



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 914 942 284
Organisasjonsform: Allmennaksjeselskap
Foretaksnavn: WR ENTERTAINMENT ASA
Forretningsadresse: Bryggegata 6
0250 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2017 - 31.12.2017

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Erik Christoffersen
Dato for fastsettelse av årsregnskapet: 15.06.2018

Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert
År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 24.10.2019



Resultatregnskap

Beløp i: NOK	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	10	102 617	20 557
Sum inntekter		102 617	20 557
Kostnader			
Varekostnad		402 419	46 903
Lønnskostnad	1, 11	254 832	342 223
Annen driftskostnad	2	2 089 028	1 331 580
Sum kostnader		2 746 280	1 720 706
Driftsresultat		-2 643 663	-1 700 149
Finansinntekter og finanskostnader			
Annen renteinntekt		8 896	15 185
Annen finansinntekt			13 474
Sum finansinntekter		8 896	28 660
Nedskrivning av finansielle eiendeler		25 606 888	
Annen rentekostnad			5 882
Sum finanskostnader		25 606 888	5 882
Netto finans		-25 597 992	22 778
Ordinært resultat før skattekostnad		-28 241 655	-1 677 372
Skattekostnad på ordinært resultat	6		
Ordinært resultat etter skattekostnad		-28 241 655	-1 677 372
Årsresultat		-28 241 655	-1 677 372
Årsresultat etter minoritetsinteresser		-28 241 655	-1 677 372
Totalresultat		-28 241 655	-1 677 372
Overføringer og disponeringer			
Udekket tap			265 795



Resultatregnskap

Beløp i: NOK	Note	2017	2016
Overføringer til/fra annen egenkapital		-28 241 655	-1 943 167
Sum overføringer og disponeringer		-28 241 655	-1 677 372



Balanse

Beløp i: NOK	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	6		
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	3		
Finansielle anleggsmidler			
Investering i datterselskap	7	1 000 000	14 123 628
Lån til foretak i samme konsern		1 000 000	
Sum finansielle anleggsmidler		2 000 000	14 123 628
Sum anleggsmidler		2 000 000	14 123 628
Omløpsmidler			
Varer			
Sum varer	9		
Fordringer			
Kundefordringer	8		
Andre fordringer	8	17 083	30 000
Sum fordringer		17 083	30 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	4	1 341 635	15 816 926
Sum bankinnskudd, kontanter og lignende		1 341 635	15 816 926
Sum omløpsmidler		1 358 718	15 846 926
SUM EIENDELER		3 358 718	29 970 554
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	5, 11	1 806 046	1 806 046



Balanse

Beløp i: NOK	Note	2017	2016
Overkurs			26 015 900
Annen innskutt egenkapital		207 598	1 845 329
Sum innskutt egenkapital		2 013 643	29 667 275
Sum egenkapital	5	2 013 643	29 667 275
Gjeld			
Langsiktig gjeld			
Utsatt skatt	6		
Annen langsiktig gjeld			
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld		1 194 050	303 278
Annen kortsiktig gjeld	12	151 025	
Sum kortsiktig gjeld		1 345 075	303 278
Sum gjeld		1 345 075	303 278
SUM EGENKAPITAL OG GJELD		3 358 718	29 970 554



Konsernets resultatregnskap

Beløp i: NOK	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	11	102 617	182 450
Sum inntekter		102 617	182 450
Kostnader			
Varekostnad		402 419	387 709
Lønnskostnad	1	5 691 303	8 093 618
Avskrivning på varige driftsmidler og immaterielle eiendeler	3	52 667	50 275
Annen driftskostnad	1, 2	9 864 968	6 258 262
Sum kostnader		16 011 357	14 789 864
Driftsresultat		-15 908 740	-14 607 414
Finansinntekter og finanskostnader			
Annen renteinntekt		8 896	15 185
Annen finansinntekt			13 474
Sum finansinntekter		8 896	28 660
Annen rentekostnad		256 171	279 739
Annen finanskostnad			630
Sum finanskostnader		256 171	280 369
Netto finans		-247 274	-251 709
Ordinært resultat før skattekostnad		-16 156 014	-14 859 123
Skattekostnad på ordinært resultat	7	6 610	6 719
Ordinært resultat etter skattekostnad		-16 162 625	-14 865 842
Årsresultat		-16 162 625	-14 865 842
Årsresultat etter minoritetsinteresser		-16 162 625	-14 865 842
Totalresultat		-16 162 625	-14 865 842
Overføringer og disponeringer			



Konsernets resultatregnskap

Beløp i: NOK	Note	2017	2016
Udekket tap		-1 397 545	
Overføringer til/fra annen egenkapital		-14 765 080	-14 865 842
Sum overføringer og disponeringer		-16 162 625	-14 865 842



Konsernets balanse

Beløp i: NOK	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	7		
Varige driftsmidler			
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	3	76 473	91 642
Sum varige driftsmidler		76 473	91 642
Finansielle anleggsmidler			
Investering i datterselskap	8		
Sum anleggsmidler		76 473	91 642
Omløpsmidler			
Varer			
Sum varer	10	6 322 299	6 387 158
Fordringer			
Kundefordringer	9	11 533	3 538
Andre fordringer	9	475 934	736 322
Sum fordringer		487 466	739 861
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	4	2 919 626	17 140 578
Sum bankinnskudd, kontanter og lignende		2 919 626	17 140 578
Sum omløpsmidler		9 729 391	24 267 597
SUM EIENDELER		9 805 864	24 359 239

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital



Konsernets balanse

Beløp i: NOK	Note	2017	2016
Selskapskapital	5, 12	1 806 046	1 806 046
Overkurs			12 383 915
Annen innskutt egenkapital			1 845 329
Sum innskutt egenkapital		1 806 046	16 035 290
Opptjent egenkapital			
Udekket tap		1 397 545	
Sum opptjent egenkapital		-1 397 545	
Sum egenkapital	6	408 500	16 035 290
Gjeld			
Langsiktig gjeld			
Utsatt skatt	7		
Annen langsiktig gjeld			
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld		3 307 199	475 801
Annen kortsiktig gjeld	15	6 090 165	7 848 148
Sum kortsiktig gjeld		9 397 364	8 323 949
Sum gjeld		9 397 364	8 323 949
SUM EGENKAPITAL OG GJELD		9 805 864	24 359 239



Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 03.10.2016	Vår dato 21.10.2016
Telefon 22078139	Deres referanse Erik Christoffersen	Vår referanse 2016/991326

WR ENTERTAINMENT ASA
c/o Adv.få. DLA Piper Norway
Postboks 1364 Vika
0114 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for WR Entertainment ASA, org. nr. 914 942 284

Vi viser til deres brev av 3. oktober 2016 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for WR Entertainment ASA.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering WR Entertainment ASA dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

WR Entertainment ASA er et selskap notert ved Merkur Market ved Oslo Børs. Selskapet har i dag rundt 250 eiere. Eierne er både norske og utenlandske og fordeler seg mellom private investorer og profesjonelle investorer. På Merkur Market er det etter Løpende forpliktelser punkt 5.2 valgfrihet av språk på pliktig informasjon. Informasjon kan avgis på engelsk, norsk, svensk eller dansk. Selskapets formål er å drive produksjon av film med tilhørende produkter som e-bøker, lydbøker, papirbøker og lignende. Selskapets aktivitet skjer gjennom det heleide datterselskapet WR Films Entertainment Group Inc i California i USA. All virksomheten styres fra California. Selskapet har en daglig leder som jobber på timebasis. Det er ingen andre ansatte. Selskapet har 2 styremedlemmer fra USA. Arbeidsspråket er engelsk. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse: Sentralbord
Se www.skatteetaten.no 800 80 000
Org.nr: 996250318 Telefaks
E-post: skatteetaten.no/sendepost 22 17 08 60



”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *”informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet er eid av 250 private og profesjonelle norske og utenlandske investorer. Arbeidsspråket er engelsk og to av styremedlemmene er utenlandske. All aktivitet foregår i utlandet. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle sentrale aktører og samarbeidspartnere behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



WR ENTERTAINMENT ASA

**YEAR ENDED DECEMBER 31, 2017
ANNUAL REPORT**



ANNUAL REPORT OF THE BOARD OF DIRECTORS

WR Entertainment ASA ("WR ASA") is a book-to-film entertainment company focused on acquiring popular and engaging literary content and producing high quality motion pictures for mainstream audiences.

WR ASA is a publicly traded entity, based in Oslo, Norway, and owns 100% of the capital stock of WR Films Entertainment Group, Inc., ("WR Inc."), a California corporation located in Los Angeles (together, "the Company" or the "Group"). WR Inc. is the operating and creative entity.

WR Inc. is an independent producer of feature-length motion pictures and publisher of electronic books ("eBooks"). In developing and acquiring intellectual properties for motion picture production, the Company also acquires rights for television, eBook and book publishing, video games, music publishing, merchandising and licensing.

Management's primary focus is on the development and production of a motion picture series and the publication and sale of eBooks, based on one of WR's largest IP assets, the *Morgan Kane* book series, which has sold over 20 million copies in Europe alone, making it one of the top 100 best-selling book series in the world sitting alongside book titles such as *James Bond*, *Jack Reacher*, *Tarzan* and *Paddington Bear*.

The Morgan Kane books were written by Louis Masterson (born Kjell Hallbing, 1934-2004). Masterson wrote stories on the life and adventures of the character Morgan Kane, an outlaw, a Texas Ranger, and later a U.S. Marshal in the Wild West. Masterson wrote 83 Morgan Kane books in total, of which 41 are translated into English.

THE YEAR ENDED DECEMBER 31, 2017 IN REVIEW

Financial Summary

Operating costs and expenses for the year ended December 31, 2017 totaled NOK 16.0 Million, including legal fees, other professional fees, salaries, travel and other expenses. Legal fees of 11.1 NOK Million were incurred during the period as a direct result of the costs of litigation, which is described later in this report. The Company's net loss for the year ended December 31, 2017 was NOK 16.2 Million. In spite of the legal expenses from litigation, the Company maintained a positive cash balance of over NOK 2.9 Million at the end of 2017.

Board Changes

As reported in the Company's 2016 Annual Report, Gunnar Ryan Wiik and Jim Cardwell lead the WR ASA Board of Directors as Vice Chairman and Chairman, respectively, from January 2016 to December 2016. Both left in December 2016; Cardwell was voted out as Chairman by a shareholder vote at an Extraordinary General Meeting (EGM), and Wiik resigned after creative differences with the Company.

In January 2017, Ulrik Knap was elected to the board of directors at an Extraordinary General Meeting of shareholders. Also in January 2017, the Board of Directors resolved to elect Frode Erling Foss as the Chairman of the Board of Directors.



In May 2017, Board member Ulrik Knap resigned from WR ASA's Board of Directors and moved to the Company's advisory board.

In June 2017, at the Annual General Meeting (AGM) of shareholders, Rolf Arne Høyen was elected to the Board of Directors, with the AGM confirming the Board now consisted of Rolf Arne Høyen, Tasmin Lucia-Khan and Chairman Frode Erling Foss.

The Board has met frequently throughout 2017, holding 14 Board meetings.

Q1 2017

In January 2017, the new Board set out to continue the negotiations that had taken place throughout Q4 2016 and get Hollywood talent signed up a.s.a.p. - creatives such as the script writer, director and an A-list actor to play the lead role of Morgan Kane.

The following month, in February 2017, the Company announced that Hollywood writer Skip Woods (X-Men Wolverine, Swordfish and the Die Hard franchise) had been tasked to re-write the Morgan Kane script giving it an action packed edge able to compete with the thrill of blockbusters in theatres today, whilst still staying true to the essence of the character and the stories that made Morgan Kane so popular in the first place.

In February 2017 and March 2017, final negotiations for key talent and negotiations with the preferred director continued and the Company was weeks away from concluding until talent stopped the negotiations with the Company due to the lawsuit described below.

Former Vice Chairman Gunnar Ryan Wiik filed a lawsuit in March 2017 against WR Inc.'s CEO Tasmin Lucia-Khan and named other Company employees too. The Complaint filed was for: *Defamation, Trespass to Chattel, Invasion of Privacy and Fraud*. Wiik claimed an unspecified amount of damages.

As the claims concerned alleged actions that the CEO took on behalf of the Company, the Company indemnified the CEO to defend her from Wiik's claims pursuant to its statutory indemnity obligations under California law.

Unrelated to film making, in late 2016, the Board was approached by shareholders questioning the former Vice Chairman Wiik's large shareholding in the Company. The Company started an internal investigation in November 2016 to assess the allegations of possible wrongdoing in prior years' shareholder registers and this continued throughout the three months of Q1 2017, the investigation being conducted later by external counsel in both Norway and the U.S. The investigation eventually led to the company filing a lawsuit for the return of 18.7 million shares in Q2.

Q2 2017

In April 2017, former Chairman James Cardwell filed a lawsuit against the Company claiming *Breach of Contract*. The claim was amended in June 2017. Cardwell demands a salary of USD \$1.03M for three years, also demands to receive 4,392,000 stock options at a strike price of NOK 2 (or alternatively a compensation of USD \$0.72M), and to participate in an undisclosed profit sharing plan. The Company believes that the Cardwell lawsuit is without merit.



On June 19, 2017, the Company filed a lawsuit against Wiik in the Superior Court of The State of California, County of Los Angeles, based on the results of the extensive investigation by external counsel into the Company's share distributions and finances. The Complaint filed was for:

- FRAUD (INTENTIONAL MISREPRESENTATION)
- FRAUD (CONCEALMENT)
- FRAUD (NEGLIGENT
- MISREPRESENTATION)
- BREACH OF FIDUCIARY DUTY
- CONVERSION
- BREACH OF CONTRACT
- UNJUST ENRICHMENT
- DECLARATORY JUDGMENT

On June 22, 2017, the Company held its Annual General Meeting of Shareholders at Advokatfirma DLA Piper in Oslo, Norway. All board proposals were approved by the shareholders by 95% or more of the shareholders eligible to vote at the meeting. The matters included:

- Approval of the annual accounts and annual reports for 2016;
- Remuneration to the board of directors for 2016;
- Approval of auditor's remuneration for 2016;
- Statement from the board of directors regarding determination of salary and other benefits for senior management;
- Supplemental board election;
- Re-election of auditor;
- Proposal to amend the company's signature provision;
- Board authorization for capital increases;
- Authorization to the board of directors to buy back the company's own shares;
- Discharge of liability for the board members and the general manager; and
- Prior agreement regarding discharge of liability and indemnification

In June 2017, the Company also dealt with UCC liens being registered in California both against WR Inc. and WR ASA by Gunnar Ryan Wiik and Sissel Wiik. The WR Board examined all options to contest both the registration of the lien and any potential foreclosure. It was important for the Company to not have claims on the Morgan Kane rights, as the Company wholly believed they solely belonged to the Company.

Both Gunnar Ryan Wiik and Sissel Wiik had separately filed a UCC-1 Financing Statement with the Office of the Secretary of State of California in June 2017, recording their alleged security interest in WR ASA and WR Inc.'s "unencumbered assets" and the "rights to



produce the live action motion picture based on the character 'Morgan Kane' respectively. WR's Board delivered to the Wiiks' an authenticated demand for the termination of the Financing Statements that they had filed, or the Company would take further action.

Also in June 2017, the Company successfully renegotiated the terms of its loan from Appelsinhaugen AS that fell due on June 30, 2017.

Script Development on the Morgan Kane movie continued during Q2.

Q3 2017

In July, the Company announced that a Norwegian judge from Oslo County Court had reviewed the facts of WR's claims against Wiik and issued a preliminary injunction barring Wiik from selling or transferring 18.7 million shares until the California litigation was resolved. The Court order was issued on the basis of written evidence submitted by WR ASA and WR Inc. where the Court concluded that the Company had sufficiently substantiated their claim to ownership of the 18,774,525 shares in question. Accordingly, the Court issued the preliminary injunction freezing the shares, and additionally ordered that Wiik must cover the costs related to the matter. Wiik was entitled to request an oral hearing before the Court to challenge the injunction if he wished.

On July 20 2017, Gunnar Ryan Wiik and his mother, Sissel Wiik, filed a cross-complaint against the Company in California, claiming:

- BREACH OF CONTRACT
- BREACH OF THE IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING;
- BREACH OF PROMISSORY NOTE;
- BREACH OF SECURED LOAN AGREEMENT;
- FRAUDULENT CONVEYANCE, CCP §3439;
- DECLARATORY RELIEF;
- NONPAYMENT OF WAGES;
- UNREIMBURSED BUSINESS EXPENSES; AND
- ACCOUNTING

Gunnar Ryan Wiik claimed his time at WR Inc. was worth a minimum NOK 90,000,000 (USD \$11.6M) over 9 years and was requesting that WR Inc. paid these wages.

In August, WR Inc. filed a cross complaint against Sissel Wiik for:

- DECLARATORY RELIEF;
- RESTITUTION BASED ON FRAUD; AND
- BREACH OF FIDUCIARY DUTY

On 24 and 25 August, a two-day oral hearing took place at Oslo City Court to defend the challenge by Wiik of the injunction being lifted. The oral hearing saw the Company bring in 8 witnesses and representatives to testify in open court including WR co-founders Øyvind Holm-Johnsen and Steinar Larsen, several WR ASA shareholders, Company employee



Christoffer Lunde, CFO Duane Eberlein, CEO Tasmin Lucia-Khan and Chairman Frode Foss.

In September 2017, after the conclusion of the oral hearing, the Oslo City Court ruled in favor of the Company and affirmed the preliminary injunction, and also held that Wiik must cover costs and expenses of the hearings.

Generally both Q2 and Q3 2017 saw shareholder emails and communication rise due to the increased media coverage of the lawsuits, and a fair amount of time was spent handling media requests and responding publicly to different claims against the Company.

On 27 September 2017, CEO of WR Inc. Tasmin Lucia-Khan, filed an Anti-SLAPP (SLAPP is a "Strategic Lawsuit Against Public Participation") against Wiik with the Superior Court for the State of California in the County of Los Angeles and requested the Court award her fees and costs incurred in litigating the motion.

Q4 2017

In October 2017, Wiik appealed the Oslo City Court's decision to uphold the injunction of the 18.7M shares to the Borgarting Court of Appeal. Later in the month of October, WR responded to Wiik's appeal.

On 1 December 2017, the Borgarting Court of Appeal rejected Wiik's appeal, and thus ruled to uphold Oslo City Court's decision to keep the preliminary injunction in effect. The Court also ruled that Wiik must cover WR's costs and expenses in connection with the appeal.

On 6th December 2017, a preliminary agreement to settle the Wiik litigation was reached through mediation (resulting in a final signed settlement in February 2018).

The management team, together with the Company's legal counsel, continued its work on defense of the Cardwell lawsuit.

Also in Q4, the Hollywood film industry saw the #MeToo Movement grow into an international movement against sexual harassment and assault. The hashtag #MeToo spread virally in October 2017 on social media to help demonstrate the widespread prevalence of sexual harassment especially in the workplace, after the public revelations of sexual misconduct allegations against Harvey Weinstein. The Company is wholly committed to having zero tolerance of sexual harassment or assault in the work place and both the Company and the CEO of WR Inc. Tasmin Lucia-Khan has actively supported the movement to increase awareness and the ability for victims to speak up and report the harassment. Tasmin Lucia-Khan has also publicly supported 300 other women in the film industry who are championing the *Time's Up* Movement, an initiative that aims to help fight sexual violence and harassment in the workplace through lobbying and providing funding for victims to get legal help if they cannot afford it.

THE SHARE

At the beginning of the year the stock price was NOK 2.00, and at year end the stock price was NOK 0.38. During the year 2017 the number of shareholders increased from 244 to 491. The Company acquired 18.7 million treasury shares after settling the lawsuits with the Wiiks.



Gunnar Ryan Wiik, a significant shareholder, sold all his stock in the Company during the year (except for the 18.7 million shares frozen by the preliminary injunction). During Q2-2018, a large shareholder, Appelsinhaugen, sold its 4.4% shareholding in the Company.

SUBSEQUENT EVENTS

In January 2018, the Company continued its work and efforts to get the preliminary settlement agreement with Wiik signed.

In February 2018, the Company and the CEO of WR Inc., Tasmin Lucia-Khan, entered into a settlement agreement with Gunnar Ryan Wiik, a former officer, director and shareholder, and Sissel Wiik, a shareholder and creditor, resolving the parties' respective lawsuits. As part of the settlement, Gunnar Ryan Wiik returned to the Company all of his 18,774,525 shares of stock in the Company. In addition, the Company paid USD \$200,000 in full settlement of the USD \$238,221 loan due Sissel Wiik. All other liabilities and loan agreements between the parties was terminated and released, including the USD \$241,761 loan due to Gunnar Ryan Wiik. The settlement resulted in a net gain to the Company of USD \$279,872, which is included in the accompanying financial statements.

In April 2018, the Company renewed the Morgan Kane rights for a further four years until 2022, allowing for both the first and second movie to start pre-production in this time frame if possible to do so. This renewal of rights includes, but is not limited to, all film rights, television rights, merchandize and video games rights associated with the character Morgan Kane from the book series, and includes both the El Diablo and Diablito book series as well.

GOING CONCERN ASSUMPTIONS

In spite of the time consuming and additional workload presented by the lawsuits, the Company's management and Board remain strong and committed to producing the first Morgan Kane motion picture and look forward to the future.

The Company's operating expenses include salaries and wages, travel, professional fees, including accounting and legal expenses, and other general and administrative expenses. These costs and expenses are required to operate the Company, plan, strategize and build the Morgan Kane franchise, and to prepare for the production of the first Morgan Kane motion picture.

In 2017 we incurred substantial legal fees in connection to the now settled lawsuit with Wiik. The remaining lawsuit with James Cardwell may require additional funding but we believe his claims to be without merit and we will vigorously defend the Company against the claims.

As of December 31, 2017, the Company had available funds of NOK 2.9 Million. The Company intends to seek additional equity capital and funding for operations and for the Morgan Kane film.

The Board believes that the Company has great opportunities going forward. The Morgan Kane property is a superb brand and popular literary work, and the Company very much



believes that it can be successfully developed for the benefit of all stakeholders. The Company needs to be able to conclude agreements with key talent in order to make it possible for the Company to commence the production of its first movie – agreements which have been affected by the public perception of the Company due to the litigation of 2017. The Company will act on behalf of all shareholders and will seek to maximize Company value in the manner it considers most appropriate – including vigorously defending any baseless claims or fighting to protect the Company's intellectual property rights from anyone who would devalue them.

In April-May 2018, the Company sold 14,670,093 shares of its treasury shares for NOK 4.4 Million, to provide sufficient working capital to cover basic operating and administrative expenses through 2018 and the first quarter of 2019. The Company intends to raise additional capital in 2018 through the issuance of shares or sale of shares to provide capital to begin production of the Company's first motion picture and to reduce its NOK 9.4 Million in obligations.

Also in May 2018, the Company reached an agreement to defer its NOK 2.1 Million debt to June 30, 2019.

The Board is of the opinion that the requirements for continued operations are adequate and that the financial statements are prepared under this assumption.

Pursuant to the requirements of Norwegian accounting legislation, the Board confirms that the requirements for the going concern assumption have been met and that the annual accounts have been prepared on this basis.

RISK FACTORS AND RISK MANAGEMENT

Limited Operating History

The Company has a limited operating history and an investment in its shares involves significant risk. The Company's business has generated limited revenue during its initial years of development and growth, and can be considered subject to risks associated with development-level businesses, including the possibility that its business plan may not be successful.

Financial Requirements

To satisfy its obligations and working capital requirements, the Company will require additional financing, either by raising equity or through the issuance of debt. There is no assurance that the market for the Company's shares will continue to provide access to capital, or that the Company would be able to issue bonds or other debt instruments to provide funds. Without additional financing, the Company may be unable to continue its operations including motion picture production and publishing.

Development of Motion Picture Performance

The economic performance of any of the motion pictures produced by the Company cannot be assured, because the revenue derived from the production of a motion picture (which does not necessarily bear any correlation to the production or distribution costs incurred) depends primarily upon its acceptance by the public, which cannot be accurately predicted. The economic performance of a motion picture also depends upon the public's acceptance of



competing films, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and other tangible and intangible factors, all of which can change and cannot be predicted with certainty. Revenues generated by the Company's films are therefore highly uncertain and speculative, and there can be no assurance that the Company's income will be sufficient to meet its operating expenses and debt obligations.

Potential Litigation

The entertainment business tends to be more subject to litigation than other industries, especially in the production of motion pictures and television. In some cases, lawsuits are filed as a negotiation ploy, or as a delaying tactic. Too many times this type of litigation delays or stops worthwhile projects from becoming a reality. In the case of WR, we are prepared to move forward with the Morgan Kane project after the litigations of 2017.

Commencement of Production of the First Movie

Although the Company remains positive about the commencement of production of its first movie, the Company may not be able to conclude the agreements which makes this possible. The ability for the Company to conclude these agreements is dependent on the public perception of the Company, which has been affected by the ongoing lawsuits of 2017. The negative publicity could affect the ability for the Company to sign up required talent. The strategy to mitigate this risk is being worked on by the Board and Management and is the Company's top priority.

Foreign Exchange Risk

The group operates internationally and is exposed to currency risk in several currencies. WR Inc. is a U.S. company operating and reporting transactions in USD. WR ASA is a Norwegian company operating and reporting transactions in NOK. For trade and transactions made in foreign currencies, a conversion risk arises. There are no guarantees that the operating results and financial position of both companies will not be affected by future changes in exchange rates.

WORKING ENVIRONMENT AND GENDER EQUALITY

The Group aims to be a workplace with equal opportunities in all areas. The Group's work environment is considered to be good. The Group has not implemented actions that affect the working environment.

There were no injuries or accidents in the Group during the year ended December 2017, and there were no sick leave payments made nor any absences due to illness.

The Board of Directors consists of two men and one woman. Of the Group's total of five employees, four are men and one is a woman. It has not been necessary to take any specific actions to promote equality or prevent discrimination between genders.



ENVIRONMENT

The Company only applies work effort and capital to its operations, which has an insignificant effect on the environment. The Company's operations do not cause unusual or abnormal environmental pollution.

SOCIAL RESPONSIBILITY STATEMENT

The Company has not adopted any guidelines, principles, procedures and standards related to social responsibility.

Declaration of the financial statements

We confirm, to the best of our knowledge, that the financial statements for the year ended 31 December 2017 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties facing the Company.

Oslo, May 31, 2018
The Board of WR Entertainment ASA

Frode Foss
Chairman

Tasmin Lucia Khan
Board Director

Rolf Arne Høyen
Board Director

Erik Christoffersen
General Manager



Income Statement

<i>Parent Company</i>			<i>Group</i>	
2017	2016	Note	2017	2016
Operating income and operating expenses				
102 617	20 557	11	102 617	182 450
<u>102 617</u>	<u>20 557</u>		<u>102 617</u>	<u>182 450</u>
402 419	0		402 419	387 709
254 832	342 223	1	5 691 303	8 093 618
0	0	3	52 667	50 275
2 089 028	1 378 483	1, 2	9 864 968	6 258 262
<u>2 746 280</u>	<u>1 720 706</u>		<u>16 011 357</u>	<u>14 789 864</u>
-2 643 663	-1 700 149		-15 908 740	-14 607 414
Financial income and expenses				
8 896	15 185		8 896	15 185
0	13 474		0	13 474
25 606 888	0		0	0
0	5 882		256 171	279 739
0	0		0	630
<u>-25 597 992</u>	<u>22 777</u>		<u>- 247 274</u>	<u>- 251 709</u>
-28 241 655	-1 677 372		-16 156 014	-14 859 123
0	0	7	6 610	6 719
<u>-28 241 655</u>	<u>-1 677 372</u>		<u>-16 162 625</u>	<u>-14 865 842</u>
<u>-28 241 655</u>	<u>-1 677 372</u>		<u>-16 162 625</u>	<u>-14 865 842</u>
Brought forward				
0	- 265 795			
28 241 655	1 943 167			
<u>-28 241 655</u>	<u>-1 677 372</u>			



Statement of Financial Position

<i>Parent Company</i>			<i>Group</i>	
2017	2016	Note	2017	2016
Assets				
Fixed assets				
Tangible fixed assets				
0	0	3	76 473	91 642
<u>0</u>	<u>0</u>		<u>76 473</u>	<u>91 642</u>
Financial fixed assets				
1 000 000	14 123 628	8	0	0
1 000 000	0	8	0	0
<u>2 000 000</u>	<u>14 123 628</u>		<u>0</u>	<u>0</u>
<u>2 000 000</u>	<u>14 123 628</u>		<u>76 473</u>	<u>91 642</u>
Current assets				
0	0	10	6 322 299	6 387 158
Debtors				
0	0	9	11 533	3 538
17 083	30 000	9	475 934	736 322
<u>17 083</u>	<u>30 000</u>		<u>487 466</u>	<u>739 861</u>
1 341 635	15 816 926	4	2 919 626	17 140 578
<u>1 358 718</u>	<u>15 846 926</u>		<u>9 729 392</u>	<u>24 267 596</u>
<u>3 358 718</u>	<u>29 970 554</u>		<u>9 805 864</u>	<u>24 359 239</u>



Statement of Financial Position

Parent Company			Group	
2017	2016	Note	2017	2016
Equity and liabilities				
Paid in capital				
1 806 046	1 806 046	5, 12	1 806 046	1 806 046
0	0	5	0	0
0	26 015 900		0	12 383 915
207 598	1 845 329		0	1 845 329
<u>2 013 643</u>	<u>29 667 275</u>		<u>1 806 046</u>	<u>16 035 290</u>
Retained earnings				
0	0		-1 397 545	0
<u>0</u>	<u>0</u>		<u>-1 397 545</u>	<u>0</u>
<u>2 013 643</u>	<u>29 667 275</u>	6	<u>408 500</u>	<u>16 035 290</u>
Liabilities				
Current liabilities				
1 194 050	303 278		3 307 199	475 801
151 025	0	15	6 090 165	7 848 148
<u>1 345 075</u>	<u>303 278</u>		<u>9 397 364</u>	<u>8 323 949</u>
<u>1 345 075</u>	<u>303 278</u>		<u>9 397 364</u>	<u>8 323 949</u>
<u>3 358 718</u>	<u>29 970 554</u>		<u>9 805 864</u>	<u>24 359 239</u>

Oslo, May 31, 2018
The Board of WR Entertainment ASA

Frode Foss
Chairman

Jasmin Lucia Khan
Board Director

Rolf Arne Høyen
Board Director

Erik Christoffersen
General Manager



Cash Flow Statement

<i>Parent Company</i>			<i>Group</i>	
2017	2016		2017	2016
Statement of cash flows (NRS - Indirect model)				
NRS Indirect method				
Cash flows from operating activities				
-28 241 655	-1 677 372	Profit/loss before tax	-16 162 625	-14 859 123
0	0	- Tax paid for the period	- 6 610	- 6 719
0	0	+ Ordinary depreciation	52 667	50 275
25 606 888	0	+ Impairment of financial assets	0	0
0	0	+/- Change in inventory	64 859	352 628
0	0	+/- Change in accounts receivable	- 7 994	31 550
890 772	- 37 388	+/- Change in accounts payable	2 831 398	- 728 965
0	0	+ Share option compensation cost	588 023	1 845 329
0	0	+/- Effect of exchange rate fluctuations	5 815	129 465
751 965	- 284 710	+/- Change in other accrual items	-1 497 594	137 371
<u>- 992 030</u>	<u>-1 999 470</u>	= Net cash flows from operating activities	<u>-14 132 061</u>	<u>-13 048 190</u>
Cash flows from investment activities				
0	0	- Payments for the purchase of fixed assets	- 15 270	- 17 018
-13 483 260	0	- Loan to subsidiary	0	0
0	-12 298 198	- Payments for the purchase of share in subsidiaries	0	0
<u>-13 483 260</u>	<u>-12 298 198</u>	= Net cash flows from investment activities	<u>- 15 270</u>	<u>- 17 018</u>
Cash flows from financing activities				
0	0	+ Proceeds from the issuance of new current liabilities	0	0
0	30 100 000	+ Proceeds from equity	0	30 100 000
<u>0</u>	<u>30 100 000</u>	= Net cash flows from financing activities	<u>0</u>	<u>30 100 000</u>
0	0	+/- Effect of exchange rate fluctuations on cash and cash equivalents	- 73 621	82 345
-14 475 290	15 802 332	= Net change in cash and cash equivalents	-14 220 952	17 117 137
15 816 926	14 594	+ Cash and cash equivalents at the start of the period	17 140 578	23 441
<u>1 341 636</u>	<u>15 816 926</u>	= Cash and cash equivalents at the end of the period	<u>2 919 626</u>	<u>17 140 578</u>



Notes to Financial Statements of 2017

Accounting Principles

General

The Financial Statements have been prepared in accordance with the Norwegian Accounting Act 1998 and generally accepted accounting principles. The Financial Statements have been prepared under the historical cost convention. Expenses are matched with income recognized in the same period. The financial statements have been prepared under the assumption of a going concern.

Subsidiaries

Subsidiaries are all units where the Group has decisive influence on the unit's financial and operational strategy, normally through ownership of more than half of all equity with voting rights. Subsidiaries are consolidated from the moment control is transferred to the Group, and are excluded from consolidation when such control ceases.

The following companies are a part of the Group as of 31.12.2017

WR Films Entertainment Group Inc. (WR Inc.)	100%
Morgan Kane I, LLC	100%
WR Film Development LLC	100%

The cost method is used as a principle for investments in subsidiaries in the company accounts. The cost price increases when funds are added by capital increase or when a group contribution is paid to a subsidiary. Received dividends are initially recognized as income. Dividends exceeding the share of retained equity after the acquisition are recognized as a reduction of the acquisition cost. Dividends / Group contributions from subsidiaries are recognized in the same year as the subsidiary allocates the amount. Dividends from other companies are recognized as financial income when the dividend is paid.

Intercompany transactions and balances, including intercompany profits and unrealized profits and losses are eliminated. Unrealized gains arising from transactions with associated companies and jointly controlled entities are eliminated with the group's interest in the company/business. Correspondingly, unrealized losses are eliminated out only to the extent that there is no indication of impairment of the asset sold internally.

Consolidation principles

The consolidated financial statements include WR Entertainment ASA and companies in which WR Entertainment ASA has a controlling interest. A controlling interest is normally obtained when the Company owns more than 50% of the shares in the company and can exercise control over the company. Non-controlling interest are included in the Group's equity.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Whenever necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity



Notes to Financial Statements of 2017

transaction. The consideration is recognized at fair value and the difference between the consideration and the carrying amount of the asset is recognized as the equity attributable to the parent.

In cases where changes in the ownership interest of a subsidiary lead to loss of control, the consideration is measured at fair value. Assets and liabilities of the subsidiary and non-controlling interest at their carrying amounts are no longer recognized at the date when the control is lost. Differences between the consideration and the carrying amount of the asset are recognized as a gain or loss in profit or loss.

Business combinations

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognized as goodwill. Any discount received is credited to the income statement in the period of acquisition.

Inter-company transactions and balances

In the group accounts, investment account in subsidiaries by the parent company accounts are replaced with the subsidiaries' assets and liabilities.

Inter-company transactions and inter-company balances, including internal profits and unrealized gains and losses, are eliminated. Correspondingly, unrealized losses are eliminated but only to the extent that there are no indications of impairment in the value of the asset that has been sold internally.

Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries held by other owners than WR Entertainment ASA.

The non-controlling interest in the consolidated financial statements is the non-controlling interest's share of the carrying amount of the subsidiary's equity. In a business combination the non-controlling interests are measured at the non-controlling interest's proportionate share of the acquirer's identifiable net assets.

The subsidiary's profits or losses are attributable to the owners of the parent company and the non-controlling interests. The profit and loss is attributable to the owners of the parent company and to the non-controlling interest, even though this can lead to negative non-controlling interests.

Principles of revenue

The company's revenues are income from sale of Publishing and Film Distribution. Operating revenues from sale of goods are booked when a decisive part of risk and ownership benefits has been transferred to the buyer, which normally is at the time of delivery.

Classification of assets and liabilities

Assets which are a part of the unit's service cycle classified as current assets. The same classification is used on liabilities. Assets and liabilities held for trading purpose and are expected to be realized within 12 months of the balance sheet date are classified as current. All other assets and liabilities are classified as long-term.

Foreign currency

The functional currency and presentation currency for the parent company is NOK. The consolidated



Notes to Financial Statements of 2017

financial statements are presented in NOK.

Monetary items in a foreign currency are translated into NOK using the closing rate at the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date.

Income and expenses in foreign currency are converted at the exchange rate at the transaction date. Exchange rate gains and losses are recognized respectively as other financial income and other financial expenses.

For consolidation purposes, the financial statements of subsidiaries with a functional currency other than NOK are translated into NOK. Assets and liabilities, including investment in associates and joint ventures and goodwill, are translated using the rate of exchange as of the balance sheet date. Income, expenses and cash flows are translated using the average exchange rate for the reported period.

All resulting translation adjustments are recognized directly towards equity. On disposal of such subsidiary, joint venture or associate, the cumulative translation adjustment of the disposed entity is recognized in the income statement as part of the gain or loss on disposal.

Valuation rules

Accounts receivable are valued at nominal value, taking into account estimated losses.

Other current assets are valued at the lowest of cost and fair value.

Fixed assets are capitalized and depreciated if they have a useful life of 3 years and have a cost that exceeds NOK 15 000. Fixed assets are valued at cost less accumulated depreciation. Depreciation is based on an evaluation of the economic and technical life of the asset. The company uses straight-line depreciation for depreciation of fixed assets. Information of depreciation rates are specified in the notes.

Investments in subsidiaries valued at the cost value.

Deferred tax is calculated on the basis of differences between accounting and tax values in accordance with Norwegian accounting standards for tax. The company does not capitalize deferred tax assets.

Tax payable is calculated on the basis of taxable income.



Notes to Financial Statements of 2017

Note 1 Salaries

WR Entertainment ASA

The General Manager invoices the Company for his services. Total compensation in 2017 is NOK 254 832. There has been no compensation paid to the board of directors.

The company is not obliged to have mandatory occupational pensions according to Norwegian legislation.

Salary expenses consist of the following items:

<i>Parent</i>			<i>Group</i>	
2017	2016		2017	2016
0	0	Salary	4 542 856	5 494 287
0	0	Employer's national insurance contribution	293 436	397 930
254 832	342 223	Hired personnel	254 832	342 223
0	0	Pension costs	0	0
0	0	Stock-based compensation	587 922	1 845 329
0	0	Other remuneration	0	0
0	0	Other personnel expenses	12 257	13 849
254 832	342 223	Total	5 691 303	8 093 618
0.2	0.2	Number of man-years	5.5	5.5

Fees to auditor

<i>Parent</i>			<i>Group</i>	
2017	2016		2017	2016
130 409	198 609	Audit fee	349 998	355 413
0	20 305	Other certification services	0	0
0	167 102	Other services	0	76 344
130 409	386 016	Total	349 998	431 757

Figures in NOK and excluding VAT



Notes to Financial Statements of 2017

Note 2 Other Operating Costs

<i>Parent</i>			<i>Group</i>	
2017	2016		2017	2016
1 870 091	1 171 891	Legal and professional fees	11 655 925	1 901 780
0	0	Travel expenses	203 965	586 784
0	0	Expensing discontinued projects	0	2 709 583
218 938	206 592	Other costs	314 070	1 060 115
0	0	Gain from lawsuit settlement	-2 311 009	0
2 089 028	1 378 483	Total other operating expenses	9 862 951	6 258 262

Note 3 Tangible fixed assets

<i>Group</i>		
	Office and computer equipment	Sum
Costs per. 1.1	371 325	371 325
Additions	15 270	15 270
Disposals	0	0
Total depreciation	- 310 122	- 310 122
Account value December 31	76 473	76 473
Depreciation this year	52 667	52 667
Depreciation rates	15 % - 20 %	

Note 4 Cash

The Parent Company has no restricted bank deposits.

The Group has a restricted bank account totaling with NOK 123 184 at December 31, 2017. The bank account is used as security for bank credit cards.



Notes to Financial Statements of 2017

Note 5 Shareholders

The Company's share capital is NOK 1 806 046, divided in 90 302 300 shares each nominal value NOK 0,02

The 20 largest shareholders December 31, 2017

WR Entertainment ASA	Own shares	18 774 525	27.13%
Songa Trading Inc		4 960 000	7.22%
Martinsen	Jonny	4 681 162	5.49%
Høyen Eiendom AS		4 427 000	5.31%
Strategic Investor Group AS		4 300 000	4.90%
Appelsinhaugen AS		3 996 827	4.76%
Netfonds Livsforsikring AS		3 855 318	4.43%
Kristiansen	Geir	3 002 791	4.31%
Eberlein	Duane	2 625 000	3.18%
Løken	Jan Henry	2 500 000	2.91%
Langhelle	Kjetil	2 201 000	2.38%
Strøm	Patrick Fossum	1 524 000	1.69%
Camaca AS		1 500 000	1.66%
Lunde	Christoffer	1 415 000	1.57%
STOP Invest AS		1 276 247	1.41%
Altitude Capital AS		1 250 000	1.30%
Aamodt	Svenn	1 240 826	1.16%
Magdalena Holding AS		1 152 416	1.11%
Agmably AS		1 000 000	1.11%
AKB AS		1 000 000	1.11%
Duo Jag AS		1 000 000	1.11%
JJB AS		1 000 000	1.11%
Lani Invest AS		1 000 000	1.11%
Total		69 682 112	77.17%
Other shareholders		20 620 188	22.83%
Total number of shares		90 302 300	100.00%

General Manager, Erik Christoffersen, indirectly owns 135 000 shares through his wholly owned holding company Touriga Nacional AS.

Chairman of the Board, Frode Foss, indirectly owns 1 575 000 shares due to his 36.6% ownership in Strategic Investor Group AS. He also owns warrants to subscribe for 281 159 shares at NOK 3 and 281 159 shares at NOK 4. These warrants have not been exercised yet and expire April 01, 2019.

In the Extraordinary General Meeting April 01, 2016, an additional 937 682 warrants were issued. 468 841 of the warrants can be subscribed at NOK 3 per share, and 468 841 of the warrants can be subscribed at NOK 4 per share. These warrants have not been exercised yet and expire April 01, 2019.

The Company received 18 774 525 own shares as part of the settlement with Gunnar Ryan Wiik. The cost of the shares was 0 and booked value as of December 31, 2017 was 0.



Notes to Financial Statements of 2017

Note 6 Total Equity

<i>Parent company</i>	Share Capital	Share Premium reserve	Other paid-in equity	Loss brought forward	Total
Equity January 01, 2017	1 806 046	26 015 900	1 845 329	0	29 667 275
Share option compensation cost			588 023		588 023
This years loss		-26 015 900	-2 225 755	0	-28 241 655
Total	1 806 046	0	207 597	0	2 013 643
Group					
Equity January 01, 2017	1 806 046	12 383 915	1 845 329	0	16 035 290
Share option compensation cost			588 023		588 023
This years loss		-12 383 915	-2 433 352	-1 345 358	-16 162 625
Currency translation differences			0	- 52 188	- 52 188
Total	1 806 046	0	0	-1 397 546	408 500

Note 7 Taxes

Tax on ordinary result consists of payable tax and deferred tax.

Parent company

	2017	2016
Tax payable	0	0
Change in deferred tax	0	0
Total Tax	0	0

Temporary differences and deferred tax assets:

	Dec 31, 2017	Dec 31, 2016	Change
Temporary differences	0	0	0
Tax losses carried forward	-5 397 421	-2 762 654	-2 634 767
Total basis	-5 397 421	-2 762 654	-2 634 767
Deferred Tax asset 23% / 24%	1 241 407	663 037	578 371

All temporary differences have been assessed, and have been taken into account when calculating deferred tax. Because of uncertainty about future utilization of losses that can be carried forward, the company believes there is no basis for the recognition of deferred tax assets.



Notes to Financial Statements of 2017

Group	2017	2016
Tax payable	6 610	6 719
Change in deferred tax	0	0
Total Tax	6 610	6 719

Temporary differences and deferred tax assets:

	Dec 31, 2017	Dec 31, 2016	Change
Temporary differences	0	0	0
Tax losses carried forward	-63 571 451	-43 323 654	-20 247 797
Total basis	-63 571 451	-43 323 654	-20 247 797
Deferred Tax asset	13 457 953	14 859 387	-1 401 433

All temporary differences have been assessed, and been taken into account when calculating deferred tax. Because of uncertainty about future utilization of losses that can be carried forward, the company believes there is no basis for the recognition of deferred tax assets.

Note 8 Subsidiaries

Investments in subsidiaries	Located in	Owner ratio	Net income 2017	Equity 2017	Net book value
WR Films Entertainment Group, Inc.	California, USA	100,00%	-13 546 238	-12 897 766	1 000 000

Figures in NOK

WR Films Entertainment Group, Inc. is financed with NOK 14 123 628 in equity and NOK 13 483 260 in loans. These long-term financial assets were written down by the amount of NOK 25 606 888.

Note 9 Receivables

The Parent company has no receivables due more than one year after the year-end.

The Group has no receivable due more than one year after the year-end. Other receivables include NOK 399 353 from employees, including NOK 129 450 due from WR Films Entertainment Group, Inc.'s Chief Financial Officer.



Notes to Financial Statements of 2017

Note 10 Inventories

Main items in inventory

	Group	
	2017	2016
Development costs – film	6 322 299	6 387 158
	6 322 299	6 387 158

The value of development costs are based on continued operations. Without funding and realization of the project, this item may have a lower value.

Note 11 Segments

Segments	2017			2016		
	Publishing	Film	Total	Publishing	Film	Total
Revenue	102 617	0	102 617	182 450	0	182 450

Geographical market	2017			2016		
	Norway	USA	Total	Norway	USA	Total
Revenue	102 617	0	102 617	20 557	182 450	203 007

Note 12 Share warrant program for employees

Tasmin Lucia-Khan (CEO of WR Inc.) has a warrant to subscribe for 3 million shares at price NOK 3 and 3 million shares at NOK 4. These warrants have not been exercised yet and expire April 01, 2019.

Frode Foss (Chairman of the Board) has a warrant to subscribe for 281 159 shares at price NOK 3 and 281 159 shares at NOK 4. These warrants have not been exercised yet and expire April 01, 2019.

Note 13 Financial Risk Management

The Company/Group is exposed to market risk, credit risk and liquidity risk.

Financing Risk

To satisfy its obligations and working capital requirements, the Company will require additional financing, either by raising equity or through the issuance of debt. There is no assurance that the market for the Company's shares will continue to provide access to capital, or that the Company would be able to issue bonds or other debt instruments to provide funds. Without additional financing, the Company may be unable to continue its operations including motion picture production and publishing.



Notes to Financial Statements of 2017

Currency Risk

The group operates internationally and is exposed to currency risk in several currencies. The currency risk is sought reduced by making revenues and costs for film production in USD.

Liquidity Risk

The group is going to fund movies with significant budgets. There is a risk of insufficient funding. To meet this risk, external investors will fund the first Morgan Kane movie planned.

Market Risk

There are significant costs associated with the production of movies. Revenue from the distribution of a movie is primarily dependent on the audience's response. This is difficult to predict and will depend on outside conditions such as competing films, availability of alternative forms of entertainment and recreational activities, general economic conditions, as well as other factors. The company seeks to reduce this risk by doing thorough preparatory work before filming starts.

Note 14 Litigation

Settlement of the Gunnar Ryan Wiik and Sissel Wiik lawsuits

In February 2018, the Company and CEO of WR Inc., Tasmin Lucia-Khan, entered into a settlement agreement with Gunnar Ryan Wiik, a former officer, director and shareholder, and Sissel Wiik, a shareholder and creditor, resolving the parties' respective lawsuits. As a result, the parties will dismiss their respective lawsuits filed in the Superior Court for the State of California for the County of Los Angeles under Case Nos. BC665628 (WR INC. v. Gunnar Ryan Wiik) and BC 654113 (Gunnar Ryan Wiik v. Tasmin Lucia-Khan), and will also dismiss any action in Norway.

As part of the settlement, Gunnar Ryan Wiik has returned to the Company all of his 18,774,525 shares of stock in the Company. In addition, the Company has paid USD \$200,000 in full settlement of the \$238,221 obligation of principal and interest due Sissel Wiik. All other liabilities and loan agreements between the parties have been terminated and released, including but not limited to the USD \$241,761 loan and accrued interest due to Gunnar Ryan Wiik.

As part of the settlement, the parties have agreed to cover their own legal costs related to the disputes.

The James Cardwell Lawsuit

In April 2017, James Cardwell ("Cardwell") filed a lawsuit against the Company. That case is entitled *James Cardwell v. WR Films Entertainment Group, Inc. and WR Entertainment ASA*, and it has been filed in the Superior Court of California, County of Los Angeles, Case No. BC656354. Cardwell is a former Chairman of the Board of Directors who was removed from his position by shareholders at a shareholder meeting in December 2016. His claims arise from contracts allegedly entered into by him and the Company between 2009 and 2016 that he alleges the Company breached. The claim was amended in June 2017. Cardwell demands a salary of USD \$1.03M for three years, also demands to receive 4,392,000 stock options at a strike price of NOK 2 (or alternatively a compensation of USD \$0.72M), and to participate in an undisclosed profit sharing plan.

The Company believes that Cardwell's lawsuit is without merit and is vigorously defending against it. Based on the current stage of the proceedings in this case in which Cardwell is serving as his own legal counsel, the outcome of this legal proceeding, including the anticipated legal defense costs, remains uncertain; we may incur significant legal fees, settlements or damage awards. If this matter is



Notes to Financial Statements of 2017

not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The Company is of the view that Cardwell's demands are unjustified and groundless, so no provision for loss from the lawsuit has been recorded.

Note 15 Related party transactions and subsequent events

As a result of the settlement of lawsuits described in Note 14, Litigation, the USD \$200,000 payment in February 2018 to Sissel Wiik settled all obligations due Gunnar Ryan Wiik and Sissel Wiik. Accordingly, the USD \$200,000 settlement amount was recorded as a current liability as of December 31, 2017. In addition, the settlement resulted in a gain from extinguishment of debt totaling USD \$279,916, also recorded as of December 31, 2017.

In July 2017, the Company renegotiated the terms of its loan from Appelsinhaugen AS to include payment of USD \$250,000 on June 30, 2018. In May 2018, the Company renegotiated a deferment of the payment of USD \$250,000 to June 30, 2019.



THE BOARD OF DIRECTORS' STATEMENT ON MANAGEMENT COMPENSATION POLICY

The Board's statement on management compensation policy is prepared in accordance with Section 6-16a of the Norwegian Public Limited Liabilities Companies Act and includes the Company's share option program.

The principles of executive remuneration in WR Entertainment ASA (WR ASA) and its subsidiaries are to stimulate a strong and lasting performance oriented culture, enabling the Group to deliver on its business plan by attracting and retaining attractive leaders. The Board has determined that the Group's future success is linked directly to its ability to recruit and retain executive personnel and to that end it provides members of the executive management with remuneration which is competitive with other organizations in the entertainment industry. The Board believes that its executive salaries are based on market rates for similar positions in the industry. The Board determines the remuneration of the General Manager and the CEO, and the guidelines for remuneration of the management.

There were made no changes to the guidelines or principles of management remuneration during 2017. The actual remuneration in 2017 was consistent with the guidelines and principles.

Compensation made to the Executive Management going forward will have its basis in the Group's performance oriented culture, and will consist of a fixed yearly salary with additional benefits in kind that are common market practice i.e., free telephone, a laptop, newspapers etc. The Board can also award key position holders in Executive Management with stock options.

In April 2016, the Company adopted a new equity incentive program to provide long-term incentive compensation for its executives in the form of warrants to acquire shares of the Company's stock. The CEO of WR Inc. participated in the Company's stock option plan and has a warrant to subscribe 3 million shares at price NOK 3 and 3 million shares at NOK 4. These warrants have not been exercised yet and expire April 01, 2019.

Executive Management can on an individual level be awarded with a special compensation for profit enhancing projects.

A performance based program for executive management was not established in 2017, but will be considered in 2018.

The Executive Management has not been given any specific rights in case of terminated employment with the exception of the CEO who is entitled to severance salary of between 6-12 months of pay.

Remuneration for Board members is not performance-based, and is determined annually at the general meeting.

While the Company does not currently have a pension plan, the Board will consider organizing a defined contribution plan in the future.

The executive management remuneration policy of the Group proposed adopted for 2018, is consistent with executive management remuneration policy for 2017. The executive management remuneration in 2017 was conducted in accordance with the guidelines approved at the annual general meeting held in 2017.



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To the General Meeting of WR Entertainment ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of WR Entertainment ASA showing a loss of NOK 28 241 655 in the financial statements of the parent company and loss of NOK 16 162 625 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The financial statements give a true and fair view of the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report and the Board of Directors' statement on management compensation policy, but does not include the financial statements and our auditor's report thereon.

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Auditor's Report 2017 for WR Entertainment ASA



Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs 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 these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We 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 or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on



Auditor's Report 2017 for WR Entertainment ASA



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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the Corporate Social Responsibility is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 31 May 2018
RSM Norge AS


Arntfinn Osvik
State Authorised Public Accountant