

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, 2019

## **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, 2019, 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, 2019 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.

## 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*

|                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Description</b> | 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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|---------------------|------------------------------------------------|
| <b>Our response</b> | 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 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 2019 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 we obtained while auditing the annual accounts, and not including any information not obtained as evidence during the course of the audit. In addition, our responsibility is 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 2019 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 skepticism 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 24, 2020

PALMA PICTURES  
THE MEDITERRANEAN PRODUCTION CENTER, S.L.

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Annual Accounts and Management Report  
at December 31, 2019

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, 2019 and 2018**  
(In euros rounded to the nearest unit)

| <b>BALANCE SHEET</b>                                 | <b>Notes</b> | <b>2019</b>       | <b>2018</b>       |
|------------------------------------------------------|--------------|-------------------|-------------------|
| <b>A) NON-CURRENT ASSETS</b>                         |              | <b>9,138,571</b>  | <b>9,476,789</b>  |
| <b>I. Intangible assets</b>                          | <b>5</b>     | <b>1,344,554</b>  | <b>1,517,337</b>  |
| 1. Patents, licenses, trademarks and similar         |              | 1,327,653         | 1,517,337         |
| 2. Software                                          |              | 16,901            | -                 |
| <b>II. Property, plant and equipment</b>             | <b>6</b>     | <b>7,749,917</b>  | <b>7,921,092</b>  |
| 1. Land and buildings                                |              | 7,097,738         | 7,267,237         |
| 2. Plant and other PP&E items                        |              | 652,179           | 653,856           |
| <b>III. Long-term investments in Group companies</b> | <b>7</b>     | <b>27,000</b>     | <b>18,000</b>     |
| 1. Equity instruments                                |              | 27,000            | 18,000            |
| <b>IV. Long-term financial investments</b>           | <b>7</b>     | <b>794</b>        | <b>793</b>        |
| 2. Other financial assets                            |              | 794               | 793               |
| <b>V. Deferred tax assets</b>                        | <b>11</b>    | <b>16,306</b>     | <b>19,567</b>     |
| <b>B) CURRENT ASSETS</b>                             |              | <b>4,492,863</b>  | <b>3,169,477</b>  |
| <b>I. Trade and other receivables</b>                |              | <b>720,246</b>    | <b>981,769</b>    |
| 1. Clients for sales and services rendered           | 7            | 416,440           | 594,362           |
| 2. Group companies                                   |              | 299,895           | 92,067            |
| 5. Other receivables from Public Administrations     | 11           | 3,911             | 295,340           |
| <b>II. Short-term financial investments</b>          | <b>7</b>     | <b>83,376</b>     | <b>83,376</b>     |
| 1. Equity instruments                                |              | 83,376            | 83,376            |
| <b>III. Cash and cash equivalents</b>                | <b>8</b>     | <b>3,689,241</b>  | <b>2,104,332</b>  |
| 1. Cash and banks                                    |              | 3,689,241         | 2,104,332         |
| <b>TOTAL ASSETS (A+B)</b>                            |              | <b>13,631,435</b> | <b>12,646,266</b> |

**PALMA PICTURES T.M.P.C., S.L.**  
**Balance sheet at December 31, 2019 and 2018**  
(In euros rounded to the nearest unit)

| <b>BALANCE</b>                                             | <b>Notes</b> | <b>2019</b>       | <b>2018</b>       |
|------------------------------------------------------------|--------------|-------------------|-------------------|
| <b>A) EQUITY</b>                                           |              | <b>5,855,955</b>  | <b>5,051,558</b>  |
| <b>A.1) Equity</b>                                         |              | <b>5,796,452</b>  | <b>4,982,205</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>1,416,187</b>  | <b>752,115</b>    |
| 1. Legal and statutory                                     |              | 272,678           | 189,669           |
| 2. Other reserves                                          |              | 1,143,509         | 562,446           |
| <b>III. Results for previous years</b>                     |              | -                 | -                 |
| <b>IV. Result for the year</b>                             | <b>3</b>     | <b>980,264</b>    | <b>830,090</b>    |
| <b>A.2) Grants, donations and legacies</b>                 | <b>9</b>     | <b>59,503</b>     | <b>69,353</b>     |
| <b>B) NON-CURRENT LIABILITIES</b>                          |              | <b>4,221,462</b>  | <b>4,881,112</b>  |
| <b>I. Long-term liabilities</b>                            | <b>10</b>    | <b>2,532,904</b>  | <b>3,100,421</b>  |
| 1. Bank borrowings                                         |              | 2,532,904         | 3,100,421         |
| <b>II. Deferred tax liabilities</b>                        | <b>11</b>    | <b>1,688,558</b>  | <b>1,780,691</b>  |
| <b>C) CURRENT LIABILITIES</b>                              |              | <b>3,554,018</b>  | <b>2,713,596</b>  |
| <b>I. Short-term provisions</b>                            | <b>12.3</b>  | <b>61,016</b>     | <b>81,122</b>     |
| <b>II. Short-term borrowings</b>                           | <b>10</b>    | <b>641,900</b>    | <b>609,875</b>    |
| 1. Bank borrowings                                         |              | 558,456           | 537,275           |
| 2. Other financial liabilities                             |              | 83,444            | 72,600            |
| <b>III. Borrowings from Group companies and associates</b> | <b>15.1</b>  | -                 | -                 |
| <b>IV. Trade creditors and other accounts payable</b>      | <b>10</b>    | <b>2,851,102</b>  | <b>2,022,599</b>  |
| 1. Suppliers                                               |              | 720,262           | 662,829           |
| 2. Personnel (remunerations pending payment)               |              | 239,299           | 51,175            |
| 3. Current tax liabilities                                 | <b>11</b>    | 237,654           | 100,677           |
| 4. Other payables to Public Administrations                | <b>11</b>    | 338,534           | 54,410            |
| 5. Prepayments from clients                                | <b>11</b>    | 1,315,354         | 1,153,508         |
| <b>TOTAL EQUITY AND LIABILITIES (A+B+C)</b>                |              | <b>13,631,435</b> | <b>12,646,266</b> |

**PALMA PICTURES T.M.P.C., S.L.**  
**Income statement at December 31, 2019 and 2018**  
(In euros rounded to the nearest unit)

| <b>INCOME STATEMENT</b>                                                       | <b>Notes</b>     | <b>2019</b>         | <b>2018</b>         |
|-------------------------------------------------------------------------------|------------------|---------------------|---------------------|
| <b>A) CONTINUING OPERATIONS</b>                                               |                  |                     |                     |
| <b>1. Revenue</b>                                                             | <b>12.1</b>      | <b>19,187,182</b>   | <b>19,720,744</b>   |
| a) Services rendered                                                          |                  | 19,187,182          | 19,720,744          |
| <b>2. Changes in inventories of finished goods.</b>                           |                  | <b>(7)</b>          | <b>-</b>            |
| <b>3. Supplies</b>                                                            | <b>12.2</b>      | <b>(590)</b>        | <b>(48,328)</b>     |
| Consumption of goods for resale                                               |                  | (590)               | (48,328)            |
| <b>4. Other operating income</b>                                              |                  | <b>189,424</b>      | <b>81,871</b>       |
| <b>5. Personnel expenses</b>                                                  | <b>12.3</b>      | <b>(6,659,407)</b>  | <b>(4,952,904)</b>  |
| a) Wages, salaries, et al                                                     |                  | (5,409,397)         | (3,983,718)         |
| b) Social security costs                                                      |                  | (1,250,010)         | (969,186)           |
| c) Provisions                                                                 |                  | -                   | -                   |
| <b>6. Other operating expenses</b>                                            |                  | <b>(10,888,998)</b> | <b>(13,150,864)</b> |
| a) External services                                                          |                  | (10,794,147)        | (13,027,868)        |
| b) Taxes                                                                      |                  | (88,246)            | (118,746)           |
| c) Losses, impairment and variation of provisions for commercial transactions |                  | (6,606)             | (4,250)             |
| <b>7. Depreciation and amortisation</b>                                       | <b>5 &amp; 6</b> | <b>(496,417)</b>    | <b>(498,947)</b>    |
| <b>8. Grants released to non-financial assets and other grants</b>            |                  | <b>13,757</b>       | <b>10,257</b>       |
| <b>9. Impairment losses and gains on disposal of assets (loss)</b>            |                  | <b>(1,272)</b>      | <b>2,800</b>        |
| <b>10. Other results</b>                                                      |                  | <b>(419)</b>        | <b>(10,000)</b>     |
| <b>A.1) OPERATING PROFIT (1+2+3+4+5+6+7+8+9)</b>                              |                  | <b>1,343,252</b>    | <b>1,154,629</b>    |
| <b>11. Finance income</b>                                                     |                  | <b>202</b>          | <b>40</b>           |
| a) From marketable securities and other financial instruments                 |                  | 202                 | 40                  |
| a 1) In Group companies and associates                                        |                  | -                   | -                   |
| a 2) In third parties                                                         |                  | 202                 | 40                  |
| <b>12. Finance costs</b>                                                      |                  | <b>(42,498)</b>     | <b>(81,581)</b>     |
| a) Third-party borrowings                                                     |                  | (42,498)            | (81,581)            |
| <b>13. Translation differences</b>                                            |                  | <b>(2,579)</b>      | <b>(628)</b>        |
| <b>A.2) FINANCE RESULT (10+11+12)</b>                                         |                  | <b>(44,875)</b>     | <b>(82,169)</b>     |
| <b>A.3) RESULT BEFORE TAX (A.1+A.2)</b>                                       | <b>7.2</b>       | <b>1,298,377</b>    | <b>1,072,460</b>    |
| <b>14 Income tax</b>                                                          |                  | <b>(318,113)</b>    | <b>(242,370)</b>    |
| <b>A.4) RESULT FOR THE YEAR (A.3+13)</b>                                      | <b>3</b>         | <b>980,264</b>      | <b>830,090</b>      |

**PALMA PICTURES T.M.P.C., S.L.**  
**Statement of changes in equity corresponding to the year ending**  
**December 31, 2019 and 2018 (In euros rounded to the nearest unit)**

**A) Statement of changes in equity for the year ended December 31, 2019 and 2018**

|                                                                | Note | 2019            | 2018            |
|----------------------------------------------------------------|------|-----------------|-----------------|
| <b>A) Result of the Profit and Loss account</b>                |      | <b>980,264</b>  | <b>830,090</b>  |
| Income and expenses carried directly to equity                 |      |                 |                 |
| Grants, donations and legacies                                 |      | 3,907           | -               |
| Tax effect arising from change of tax rate                     |      | -               | -               |
| <b>B) Total income and expenses carried directly to equity</b> |      | <b>3,907</b>    | <b>-</b>        |
| Transfers to profit and loss account                           |      |                 |                 |
| Grants, donations and legacies                                 |      | (18,343)        | (13,677)        |
| Tax effect                                                     |      | 4,586           | 3,420           |
| <b>C) Total transfers to profit and loss account</b>           |      | <b>(13,757)</b> | <b>(10,257)</b> |
| <b>TOTAL RECOGNISED INCOME AND EXPENSES (A+B+C)</b>            |      | <b>970,414</b>  | <b>819,833</b>  |

**PALMA PICTURES T.M.P.C., S.L.**  
**Statement of changes in equity corresponding to the year ending**  
**December 31, 2019 and 2018 (In euros rounded to the nearest unit)**

**B) Statement of total changes in equity for the year ended December 31, 2019 and 2018**

|                                      | Subscribed<br>capital<br>(Note 9) | Legal<br>reserve<br>(Note 9) | Available<br>reserves<br>(Note 9) | Results<br>from<br>previous<br>years | Results<br>for the<br>year<br>(Note 3) | Grants<br>received<br>(Note 9) | TOTAL            |
|--------------------------------------|-----------------------------------|------------------------------|-----------------------------------|--------------------------------------|----------------------------------------|--------------------------------|------------------|
| <b>2018</b>                          |                                   |                              |                                   |                                      |                                        |                                |                  |
| <b>BALANCE AT JANUARY 1, 2018</b>    | <b>3,400,000</b>                  | <b>148,441</b>               | <b>305,653</b>                    | <b>(66,189)</b>                      | <b>412,288</b>                         | <b>79,610</b>                  | <b>4,279,803</b> |
| Total recognised income and expenses | -                                 | -                            | -                                 | -                                    | 830,090                                | (10,257)                       | 819,833          |
| Other equity variations              | -                                 | 41,229                       | 256,793                           | 66,189                               | (412,288)                              | -                              | (48,077)         |
| <b>BALANCE AT DECEMBER 31, 2018</b>  | <b>3,400,000</b>                  | <b>189,669</b>               | <b>562,446</b>                    | <b>-</b>                             | <b>830,090</b>                         | <b>69,353</b>                  | <b>5,051,559</b> |
| <b>2019</b>                          |                                   |                              |                                   |                                      |                                        |                                |                  |
| <b>BALANCE AT JANUARY 1, 2019</b>    | <b>3,400,000</b>                  | <b>189,669</b>               | <b>562,446</b>                    | <b>830,090</b>                       | <b>69,353</b>                          |                                | <b>5,051,559</b> |
| Total recognised income and expenses | -                                 | -                            | -                                 | 980,264                              | (9,850)                                |                                | 970,414          |
| Other equity variations              | -                                 | 83,009                       | 581,063                           | (830,090)                            |                                        | -                              | (166,018)        |
| <b>BALANCE AT DECEMBER 31, 2019</b>  | <b>3,400,000</b>                  | <b>272,678</b>               | <b>1,143,509</b>                  | <b>980,264</b>                       | <b>59,503</b>                          |                                | <b>5,855,955</b> |

**PALMA PICTURES T.M.P.C., S.L.**  
**Cash flow statement for the years ended**  
**December 31, 2019 and 2018 (In euros rounded to the nearest unit)**

|                                                                            | Notes  | 2019             | 2018             |
|----------------------------------------------------------------------------|--------|------------------|------------------|
| <b>CASH FLOWS OF OPERATING ACTIVITIES</b>                                  |        |                  |                  |
| <b>Result for the year before tax</b>                                      |        | <b>1,298,377</b> | <b>1,072,460</b> |
| <b>Adjustments to results</b>                                              |        | <b>530,136</b>   | <b>540,552</b>   |
| Amortisation/Depreciation (+)                                              | 5, 6   | 496,417          | 498,947          |
| Variation of provisions (+/-)                                              |        | -                | (26,879)         |
| Grants (-)                                                                 |        | (9,850)          | (10,257)         |
| Results for withdrawal and disposal of assets (+/-)                        |        | 1,272            | (2,800)          |
| Finance income (-)                                                         |        | (202)            | (40)             |
| Finance expenses (+)                                                       |        | 42,498           | 81,581           |
| <b>Changes in current capital</b>                                          |        | <b>932,943</b>   | <b>(497,189)</b> |
| (Increase)/Decrease in Debtors and other accounts receivable               |        | 261,522          | (352,564)        |
| Increase/(Decrease) in Other current assets                                |        | -                | (72,815)         |
| Increase/(Decrease) in Creditors and other accounts payable                |        | 691,526          | (71,810)         |
| Other non-current assets and liabilities (+/-)                             |        | (20,106)         | -                |
| <b>Other cash flows from operating activities</b>                          |        | <b>(312,305)</b> | <b>(55,513)</b>  |
| Interest payments (-)                                                      |        | (42,498)         | (81,581)         |
| Proceeds from interest (+)                                                 |        | 202              | 40               |
| Collections (payments) for income tax (+/-)                                | 11     | (270,009)        | 26,028           |
| <b>Cash flows from operating activities</b>                                |        | <b>2,449,151</b> | <b>1,060,310</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                |        |                  |                  |
| <b>Payments for investments (-)</b>                                        |        | <b>(177,230)</b> | <b>(182,904)</b> |
| Property, plant and equipment (less grants received)                       | 6, 9.4 | (137,290)        | (170,904)        |
| Intangible assets                                                          | 5      | (30,940)         | -                |
| Investments in Group companies                                             | 7      | (9,000)          | (12,000)         |
| <b>Proceeds from disinvestments (+)</b>                                    |        | <b>14,499</b>    | <b>2,800</b>     |
| Property, plant and equipment                                              |        | 14,499           | 2,800            |
| <b>Cash flows from investing activities</b>                                |        | <b>(162,731)</b> | <b>(180,104)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                |        |                  |                  |
| <b>Proceeds and payments from financial liability instruments</b>          | 10     | <b>(535,492)</b> | <b>(316,494)</b> |
| Issue of bank borrowings                                                   |        | -                | 828,694          |
| Return and amortisation of                                                 |        | (535,492)        | (1,145,188)      |
| Bank borrowings (-)                                                        |        | (535,492)        | (1,145,188)      |
| <b>Payments for dividends and remuneration from other fin. instruments</b> |        | <b>(166,018)</b> | <b>(48,077)</b>  |
| Payments for dividends (-)                                                 |        | (166,018)        | (48,077)         |
| <b>Cash flows from financing activities</b>                                |        | <b>(701,510)</b> | <b>(364,571)</b> |
| <b>NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS</b>                   |        | <b>1,584,909</b> | <b>515,635</b>   |
| <b>Cash and cash equivalents at January 1</b>                              | 8      | <b>2,104,332</b> | <b>1,588,697</b> |
| <b>Cash and cash equivalents at December 31</b>                            | 8      | <b>3,689,241</b> | <b>2,104,332</b> |

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
**(In euros rounded to the nearest unit)**

**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, Nº 4, 07141 Marratxí, Mallorca, Balearic Islands.

**2. BASIS OF PRESENTATION**

The annual accounts have been prepared in accordance with the Spanish GAAP approved by Royal Decree 1514/2007 of November 16, which has been modified in 2016 by Royal Decree 602/2016, dated December 2, 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.

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
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## **2.2 Comparison of information**

In accordance with mercantile legislation, for comparative purposes, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement, include, in addition to the 2019 figures, those of 2018. The Notes to the Accounts also include quantitative information from 2018, except in those cases where an accounting standard specifically states that it is unnecessary.

## **2.3 Going concern principle**

At December 31, 2019, the Company's balance sheet presents positive working capital of 938,845 euros (positive working capital of 455,881 euros in 2018). The Company Directors consider that the cash flows generated by the business are sufficient to assume the current liabilities. Moreover, if necessary, the Directors have stated that the Company has the financial support of its shareholders. As a result, the Company Directors have prepared the annual accounts based on the going concern principle.

## **2.4 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:

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
**(In euros rounded to the nearest unit)**

Impairment of non-current assets

The valuation of non-current assets, different from financial current 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>2019</b>    | <b>2018</b>    |
|--------------------------|----------------|----------------|
| Basis of distribution    |                |                |
| Income statement balance | 980,264        | 830,090        |
|                          | <b>980,264</b> | <b>830,090</b> |
| Distribution             |                |                |
| To reserves              | 980,264        | 664,072        |
| To dividends             | -              | 161,183        |
| To employees' bonus      | -              | 4,835          |
|                          | <b>980,264</b> | <b>830,090</b> |

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
**(In euros rounded to the nearest unit)**

#### **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 losses due to impairment. 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 on 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 on 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.

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**Notes to the Annual Accounts for the year ended December 31, 2019**  
**(In euros rounded to the nearest unit)**

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

Property, plant and equipment are stated at acquisition or production cost, less accumulated depreciation and possible losses due to impairment in value. 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.

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 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.

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
**(In euros rounded to the nearest unit)**

#### **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.

##### *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.

#### **4.7 Financial assets**

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

###### Loans and receivables

The Company recognises in this category trade and non-trade receivables, which include financial assets with fixed or determinable payments not quoted on active markets and for which the Company expects to recover the full initial investment, except, where applicable, in cases of credit deterioration.

Upon initial recognition in the balance sheet, they are recognised 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.

Following initial recognition, these financial assets are measured at amortised cost.

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 advance payments and 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 in both the initial and subsequent valuations, when the effect of not updating the cash flows is not significant.

###### Held-to-maturity investments

Held-to-maturity investments include debt instruments with fixed maturities and fixed or determinable payments traded on active markets which the Company has the positive intention and the ability to hold to maturity.

Upon initial recognition in the balance sheet, they are recognised 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.

Following initial recognition, these financial assets are measured at amortised cost.

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
**(In euros rounded to the nearest unit)**

Investments in Group companies

This category includes investments in companies in which the entity exercises control.

Upon initial recognition in the balance sheet, they are recognised 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. In the case of non-monetary contributions to a Group company for the purpose of a business, however, the investment is measured at the carrying amount of the assets constituting the business. The initial value includes preferential subscription and similar rights.

Following initial measurement, these financial assets are stated at cost, less any accumulated impairment loss.

**4.7.2 Derecognition of financial assets**

The Company derecognises a financial asset, or part of a financial asset, when the contractual rights to related cash flows have expired or when the assets are transferred, provided that related risks and rewards are substantially transferred.

The difference between the consideration received, net of attributable transaction costs, determines the gain or loss generated upon derecognition, and is included in the income statement in the year to which it relates.

**4.7.3 Impairment of financial assets**

The carrying amount of financial assets is adjusted against the income statement when there is objective evidence of actual impairment.

**4.7.4 Hedge derivatives**

This heading includes financial derivatives classified as hedging instruments. Financial instruments which have been designated as hedging instruments or hedged items are measured as explained in Note 4.18.

**4.8 Financial liabilities**

**4.8.1 Recognition and measurement**

Debits and accounts payable

This category includes financial liabilities generated by the purchase of goods and services arising from trade transactions, and non-trade payables that are defined as those financial liabilities which are not derivative instruments and therefore, are not of a trade nature.

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
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Following initial recognition, these financial liabilities are measured at amortised cost. Accrued interest is recognised in the income statement using the effective interest rate method. Nevertheless, trade payables which mature within less than one year with no contractual interest rate, as well as called-up payments on shares, the amount of which is expected in the short term, in both the initial and subsequent valuations, are carried at the nominal value when the effect of not discounting cash flows is not significant.

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

The Company derecognises a financial liability when the obligation under the liability is extinguished.

The difference between the carrying amount of the derecognised financial liability and the compensation paid, including any attributable transaction costs, which also includes any new asset transferred other than cash or liability assumed, is recognised in the income statement in the year to which it relates.

#### **4.8.3 Hedge derivatives**

This heading includes financial derivatives classified as hedging instruments. Financial instruments which have been designated as hedging instruments or hedged items are measured as explained in Note 4.18.

#### **4.9 Provisions for risks and expenses**

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.

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
**(In euros rounded to the nearest unit)**

**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.

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 and expenses are recognised when they are incurred, regardless of when actual payment or collection occurs.

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**Notes to the Annual Accounts for the year ended December 31, 2019**  
**(In euros rounded to the nearest unit)**

*Income for sales or services rendered*

Income is recognised when it is probable that the profit or economic benefits from the transaction will flow to the entity and the amount of income and costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, less any discounts, rebates, and other similar items given by the Company, and any interest included in the nominal amount of loans. Applicable indirect taxes on transactions which are reimbursed by third parties are not included.

Other income and expenses

In general, income and expenses are recognised applying the accruals principle, that is, when the goods or services they represent take place, regardless of when actual payment or collection occurs.

**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.

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
**(In euros rounded to the nearest unit)**

**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.

**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.

**4.18 Hedge accounting**

Only those operations which effectively eliminate an inherent risk of the covered item or position throughout the period for which the hedge was designated are considered as hedge operations. This implies that at the inception of the hedge and in subsequent years, it is expected to be highly effective (prospective effectiveness) and that there is sufficient evidence that the hedge has been effective during the life of the item or position covered (retrospective effectiveness).

Hedge accounting, when significant, is correctly documented including the manner in which it is expected to be achieved and how its effectiveness will be measured, in accordance with the Company's risk management policy. In order to measure the effectiveness of the hedges, the Company performs tests to verify that the differences arising from the variations in the flows of the hedged item and its cover are maintained within a range of 80% and 125% throughout the life of the hedge operations, thus fulfilling the provisions established at their inception.

When the hedging relationship no longer complies with the criteria to be accounted for as such, it is reclassified as a trading derivative.

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
(In euros rounded to the nearest unit)

**5. INTANGIBLE FIXED ASSETS**

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

**Euros**

| <b>2019</b>                     | <b>Balance at<br/>January 1,</b> | <b>Additions</b> | <b>Transfers</b> | <b>Balance at<br/>December 31</b> |
|---------------------------------|----------------------------------|------------------|------------------|-----------------------------------|
| <b>Cost</b>                     |                                  |                  |                  |                                   |
| Software                        | 193,207                          | 29,572           | -                | 222,779                           |
| Brands                          | 3,818,916                        | 1,368            | -                | 3,820,284                         |
|                                 | 4,012,123                        | 30,940           |                  | 4,043,063                         |
| <b>Accumulated amortisation</b> |                                  |                  |                  |                                   |
| Software                        | 193,207                          | 12,671           | -                | 205,878                           |
| Brands                          | 2,301,578                        | 191,053          | -                | 2,492,631                         |
|                                 | 2,494,785                        | 203,723          |                  | 2,698,509                         |
| <b>Carrying value</b>           | <b>1,517,337</b>                 |                  |                  | <b>1,344,554</b>                  |

| <b>2018</b>                     | <b>Balance at<br/>January 1,</b> | <b>Additions</b> | <b>Transfers</b> | <b>Balance at<br/>December 31</b> |
|---------------------------------|----------------------------------|------------------|------------------|-----------------------------------|
| <b>Cost</b>                     |                                  |                  |                  |                                   |
| Software                        | 193,207                          | -                | -                | 193,207                           |
| Brands                          | 3,818,916                        | -                | -                | 3,818,916                         |
|                                 | 4,012,123                        | -                | -                | 4,012,123                         |
| <b>Accumulated amortisation</b> |                                  |                  |                  |                                   |
| Software                        | 191,191                          | 2,016            | -                | 193,207                           |
| Brands                          | 2,097,264                        | 204,314          | -                | 2,301,578                         |
|                                 | 2,288,455                        | 206,330          | -                | 2,494,785                         |
| <b>Carrying value</b>           | <b>1,723,668</b>                 |                  |                  | <b>1,517,337</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.

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
**(In euros rounded to the nearest unit)**

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, as the land was recorded as greater value of the brand.

Fully amortised intangible assets amount to 324,703 euros (250,942 euros in 2018).

## **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/>2019</b> | <b>Additions<br/>and<br/>provisions</b> | <b>Disposals</b> | <b>Transfers</b> | <b>Balance at<br/>December<br/>31, 2019</b> |
|---------------------------------|-------------------------------------------|-----------------------------------------|------------------|------------------|---------------------------------------------|
| <b>2019</b>                     |                                           |                                         |                  |                  |                                             |
| <b>Cost</b>                     |                                           |                                         |                  |                  |                                             |
| Land                            | 3,462,307                                 | -                                       | -                | -                | 3,462,307                                   |
| Buildings                       | 7,490,103                                 | -                                       | -                | -                | 7,490,103                                   |
| Technical plant and machinery   | 2,208,074                                 | 13,849                                  | -                | -                | 2,221,923                                   |
| Other PP&E items                | 974,885                                   | 7,382                                   | -                | -                | 982,267                                     |
| Vehicles                        | 705,071                                   | 94,466                                  | (69,722)         | -                | 729,814                                     |
| Data processing equipment       | 273,134                                   | 18,306                                  | -                | -                | 291,440                                     |
| Other tangibles                 | 284,579                                   | 3,287                                   | -                | -                | 287,866                                     |
|                                 | <b>15,398,154</b>                         | <b>137,290</b>                          | <b>(69,722)</b>  |                  | <b>15,465,721</b>                           |
| <b>Accumulated amortisation</b> |                                           |                                         |                  |                  |                                             |
| Buildings                       | 3,685,174                                 | 169,498                                 | -                | -                | 3,854,672                                   |
| Technical plant and machinery   | 1,883,105                                 | 57,016                                  | -                | -                | 1,940,121                                   |
| Other PP&E items                | 860,565                                   | 22,493                                  | -                | -                | 883,058                                     |
| Vehicles                        | 606,196                                   | 27,744                                  | (53,950)         | -                | 579,990                                     |
| Data processing equipment       | 231,241                                   | 8,439                                   | -                | -                | 239,680                                     |
| Other tangibles                 | 210,781                                   | 7,504                                   | -                | -                | 218,285                                     |
|                                 | <b>7,477,062</b>                          | <b>292,694</b>                          | <b>(53,950)</b>  | -                | <b>7,715,806</b>                            |
| <b>Carrying value</b>           | <b>7,921,092</b>                          |                                         |                  |                  | <b>7,749,915</b>                            |

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

| <b>Euros</b>                    | <b>Balance at<br/>January 1,<br/>2018</b> | <b>Additions<br/>and<br/>provisions</b> | <b>Disposals</b> | <b>Transfers</b> | <b>Balance at<br/>December 31,<br/>2018</b> |
|---------------------------------|-------------------------------------------|-----------------------------------------|------------------|------------------|---------------------------------------------|
| <b>2018</b>                     |                                           |                                         |                  |                  |                                             |
| <b>Cost</b>                     |                                           |                                         |                  |                  |                                             |
| Land                            | 3,462,307                                 | -                                       | -                | -                | 3,462,307                                   |
| Buildings                       | 7,490,103                                 | -                                       | -                | -                | 7,490,103                                   |
| Technical plant and machinery   | 2,076,699                                 | 131,375                                 | -                | -                | 2,208,074                                   |
| Other PP&E items                | 972,446                                   | 2,439                                   | -                | -                | 974,885                                     |
| Vehicles                        | 700,640                                   | 25,000                                  | (20,569)         | -                | 705,071                                     |
| Data processing equipment       | 262,407                                   | 10,727                                  | -                | -                | 273,134                                     |
| Other tangibles                 | 283,216                                   | 1,363                                   | -                | -                | 284,579                                     |
|                                 | <b>15,247,818</b>                         | <b>170,904</b>                          | <b>(20,569)</b>  | <b>-</b>         | <b>15,398,154</b>                           |
| <b>Accumulated amortisation</b> |                                           |                                         |                  |                  |                                             |
| Buildings                       | 3,515,085                                 | 170,089                                 | -                | -                | 3,685,174                                   |
| Technical plant and machinery   | 1,828,296                                 | 54,808                                  | -                | -                | 1,883,105                                   |
| Other PP&E items                | 829,961                                   | 30,604                                  | -                | -                | 860,565                                     |
| Vehicles                        | 607,129                                   | 19,635                                  | (20,569)         | -                | 606,196                                     |
| Data processing equipment       | 221,709                                   | 9,532                                   | -                | -                | 231,241                                     |
| Other tangibles                 | 202,832                                   | 7,948                                   | -                | -                | 210,781                                     |
|                                 | <b>7,205,011</b>                          | <b>292,617</b>                          | <b>(20,569)</b>  | <b>-</b>         | <b>7,477,062</b>                            |
| <b>Carrying value</b>           | <b>8,042,805</b>                          |                                         |                  |                  | <b>7,921,092</b>                            |

At December 31, 2019, the land and building balances include capital gains amounting to 2,075,813 and 3,298,004 euros, respectively (2,075,813 and 3,452,433 euros in 2018), 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, 2019, totally depreciated property, plant and equipment amount to 5,129,512 euros (4,846,627 euros in 2018).

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 2019 and 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          |                |
|-------------------------------------|--------------------|----------------|--------------------|----------------|----------------|----------------|
|                                     | 2019               | 2018           | 2019               | 2018           | 2019           | 2018           |
| <b>Non-current financial assets</b> |                    |                |                    |                |                |                |
| Investments in Group companies      | 27,000             | 18,000         | -                  | -              | 27,000         | 18,000         |
| Impairment provision                | -                  | -              | -                  | -              | -              | -              |
| Long-term financial investments     | -                  | -              | 793                | 793            | 793            | 793            |
|                                     | 27,000             | 18,000         | 793                | 793            | 27,793         | 18,793         |
| <b>Current financial assets</b>     |                    |                |                    |                |                |                |
| Trade and other receivables (*)     | -                  | -              | 716,335            | 686,429        | 716,335        | 686,429        |
| Short-term financial investments    | 83,376             | 83,376         | -                  | -              | 83,376         | 83,376         |
|                                     | 83,376             | 83,376         | 716,335            | 686,429        | 799,711        | 769,805        |
| <b>TOTAL</b>                        | <b>110,376</b>     | <b>101,376</b> | <b>717,128</b>     | <b>687,222</b> | <b>827,504</b> | <b>788,598</b> |

\* Excluding balances with Public Administrations

### 7.1 Investments in Group companies

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

| Euros                            | 2019          | 2018          |
|----------------------------------|---------------|---------------|
| 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         | -             |
| Last Letter Films, S.L.U.        | 3,000         | -             |
| Chica Morena Productions, S.L.   | 3,000         | -             |
| Impairment provision             | -             | -             |
|                                  | <b>27,000</b> | <b>18,000</b> |

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The main figures of the Group companies are as follows:

| <b>Euros</b>                      |          |                |                 | <b>Results from<br/>previous<br/>years</b> | <b>Profit (losses)<br/>for the year</b> | <b>Total equity</b> |
|-----------------------------------|----------|----------------|-----------------|--------------------------------------------|-----------------------------------------|---------------------|
|                                   | <b>%</b> | <b>Capital</b> | <b>Reserves</b> |                                            |                                         |                     |
| NW Mallorca 2017, S.L.U.          | 100%     | 3,000          | -               | 92                                         | (1,075)                                 | 2,017               |
| Living the Dream Pictures, S.L.U. | 100%     | 3,000          | -               | 15,000                                     | (6,186)                                 | 11,814              |
| Finca Producciones SPA, S.L.      | 100%     | 3,000          | -               | 11,677                                     | 322,159                                 | 337,196             |
| Ten Cents Films, S.L.U.           | 100%     | 3,000          | -               | 9,996                                      | 578,866                                 | 591,863             |
| White Lines Films, S.L.           | 100%     | 3,000          | -               | -                                          | 2,032,268                               | 2,035,268           |
| Off The Rails Films, S.L.         | 100%     | 3,000          | -               | (129,410)                                  | (6,692)                                 | (133,102)           |
| Nosotros Productions, S.L.        | 100%     | 3,000          | -               | -                                          | 169,952                                 | 172,952             |
| Last Letter Films, S.L.U.         | 100%     | 3,000          | -               | -                                          | 170,048                                 | 173,048             |
| Chica Morena Productions, S.L.    | 100%     | 3,000          | -               | -                                          | 835,711                                 | 838,711             |

The Company NW MALLORCA 2017, S.L.U. was constituted in 2017 to undertake a television project. This company has remained dormant in 2019.

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 2019.

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

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.

WHITE LINES FILMS, S.L. was constituted on November 29, 2018. This company was constituted in order to undertake a project in 2019.

OFF THE RAILS FILMS, S.L. was constituted on December 12, 2018. This company was constituted in order to undertake a project in 2019.

NOSOTROS PRODUCTIONS, S.L. was constituted on June 4, 2019. This company was constituted in order to undertake a project in 2019.

LAST LETTER FILMS, S.L.U. was constituted on September 13, 2019. This company was constituted in order to undertake a project in 2019.

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CHICA MORENA PRODUCTIONS, S.L.U. was constituted on June 13, 2019. This company was constituted in order to undertake a project in 2019.

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.

## **7.2 Trade and other receivables**

### Trade debt

The breakdown at December 31 is as follows:

|                                         | <b>2019</b>    | <b>2018</b>    |
|-----------------------------------------|----------------|----------------|
| Clients for sales and services rendered | 416,440        | 594,362        |
| Clients, Group companies and associates | 299,895        | 92,067         |
| <b>Total</b>                            | <b>716,335</b> | <b>686,429</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>2019</b> | <b>2018</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>2019</b>      | <b>2018</b>      |
|------------------|------------------|------------------|
| Cash             | 11,853           | 8,512            |
| Current accounts | 3,677,388        | 2,095,820        |
| <b>Total</b>     | <b>3,689,241</b> | <b>2,104,332</b> |

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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.

## **9. EQUITY**

### **9.1 Subscribed capital**

The share capital at December 31, 2019, 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% (50.50% in 2018).

### **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>2019 (euros)</b>                | <b>Balance at<br/>January 1</b> | <b>Additions</b> | <b>Transfers to<br/>Profit and<br/>Loss</b> | <b>Balance at<br/>December<br/>31</b> |
|------------------------------------|---------------------------------|------------------|---------------------------------------------|---------------------------------------|
| <b>Cost:</b>                       |                                 |                  |                                             |                                       |
| Grants for purchase of assets      | 61,287                          | -                | (3,423)                                     | 57,864                                |
| Grants for purchase of assets 2010 | 931                             | -                | (852)                                       | 79                                    |
| Grants for purchase of assets 2011 | 2,652                           | -                | (1,092)                                     | 1,560                                 |
| Grants for purchase of assets 2017 | 4,483                           | -                | (4,483)                                     | -                                     |
| Grants for purchase of assets 2019 | -                               | 3,907            | (3,907)                                     | -                                     |
| <b>Total</b>                       | <b>69,353</b>                   | <b>3,907</b>     | <b>(13,757)</b>                             | <b>59,503</b>                         |

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| <b>2018 (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      | 64,711                      | -                | (3,423)                             | 61,287                        |
| Grants for purchase of assets 2010 | 1,782                       | -                | (852)                               | 931                           |
| Grants for purchase of assets 2011 | 3,746                       | -                | (1,092)                             | 2,652                         |
| Grants for purchase of assets 2017 | 9,372                       | -                | (4,890)                             | 4,483                         |
| <b>Total</b>                       | <b>79,610</b>               |                  | <b>(10,257)</b>                     | <b>69,353</b>                 |

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, the breakdown of financial liabilities is as follows:

| <b>Euros</b>                               | <b>Bank borrowings</b> |                  | <b>Others</b>    |                  | <b>Total</b>     |                  |
|--------------------------------------------|------------------------|------------------|------------------|------------------|------------------|------------------|
|                                            | <b>2019</b>            | <b>2018</b>      | <b>2019</b>      | <b>2018</b>      | <b>2019</b>      | <b>2018</b>      |
| <b>Long-term financial liabilities:</b>    |                        |                  |                  |                  |                  |                  |
| Debits and accounts payable                | 2,532,904              | 3,100,421        | -                | -                | 2,532,904        | 3,100,421        |
|                                            | 2,532,904              | 3,100,421        | -                | -                | 2,532,904        | 3,100,421        |
| <b>Current financial liabilities:</b>      |                        |                  |                  |                  |                  |                  |
| Debits and accounts payable                | 558,456                | 537,275          | 83,444           | 72,600           | 641,900          | 609,875          |
| Trade creditors and other account payables | -                      | -                | 2,274,915        | 1,867,511        | 2,274,915        | 1,867,511        |
|                                            | 558,456                | 537,275          | 2,358,358        | 1,940,111        | 2,916,814        | 2,477,386        |
| <b>TOTAL</b>                               | <b>3,091,360</b>       | <b>3,637,696</b> | <b>2,358,358</b> | <b>1,940,111</b> | <b>5,449,718</b> | <b>5,577,807</b> |

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

| <b>Euros</b>                    | <b>2019</b>      | <b>2018</b>      |
|---------------------------------|------------------|------------------|
| <b>Non-current liabilities:</b> |                  |                  |
| Bank borrowings                 | 2,532,904        | 3,100,421        |
|                                 | <b>2,532,904</b> | <b>3,100,421</b> |
| <b>Current liabilities:</b>     |                  |                  |
| Bank borrowings                 | 558,456          | 537,275          |
| Suppliers and creditors         | 720,262          | 662,829          |
| Debts with personnel            | 239,299          | 51,174           |
| Guarantees received             | 72,600           | 72,600           |
| Prepayments from clients        | 1,315,354        | 1,153,508        |
| Other current liabilities       | 10,845           | -                |
|                                 | <b>2,916,814</b> | <b>2,477,386</b> |

### 10.1 Bank borrowings

The breakdown of bank borrowings is as follows:

|                                    | <b>Initial<br/>amount</b> | <b>Balance<br/>at<br/>31.12.19</b> | <b>Balance<br/>at<br/>31.12.18</b> | <b>Formalisation<br/>date</b> | <b>Maturity</b> |
|------------------------------------|---------------------------|------------------------------------|------------------------------------|-------------------------------|-----------------|
| Mortgage loan Bankia               | 1,438,524                 | 901,910                            | 1,005,784                          | 30.12.2014                    | 31.12.2029      |
| Mortgage loan B. March             | 1,470,235                 | 942,888                            | 1,040,304                          | 30.12.2014                    | 01.01.2030      |
| Loan La Caixa                      | 1,000,000                 | 282,051                            | 435,898                            | 18.03.2016                    | 30.09.2022      |
| Loan Banco Sabadell                |                           | 5,956                              | 17,639                             |                               |                 |
| Loan Targo Bank                    | 29,477                    | 4,059                              | 10,072                             | 24.09.2016                    | 24.08.2021      |
| Loan ICO La Caixa                  | 34,346                    | 14,090                             | 20,957                             | 14.12.2017                    | 13.12.2022      |
| Loan Banco Popular                 | 130,000                   | 68,059                             | 93,889                             | 17.07.2018                    | 17.07.2023      |
| Mortgage loan Banco Popular        | 650,000                   | 313,891                            | 475,879                            | 30.11.2018                    | 30.11.2022      |
| <b>Total long-term borrowings</b>  |                           | <b>2,532,904</b>                   | <b>3,100,421</b>                   |                               |                 |
| Mortgage loans - short term        | -                         | 354,216                            | 333,822                            |                               |                 |
| Other bank loans -short term       | -                         | 204,240                            | 203,453                            |                               |                 |
| <b>Total short-term borrowings</b> |                           | <b>558,456</b>                     | <b>537,275</b>                     |                               |                 |
| <b>Total bank borrowings</b>       |                           | <b>3,091,360</b>                   | <b>3,637,696</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.

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

| <b>At 31.12.19</b> | <b>2020</b><br><b>(Short-term)</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>Remainder</b> | <b>Total long-term</b> |
|--------------------|------------------------------------|-------------|-------------|-------------|-------------|------------------|------------------------|
| Bank loans         | 558,456                            | 555,350     | 509,347     | 214,756     | 201,516     | 1,051,935        | 2,532,904              |
| <b>Total</b>       |                                    |             |             |             |             |                  |                        |

  

| <b>At 31.12.18</b> | <b>2019</b><br><b>(Short-term)</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>Remainder</b> | <b>Total long-term</b> |
|--------------------|------------------------------------|-------------|-------------|-------------|-------------|------------------|------------------------|
| Bank loans         | 537,275                            | 558,622     | 554,796     | 509,263     | 214,671     | 1,263,069        | 3,100,421              |
| <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, 2019 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 2019, the average payment period to suppliers has been 51.97 days (32.03 days in 2018), the ratio of paid transactions has been 39.46 days (30.86 days in 2018) and the ratio of transactions pending payment has been 157.39 days (53.10 days in 2018). The total payments made amount to 4,313,008 euros (8,996,856 euros in 2018) and pending payments amount to 511,853.86 euros (500,425 euros in 2018).

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**11. TAX**

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

| <b>Euros</b>                                               | <b>2019</b>      | <b>2018</b>      |
|------------------------------------------------------------|------------------|------------------|
| Deferred tax assets                                        | 16,306           | 19,567           |
| Other receivables from Public Administrations              | 3,911            | 295,340          |
|                                                            | <b>20,217</b>    | <b>314,907</b>   |
| Deferred tax liabilities                                   | 1,688,558        | 1,780,691        |
| Current tax liabilities                                    | 237,654          | 100,677          |
| Other payables to Public Administrations (Social Security) | 338,534          | 54,410           |
|                                                            | <b>2,264,746</b> | <b>1,935,778</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.

An inspection of Corporate Tax and Value Added Tax for the years 2015 and 2016 began in the month of March 2019. 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 2019 and 2018 is as follows:

| Euros                                                                  | Income Statement |           |                  | Income and expenses directly charged to equity |           |       |                  |
|------------------------------------------------------------------------|------------------|-----------|------------------|------------------------------------------------|-----------|-------|------------------|
|                                                                        | Increases        | Decreases | Total            | Increases                                      | Decreases | Total | Increases        |
| <b>2019</b>                                                            |                  |           |                  |                                                |           |       |                  |
| <b>Income and expenses balance before taxes</b>                        |                  |           | <b>1,269,437</b> |                                                |           |       | <b>1,269,437</b> |
| <b>Permanent differences:</b>                                          |                  |           |                  |                                                |           |       |                  |
| Non-deductible expenses                                                | 2,176            | -         | 2,176            | -                                              | -         | -     | 2,176            |
| Donations                                                              | 3,450            | -         | 3,450            | -                                              | -         | -     | 3,450            |
| <b>Temporary differences:</b>                                          |                  |           |                  |                                                |           |       |                  |
| <b>Arising in previous years</b>                                       |                  |           |                  |                                                |           |       |                  |
| Amortisation assets' capital gains                                     | 343,929          | -         | 343,929          | -                                              | -         | -     | 343,929          |
| Amortisation of assets (2001-2007)                                     | 11,317           | -         | 11,317           |                                                |           |       | 11,317           |
| Reversal free amort. employment maintenance                            | 13,288           | -         | 13,288           | -                                              | -         | -     | 13,288           |
| TD Reversal amortisation limitation 2013 and 2014 (ART. 7 LEY 16/2012) | -                | (13,045)  | (13,045)         | -                                              | -         | -     | (13,045)         |
| <b>Taxable income (prior)</b>                                          |                  |           | <b>1,630,552</b> |                                                |           |       | <b>1,630,552</b> |

  

| Euros                                                                  | Income Statement |           |                  | Income and expenses directly charged to equity |           |       |                  |
|------------------------------------------------------------------------|------------------|-----------|------------------|------------------------------------------------|-----------|-------|------------------|
|                                                                        | Increases        | Decreases | Total            | Increases                                      | Decreases | Total | TOTAL            |
| <b>2018</b>                                                            |                  |           |                  |                                                |           |       |                  |
| <b>Income and expenses balance before taxes</b>                        |                  |           | <b>1,072,460</b> |                                                |           |       | <b>1,072,460</b> |
| <b>Permanent differences:</b>                                          |                  |           |                  |                                                |           |       |                  |
| Non-deductible expenses                                                | 7,741            | -         | 7,741            | -                                              | -         | -     | 7,741            |
| Donations                                                              | 10,000           | -         | 10,000           | -                                              | -         | -     | 10,000           |
| <b>Temporary differences:</b>                                          |                  |           |                  |                                                |           |       |                  |
| <b>Arising in previous years</b>                                       |                  |           |                  |                                                |           |       |                  |
| Amortisation assets' capital gains                                     | 343,929          | -         | 343,929          | -                                              | -         | -     | 343,929          |
| Amortisation of assets (2001-2007)                                     | 10,809           |           | 10,809           |                                                |           |       | 10,809           |
| Reversal free amort. employment maintenance                            | 23,894           | -         | 23,894           | -                                              | -         | -     | 23,894           |
| TD Reversal amortisation limitation 2013 and 2014 (ART. 7 LEY 16/2012) |                  | (13,045)  | (13,045)         | -                                              | -         | -     | (13,045)         |
| <b>Taxable income (prior)</b>                                          |                  |           | <b>1,455,788</b> |                                                |           |       | <b>1,455,788</b> |

### Amortisation of assets' cash surpluses

In 2019 and 2018, 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 2019 and 2018, these balances relate to the reversal of the accelerated depreciation of property, plant and equipment for tax purposes.

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

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
**(In euros rounded to the nearest unit)**

| Euros                                       | 2019             |          |                | 2018             |        |                |
|---------------------------------------------|------------------|----------|----------------|------------------|--------|----------------|
|                                             | Income statement | Equity   | Total 2019     | Income statement | Equity | Total 2018     |
| Income and expenses for the year before tax | 1,269,437        | -        | 1,269,437      | 1,072,460        | -      | 1,072,460      |
| Notional tax charge (tax rate 25%)          | 317,359          | -        | 317,359        | 268,115          | -      | 268,115        |
| Non-deductible expenses                     | 1,406            | -        | 1,406          | 4,435            | -      | 4,435          |
| Quota deductions                            | (652)            | -        |                | (4,152)          | -      | (4,152)        |
| <b>Expense/(income) tax effect</b>          | <b>318,113</b>   | <b>-</b> | <b>318,113</b> | <b>268,398</b>   |        | <b>268,398</b> |

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

| Euros          | Income statement | Equity   | Total 2019     | Income statement | Equity   | Total 2018     |
|----------------|------------------|----------|----------------|------------------|----------|----------------|
| Current taxes  | 406,985          | -        | 406,985        | 359,795          | -        | 359,795        |
| Deferred taxes | (88,872)         | -        | (88,872)       | (91,397)         | -        | (91,397)       |
| <b>Total</b>   | <b>318,113</b>   | <b>-</b> | <b>318,113</b> | <b>268,398</b>   | <b>-</b> | <b>268,398</b> |

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

| (Euros)                                      | 2019           | 2018           |
|----------------------------------------------|----------------|----------------|
| Current tax                                  | 406,986        | 359,795        |
| Withholdings                                 | (24)           | (2)            |
| Prepayments                                  | (169,308)      | (259,115)      |
| <b>Total Income Tax payable/(receivable)</b> | <b>237,654</b> | <b>100,677</b> |

## 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            |                         |          |                  |
|------------------------------------------|------------------|-------------------------|----------|------------------|
|                                          | Opening balance  | Variations reflected in |          | Closing balance  |
| 2019                                     |                  | Income statement        | Equity   |                  |
| <b>Deferred tax assets</b>               |                  |                         |          |                  |
| Limitation amortisation 2017 and 2018    | 19,567           | (3,261)                 | -        | 16,306           |
|                                          | <b>19,567</b>    | <b>(3,261)</b>          | <b>-</b> | <b>16,306</b>    |
| <b>Deferred tax liabilities</b>          |                  |                         |          |                  |
| Depreciation property, plant & equipment | 39,066           | (3,322)                 | -        | 35,744           |
| Cash gains on assets                     | 1,718,223        | (85,982)                | -        | 1,632,241        |
| Non-refundable grants                    | 23,402           | (2,829)                 | -        | 20,573           |
|                                          | <b>1,780,691</b> | <b>(92,133)</b>         | <b>-</b> | <b>1,688,558</b> |

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
(In euros rounded to the nearest unit)

|                                          | Opening<br>balance | Variations reflected in |        | Closing<br>balance |
|------------------------------------------|--------------------|-------------------------|--------|--------------------|
|                                          |                    | Income statement        | Equity |                    |
| <b>2018</b>                              |                    |                         |        |                    |
| <b>Deferred tax assets</b>               |                    |                         |        |                    |
| Limitation amortisation 2017 and 2018    | 22,828             | (3,261)                 | -      | 19,567             |
|                                          | <b>22,828</b>      | <b>(3,261)</b>          | -      | <b>19,567</b>      |
| <b>Deferred tax liabilities</b>          |                    |                         |        |                    |
| Depreciation property, plant & equipment | 44,322             | (5,256)                 | -      | 39,066             |
| Cash gains on assets                     | 1,804,205          | (85,982)                | -      | 1,718,223          |
| Non-refundable grants                    | 26,822             | (3,420)                 | -      | 23,402             |
|                                          | <b>1,875,349</b>   | <b>(94,658)</b>         | -      | <b>1,780,691</b>   |

At December 31, 2019, the Company has no tax losses pending compensation.

## 12. INCOME AND EXPENSES

### 12.1 Income

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

| Euros                             | 2019              | 2018              |
|-----------------------------------|-------------------|-------------------|
| Income from rendering of services | 18,246,389        | 19,184,386        |
| Income from Photo shoots          | 940,793           | 536,357           |
| <b>Total</b>                      | <b>19,187,182</b> | <b>19,720,744</b> |

### 12.2 Supplies

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

| Euros                  | 2019         | 2018            |
|------------------------|--------------|-----------------|
| Purchases and supplies | (590)        | (48,328)        |
| <b>Total</b>           | <b>(590)</b> | <b>(48,328)</b> |

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
**(In euros rounded to the nearest unit)**

### **12.3 Personnel Expenses**

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

| <b>Euros</b>                | <b>2019</b>      | <b>2018</b>      |
|-----------------------------|------------------|------------------|
| Wages, salaries and similar | 5,409,397        | 3,983,718        |
| Social Security             | 1,216,470        | 938,152          |
| Other welfare expenses      | 33,541           | 31,034           |
| <b>Total</b>                | <b>6,659,407</b> | <b>4,952,904</b> |

At closing 2018, the short-term provision recognised amounted to 81 thousand euros, following the partial payment to one of the employees related to their commitment of permanence. At closing 2019, the short-term provision recognised amounts to 61 thousand euros, following the partial payment to one of the employees related to their commitment of permanence.

### **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 insurance policies subscribed.

No expenses for this concept have been incurred during in either 2019 or 2018.

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

On January 31, 2020, the Company signed a new loan for an amount of 200,000 euros, with an interest rate of 2.47%, monthly amortisation and maturing on January 30, 2025.

On March 11, 2020, the World Health Organisation declared that they considered the coronavirus (COVID-19) outbreak to be an international pandemic. The swift development of the situation, on an international scale, has resulted in an unprecedented health crisis, which will have an impact on the macroeconomic environment and businesses. In order to confront this situation, among other measures, the Spanish government declared a state of alarm, through the publication of Royal Decree 463/2020, dated March 14 and approved a number of extraordinary urgent measures in order to address the economic and social impact of COVID-19, by means of Royal Decree Law 8/2020, dated March 17.

Although the Company considers that these events do not result in an adjustment in the financial statements for the year ended December 31, 2019, they do recognise that operations and, in turn, the Company's results and future cash flows, could be significantly affected.

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
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Given the complexity of the situation and how quickly it is changing, it is not currently possible to reliably estimate the potential economic impact on the Company. If necessary, said impact will be prospectively recognised in the 2020 annual accounts.

The Company is undertaking the appropriate measures in order to deal with this situation and to minimise its impact, considering this to be a temporary situation that, taking into account the most recent estimates and current cash position, will not jeopardise the application of the going concern principle (Note 2.3).

It should be noted that, as a result of this health crisis, at the issue date of these annual accounts, the Company has temporarily suspended its activity, due to the restrictions on the movement of people. Under these circumstances, the Company has implemented a number of measures in order to mitigate the impact of said crisis, including the presentation of a temporary redundancy plan on productive grounds for a 5-month period and the contracting of new bank financing (ICO loan amounting to one million euros).

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

## **15. TRANSACTIONS WITH RELATED PARTIES**

Related parties in 2019 and 2018 and the nature of their relationship are as follows:

|                                | <b>Nature of relationship</b> |
|--------------------------------|-------------------------------|
| 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                 |
| Directors                      | Board members                 |
| Top management                 | Management                    |

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
(In euros rounded to the nearest unit)

### 15.1 Related parties

Balances and transactions with related companies are as follows:

| <b>2019</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.   | -                          | -                       | 546,417                            | -                                      |
| Ten Cents Films S.L.U.         | 609                        | -                       | 279,279                            | -                                      |
| White Lines Films, S.L.        | 38                         | -                       | 535,483                            | -                                      |
| Off the Rails Films, S.L.      | 787                        | -                       | 133,515                            | -                                      |
| Nosotros Productions, S.L.     | 123,084                    | -                       | 182,208                            | -                                      |
| Last Letter Films, S.L.U.      | 174,738                    | -                       | 330,763                            | -                                      |
| Chica Morena Productions, S.L. | 622                        | -                       | 340,960                            | -                                      |

| <b>2018</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.     | -                          | -                       | 25,140                             | 2,249                                  |
| Living the dream, S.L.U.     | -                          | -                       | 263,402                            | 7,672                                  |
| Finca Producciones SPA, S.L. | 92,067                     | -                       | 205,003                            | -                                      |
| Ten Cents Films S.L.U.       | -                          | -                       | 245,636                            | -                                      |
| White Lines Films, S.L.      | -                          | -                       | -                                  | -                                      |
| Off the Rails Films, S.L.    | -                          | -                       | -                                  | -                                      |

### 15.2 Directors and top management

No remuneration was accrued by Board Members who do not hold executive positions in 2019 or 2018.

Remuneration accrued in the year by top management, including a Board Member, has amounted to 718.697 euros (623,761 euros in 2018).

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, 2019 and 2018, the Company had no pension plans or life insurance policies for previous or present Board members. Moreover, at December 31, 2019 and 2018, no advances or credits were granted to top management or to Board members and no obligations were assumed on their behalf as security.

**PALMA PICTURES T.M.P.C., S.L.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
**(In euros rounded to the nearest unit)**

During 2019 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 2,123 euros (2,123 euros in 2019).

## **16. OTHER DISCLOSURES**

### **a) Average number of employees:**

The average number of employees in 2019 by category is shown below. At December 31, 2019 and 2018, there are no significant changes with regard to the following distribution by categories:

| <b>Categories</b>   | <b>2019</b>  |               |              | <b>2018</b>  |               |              |
|---------------------|--------------|---------------|--------------|--------------|---------------|--------------|
|                     | <b>Male</b>  | <b>Female</b> | <b>Total</b> | <b>Male</b>  | <b>Female</b> | <b>Total</b> |
| Top management      | 7.32         | 2.20          | 9.52         | 3.75         | -             | 3.75         |
| Heads of Department | 10.86        | 5.60          | 16.45        | 9.72         | 8.4           | 18.12        |
| Clerks              | 11.42        | 5.16          | 16.59        | 15.81        | 8.7           | 24.51        |
| Auxiliary staff     | 19.96        | 22.02         | 41.98        | 15.37        | 10.89         | 26.26        |
| <b>Total</b>        | <b>49.56</b> | <b>34.98</b>  | <b>84.54</b> | <b>44.65</b> | <b>27.99</b>  | <b>72.64</b> |

The Company has one employee with a registered disability of over 33%. In 2018, the Company had one employee with a registered disability of over 33%.

### **b) Audit fees**

The audit fees for these 2019 Annual Accounts amount to 14,700 euros (14,500 euros in 2018). Moreover, the fees paid for other services rendered by the Company auditors and other companies which are part of the Firm, amount to 32,175 euros (600 euros in 2018).

## **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.**  
**Notes to the Annual Accounts for the year ended December 31, 2019**  
**(In euros rounded to the nearest unit)**

**ISSUANCE OF ANNUAL ACCOUNTS**

In Palma de Mallorca on April 24, 2020, the Company's Directors issue these annual accounts which are comprised of a balance sheet, a profit and loss account, a statement of changes in equity, a cash flow statement and Notes to the Annual Accounts all of which have been signed by the Secretary of the Board. This last page has been signed by all the Board members.

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Zallaz, S.A., represented by Mr. Ture Stendahl  
Chairman

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Mr. Michael Aidan Day  
Board Member

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Mr. Carl Joachim Vitales Odqvist  
Board member

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Mr. Juan Pablo Nicolau Nano  
Non-Board Secretary

**PALMA PICTURES T.M.P.C., S.L.**  
**Management report for the year ended December 31, 2019**

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

In 2019, we have noted a change in the significance of the various activities we undertake.

The advertising activity has excessively depended on the British market and the lack of workflow from other broadcasting markets has reduced the significance of what used to be our main activity. We are still gaining new clients and consolidating our contracts beyond production companies, with progress being made in the value chain, bringing us closer to the brands and avoiding intermediaries.

However, this void has been more than filled by filming for cinema and television, which have substantially increased this year. We were contracted for large project, some of which were almost completely shot in Mallorca. This has helped to significantly position us in this market and leads us to be optimistic for the forthcoming years.

The Photography Department is reaching the projected figures and has shown part of its potential and capacity to complement the advertising sector.

The remaining activities also grew. The modelling agency is starting to have success and the management of extras has grown in line with our other projects.

Therefore, we can conclude that the results for this year are maintained in our various lines of business, with large projects and optimal resource management.

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

The Company is taking the appropriate measures to mitigate the impact that the COVID crisis may have on both our sector and on the international economy.

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

Although the Company's evolution in 2020 will depend on the duration of the current travel restrictions, we continue to receive expressions of interest from our clients enquiring about our capability to begin filming again as soon as possible.

**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.

**PALMA PICTURES T.M.P.C., S.L.**  
**Management report for the year ended December 31, 2019**

**6.- Environmental information**

We have, once again, passed the audit of our Environmental Management System, according to standard ISO 14001:2004 and European Regulation 1221/2009 on the Eco-Management and Audit Scheme (EMAS). This is evidence of our continued commitment to an environmentally friendly management model.

**PALMA PICTURES T.M.P.C., S.L.**  
**Management report for the year ended December 31, 2019**

In Palma de Mallorca on April 24 de April de 2020, the Company's Directors issue this Management Report, which consists of 3 pages, all signed by the Secretary of the Board. This last page has been signed by all the Board members.

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Zallaz, S.A., represented by Mr. Ture Stendahl  
Chairman

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Mr. Michael Aidan Day  
Board Member

---

Mr. Carl Joachim Vitales Odqvist  
Board member

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Mr. Juan Pablo Nicolau Nano  
Non-Board Secretary