

Nordic Entertainment Group UK Limited

Annual report and financial statements

Registered number 2228654

31 December 2019



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Company information
for the year ended 31 December 2019

Directors: Matthew Rufus Hooper
Kevin Edward White
Adrian Howard Dicker
Anders Ytrup Jensen

Registered office: Chiswick Green
610 Chiswick High Road
London
W4 5RU

Registered number: 2228654

Auditor: KPMG LLP
58 Clarendon Road
Watford
WD17 1DE

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Dividends

During the year no interim dividend (2018: SEK 2,401 million) was paid. The directors do not recommend the payment of a final dividend (2018: SEK nil).

Directors

The directors who held office during the year and to the date of this report were as follows:

Matthew Rufus Hooper
Kevin Edward White
Adrian Howard Dicker
Anders Ytrup Jensen

None of the Directors who held office as at the end of the financial year and to the date of this report had any disclosable interest in the shares of the company.

Political and charitable contributions

The company made no political contributions during the year (2018: SEK nil).

Disclosure of information to Auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board



Kevin White
Director

Chiswick Green
610 Chiswick High Road
London W4 5RU

08 December 2020

Strategic report

Principal activity and future developments

The principal activity of the company is the broadcast of television channels distributed via cable and satellite to homes in Scandinavia.

In March 2019 the Modern Times Group MTG AB was split by way of separately listing the sub-group of Nordic Entertainment Group AB on the Nasdaq Stockholm. As a result, the ultimate and immediate parents of the company changed. The ultimate parent changed from Modern Times Group MTG AB to Nordic Entertainment Group AB. The immediate parent changed from MTG Broadcasting AB to Nordic Entertainment Group Services AB.

Business review

Turnover in the year increased to SEK 7,362 million (2018: SEK 6,962 million). The revenue potential of the company is directly linked to the market development, as the main source of revenue for the company is generated via the selling of advertising time on their channels. Internet based advertising sales as well as subscription revenue received from distributing the channels via web based solutions is becoming an increasingly significant part of the business and is expected to grow further in the coming years.

The business continues to focus on certain key performance indicators, namely operating profit which for the year was a loss of SEK (18) million (2018: SEK 456 million profit).

The company has net current assets of SEK 2,653 million at the year end.

Risk and uncertainties

Risks to the business remain around its reliance on advertising spending, which makes the company's revenues responsive to fluctuations in advertising spending in each of the markets where its channels are broadcast via satellite or cable. Advertising spending is linked to the general economic environment in each market, and as such is likely to follow a cyclical pattern. The development of cost associated with creating the channels is furthermore dependent both on the competitive climate in each market at any given time and on the general development of prices of goods in each market. Changes in consumer demand for watching TV from linear to on demand viewing has been influential. The company operates in a dynamic market and as such will be affected by the actions of its competitors when it comes to, for example, the targeted demographic of new or existing channels, or the pricing policy adopted. The increasing shift towards online viewing and platforms could also potentially make the business a target for cyber-attacks, intrusions, disruptions or denials of service.

On 23 June 2016 the UK voted to leave the European Union. Subsequently, the UK triggered Article 50 of the Treaty on European Union in March 2017 with an initial plan to leave the EU by 31 March 2019. The EU agreed subsequent extensions to the Brexit deadline, and the UK left the European Union on 31 January 2020. A UK-EU Withdrawal Agreement was approved and ratified by both the UK and European Parliament prior to the UK's exit, thereby guaranteeing a transition period until 31 December 2020. During this transition period there is legal status quo in terms of trade between the UK and EU. Since the audiovisual sector will not be part of a future trade deal between the UK and the EU, the company's UK (Ofcom) broadcasting licences will no longer be valid for broadcasting the TV channels and VOD services into the EU after the end of the transition period. In December 2018, the Board approved the Brexit Contingency Plan, which will see the company applying for broadcasting licences in Sweden whilst maintaining its UK operations as they currently are today.

The outbreak of the Covid-19 virus in China and its subsequent pandemic spread to the rest of the world after the end of the reporting period does constitute a substantial risk for the company's people, operations and financial performance and position. Extensive measures have been taken to safeguard employees and to ensure the continuity of the business. The primary risks are to the health and wellbeing of the workforce and talents, reductions in advertising spending, the inability to produce programming, the cancellation of events or shows to be shown on the company's channels or services that drive subscription and advertising revenues, the reduction in the value of the parent company's publicly traded securities, and the ability to raise finance in the capital markets. The directors believe that the company is well placed to manage its business risks successfully and meet all its financial obligations for at least twelve months from the date of signing these financial statements, as outlined further in note 1.3.

Strategic report *(continued)*

Risk and uncertainties *(continued)*

Foreign exchange risk arises principally on programme acquisitions. The company mitigates the risk through foreign exchange contracts.

Subsequent Events

The company has implemented a range of measures to reduce its ongoing costs and offset the impact of Covid-19, which will fully impact on the company's reported results in 2020. These include a reduction in content costs as well as the cancellation of all non-business critical travel for most of the year. In addition, the company has elected to suspend the employee bonus scheme for 2020.

Financial instruments

The company had net cash of SEK 1,355 million (2018: SEK nil) at the balance sheet date.

The company reports transactions in SEK as the majority of revenue and costs are recognised in SEK though certain transactions are denominated in foreign currencies. Studio contracts are typically denominated in US dollars whereas staff costs are denominated in Sterling. Consequently, exposure to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters through hedging of such exposures.

The company's only loan exposure is with a group company and thus it does not consider it necessary to adopt any procedures, through hedging or otherwise, to limit exposure to interest rate fluctuations.

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The company participates in various policies and practices to keep employees informed on matters relevant to them through appropriate means, such as employee meetings and internal publications.

Environmental matters

Nordic Entertainment Group UK Limited recognises the importance of its environmental responsibilities. The company aims to reduce any damage that might be caused by the company's activities.

Forward-looking review

The company has been focussed on streamlining the company and maintaining profitable growth. The company continues to invest in new products in geographic sectors where Nordic Entertainment Group UK Limited brand awareness has proven to work.

Strategic report (*continued*)

S172 statement

The directors of the Company must act in accordance with their duties under section 172 of the UK Companies Act 2006, including a duty to promote the success of the company for the benefit of its members as a whole. The following paragraphs detail how the directors have fulfilled their duties during the year.

Engaging with stakeholders

Nordic Entertainment Group UK Limited forms part of Nordic Entertainment Group AB (the "Group") and therefore is subject to and abides by all Group policies and procedures. The governance framework of the Group delegates decision making authority to certain operational Boards and then to individual Companies. All delegation is subject to defined levels of cost and impact. Reports are regularly made to the Group Board about the strategy, performance and key decisions taken which provides the Group Board with assurance that proper consideration is given to stakeholder interests in decision making.

The board of Nordic Entertainment Group UK Limited places significant importance on the strength of its relationships with all its stakeholders to promote the sustainable success of the Company. In order to fulfil their duties, the directors of Nordic Entertainment Group UK Limited take care to have regard to the likely consequences on all stakeholders of the decisions and actions which they take. Such considerations ensure the business is making decisions with a longer-term view in mind and with the sustainable success of the business at its core.

Where possible, decisions are carefully discussed with affected groups and are therefore fully understood and supported when taken. Details of the Company's key stakeholders and how we engage with them are set out below.

Shareholders

Nordic Entertainment Group UK Limited is a wholly owned subsidiary and operates in a highly integrated Group. Therefore, continued shareholder support is extremely important. There is a continuous open dialogue between the Company board, the operational Boards and if necessary the Group board. Discussions cover a wide range of topics including monthly financial performance, strategy, outlook, governance and ethical practices.

Employees

Our people are key to the Company's success and we want them to be successful individually and as a team. There are many ways we engage with and listen to our people including monthly briefing meetings, intranet, newsletters, regular employee surveys, and policies and guidelines. Key areas of focus include business updates, new products and services, health and wellbeing, inclusivity programmes, development opportunities, pay and benefits.

Customers

Our key customers are media agencies. We build relationships with our customers and engage with them through direct dialogue and focus groups, and spend considerable time analysing viewing figures and using audience measurement tools to understand their needs and views and listen to how we can improve our offer and service.

Suppliers

We build strong relationships with our suppliers to develop mutually beneficial and lasting partnerships. Engagement with suppliers is primarily through a series of interactions such as phone calls and face-to-face meetings, Supplier Code of Conduct and site visits. Key areas of focus include innovation, responsible sourcing and content production, diversity and equality in the workplace and sustainability.

Communities and the environment

We engage with the communities in which we operate to build trust and understand the local issues that are important to them. Key areas of focus include how we can support local causes and issues. In consultation with our employees we select one main charity partner to work with but also work with a number of local charities and organisations to raise awareness and funds, with events like sponsored volunteering days and Christmas gift collections. The impact of decisions on the environment is considered in areas such as the use of and disposal of plastics and how this might be minimised, and measures taken in order to reduce energy consumption.

Strategic report (continued)

S172 statement (continued)

Government and regulators

We engage with the government and regulators through a range of forums, meetings, working groups and bulletins to communicate our views to policy makers relevant to our business. Key areas of focus are compliance with laws and regulations, data protection and privacy, and open dialogue and transparent decision making.

NGOs and trade associations

We belong to and work with a number of trade associations and non-governmental organisations. Key areas of focus include sustainability, media piracy issues, investment in the media sector, advancing the use of new technologies, promoting ethical standards and professional integrity, strengthening freedom of speech, and responsible advertising. Continuous dialogue is maintained through face-to-face meetings, Task Force calls, association events, conferences and webinars.



Kevin White
Director

Chiswick Green
610 Chiswick High Road
London W4 5RU

08 December 2020

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Nordic Entertainment Group UK Limited

Opinion

We have audited the financial statements of Nordic Entertainment Group UK Limited ("the company") for the year ended 31 December 2019 which comprise the statement of profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Nordic Entertainment Group UK Limited *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

C. Anderson

Charlotte Anderson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
58 Clarendon Road
Watford
WD17 1DE

9 December 2020

Statement of Profit and Loss Account and Other Comprehensive Income

for the year ended 31 December 2019

	<i>Note</i>	2019 SEK000	2018 SEK000
Turnover	2	7,361,727	6,962,211
Production & transmission expenses		(3,400,188)	(3,146,269)
Gross profit		<u>3,961,539</u>	<u>3,815,942</u>
Selling and distribution costs		(3,155,350)	(2,892,896)
Administrative expenses		(824,148)	(467,478)
Operating profit		<u>(17,959)</u>	<u>455,568</u>
Interest receivable and similar income	6	85,099	36,168
Interest payable and similar charges	7	(22,920)	(12,305)
Profit on ordinary activities before taxation	3	<u>44,220</u>	<u>479,431</u>
Tax on profit on ordinary activities	8	(62,600)	(74,788)
Profit/(loss) for the financial period		<u>(18,380)</u>	<u>404,643</u>
Other comprehensive income, after tax			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Effective portion of changes in fair value of cash flow hedges		26,396	72,478
Income tax on items that are or may be reclassified subsequently to profit or loss		(4,487)	(14,100)
Other comprehensive income for the year, net of income tax		<u>21,909</u>	<u>58,378</u>
Total comprehensive income for the year		<u><u>3,529</u></u>	<u><u>463,021</u></u>

The notes on pages 13 to 38 form an integral part of these financial statements.

Balance Sheet
at 31 December 2019

	<i>Note</i>	2019		2018
		SEK000	SEK000	SEK000
				SEK000
Intangible assets	<i>9</i>	1,891,776		1,891,776
Tangible assets	<i>10</i>	71,339		13,348
Investments	<i>11</i>	91,924		939,438
			<u>2,055,039</u>	<u>2,844,562</u>
Current assets				
Stock	<i>12</i>	873,310		1,314,684
Debtors (including SEK 298,309k due after more than one year 2018: SEK 373,858k)	<i>13</i>	3,301,357		2,952,148
Cash at bank and in hand		1,355,470		-
		<u>5,530,137</u>		<u>4,266,832</u>
Current liabilities				
Bank Overdraft		-		(1,154,499)
Creditors: amounts falling due within one year	<i>14</i>	(2,877,095)		(3,038,061)
Net current assets			<u>2,653,042</u>	<u>74,272</u>
Total assets less current liabilities			<u>4,708,081</u>	<u>2,918,834</u>
Creditors: amounts falling due after more than one year	<i>15</i>	(262,502)		(595,000)
Provisions for liabilities	<i>16</i>	(143,663)		(129,710)
Net assets			<u>4,301,916</u>	<u>2,194,124</u>
Capital and reserves				
Called up share capital	<i>18</i>	1,721,636		1,721,636
Retained earnings		2,478,463		395,430
Other reserves		101,817		77,058
Shareholders' funds			<u>4,301,916</u>	<u>2,194,124</u>

The notes on pages 13 to 38 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 08 December 2020 and were signed on its behalf



KEVIN WHITE
 Director

Company registered number: 2228654

Statement of Changes in Equity
For the year ended 31 December 2019

	Ordinary Share reserve	Options reserve	Hedge Equity	Retained earnings	Total Equity
	SEK000	SEK000	SEK000	SEK000	SEK000
Balance at 1 January 2018	1,721,636	26,312	(24,671)	2,400,788	4,124,065
Profit for the year	-	-	-	404,643	404,643
Other comprehensive income	-	-	58,378	-	58,378
Total comprehensive income for the year	-	-	58,378	404,643	463,021
Dividends paid	-	-	-	(2,401,000)	(2,401,000)
Equity-settled share based payment transactions	-	17,039	-	(9,001)	8,038
Balance at 31 December 2018	1,721,636	43,351	33,707	395,430	2,194,124
Adjustment on initial application of IFRS 16 (net of tax)	-	-	-	1,413	1,413
Adjusted balance at 31 December 2018	1,721,636	43,351	33,707	396,843	2,195,537
Profit for the year	-	-	-	(18,380)	(18,380)
Other comprehensive income	-	-	21,909	-	21,909
Total comprehensive income for the period	-	-	21,909	(18,380)	3,529
Capital contribution from parent	-	-	-	2,100,000	2,100,000
Equity-settled share based payment transactions	-	2,850	-	-	2,850
Balance at 31 December 2019	1,721,636	46,201	55,616	2,478,463	4,301,916

The notes on pages 13 to 38 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

Nordic Entertainment Group UK Limited (the “Company”) is a company incorporated, domiciled and registered in the UK. The registered number is 2228654 and the registered address is 610 Chiswick High Road, London W4 5RU.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The company reports transactions in SEK. As the majority of revenue and costs are recognised in SEK, the functional currency of the entity is also SEK. All financial information presented has been rounded to the nearest one thousand.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company’s financial statements.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company’s ultimate parent undertaking, Nordic Entertainment Group AB, includes the Company in its consolidated financial statements. The consolidated financial statements of Nordic Entertainment Group AB are available from Ringvägen 52, 118 67 Stockholm, Sweden.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for fixed assets and share capital;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures in respect of capital management.

As the consolidated financial statements of Nordic Entertainment Group AB include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets.
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS101 in its next financial statements.

Notes (continued)

1 Accounting policies (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Change in accounting policy

The Company has adopted the following IFRSs in these financial statements:

IFRS 16: Leases. See note 26. This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS 17.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the profit or loss or as available-for-sale. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.3 Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

Since the outbreak of the global pandemic COVID 19, the directors have prepared cash flow forecasts for a period of twelve months incorporating the expected impact of COVID-19 on the company which indicate that, even when considering the severe but plausible downsides, the company will have sufficient funds to meet its liabilities as they fall due.

Both at 31 December 2019 and throughout the period since, the company has considerable financial resources, and as a consequence the directors believe that the company is well placed to manage its business risks successfully and meet all its financial obligations for at least twelve months from the date of signing these financial statements and have therefore, continued to adopt the going concern basis of accounting in preparing the financial statements.

In respect of severe but plausible downside, the directors have modelled continued reductions in marketing spend as a result of the company's customers undergoing cost saving initiatives and hence a reduction in advertising revenue. The models also include prudent assumptions over the levels of new content available as studios face challenges over social distancing while filming. However, the directors are confident that, even when considering these downside scenarios, the company's financial position continues to be strong with the forecasts showing positive cash inflows and high levels of liquidity. The company has also seen a decrease in the rate of decline of FreeTV viewing figures as a result of the pandemic. The company does not have any external debt covenants.

Based on current trading conditions and also factoring in the financial impact of the future uncertainties, both positive and negative, arising from coronavirus pandemic on the operations of the business the directors anticipate that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least the next twelve months from the date of approval of the financial statements and therefore, continued to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Notes (continued)

1 Accounting policies (continued)

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value and subsequently at amortised cost. Trade receivables are reported net of impairment provisions, which due to the nature of the customer base are not significant.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

1.6 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts, are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the profit or loss account. However, where derivatives qualify for hedge accounting, as do the forward foreign exchange contracts, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in the profit and loss account. The forward foreign exchange contracts have been designated as effective hedges and all gains and losses are recognised directly in other comprehensive income.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the profit and loss account in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit and loss account immediately.

Notes (continued)

1 Accounting policies (continued)

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Machinery and equipment	-	3 to 10 years
Fixture and fittings	-	5 to 7 years
Software	-	5 years
Leasehold improvements	-	life of lease

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date

1.8 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure

1.9 Stocks

Program licenses and rights are presented in the balance sheet as stock, at the lower of cost and net realisable value, from the time the program is available for broadcast. Invoices received before a program is available for broadcast are accounted for under prepayments. Unpaid invoices and liabilities for stock not yet invoiced are accounted for under creditors.

Programmes and film rights

Inventories denominated in a foreign currency are fixed at the hedge rate at date of asset recognition and not subsequently retranslated at future reporting dates. Trade creditors are presented at the rate prevailing at the balance sheet date (unless otherwise contracted).

Programs are amortised when broadcast, in regressive instalments proportional to anticipated income over all anticipated transmissions.

Amounts contracted but not accounted for in the balance sheet are set out in note 19.

Sports and other rights

Sports and other rights purchased separately are capitalised at their cost. These are amortised to nil by equal annual instalments over their useful economic lives, generally their unexpired periods.

Notes (continued)

1 Accounting policies (continued)

1.10 Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes (continued)

I Accounting policies (continued)

1.11 Employee benefits

The company operates a defined contribution pension scheme.

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Share-based payment transactions

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The share option programme allows employees to acquire shares of the parent company Nordic Entertainment Group AB. The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes.

1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.13 Turnover

The Group recognise revenue on advertising revenues, distribution revenues and revenues from the sale of services. Advertising revenues are recognised at the time of broadcast with the broadcast being the sole performance obligation. Distribution revenues are recognised as the services are provided to the third party platforms, based on the number of subscribers taking the channels with the subscription being the sole performance obligation. Revenue from the sale of services is recognised when the services are provided although these are not separately identifiable obligations.

Revenue recognised in respect of these obligations represents the amounts exclusive of VAT and trade discounts

We evaluate our Revenue with customers based on the five-step model under IFRS 15 Revenue from Contracts with Customers: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognise revenues when (or as) each performance obligation is satisfied. Revenue is only recognised when highly probable that a significant reversal in the amount of cumulative revenue will not be required.

The Group disaggregates its revenue across three geographical segments. Geographical information about revenues can be found in note 2.

Notes (continued)

1 Accounting policies (continued)

1.14 Expenses

Operating lease payments (policy applicable before 1 January 2019)

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.16 Leases (policy applicable from 1 January 2019)

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Notes *(continued)***1 Accounting policies** *(continued)***1.16 Leases (policy applicable from 1 January 2019)** *(continued)**As a lessee (continued)*

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Tangible assets' and lease liabilities in 'Amounts falling due after more than one year' and 'Amounts falling due within one year' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Note 20). The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Notes (continued)

1 Accounting policies (continued)

1.16 Leases (policy applicable from 1 January 2019) (continued)

As a lessor (continued)

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period under IAS 17 were not different from IFRS 16.

1.17 New standards and interpretations not applied

Management continually reviews the impact of newly published standards and amendments and considers, where applicable, disclosure of their impact on the Company. At the date of the authorisation of these financial statements, the following standards and interpretations that are relevant to the Company, which have not been applied in these financial statements, were in issue but not yet effective.

New standards or interpretation	EU Endorsement status	Mandatory effective date (period beginning)
Amendments to References to Conceptual Framework in IFRS Standards	1 Jan 2020	1 Jan 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 Jan 2020	1 Jan 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS39 and IFRS 7)	1 Jan 2020	1 Jan 2020
Definition of a Business (Amendments to IFRS 3)	1 Jan 2020	1 Jan 2020
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 Jan 2022	1 Jan 2022

No other standards, interpretations or amendments which have been issued but are not yet effective are expected to significantly impact the Company's results or assets and liabilities and are not expected to require significant disclosure.

Notes (continued)

2 Analysis of turnover

The turnover and pre-tax profit is attributable to the broadcast of television channels distributed to consumers in Scandinavia.

An analysis of turnover by geographical market is given below:

	2019 SEK000	2018 SEK000
Sweden	2,552,917	2,625,795
Denmark	3,490,466	3,073,056
Norway	1,318,344	1,263,360
	<u>7,361,727</u>	<u>6,962,211</u>

3 Profit and loss account

	2019 SEK000	2018 SEK000
Depreciation of tangible fixed assets (see note 10)	11,195	4,562
Intercompany loan write off	312,839	-
	<u>324,034</u>	<u>4,562</u>

Auditor's remuneration:

	2019 SEK000	2018 SEK000
Audit of these financial statements	1,845	1,169
	<u>1,845</u>	<u>1,169</u>

Notes (continued)

4 Directors' remuneration

	2019	2018
	SEK000	SEK000
Directors' remuneration	21,124	20,466
Company contributions to money purchase pension schemes	714	832
	<u>21,838</u>	<u>21,298</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was SEK 14,662k (2018: SEK 11,724k) and company pension contributions of SEK 393k (2018: SEK 359k) were made to a money purchase scheme on his behalf. During the current and prior year, the highest paid director exercised share options and received shares in the parent company under a long-term incentive scheme. One director is paid by another group company.

	Number of directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>3</u>	<u>3</u>

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Administration	32	34
Marketing	2	2
Programme acquisition and planning	27	30
Programme production	55	51
Programme preparation	28	33
	<u>144</u>	<u>150</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	SEK000	SEK000
Wages and salaries	146,102	119,795
Social security costs	20,568	15,472
Pension contributions (note 22)	8,540	7,976
Share based payment expense	1,162	5,874
	<u>176,372</u>	<u>149,117</u>

Notes (continued)

6 Interest receivable and similar income

	2019 SEK000	2018 SEK000
Interest receivable from group undertakings	16,094	14,185
External interest receivable	13	-
Present value discount on interest free loan to 3 rd Party	1,616	2,060
Present value discount on property lease receivables under IFRS 16	8,100	-
FX Revaluation	34,163	-
	<u>59,986</u>	<u>16,245</u>
Dividend income from shares in group undertakings	25,113	19,923
	<u>85,099</u>	<u>36,168</u>

7 Interest payable and similar charges

	2019 SEK000	2018 SEK000
Interest on loans from parent undertakings	11,822	11,497
Interest on overdue payments	-	1
Present value discount on long term provisions	-	807
Present value discount on property lease receivables under IFRS 16	11,058	-
Other	40	-
	<u>22,920</u>	<u>12,305</u>

Notes *(continued)***8 Taxation***Analysis of charge in period recognised in the profit and loss account*

	2019	2018
	SEK000	SEK000
<i>UK corporation tax</i>		
Current tax on income for the period	65,191	79,155
Adjustments in respect of prior periods	(1,087)	(861)
Total current tax charge	<u>64,104</u>	<u>78,294</u>
<i>Deferred tax (see note 17)</i>		
Current year	(1,415)	(2,023)
Adjustment in respect of previous period	-	(179)
Effect of change in tax rate	(89)	(1,304)
	<u>(1,504)</u>	<u>(3,506)</u>
	<u>62,600</u>	<u>74,788</u>

Tax recognised in Other Comprehensive Income

	2019	2018
	SEK000	SEK000
Effective portion of changes in fair value of cash flow hedges	(26,396)	(72,478)

Factors affecting tax charge for the current period

The current tax charge for the year is lower (2018: lower) than the standard rate of corporation tax in the UK 19%, (2018: 19%). The differences are explained below.

	2019	2018
	SEK000	SEK000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	44,220	479,431
Current tax at 19% (2018: 19%)	<u>8,402</u>	<u>91,092</u>
<i>Effects of:</i>		
Expenses not deductible	60,145	387
Adjustments to tax charge in respect of previous periods	(1,087)	(1,040)
Tax rate changes	(89)	(1,304)
Income not taxable	(4,771)	(14,347)
Total current tax charge (see above)	<u>62,600</u>	<u>74,788</u>

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax liability as at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax liability by SEK 2,349k.

The large value of the current tax effect of expenses not deductible in 2019 relates to the impairment of the intercompany loan receivable from Digital Rights Group Limited.

Notes (continued)

9 Intangible assets

	Goodwill SEK000
<i>Cost</i>	
At beginning of year	2,079,197
At end of year	2,079,197
<i>Amortisation</i>	
At beginning of year	187,421
Charged in year	-
At end of year	187,421
<i>Net book value</i>	
At 31 December 2019	1,891,776
At 31 December 2018	1,891,776

Impairment testing

All goodwill relates to the Nordic Entertainment Group UK cash generating unit (sole cash generating unit) and arose in 1999 on the acquisition of the channels TV3, TV3+ and TV6 from a fellow Group entity.

The recoverable amount of the cash generating unit has been calculated with reference to its value in use.

The key assumptions of this calculation are shown below:

	2019	2018
Period on which management approved forecasts are based	Perpetuity	Perpetuity
Growth rate applied beyond approved forecast period	2.5%	2.5%
Discount rate	12%	12%

The growth rates used in value in use calculation reflect the average growth rate experienced by the Company for the product industry, and market. Note that no reasonably possible change in a key assumption would cause the CGU to exceed its recoverable amount.

Notes (continued)

10 Tangible assets

	Land and Buildings	Leasehold improvements	Machinery and equipment	Software	Fixtures and fittings	Total
	SEK000	SEK000	SEK000	SEK000	SEK000	SEK000
<i>Cost</i>						
At beginning of year	-	11,998	18,615	8,847	4,116	43,576
Recognition of right-of-use assets on initial application of IFRS 16 (see note 26)	64,408	-	-	-	-	64,408
Adjusted balance at beginning of year	64,408	11,998	18,615	8,847	4,116	107,984
Reclassifications	-	2,453	1,118	(2,752)	(819)	-
Additions	-	-	390	-	4,389	4,779
Disposals	-	-	-	(4,025)	(60)	(4,085)
At end of year	64,408	14,451	20,123	2,070	7,626	108,678
<i>Depreciation</i>						
At beginning of year	-	4,241	18,239	6,077	1,672	30,229
Reclassifications	-	1,660	(1,197)	(645)	182	-
Charge for year	7,223	970	1,669	220	1,113	11,195
Disposals	-	-	-	(4,025)	(60)	(4,085)
At end of year	7,223	6,871	18,711	1,627	2,907	37,339
<i>Net book value</i>						
At 31 December 2019	57,185	7,580	1,412	443	4,719	71,339
At 31 December 2018	-	7,757	376	2,771	2,444	13,348

All leasehold improvements relate to long leasehold buildings.

Notes (continued)**10 Tangible assets** (continued)

At 31st December 2019 Tangible Assets includes right-of-use assets as follows:

	Land and Buildings	Leaschold improvements	Machinery and equipment	Software	Fixtures and fittings	Total
	SEK000	SEK000	SEK000	SEK000	SEK000	SEK000
Right-of-use asset						
At 31 st December 2019	57,185	-	-	-	-	57,185

11 Fixed asset investments

	Group Undertakings	Associated Undertakings	Total
	SEK000	SEK000	SEK000
<i>Cost and net book value</i>			
At beginning of year	937,413	2,025	939,438
Sale of stake in Nice Entertainment Group OY	(862,332)	-	(862,332)
Investment in Associate	-	14,818	14,818
At end of year	75,081	16,843	91,924

During 2019 the Company sold Nice Entertainment Group OY and its subsidiaries to NENT Studios AB, a subsidiary of Nordic Entertainment Group AB. The Company purchased a 40% stake in FilmNation TV UK Limited, a newly formed private company. The Company has the following holdings at year end:

Subsidiary undertakings	Country of incorporation (address)	Classes of shares held	Principal activity
Digital Rights Group Ltd	England & Wales (1)	100% Ordinary Shares	Media
3 DRG Limited	England & Wales (1)	100% Ordinary Shares	Media
Alchemy TV Distribution Ltd	England & Wales (1)	100% Ordinary Shares	Media
Atrium TV Limited	England & Wales (2)	100% Ordinary Shares	Media
C4I Distribution Limited	England & Wales (1)	100% Ordinary Shares	Media
DRG America Limited	England & Wales (1)	100% Ordinary Shares	Media
DRG America LLC	USA (3)	100% Ordinary Shares	Media
I D Distribution Limited	England & Wales (1)	100% Ordinary Shares	Media
IR2 Limited	England & Wales (1)	100% Ordinary Shares	Media
Portman Film and Television Ltd	England & Wales (1)	100% Ordinary Shares	Media
Portman Acquisitions Ltd	England & Wales (1)	100% Ordinary Shares	Media
Portman Entertainment Ltd	England & Wales (1)	100% Ordinary Shares	Media
Portman Media (No. 2) Assets Ltd	England & Wales (1)	100% Ordinary Shares	Media
Portman Media Assets Ltd	England & Wales (1)	100% Ordinary Shares	Media
Portman Productions Ltd	England & Wales (1)	100% Ordinary Shares	Media

Notes *(continued)***11 Fixed asset investments** *(continued)*

Subsidiary undertakings	Country of incorporation (address)	Classes of shares held	Principal activity
An Awfully Big Production Company Ltd	England & Wales (1)	100% Ordinary Shares	Media
Saigon Productions Ltd	England & Wales (1)	100% Ordinary Shares	Media
This is your life experience Ltd	England & Wales (1)	100% Ordinary Shares	Media
Zeal Entertainment Limited	England & Wales (1)	100% Ordinary Shares	Media
Nordic Entertainment Group TV A/S	Denmark (4)	100% Ordinary Shares	Sales Office
Nordic Entertainment Group TV AB	Sweden (5)	100% Ordinary Shares	Sales Office
Nordic Entertainment Group TV AS	Norway (6)	100% Ordinary Shares	Sales Office
Televisionsaktiebolaget TV8	Sweden (5)	100% Ordinary Shares	Media
Airtime Sales AB	Sweden (7)	50% Ordinary Shares	Media
Trace Caribbean SARL	France (8)	75% Ordinary Shares	Media
Filmnation TV UK Limited	England & Wales (9)	40% Ordinary Shares	Media

The registered offices of these companies are as follows:

- | | |
|--|---|
| 1. 610 Chiswick High Road, London, UK, W4 5RU | 6. Akersgata 73 0180 Oslo |
| 2. 66 Chandos Place, London, WC2N 4HG | 7. Karlavagen 65, SE-114 49 Stockholm |
| 3. 30th Floor, 535 Fifth Avenue, NY 10017, USA | 8. Etang Z Abricot, 97200 Fort De France |
| 4. Strandlodsvej 30, 2300 Copenhagen | 9. 71 Queen Victoria Street, London, UK, EC4V 4BE |
| 5. Ringvägen 52, Box 17054, 118 67 Stockholm | |

As stated in note 1, the company has taken advantage of the exemptions provided by FRS 101 and has therefore not disclosed transactions or balances with wholly owned entities which form part of the group.

In addition, the company has acquired content and other services with Digital Rights Group Limited to the value of SEK 2,123k (2018: SEK 2,057k) and has an outstanding balance at 31 December 2019 of SEK nil (2018: SEK nil). The intercompany loan receivable due from Digital Rights Group Ltd of SEK 312,839k (2018: SEK 267,828k) was impaired to nil during the year. Interest of SEK 11,415k (2018: 7,508k) has been received on this loan receivable in the year. Furthermore, acquired content and services with Nice Entertainment Group Oy and subsidiaries totalled SEK 3,871k (2018: SEK 23,210k) and outstanding balance at 31 December 2019 of SEK nil (2018: SEK nil). In addition, the financial statements also include an intercompany loan receivable due from Monster Scripted AS of SEK 7,166k (2018: SEK 13,746) on which interest of SEK 613k (2018: SEK 855k) has been received in the year.

12 Stock

	2019	2018
	SEK000	SEK000
Finished goods - Program licenses	873,310	1,314,684
	<u> </u>	<u> </u>

13 Debtors

	2019	2018
	SEK000	SEK000
Trade debtors	299,492	340,675
Amounts owed by group undertakings	249,260	281,574
Amounts owed by subsidiary undertakings	2,136	79,047
3 rd Party Loan	102,371	109,043
Other debtors	309,122	223,113
Prepayments and accrued income	2,338,976	1,918,696
	<u> </u>	<u> </u>
	3,301,357	2,952,148
	<u> </u>	<u> </u>

Included under amounts owed by group undertakings is SEK 7,166k (2018: SEK 281,574k) due after more than one year with total interest charged to group undertakings of SEK 12,028k (2018: SEK 8,363k). This is subject to an interest rate of 3 month STIBOR + 1.6%. Included under 3rd Party Loan is SEK 82,729k (2018: 92,284k) due after more than one year. Included under Other Debtors is SEK 208,414k (2018: nil) due after more than one year.

Notes (continued)

14 Creditors: amounts falling due within one year

	2019	2018
	SEK000	SEK000
Trade creditors	1,170,955	1,345,641
Amounts owed to other group undertakings	197,361	379,848
Obligations under contracts to acquire film rights	943,825	1,011,830
Corporation tax	24,478	35,616
Deferred tax (also see Note 17)	19,964	16,981
Other taxation and social security	3,836	4,443
Accruals and deferred income	516,676	243,702
	<u>2,877,095</u>	<u>3,038,061</u>

15 Creditors: amounts falling due after more than one year

	2019	2018
	SEK000	SEK000
Loans from parent undertaking between two and five years	-	595,000
Amounts due on long term lease under IFRS 16	262,502	-
	<u>262,502</u>	<u>595,000</u>

The loan from parent undertaking was repaid during the year.

16 Provisions for liabilities

	Provisions for music royalties SEK000	Provision for restructuring SEK000	Other provisions SEK000	Total SEK000
At beginning of year	120,694	7,008	2,008	129,710
Charge to profit and loss for the year	63,445	11,730	(2,008)	73,167
Utilised in the year	(56,653)	(2,561)	-	(59,214)
At end of year	<u>127,486</u>	<u>16,177</u>	<u>-</u>	<u>143,663</u>

Provisions for music royalties relate to accrued compensation for music played on the TV channels payable to various collecting societies in the UK, Sweden, Norway and Denmark, pending finalisation of agreements with these parties.

Notes (continued)

17 Deferred taxation

The elements of deferred taxation are as follows:

	2019 SEK000	2018 SEK000
Deferred tax in relation to tangible assets, intangible assets and financial assets	(19,964)	(16,981)
Undiscounted deferred tax liability	<u>(19,964)</u>	<u>(16,981)</u>
		2019 SEK000
At beginning of year		(16,981)
Charge to the profit and loss for the year		1,504
Adjustment in respect of prior year		-
Charge to other comprehensive income		(4,487)
At end of year		<u>(19,964)</u>

18 Capital and Reserves

Called up share capital

	2019 SEK000	2018 SEK000
<i>Allotted, called up and fully paid</i>		
100 Ordinary shares of £1 each	1	1
127,000,000 redeemable ordinary shares of £1 each	1,721,635	1,721,635
	<u>1,721,636</u>	<u>1,721,636</u>

The ordinary shares and redeemable ordinary shares both carry the same rights except for the fact that the redeemable ordinary shares allow the Company the option to redeem them at some point in the future.

Ordinary Share reserve

Represents the nominal value of ordinary shares.

Options reserve

Represents the equity element of share based payment transactions

Hedge Equity reserve

Represents the effective portion of changes in fair value of cash flow hedges.

Retained earnings reserve

Represents retained profits less losses and distributions

Notes (continued)

19 Programme and film rights commitments

Amounts contracted for but not provided for in the accounts amounted to SEK 12,294,747k (2018: SEK 12,262,573k).

20 Financial instruments

20 (a) – Fair values of financial instruments

The fair values of all financial assets and financial liabilities held for trading with their carrying amounts shown in the balance sheet are as follows:

	Fair value 2019 SEK000	Fair value 2018 SEK000
Forward exchange contracts	70,185	73,501
	<u>70,185</u>	<u>73,501</u>
	<u><u>70,185</u></u>	<u><u>73,501</u></u>

Financial liabilities held for trading comprise of Forward exchange contracts.

Class of financial instruments measured at fair value

Valuation technique

Forward exchange contracts

Fair value is estimated by discounting the difference between the contractual forward price and the current forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bond).

20 (b) – Cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur:

	Contractual cash flows 2019 SEK000	1 year or less 2019 SEK000	1 to >2 years 2019 SEK000	Contractual cash flows 2018 SEK000	1 year or less 2018 SEK000	1 to >2 years 2018 SEK000
Forward exchange contracts:						
Assets	70,185	56,594	13,591	73,501	73,501	-
Liabilities	-	-	-	-	-	-

Notes (continued)

21 Leases

21 (a) Leases as a lessee (IFRS 16)

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as Tangible assets (see note 10):

	Land and buildings SEK000	Leasehold improvements SEK000	Machinery and equipment SEK000	Software SEK000	Fixtures and fittings SEK000	Total SEK000
Balance at 1 January 2019	-	-	-	-	-	-
Additions to right-of-use assets	64,408	-	-	-	-	64,408
Depreciation charge for the year	(7,223)	-	-	-	-	(7,223)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	57,185	-	-	-	-	57,185
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	SEK000
2019 - Leases under IFRS 16	
Interest expense on lease liabilities	11,058
	<hr/>
	11,058
	<hr/> <hr/>
	SEK000
2018 - Operating leases under IAS 17	
Lease expense	34,490
	<hr/>
	34,490
	<hr/> <hr/>

Notes (continued)

21 Leases (continued)

21 (b) Leases as a lessor (IFRS 16)

The Company has entered into various lease arrangements as a lessor that are considered to be finance leases. The Company sub-leases part of its office building that it leased in 2012 and as the sub-leases are for the whole of the remaining term of the head lease they are classified as finance leases.

The sub-leases are held by third parties and have an end date of November 2027.

Finance leases

The following amounts have been recognised in profit or loss in respect of finance leases for which the Company is a lessor:

	SEK000
2019 - Leases under IFRS 16	
Interest income on lease receivables	(8,100)
Income from subleasing right-of-use assets presented in 'other revenue'	(107)
	<u>(8,207)</u>
	<u><u>(8,207)</u></u>
	SEK000
2018 – Operating leases under IAS 17	
Sub-lease income presented in 'other revenue'	(6,542)
	<u>(6,542)</u>
	<u><u>(6,542)</u></u>

The following table sets out a maturity analysis of lease payments receivable, showing the undiscounted lease payments to be received after the reporting date:

	2019 SEK000
Less than one year	(33,539)
Between one and two years	(33,526)
Between two and three years	(33,526)
Between three and four years	(33,526)
Between four and five years	(33,526)
More than five years	(89,402)
	<u>(257,045)</u>
Total undiscounted lease receivable	(257,045)
Unearned finance income	31,754
	<u>(225,291)</u>
Net investment in the leases	(225,291)

Notes (continued)

22 Pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to SEK 8,540k (2018: SEK 7,976k).

Contributions totalling SEK 988k (2018: SEK 934k) were payable to the scheme at the year end.

23 Share based payments

The Incentive schemes in operation are available to Senior executives and other key employees. The participants are awarded shares in the ultimate parent free of charge when certain performance conditions are met. A 3 year holding period before vesting is required.

The 2016 scheme had three different performance criteria included and gave the Senior executives the right to performance shares depending on the fulfilment of certain stipulated goals. The rights to performance shares were granted by the company free of charge at the beginning of June 2016, and were due to be exercised after the release of the interim report for Q1 2019. However, as a result of the split of MTG in to two listed companies, the vesting of the share rights granted was accelerated to March 2019. Dividends paid on underlying shares during the vesting period increased the number of performance shares in order to treat the shareholders and the participants equally.

The 2017 scheme was changed compared to the previous programmes in that there were four different performance criteria included. The rights to performance shares were granted by the company free of charge at the beginning of June 2017, and were due to be exercised the day following the release of the interim report for Q1 2020. However, as a result of the split of MTG in to two listed companies, the vesting of the share rights granted was accelerated to March 2019. Dividends paid on underlying shares during the vesting period increased the number of performance shares in order to treat the shareholders and the participants equally. Fulfillment of the performance conditions was determined based on the 2017 and 2018 financial years and the numbers of shares exercised reduced by 2/3.

As a result of the split of MTG in to two listed companies there was no 2018 scheme.

The 2019 scheme included two different equally weighted performance criteria, namely organic sales growth and operating income before IAC (items affecting comparability). The rights to performance shares were granted by the company free of charge in May 2019, and may be exercised in April 2022. Vesting is conditional upon that the participant, with certain customary exceptions, at the time of the publication of Nordic Entertainment Group AB's interim report for the first quarter of 2022, is still employed by the company. Dividends paid on underlying shares during the vesting period increased the number of performance shares in order to treat the shareholders and the participants equally.

As per 31 December 2019 the weighted average remaining contractual life is 2.5 years and the charge for the year including social security was SEK 1,162k.

24 Parent undertaking and controlling party

In March 2019 the Modern Times Group MTG AB was split by way of separately listing the sub-group of Nordic Entertainment Group AB on the Nasdaq Stockholm. As a result, the ultimate and immediate parents of the company changed. The ultimate parent changed from Modern Times Group MTG AB to Nordic Entertainment Group AB. The immediate parent changed from MTG Broadcasting AB to Nordic Entertainment Group Services AB.

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Nordic Entertainment Group AB, a company incorporated in Sweden, which is regarded by the directors as the ultimate parent undertaking.

The largest and smallest group in which the results of the Group are consolidated is that headed by Nordic Entertainment Group AB. This disclosure is in accordance with IAS 24.

Copies of the group accounts can be obtained from Nordic Entertainment Group AB, Ringvägen 52, 118 67 Stockholm, Sweden.

Notes *(continued)***25 Subsequent Events**

The company has implemented a range of measures to reduce its ongoing costs and offset the impact of Covid-19, which will fully impact on the company's reported results in 2020. These include a reduction in content costs as well as the cancellation of all non-business critical travel for most of the year. In addition, the company has elected to suspend the employee bonus scheme for 2020.

In May 2020 Nordic Entertainment Group UK Limited and Digital Rights Group Limited agreed to waive the intercompany loan of SEK 312,839k. The loan has been fully impaired in these financial statements.

26 Change in significant accounting policies

The Company has applied IFRS 16 using the modified retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out below.

26 (a) Definition of a lease

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1. On transition, the Company has reassessed all contracts to assess whether they contain a lease based upon this definition.

26 (b) As a lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019.

Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- not to recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- to use a single discount rate on all leases with similar characteristics

Notes (continued)

26 Change in significant accounting policies (continued)

26 (c) As a lessor

The Company subleases right-of-use assets to third parties.

On transition, the Company has reassessed subleases in existence at 1 January 2019 that were classified as operating leases under IAS 17, to determine whether each sublease should be classified as an operating lease or finance lease under IFRS 16. This assessment was performed at 1 January 2019 considering the remaining contractual terms and conditions of the head lease and the sublease at that date, with reference to the right-of-use asset rather than the underlying asset. The Company concluded that they were property subleases classed as finance.

For subleases that were previously classified as operating leases under IAS 17 but finance leases on transition to IFRS 16, the Company has accounted for these subleases as if it were a new finance lease entered into at 1 January 2019.

The following table summarises the quantitative impact of adopting IFRS 16 on the Company's financial statements for the year ending 31 December 2019.

	Impact of adoption of IFRS 16		
	As reported	Adjustments	Balances without adoption of IFRS 16
	SEK000	SEK000	SEK000
Balance sheet			
Property, plant and equipment	71,339	57,185	14,154
Other interest-bearing receivables (current)	33,526	33,526	-
Other interest-bearing receivables (non-current)	198,922	191,756	7,166
Other interest-bearing loans and borrowings (current)	(45,025)	(45,025)	-
Other interest-bearing loans and borrowings (non-current)	(262,502)	(262,502)	-
	<u> </u>	<u> </u>	<u> </u>
Retained Earnings	(3,740)	(25,060)	21,320
	<u> </u>	<u> </u>	<u> </u>

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3.41%.

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 in the Company's financial statements and the lease liabilities recognised at 1 January 2019:

	1 January 2019 SEK000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	371,744
Discounted using the incremental borrowing rate at 1 January 2019	315,751
Finance lease liabilities recognised as at 31 December 2018	-
	<u> </u>
Lease liabilities recognised as at 1 January 2019	315,751
	<u> </u>