

\*Excluding balances with Public Administrations

### 7.1 Investments in Group companies

At December 31, 2021, these financial assets are classified as Financial Assets at cost.

The breakdown of financial investments in Group companies is as follows:

| Euros                            | 2021          | 2020          |
|----------------------------------|---------------|---------------|
| NW Mallorca 2017, S.L.U.         | 3,000         | 3,000         |
| Living the Dream Company, S.L.U. | 3,000         | 3,000         |
| Finca Producciones SPA, S.L.     | 3,000         | 3,000         |
| Ten Cents Films S.L.U.           | 3,000         | 3,000         |
| White Lines Films, S.L.          | 3,000         | 3,000         |
| Off the Rails Films, S.L.        | 3,000         | 3,000         |
| Nosotros Productions, S.L.       | 3,000         | 3,000         |
| Last Letter Films, S.L.U.        | 3,000         | 3,000         |
| Chica Morena Productions, S.L.   | 3,000         | 3,000         |
| Picada Productions, S.L.         | 3,000         | 3,000         |
| Batalla Productions, S.L.        | 3,000         | 3,000         |
| YRF Project, 67 S.L.             | 3,000         | -             |
| Hustle Spain, S.L.               | 3,000         | -             |
| Palomino Films, S.L.             | 3,000         | -             |
| Tesoro Enterrado S.L.            | 3,000         | -             |
| Impairment provision             | -             | -             |
|                                  | <b>45,000</b> | <b>33,000</b> |

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The main figures of the Group companies are as follows:

| Euros                             | %    | Share capital | Reserves | Results from previous years | Profit (losses) for the year | Total Equity |
|-----------------------------------|------|---------------|----------|-----------------------------|------------------------------|--------------|
| NW Mallorca 2017, S.L.U.          | 100% | 3,000         | 92       | (13,660)                    | (5,484) (*)                  | (16,052)     |
| Living the Dream Pictures, S.L.U. | 100% | 3,000         | 10,600   | (13,478)                    | (21,397) (*)                 | (21,275)     |
| Finca Producciones SPA, S.L.      | 100% | 3,000         | 18,274   | -                           | 1,271 (**)                   | 22,545       |
| Ten Cents Films, S.L.U.           | 100% | 3,000         | 1,048    | -                           | (6,257) (****)               | (2,209)      |
| White Lines Films, S.L.           | 100% | 3,000         | 10,442   | (10,838)                    | (2,740) (*)                  | (136)        |
| Off the Rails Films, S.L.         | 100% | 3,000         | -        | (4,329)                     | 605 (***)                    | (723)        |
| Nosotros Productions, S.L.        | 100% | 3,000         | -        | (20,018)                    | 662 (*)                      | (16,356)     |
| Last Letter Films, S.L.U.         | 100% | 3,000         | 4,142    | (141,842)                   | (723) (*)                    | (135,423)    |
| Chica Morena Productions, S.L.    | 100% | 3,000         | 10,271   | (106,058)                   | (310) (*)                    | (93,098)     |
| Picada Productions, S.L.          | 100% | 3,000         | 8,980    | -                           | (19,349) (**)                | (7,370)      |
| Batalla Productions, S.L.         | 100% | 3,000         | -        | -                           | -                            | 3,000        |
| YRF Project, 67 S.L.              | 100% | 3,000         | -        | -                           | 56,497 (*)                   | 59,497       |
| Hustle Spain, S.L.                | 100% | 3,000         | -        | -                           | 27,021 (*)                   | 30,021       |
| Palomino Films, S.L.              | 100% | 3,000         | -        | -                           | (101) (*)                    | 2,899        |
| Tesoro Enterrado S.L.             | 100% | 3,000         | -        | -                           | -                            | 3,000        |

(\*) Last available information: Result for the year at December 31, 2021

(\*\*) Last available information: Result for the year at June 30, 2021

(\*\*\*) Last available information: Result for the year at May 31, 2021

(\*\*\*\*) Last available information: Result for the year at July 31, 2021

The Company NW MALLORCA 2017, S.L.U. was constituted in 2017 to undertake a television project. This company has remained dormant in 2021.

LIVING THE DREAM PICTURES, S.L.U. was constituted in 2017 under another name (PAN Y VINO PRODUCTIONS, S.L.U.) which was changed in February 2018. This company has remained dormant in 2021.

FINCA PRODUCCIONES SPA, S.L. was constituted on May 16, 2018. This company was constituted in order to undertake a project throughout 2018, 2019 and 2020. This company has remained dormant in 2021.

TEN CENTS FILMS, S.L.U. was constituted on July 17, 2018. This company was constituted in order to undertake a project throughout 2018 and 2019. In 2021, the company has remained dormant.

WHITE LINES FILMS, S.L. was constituted on November 29, 2018. This company was constituted in order to undertake a project in 2019. In 2021, the company has remained dormant.

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OFF THE RAILS FILMS, S.L. was constituted on December 12, 2018. This company was constituted in order to undertake a project in 2019. In 2021, the company has remained dormant.

NOSOTROS PRODUCTIONS, S.L. was constituted on June 4, 2019. This company was constituted in order to undertake a project in 2019. In 2021, the company has remained dormant.

LAST LETTER FILMS, S.L.U. was constituted on September 13, 2019. This company was constituted in order to undertake a project in 2019. In 2021, the company has remained dormant.

CHICA MORENA PRODUCTIONS, S.L.U. was constituted on June 13, 2019. This company was constituted in order to undertake a project in 2019. In 2021, the company has remained dormant.

PICADA PRODUCTIONS, S.L.U. was constituted on January 21, 2020. This company was constituted in order to undertake a project in 2021.

BATALLA PRODUCTIONS, S.L.U. was constituted on February 6, 2020. This company was constituted in order to be prepared for future shoots.

YRF PROJECT 67, S.L. was constituted on April 13, 2021. This company was constituted in order to undertake a project which started in 2021.

HUSTLE SPAIN S.L. was constituted on April 22, 2021. This company was constituted in order to undertake a project which started in 2021.

PALOMINO FILMS S.L. was constituted on November 3, 2021. This company was constituted in order to undertake a project in 2022.

TESORO ENTERRADO S.L. was constituted on December 16, 2021. This company was constituted in order to undertake a project in 2022.

Due to its size, the Company is exempt from preparing annual accounts for the group of which it is the Parent Company, as specified in the Standards for the Preparation of Consolidated Annual Accounts.

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## **7.2 Trade and other receivables**

At December 31, 2021, these financial assets are classified as Financial Assets at amortised cost.

### Trade debt

The breakdown at December 31 is as follows:

|                                         | <b>2021</b>    | <b>2020</b>    |
|-----------------------------------------|----------------|----------------|
| Clients for sales and services rendered | 634,095        | 539,919        |
| Clients, Group companies and associates | 259,440        | 38,616         |
| <b>Total</b>                            | <b>893,535</b> | <b>578,535</b> |

### Value adjustments

The “Clients for sale and services rendered” balance is presented net of impairment adjustments. Movement for said adjustments has been as follows:

| <b>(Euros)</b>       | <b>2021</b> | <b>2020</b> |
|----------------------|-------------|-------------|
| Opening balance      | -           | -           |
| Net charges          | -           | -           |
| Write-offs           | -           | -           |
| <b>Final balance</b> | <b>-</b>    | <b>-</b>    |

## **8. CASH AND CASH EQUIVALENTS**

The breakdown and movement of this caption at December 31 are the following:

| <b>Euros</b>     | <b>2021</b>      | <b>2020</b>      |
|------------------|------------------|------------------|
| Cash             | 12,062           | 13,368           |
| Current accounts | 2,781,677        | 2,189,489        |
| <b>Total</b>     | <b>2,793,739</b> | <b>2,202,857</b> |

Current accounts and other cash equivalents bear the market interest rates commonly established for this type of accounts and assets.

Cash and cash equivalents are unrestricted.

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## **9. EQUITY**

### **9.1 Subscribed capital**

The share capital at December 31, 2021, consists of 3,400,000 registered shares with a par value of 1 euro each, fully subscribed and paid up. All the shares have the same political and economic rights. The Company is not listed.

The only shareholder which is not an individual and holds more than 10% of the Company's share capital is Zallaz, S.A. with a 50.50% participation (50.50% in 2020).

### **9.2 Legal reserve**

As per Spanish mercantile law, the Company is required to transfer 10% of the profits for the year to a legal reserve until said reserve reaches an amount equal to at least 20% of the share capital. This reserve is non-distributable and may only be used to offset losses should no other reserves be available.

### **9.3 Other reserves**

The amount recorded in this caption is freely distributable, subsequent to the offset of losses.

### **9.4 Grants**

The breakdown of this account is as follows:

| <b>2021 (euros)</b>                | <b>Balance at January 1</b> | <b>Additions</b> | <b>Transfers to Profit and Loss</b> | <b>Balance at December 31</b> |
|------------------------------------|-----------------------------|------------------|-------------------------------------|-------------------------------|
| <b>Cost:</b>                       |                             |                  |                                     |                               |
| Grants for purchase of assets      | 53,270                      | -                | (3,423)                             | 49,847                        |
| Grants for purchase of assets 2010 | 79                          | -                | -                                   | 79                            |
| Grants for purchase of assets 2011 | 1,560                       | -                | (468)                               | 1,092                         |
| <b>Total</b>                       | <b>54,909</b>               | <b>-</b>         | <b>(3,891)</b>                      | <b>51,018</b>                 |

| <b>2020 (euros)</b>                | <b>Balance at January 1</b> | <b>Additions</b> | <b>Transfers to Profit and Loss</b> | <b>Balance at December 31</b> |
|------------------------------------|-----------------------------|------------------|-------------------------------------|-------------------------------|
| <b>Cost:</b>                       |                             |                  |                                     |                               |
| Grants for purchase of assets      | 57,864                      | -                | (4,594)                             | 53,270                        |
| Grants for purchase of assets 2010 | 79                          | -                | -                                   | 79                            |
| Grants for purchase of assets 2011 | 1,560                       | -                | -                                   | 1,560                         |
| <b>Total</b>                       | <b>59,503</b>               | <b>-</b>         | <b>(4,594)</b>                      | <b>54,909</b>                 |

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In previous years the Company received a non-refundable grant for an initial amount of 163,000 euros which is released to results at 3% on a yearly basis as it was intended for the acquisition of Property, Plant & Equipment items.

In 2010 and 2011, grants were obtained amounting to 12,176 and 15,602 euros respectively, for the acquisition of property, plant and equipment. Both are carried to income by the straight-line method over 10 years, as this is the depreciation period of the elements acquired with the grants.

In 2017, a capital grant amounting to 13,582 euros (10,187 euros net of tax) was received for an investment in solar panels.

In 2019, a grant was received from the CAIB (Balearic Islands Autonomous Community) for an amount of 3,907 euros, for the indefinite contracting of an employee with disabilities.

## **10. FINANCIAL LIABILITIES**

At December 31, 2021, financial liabilities are classified as Financial liabilities at amortised cost.

At December 31, the breakdown of financial liabilities is as follows:

| Euros                                      | Bank borrowings  |                  | Others           |                  | Total            |                  |
|--------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                            | 2021             | 2020             | 2021             | 2020             | 2021             | 2020             |
| <b>Long-term financial liabilities:</b>    |                  |                  |                  |                  |                  |                  |
| Debits and accounts payable                | 2,225,399        | 3,198,018        | 18,658           | -                | 2,244,056        | 3,198,018        |
|                                            | 2,225,399        | 3,198,018        | 18,658           | -                | 2,244,056        | 3,198,018        |
| <b>Current financial liabilities:</b>      |                  |                  |                  |                  |                  |                  |
| Debits and accounts payable                | 713,480          | 638,631          | 84,307           | 78,609           | 797,787          | 717,240          |
| Trade creditors and other account payables | -                | -                | 2,320,846        | 1,038,934        | 2,320,846        | 1,038,934        |
|                                            | 713,480          | 638,631          | 2,405,153        | 1,117,543        | 3,118,633        | 1,756,174        |
| <b>TOTAL</b>                               | <b>2,938,878</b> | <b>3,836,649</b> | <b>2,423,811</b> | <b>1,117,543</b> | <b>5,362,689</b> | <b>4,954,192</b> |

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**(In euros rounded to the nearest unit)**

The breakdown of financial liabilities at December 31 is as follows:

| <b>Euros</b>                    | <b>2021</b>      | <b>2020</b>      |
|---------------------------------|------------------|------------------|
| <b>Non-current liabilities:</b> |                  |                  |
| Bank borrowings                 | 2,225,399        | 3,198,018        |
| Other non-current liabilities   | 18,658           | -                |
|                                 | <b>2,244,056</b> | <b>3,198,018</b> |
| <b>Current liabilities:</b>     |                  |                  |
| Bank borrowings                 | 713,480          | 638,631          |
| Suppliers and creditors         | 578,285          | 465,881          |
| Suppliers, Group companies      | 8,978            | -                |
| Debts with personnel            | 113,441          | 25,781           |
| Guarantees received             | 72,600           | 72,600           |
| Prepayments from clients        | 1,620,142        | 547,271          |
| Other current liabilities       | 11,707           | 6,009            |
|                                 | <b>3,118,633</b> | <b>1,756,174</b> |

## 10.1 Bank borrowings

The breakdown of bank borrowings is as follows:

|                                    | <b>Initial<br/>amount</b> | <b>Balance<br/>at<br/>31.12.21</b> | <b>Balance<br/>at<br/>31.12.20</b> | <b>Formalisation<br/>date</b> | <b>Maturity</b> |
|------------------------------------|---------------------------|------------------------------------|------------------------------------|-------------------------------|-----------------|
| Mortgage loan Bankia               | 1,438,524                 | 707,874                            | 806,231                            | 30.12.2014                    | 31.12.2029      |
| Mortgage loan B. March             | 1,470,235                 | 833,683                            | 945,549                            | 30.12.2014                    | 01.01.2030      |
| Loan La Caixa                      | 1,000,000                 | 128,205                            | 282,051                            | 18.03.2016                    | 01.10.2023      |
| ICO Loan La Caixa                  | 34,346                    | -                                  | 7,105                              | 14.12.2017                    | 13.12.2022      |
| Loan Banco Popular                 | 130,000                   | 15,537                             | 41,942                             | 17.07.2018                    | 17.07.2023      |
| Mortgage loan Banco Popular        | 650,000                   | -                                  | 150,685                            | 30.11.2018                    | 30.11.2022      |
| Loan Banco Santander               | 200,000                   | 86,327                             | 126,220                            | 31.01.2020                    | 30.01.2025      |
| ICO Loan Banco Santander           | 1,000,000                 | 453,772                            | 838,235                            | 07.04.2020                    | 06.04.2025      |
| <b>Total long-term borrowings</b>  |                           | <b>2,225,399</b>                   | <b>3,198,018</b>                   |                               |                 |
| Mortgage loans - short term        | -                         | 209,318                            | 305,085                            |                               |                 |
| Other bank loans -short term       | -                         | 504,162                            | 333,547                            |                               |                 |
| <b>Total short-term borrowings</b> |                           | <b>713,480</b>                     | <b>638,631</b>                     |                               |                 |
| <b>Total bank borrowings</b>       |                           | <b>2,938,878</b>                   | <b>3,836,649</b>                   |                               |                 |

The interest rate of loans is referenced to the Euribor rate.

Moreover, the Company has a credit line with La Caixa, with a limit of 700,000. None of this credit line has been drawn down at closing. This credit line matures in January 2024.

Moreover, the Company has a credit line with Banca March, with a limit of 250,000 euros. None of this credit line has been drawn down at closing. This credit line matures in April 2022.

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The breakdown of the maturity of the bank borrowings is as follows:

| At 31.12.21  | 2022<br>(Short-term) | 2023    | 2024    | 2025    | 2026    | Remainder | Total long-term |
|--------------|----------------------|---------|---------|---------|---------|-----------|-----------------|
| Bank loans   | 713,480              | 646,995 | 511,089 | 305,929 | 218,696 | 542,689   | 2,225,399       |
| <b>Total</b> |                      |         |         |         |         |           |                 |

| At 31.12.20  | 2021<br>(Short-term) | 2022    | 2023    | 2024    | 2025    | Remainder | Total long-term |
|--------------|----------------------|---------|---------|---------|---------|-----------|-----------------|
| Bank loans   | 638,631              | 710,034 | 415,443 | 402,203 | 388,963 | 1,281,376 | 3,198,018       |
| <b>Total</b> |                      |         |         |         |         |           |                 |

The information regarding the nature and extent of risks arising from financial instruments is as follows:

- As a result of the development of its activity and operations, the Company is exposed to financial risks, mainly arising from interest rates, since the risk from exchange rates is minimum. To be specific, the Company is exposed to an interest rate risk arising from financing in euros, basically at a variable interest rate.
- The Company is financed by loans with a variable interest rate. At December 31, 2021, the Company does not use derivative financial instruments since it considers that the effect and fluctuations arising from other currencies different from the euro are not significant.
- The Company manages the risk of a temporary cash shortage through the supervision of its cash budget, which takes into account the maturity of financial investments, assets, liabilities and the operations' cash flow projections.

## **10.2 Information on average payment period to suppliers**

During 2021, the average payment period to suppliers has been 67.66 days (60.64 days in 2020), the ratio of paid transactions has been 23.93 days (35.57 days in 2020) and the ratio of transactions pending payment has been 220.54 days (123.89 days in 2020). The total payments made amount to 2,183,786.61 euros (2.960.789 euros in 2020) and pending payments amount to 531,062.13 euros (357.183 euros in 2020).

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**11. TAX**

At December 31 the breakdown of tax assets and liabilities is as follows:

| <b>Euros</b>                                  | <b>2021</b>      | <b>2020</b>      |
|-----------------------------------------------|------------------|------------------|
| Deferred tax assets                           | 9,784            | 156,456          |
| Current tax assets                            | 28,308           |                  |
| Other receivables from Public Administrations | 421,810          | 324,496          |
|                                               | <b>459,902</b>   | <b>480,952</b>   |
| Deferred tax liabilities                      | 1,508,452        | 1,597,174        |
| Current tax liabilities                       | 128,309          | -                |
| Other payables to Public Administrations      | 175,779          | 528,817          |
|                                               | <b>1,812,539</b> | <b>2,125,991</b> |

As of January 1, 2014, Palma Pictures T.M.P.C., S.L. together with its subsidiary, Pathfinder Media, S.L.U., was subject to the special consolidated tax regime. Since said subsidiary has been liquidated in 2017, the Company is now declaring tax individually again.

Profit, which is determined according to tax legislation, is subject to a 25% tax rate on the consolidated tax base. Certain deductions can be performed on the resulting quota.

Under prevailing Spanish tax law, tax returns may not be considered final until they have either been inspected by tax authorities or until the inspection period has expired. The Company is open to inspection for the applicable taxes for the last four years.

The Company Directors consider that, in the case of an inspection, no significant tax contingencies could arise from possible differing interpretations of the tax regulations applicable to the transactions undertaken by the Company.

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### 11.1 Corporate Income Tax calculation

The reconciliation of net income and expenses for the year with tax results for the years 2021 and 2020 is as follows:

| Euros                                                                  | Income Statement |           |          | Income and expenses directly charged to equity |           |       | TOTAL     |
|------------------------------------------------------------------------|------------------|-----------|----------|------------------------------------------------|-----------|-------|-----------|
|                                                                        | Increases        | Decreases | Total    | Increases                                      | Decreases | Total |           |
| 2021                                                                   |                  |           |          |                                                |           |       |           |
| Income and expenses balance before taxes                               |                  |           | 739,659  |                                                |           |       | 739,659   |
| Permanent differences:                                                 |                  |           |          |                                                |           |       |           |
| Non-deductible expenses                                                | 10,598           | -         | 10,598   | -                                              | -         | -     | 10,598    |
| Donations                                                              | -                | -         | -        | -                                              | -         | -     | -         |
| Temporary differences:                                                 |                  |           |          |                                                |           |       |           |
| Arising in previous years                                              |                  |           |          |                                                |           |       |           |
| Amortisation assets' capital gains                                     | 343,929          | -         | 343,929  | -                                              | -         | -     | 343,929   |
| Amortisation of assets (2001-2007)                                     | 4,443            | -         | 4,443    | -                                              | -         | -     | 4,443     |
| Reversal free amort. employment maintenance                            | 6,514            | -         | 6,514    | -                                              | -         | -     | 6,514     |
| TD Reversal amortisation limitation 2013 and 2014 (ART. 7 LEY 16/2012) | -                | (13,045)  | (13,045) | -                                              | -         | -     | (13,045)  |
| Taxable income (prior)                                                 |                  |           |          |                                                |           |       | 1,092,099 |

| Euros                                                                  | Income Statement |           |           | Income and expenses directly charged to equity |           |       |           |
|------------------------------------------------------------------------|------------------|-----------|-----------|------------------------------------------------|-----------|-------|-----------|
|                                                                        | Increases        | Decreases | Total     | Increases                                      | Decreases | Total | TOTAL     |
| 2020                                                                   |                  |           |           |                                                |           |       |           |
| Income and expenses balance before taxes                               |                  |           | (962,956) |                                                |           |       | (962,956) |
| Permanent differences:                                                 |                  |           |           |                                                |           |       |           |
| Non-deductible expenses                                                | 36,320           | -         | 36,320    | -                                              | -         | -     | 36,320    |
| Donations                                                              | 500              | -         | 500       | -                                              | -         | -     | 500       |
| Temporary differences:                                                 |                  |           |           |                                                |           |       |           |
| Arising in previous years                                              |                  |           |           |                                                |           |       |           |
| Amortisation assets' capital gains                                     | 343,929          | -         | 343,929   | -                                              | -         | -     | 343,929   |
| Amortisation of assets (2001-2007)                                     | 11,318           | -         | 11,318    |                                                |           |       | 11,318    |
| Reversal free amort. employment maintenance                            | 10,288           | -         | 10,288    | -                                              | -         | -     | 10,288    |
| TD Reversal amortisation limitation 2013 and 2014 (ART. 7 LEY 16/2012) | -                | (13,045)  | (13,045)  | -                                              | -         | -     | (13,045)  |
| Taxable income (prior)                                                 |                  |           | (573,646) |                                                |           |       | (573,646) |

### Amortisation of assets' cash surpluses

In 2021 and 2020, this account relates to amortisation of surpluses related to the various assets which, by their nature, are not tax-deductible and are detailed in Notes 5 and 6.

### Amortisation/Depreciation

In 2021 and 2020, these balances relate to the reversal of the accelerated depreciation of property, plant and equipment for tax purposes.

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The reconciliation between the expense/(income) for the Corporate Income Tax and the result of multiplying the tax rates applicable to the total recognised income and expenses is as follows:

| Euros                                       | 2021             |          |            | 2020             |          |                |
|---------------------------------------------|------------------|----------|------------|------------------|----------|----------------|
|                                             | Income statement | Equity   | Total 2021 | Income statement | Equity   | Total 2020     |
| Income and expenses for the year before tax | 739,659          | -        |            | (962,956)        | -        | (962,956)      |
| Notional tax charge (tax rate 25%)          | 184,915          | -        |            | (240,739)        | -        | (240,739)      |
| Non-deductible expenses                     | 3,261            | -        |            | 3,261            | -        | 3,261          |
| Quota deductions                            | 26,466           | -        |            | 14,937           | -        | 14,937         |
| <b>Expense/(income) tax effect</b>          | <b>214,642</b>   | <b>-</b> |            | <b>222,541</b>   | <b>-</b> | <b>222,541</b> |

The breakdown of the Corporate Income Tax expense/(income) is as follows:

| Euros          | Income statement | Equity | Total 2021     | Income statement | Equity | Total 2020       |
|----------------|------------------|--------|----------------|------------------|--------|------------------|
| Current taxes  | 128,309          | -      | 128,309        | (143,411)        | -      | (143,411)        |
| Deferred taxes | 57,951           | -      | 57,951         | (79,130)         | -      | (79,130)         |
| <b>Total</b>   |                  |        | <b>186,260</b> |                  |        | <b>(222,541)</b> |

The breakdown of payable or receivable Corporate Tax is as follows:

| (Euros)                                      | 2021           | 2020             |
|----------------------------------------------|----------------|------------------|
| Current tax                                  | 128,309        | (143,411)        |
| Withholdings                                 | (10)           | -                |
| Prepayments                                  | -              | -                |
| <b>Total Income Tax payable/(receivable)</b> | <b>128,299</b> | <b>(143,411)</b> |

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## 11.2 Deferred tax assets and liabilities

The breakdown and movement of the various items which make up deferred tax assets and liabilities are as follows:

| Euros                                    |                 |                         |        |                 |
|------------------------------------------|-----------------|-------------------------|--------|-----------------|
|                                          |                 | Variations reflected in |        |                 |
|                                          | Opening balance | Income statement        | Equity | Closing balance |
| 2021                                     |                 |                         |        |                 |
| Deferred tax assets                      |                 |                         |        |                 |
| Tax losses                               | 143,411         | (143,411)               | -      | -               |
| Limitation amortisation 2019 and 2020    | 13,045          | (3,261)                 | -      | 9,784           |
|                                          | 156,456         | (146,673)               | -      | 9,784           |
| Deferred tax liabilities                 |                 |                         |        |                 |
| Depreciation property, plant & equipment | 33,172          | (2,572)                 | -      | 30,600          |
| Cash gains on assets                     | 1,546,259       | (85,982)                | -      | 1,460,277       |
| Non-refundable grants                    | 17,744          | (168)                   | -      | 17,576          |
|                                          | 1,597,174       | (88,722)                | -      | 1,508,452       |
|                                          |                 |                         |        |                 |
|                                          |                 |                         |        |                 |
|                                          |                 | Variations reflected in |        |                 |
|                                          | Opening balance | Income statement        | Equity | Closing balance |
| 2020                                     |                 |                         |        |                 |
| Deferred tax assets                      |                 |                         |        |                 |
| Tax losses                               | -               | 143,411                 | -      | 143,411         |
| Limitation amortisation 2019 and 2020    | 16,306          | (3,261)                 | -      | 13,045          |
|                                          | 16,306          | 140,150                 | -      | 156,456         |
| Deferred tax liabilities                 |                 |                         |        |                 |
| Depreciation property, plant & equipment | 35,744          | (2,572)                 | -      | 33,172          |
| Cash gains on assets                     | 1,632,241       | (85,982)                | -      | 1,546,259       |
| Non-refundable grants                    | 20,573          | (2,829)                 | -      | 17,744          |
|                                          | 1,688,558       | (91,384)                | -      | 1,597,174       |
|                                          |                 |                         |        |                 |

At December 31, 2021, the Company has no tax losses pending compensation (143,411 euros in 2020).

## 12. INCOME AND EXPENSES

### 12.1 Income

The distribution of the Company's turnover corresponding to normal activities, by category, is as follows:

| Euros                             | 2021              | 2020             |
|-----------------------------------|-------------------|------------------|
| Sales                             | 24,273            | -                |
| Income from rendering of services | 17,010,521        | 7,152,628        |
| Income from Photo shoots          | 343,406           | 156,739          |
| <b>Total</b>                      | <b>17,378,200</b> | <b>7,309,367</b> |

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At closing 2021, the Company's sales have increased in comparison to the previous year, as a result of the advances in the vaccination campaign and the relaxation of lockdown measures, although they have not yet returned to pre-pandemic levels.

## 12.2 Supplies

The breakdown of consumption of goods in the Income statement is as follows:

| <b>Euros</b>           | <b>2021</b> | <b>2020</b>  |
|------------------------|-------------|--------------|
| Purchases and supplies | -           | (393)        |
| <b>Total</b>           | <b>-</b>    | <b>(393)</b> |

## 12.3 Personnel Expenses

The breakdown of personnel expenses stated in the Income Statement is as follows:

| <b>Euros</b>                | <b>2021</b>      | <b>2020</b>      |
|-----------------------------|------------------|------------------|
| Wages, salaries and similar | 4,348,386        | 2,677,904        |
| Social Security             | 1,165,306        | 732,048          |
| Other welfare expenses      | 233,936          | 155,430          |
| <b>Total</b>                | <b>5,747,629</b> | <b>3,565,382</b> |

As a result of the effects of the COVID-19 pandemic described in Note 2.3, on April 2, 2020, a Temporary Redundancy Plan (ERTE) was formalised, affecting 95% of the workforce in Spain. This ERTE came to an end on May 31, 2021.

## 12.4 Other operating expenses

| <b>Euros</b>                                  | <b>2021</b>    | <b>2020</b>   |
|-----------------------------------------------|----------------|---------------|
| Non-core and core earnings                    | 3,564          | 12,921        |
| Operating grants included in income statement | 600,000        | -             |
| <b>Total</b>                                  | <b>603,564</b> | <b>12,921</b> |

In 2021, the Company has received a Public grant for an amount of 600,000 euros from the "Covid line of direct aid for the self-employed and companies" financed by the Spanish government and foreseen in Royal Decree Law 5/2021, dated March 12, on extraordinary measures to support the solvency of companies in response to the COVID-19 pandemic. This aid has been considered as a non-refundable operating grant, since the directors believe that the necessary conditions have been fulfilled.

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By virtue of the commitments established in section 2 of the fourth additional provision of “Royal Decree Law 5/2021, dated March 12, on extraordinary measures to support the solvency of companies in response to the COVID-19 pandemic”, since it has received funds from the Covid line of direct aid for the self-employed and companies, the Company considers proposing at the Shareholders General Meeting that no dividends are distributed in 2022.

### **13. INFORMATION ON ENVIRONMENTAL ISSUES**

The Company’s Directors consider that potential contingencies that may arise with respect to environmental issues are sufficiently covered by the liability insurance policies subscribed.

No expenses for this concept have been incurred during in either 2021 or 2020.

### **14. POST-BALANCE SHEET EVENTS**

The Company considers that no adjustment in the annual accounts of the year ended December 31, 2021 is needed as a result of the Russian invasion of Ukraine, although operations may be affected, in turn affecting the future results and cash flows of the Company and its subsidiaries. At the date of presentation of these annual accounts, there have been no significant effects on the Company’s activity that could jeopardise the application of the going concern principle (Note 2.4) and, in accordance with the Director’s current estimates, no significant effects are expected in 2022.

There have been no other post-balance sheet events which significantly affect these annual accounts.

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**15. TRANSACTIONS WITH RELATED PARTIES**

Related parties in 2021 and 2020 and the nature of their relationship are as follows:

|                                | Nature of relationship |
|--------------------------------|------------------------|
| Zallaz, S.A.                   | Direct Parent Company  |
| Other partners                 | Shareholders           |
| NW Mallorca 2017, S.L.U.       | Group company          |
| Living the dream, S.L.U.       | Group company          |
| Finca Producciones SPA, S.L.   | Group company          |
| Ten Cents Films, S.L.U.        | Group company          |
| White Lines Films, S.L.        | Group company          |
| Off the Rails Films, S.L.      | Group company          |
| Nosotros Productions, S.L.     | Group company          |
| Last Letter Films, S.L.U.      | Group company          |
| Chica Morena Productions, S.L. | Group company          |
| Picada Productions, S.L.       | Group company          |
| Batalla Productions, S.L.      | Group company          |
| YRF Project, 67 S.L.           | Group company          |
| Hustle Spain, S.L.             | Group company          |
| Palomino Films, S.L.           | Group company          |
| Tesoro Enterrado S.L.          | Group company          |
| Directors                      | Board members          |
| Top management                 | Management             |

**15.1 Related parties**

Balances and transactions with related companies are as follows:

| 2021                           | Accounts receivable | Accounts payable | Sales and services rendered | Purchases and services received |
|--------------------------------|---------------------|------------------|-----------------------------|---------------------------------|
| NW Mallorca 2017, S.L.U.       | 17                  | -                | -                           | -                               |
| Living the dream, S.L.U.       | -                   | -                | -                           | -                               |
| Finca Producciones SPA, S.L.   | -                   | -                | -                           | -                               |
| Ten Cents Films S.L.U.         | 178.623             | -                | 299.301                     | -                               |
| White Lines Films, S.L.        | -                   | -                | 54.450                      | -                               |
| Off the Rails Films, S.L.      | -                   | -                | -                           | -                               |
| Nosotros Productions, S.L.     | -                   | -                | -                           | -                               |
| Last Letter Films, S.L.U.      | 1.486               | -                | -                           | -                               |
| Chica Morena Productions, S.L. | 664                 | -                | 664                         | -                               |
| Picada Producciones, S.L.      | -                   | -                | 20.091                      | -                               |
| Hustle Spain, S.L.             | -                   | -                | 502.606                     | -                               |
| YRF Project 67, S.L.           | 78.650              | -                | 174.352                     | -                               |

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| <b>2020</b>                    | <b>Accounts receivable</b> | <b>Accounts payable</b> | <b>Sales and services rendered</b> | <b>Purchases and services received</b> |
|--------------------------------|----------------------------|-------------------------|------------------------------------|----------------------------------------|
| NW Mallorca 2017, S.L.U.       | 17                         | -                       | -                                  | -                                      |
| Living the dream, S.L.U.       | -                          | -                       | -                                  | -                                      |
| Finca Producciones SPA, S.L.   | 37,087                     | -                       | 205,753                            | -                                      |
| Ten Cents Films S.L.U.         | 26                         | -                       | 59,998                             | -                                      |
| White Lines Films, S.L.        | -                          | -                       | 83,596                             | -                                      |
| Off the Rails Films, S.L.      | -                          | -                       | -                                  | -                                      |
| Nosotros Productions, S.L.     | -                          | -                       | 13,310                             | -                                      |
| Last Letter Films, S.L.U.      | 1,486                      | -                       | 15,404                             | -                                      |
| Chica Morena Productions, S.L. | -                          | -                       | 95,927                             | -                                      |

## **15.2 Directors and top management**

No remuneration was accrued by Board Members who do not hold executive positions in 2021 or 2020.

Remuneration accrued in the year by top management, including a Board Member, has amounted to 448,826 euros (338,708 and 718,697 euros in 2020 and 2019, respectively).

In accordance with Article 229 of the Spanish Corporation Law, the Directors have declared that they hold no positions which would imply a conflict of interest with the Company.

At December 31, 2021 and 2020, the Company had no pension plans or life insurance policies for previous or present Board members. Moreover, with the exception of a credit of 5,000 euros given to a director in 2021 (Note 7), at December 31, 2021 and 2020, no other advances or credits were granted to top management or to Board members and no obligations were assumed on their behalf as security.

During 2021, civil liability insurance premiums have been paid to the directors for potential responsibilities which may arise during the performance of their work for an amount of 2,823 euros (2,184 euros in 2020).

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**16. OTHER DISCLOSURES**

a) Average number of employees:

The average number of employees in 2021 by category is shown below. At December 31, 2021 and 2020, there are no significant changes with regard to the following distribution by categories:

| Categories          | 2021         |              |              | 2020         |              |              |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                     | Male         | Female       | Total        | Male         | Female       | Total        |
| Senior Managers     | 4.51         | 1.25         | 5.76         | 6.54         | 2.44         | 8.97         |
| Heads of Department | 11.63        | 6.68         | 18.32        | 10.19        | 5.76         | 15.96        |
| Clerks              | 17.69        | 7.65         | 25.33        | 7.70         | 3.18         | 10.88        |
| Auxiliary staff     | 14.62        | 13.78        | 28.40        | 9.94         | 15.77        | 25.70        |
| <b>Total</b>        | <b>48.45</b> | <b>29.36</b> | <b>77.81</b> | <b>34.36</b> | <b>27.14</b> | <b>61.51</b> |

The average number of employees in 2021 and 2020, included in the table above, that are assigned to the Temporary Redundancy Plan, has been weighted for the period of reduced working hours.

The Company has one employee with a registered disability of over 33 (1 person in 2020).

b) Audit fees

The audit fees for these 2021 Annual Accounts amount to 15,300 euros (13,770 euros in 2020). Moreover, the fees paid for other services rendered by the Company auditors and other companies which are part of the Firm, amount to 23.991 euros (26,295 euros in 2020).

**17. GUARANTEES WITH THIRD PARTIES**

The Company has no guarantees with third parties which could have a significant negative impact on the Company.

**18. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH**

These annual accounts are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

**PALMA PICTURES T.M.P.C. S.L.**  
**Management report for the year ended December 31, 2021**

**1.- Business trend and Company's situation, together with a description of the main risks and uncertainties affecting the Company**

We could consider 2021 to be the first step in the recovery of the positive trend we had achieved before the sudden appearance of COVID-19.

We have partially recovered the workload in the Advertising Department, although we did notice that the restrictions imposed in the various regions we work in, complicated continuity. Since the Photography Department did not achieve the expected level of work, we have changed the Head of Department.

The year has been very positive with regard to entertainment and television programmes. We have undertaken 5 projects and, although this type of programme is normally limited to Mallorca, we have managed to widen the catchment area to the Canary Islands as well. We are very happy with the confidence our clients have in us. This confidence has been consolidated with the contracting of further projects in 2022.

Our involvement in Cinema, Television and Platform projects has also been revived. Two projects, soon to be on Netflix, have been shot in Mallorca and a third will be shot in Spring 2022.

All of the above resulted in satisfactory levels of revenue, considering the current environment and the huge difficulties it entails.

In order to have a good year, we had to implement strict cost controls. The most significant measure in this area has been the extension of the Temporary Redundancy Plan (ERTE), affecting the employees to varying degrees throughout 2021.

The aid received to mitigate the effects of COVID-19 have almost all been used to cancel debt.

In conclusion, we are happy to have finished such a complicated year with a positive result, with the conviction that we have made the most of these uncertain times to build the basis for sustained growth in the forthcoming years.

**2.- Post-balance sheet events**

The Company has not observed any negative impact arising from the invasion of Ukraine, regarding restrictions of clients. Our suppliers have not been affected either, since, in general, they do not depend on the energy market. Any price rises will be assumed by our clients since our budgets are prepared in the short-term.

The recently approved change in labour reform have been minimised since the Government has published specific legislation for our sector, allowing us to continue working in the same way, with the same cost structure.

**PALMA PICTURES T.M.P.C. S.L.**  
**Management report for the year ended December 31, 2021**

**3.- Company's foreseeable evolution**

The workflow already confirmed for this year leads us to be optimistic regarding the forecasts presented, since we have reached a high level of contracts in various business lines. Moreover, commercial activity is presenting an inertia that leads us to believe the same.

We believe that the demand for the audiovisual product will increase and that our company is very well positioned to take advantage of such a situation. If we add to this the high level of repeat work from our most significant clients, we are confident that we will reach pre-pandemic figures once again.

**4.- Research and development activities carried out by the Company**

Apart from the activities already implemented in previous years no new activities have been undertaken.

**5.- Acquisition of own shares**

The Company has not acquired any own shares during the year.

**6.- Environmental information**

We continue working and putting into practice the various measures of our environmental programme. The main pillar of this programme is the continued maintenance and improvement of our Environmental Management System, according to standard ISO 14001:2004 and European Regulation 1221/2009 on the Eco-Management and Audit Scheme (EMAS). The team has continued implementing the various actions, measurements and adjustments necessary, so much so that it is now part of the way we undertake projects.